



CFA Institute  
Research & Policy Center

# Capital Formation in Africa: A Case for Private Markets

An Examination of Capital  
Formation Issues in Sub-  
Saharan Africa and How Private  
Markets Can Play a Part in the  
Funding of Structural Investment  
Needs in the Region



African Advocacy Council



The purpose of this research is to analyse the systemic and policy barriers to capital formation in several markets of sub-Saharan Africa. We seek to offer policy solutions that will strengthen the regional investment environment and discuss these orientations for capital market development with local policymakers, regulators, international organisations, and the investment industry.

**CFA Institute believes capital market development should accompany and serve wider socioeconomic progress.**

*"The insights presented herein not only illuminate the current state of Africa's capital markets but also serve as a call for stakeholders to engage thoughtfully with these evolving dynamics. It is my hope that this work will inspire policy reform and innovative solutions that navigate the complexities of capital formation with investor protection and strategic foresight."*

**Dr. Phumzile Mlambo-Ngcuka**

Former Deputy President, Republic of South Africa

*"The publication provides a much-needed local perspective on capital markets development in Africa. Its conclusions and recommendations provide a basis for advancing the development of the investment solutions that are needed to build the efficient, dynamic, and integrated capital markets that Africa needs to drive its development agenda."*

**Ahmed Rashad Attout**

Director of the Financial Sector Development Department  
African Development Bank Group



Top **six** barriers  
to capital  
formation  
identified from  
our research  
and local experts

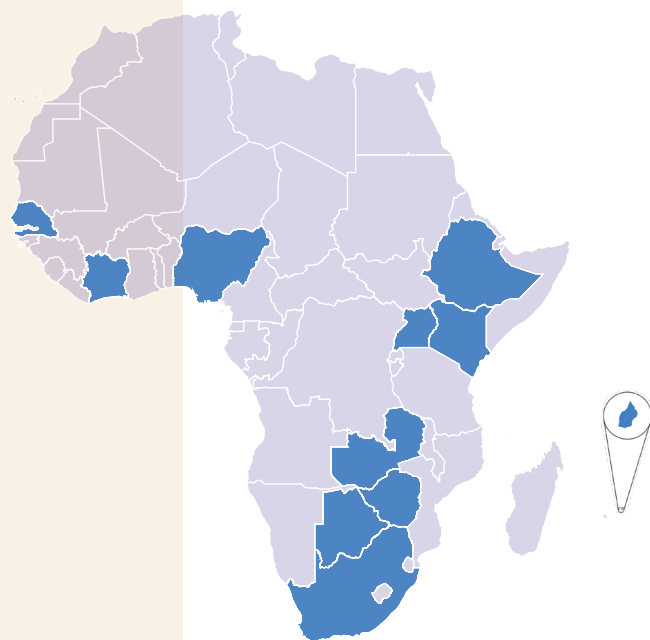
- 1** Limited **structural support** for SMEs, despite being the backbone of the economy
- 2** Constraints in **fundraising/access** to finance
- 3** **Insufficient range** of financial products and funding sources available
- 4** Inconsistency of **regulatory policies** across the region and bureaucracy
- 5** Limited **investor education**
- 6** Underdeveloped **capital market** or financial services infrastructure

## Our policy recommendations for:

**Regulators and policymakers:** Aim for regulatory clarity and predictability; private asset regulation needed, as well as stronger and standardised corporate governance rules.

**Government:** Promote the use of public-private partnerships (PPPs); deploy government-sponsored educational programmes; create government-sponsored endowment funds; and encourage coordination between public authorities and the private sector.

**Investment firms and institutional investors:** Engage in the upskilling of investment advisers; set a necessary and targeted focus on SMEs; take advantage of the natural alignment between financing needs of SMEs with private markets' long-term investment horizons; and engage actively in the promotion of local institutions as anchor and long-term investors in the capital markets.



Initiatives aimed at further integrating African capital markets have been launched, with the objectives of boosting trade and reducing structural frictions in the system:

- **The African Continental Free Trade Area (AfCFTA):** Aims to create a single African market by reducing trade barriers across 55 economies.
- **The African Exchanges Linkage Project (AELP):** Project to link African stock exchanges, promoting cross-border securities trading and investment.
- **Regional Economic Communities (RECs):** Regional blocs, such as the Economic Community of West African States and the East African Community, working to deepen integration through trade and regulatory harmonization.
- **The Pan-African Payment and Settlement System (PAPSS):** A payment system facilitating instant transfers and currency convertibility across African countries.

## A case for private markets

- **Growing capital mobilization:** The significant surge in private equity and venture capital flowing into Africa, reaching USD7.7 billion in 2022 with a remarkable 66% increase, underscores the rising confidence and expanding capital base available. The increasing global appetite for higher yields outside traditional investments presents an opportunity for African private markets to attract significant capital.
- **Meeting Africa's enduring development needs:** This increasing pool of private investment, particularly in equity and debt, is strategically positioned to tackle Africa's structural development needs, particularly in infrastructure, health care, and SME funding, due to their long-term focus and direct investment in critical areas. Private markets can also support new business models based on intangible assets that may require alternative funding approaches.
- **Fostering resilience and effective risk management:** The robust risk management strategies employed by private equity firms contribute to a more reliable and consistent flow of investment into the region, promoting sustained support for Africa's growth trajectory amidst global economic headwinds.

The project is constructed as a series of market chapters for each jurisdiction in the sub-Saharan Africa region interested in participating. Selected authors were tasked with producing the chapter that corresponds to their jurisdiction, for which they have a recognised expertise.

## List of authors and respective market insights

### Botswana

Mogakolodi Mado  
Malik Shehu, CFA

Botswana focuses on boosting capital formation through market reforms. Key strategies include encouraging private investment and developing fintech solutions. These efforts aim to improve market liquidity and broader economic growth.

### Ethiopia

Mered Besrat Fikireyohannes  
Fassil Gebretsadik, CFA  
Nahom Kebede, CFA  
Abenezer Kidane  
Brook Mulugeta

Ethiopia's economic reforms prioritize the expansion of the private sector. The launch of a securities exchange and the implementation of a floating currency are central to this. Support for SMEs and new investment platforms is also considered vital.

### Kenya

Charles Maina, CFA  
Francis Mwangi, CFA  
Sarah Atieno Wanga, CFA  
Brian Opiyo Yalla, CFA

Kenya's capital market exhibits significant growth potential within the region. This potential is supported by the Nairobi Securities Exchange, legal reforms, and increased digital access. However, the market faces structural and regulatory obstacles.

### Mauritius

Dr. Shashi Jeevita Matadeen, CFA  
Kheertee Ramsahok

Mauritius is in the process of developing into a key financial hub for Africa. This development is facilitated by robust regulations and a growing fintech sector. Ongoing priorities include addressing funding challenges and improving market liquidity.

### Nigeria

Dr. Patrick Omoruyi Eke  
Okey Umeano, CFA

Nigeria's capital market, while growing, remains underdeveloped relative to the size of its economy. Critical steps for expansion involve resolving liquidity constraints and strengthening institutions, in times of macroeconomic headwinds.

### South Africa

Puben Govender, CFA  
Neil Horne  
Bekithemba Mafulela, CFA  
Sabelo Mbhele, CFA  
Xolani Sibiyi, CFA

South Africa's capital markets are relatively advanced in the region. Nevertheless, they encounter challenges, such as infrastructure deficits and pronounced economic inequality. Meanwhile, increased private equity and corporate bond activity could offer growth impetus.

## Uganda

Alan Norman Lwetabe, CFA, CIPM  
Daniel Obol Muttu, CFA  
David Wangolo, CFA

Uganda's current regulatory framework limits pension fund investment in private sector assets, which also poses constraints on broader capital market development. Reforms have been undertaken to promote stronger private investment and market liquidity.

## West Africa: Focus on Côte d'Ivoire and Senegal

Mehanvais Karim Kone  
Dramane Meite, CFA  
Patrice N'Guessan, CFA  
Cheikh Yakhoub Niang  
Djeket Clement-Pascal Oga, CFA  
Kitanha Toure, CFA

The WAEMU region, led by Côte d'Ivoire and Senegal, demonstrates strong growth prospects. Key drivers include ongoing reforms and inflows of foreign direct investment. Notably, a strategic focus on fintech is expected to further deepen financial inclusion and modernize capital market infrastructure, though the region's capital markets currently remain underdeveloped.

## Zambia

Patrick Mumbi Chileshe, PhD, CFA

Zambia's capital market is characterized by its underdeveloped nature, attributed to government borrowing. High interest rates and low levels of investor participation further contribute to this. The Capital Markets Master Plan is designed to modernize the regulatory environment.

## Zimbabwe

Misheck M. Dera  
Tendai Nhamo, CFA  
Bonginkosi Ntabeni, CFA

Zimbabwe's capital market requires substantial development to effectively support key sectors of the economy. These sectors include infrastructure, energy, agriculture, and manufacturing. Policy and regulatory reforms are considered essential to attract sustainable investment.



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