

Insight



A mobilisation machine: international corporate bonds in Sub-Saharan Africa

Practical thinking on investing for development

Insight is a series of practical and digestible lessons on the issues of private sector investment and development. They're based on our experiences, knowledge and research and are aimed at investors, businesses, development professionals, and anyone with an interest in private sector development.

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Executive summary

Capital markets have taken off in low- and middle-income countries (LMICs) over the last few decades, led by the larger Asian economies, such as India, Malaysia and Thailand.

That momentum has not been felt across all developing regions.

In sub-Saharan Africa (SSA), access to international bond markets has been limited to a handful of companies in a narrow set of industries: mining, oil and gas, financial services and telecoms.

This note focuses on SSA's international corporate bond market, and its role in the region's development. It argues that development finance institutions (DFIs) should back international corporate bond issuances that can demonstrate African businesses can be good credits and help build an inventory of African corporate bonds large enough to attract the attention of global emerging market bond fund managers.

The main messages are:

Key takeaways

- **Large companies are important for economic development.** In most African economies, the limited capacity of local banks and capital markets can constrain companies from growing beyond a certain size. There is a 'missing top'.
- International capital markets are deep pools of capital that can supply long-term finance at relatively low cost. However, **very few African corporations make it onto international investors' radars.** Outside the extractive industries and telecoms, SSA barely features in emerging market (EM) bond indices.
- **A critical mass of information is needed to engage global investors.** Lack of African representation in bond indices makes it harder to price African corporate debt and is itself a barrier to African bond issuances. There needs to be a learning cycle, as has happened in other EM regions.
- **DFIs have a major role to play in helping African corporations issue international bonds,** including several preliminary steps before their first international issuance.
- **Capital markets development should be seen as a mobilisation machine.** There is roughly \$800 billion of capital tracking EM debt indices. Increasing African representation in these indices would mobilise global capital at scale into the continent.

Recent research by the International Finance Corporation (IFC) shows that since 1990, non-financial firms in LMICs have on a net basis, issued around \$2.5 trillion of equity and \$1.5 trillion of bonds.¹ The pace of capital raising accelerated in the mid-2000s and has not noticeably slowed since. But SSA companies have been largely absent, accounting for a tiny fraction of that total: net issuance of equity by SSA firms was \$100 billion and bonds was just \$10 billion. Almost three quarters of that \$10 billion was attributable to South Africa alone.²

1 Meh and Schmukler (2025). Excluding equity and bonds issued by financial firms. Cumulative Net Issuance is calculated as the sum of equity issuances and bond issuances since the beginning of the period minus bonds that have matured. Sums are in 2020 constant US dollars.

2 Although the IFC's data excludes financial institutions, which we include, data we present from the CEMBI index later suggest the current volume of African corporate bonds exceeds this number.

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Most of this enormous growth in corporate bonds issuance across the developing world, documented by the IFC, has been in local currency, especially in Asia. In contrast, international bonds (hard currency) dominate the African corporate bond landscape. African corporate bonds therefore account for a higher percentage of the international bond market than they do of the overall bond market, in emerging and frontier economies. Bonds issued by SSA companies, excluding South Africa, account for 7.5 per cent of the industry standard Corporate Emerging Markets Bond High Yield Index (CEMBI), compiled by JPMorgan. Of those, around 60 per cent by value are in the mining or oil and gas sectors.

For the sake of development, we want to see more large African firms – which are more productive, pay higher wages and large amounts of tax – accessing financing through capital markets and using it to grow and drive poverty reduction.

Large firms want large volumes of capital at low cost, and their needs can outgrow the capacity of their local financial sectors. The greatest quantity of capital at the lowest cost comes from the deep pool of the international bond market. As economies develop, the relative importance of lending by banks to large firms diminishes, and bonds take over. For corporations that have outgrown the local banking system, the CEMBI is by far the most significant connection to global finance at scale.

The growth of bond markets in LMICs has been a powerful driver of development. Meh & Schmukler (2025) show that firms able to issue bonds have grown investment, employment, and productivity much faster than non-issuers. The inability to issue international bonds is a constraint on the size of companies, which in turn is a constraint on development.

When a company borrows from a bank (or a DFI), its performance remains private. By contrast, when a company issues a bond, it prepares detailed business information for prospective buyers and, after issuance, will issue regular updates and respond to queries from investors. This public information (and pricing signal) is necessary for investors to price risk. If more African businesses issue bonds, it would dramatically increase the quantity and quality of information available to investors about African businesses and markets, making pricing additional bonds easier for investors.

The market for international bonds issued by SSA companies suffers from a ‘chicken-and-egg’ problem. Bond market investors require information to price risk. To get comfortable assessing risks, and be willing to price bonds at a level that will appeal to the issuers, bond investors look at ‘comparables’, the track record of bonds issued by similar companies. The lack of comparables makes it harder for SSA companies to issue bonds and create that track record. Greater SSA corporate bond issuance would build the necessary comparables, increase investor confidence, and help the market learn to price risk more effectively. The market will learn.

High interest rates deter borrowing in general, and the high cost of government debt in many African countries deters corporate bond issuance for that reason. Since corporate debt is usually deemed riskier than government debt, it is usually priced as a spread over the government benchmark. Bonds are attractive because they let firms borrow larger sums over longer periods, but when rates are high companies may prefer to rely on smaller volumes of equally expensive but short-term bank debt, rather than lock in higher rates over longer terms.



The growth of bond markets in LMICs has been a powerful driver of development.

In most parts of the world, companies borrow at higher costs than their governments. In sub-Saharan Africa, however, the few corporates that have issued international bonds tend to trade at lower yields than government debt. This reflects the fact that only the strongest firms, viewed as better credits than their governments and often with revenues resilient to domestic downturns, have been able to access international bond markets. For the benefits of international capital markets to spread beyond these few, and support more of the SSA's real economy, investors need evidence that more African businesses are reliable in credit terms and are worthy of competitive pricing. That requires widening the circle of SSA bond issuers.

Capital market development acts as a 'mobilization machine'. Debates on scaling up private investment often focus on the constraints and preferences of large institutional investors, with blended finance structures designed to meet their needs. Yet few instruments align with those needs as directly as listed, indexed international bonds.

This is where the **market-creating role of DFIs** comes in. DFIs and other impact investors have already supported successful international issuances by African banks and telecommunications infrastructure companies, moving beyond mining, oil and gas. The next step should be to continue helping new issuers in banking and telecoms come to market, and to push into new sectors. In doing so, DFIs can help build the critical mass of precedents needed for the market to take off, giving a significant boost to private sector development and poverty reduction.

There are four main ways DFIs can do this:

1. **Anchor international bond issuances** by financial institutions and real sector firms, to give companies and investors greater confidence that issuances will succeed. For example, we **anchored the \$600 million bond** issued by Axian Telecom alongside the EAAIF, the IFC, DEG and Proparco.
2. Help companies **issue local bonds**, which is often the first step on a journey towards being able to issue international bonds. With the IFC, we **anchored a TZS 400 billion sustainability bond** issued by NMB Bank in Tanzania (the NMB Jamii Bond) backed by over 5,600 local investors. More recently, we **anchored a Sharia-compliant Sukuk bond**, opening up capital pools that were not previously accessible.
3. Help arrange **private placements** of hard currency bonds, with a structure and disclosure requirements that mirror those of international bonds. For companies not yet able to access international bond markets, this can be another preparatory step. For example, alongside the IFC and EBRD, we **subscribed to a \$500 million private placement** by the Arab African International Bank (AAIB).
4. **Support the creation of pooled bonds** that combine issuances by several companies otherwise deemed too small to satisfy the requirements of international bond investors. We have **backed the Symbiotics Green Basket Bond**, which aggregates and finances green lending by financial institutions across Africa and Asia.



DFIs can help build the critical mass of precedents needed for the market to take off.



1

Bond markets and Sub-Saharan Africa

Corporate bond markets are central to global finance, funnelling tens of trillions of dollars from investors to firms. Bonds can be a more attractive form of financing for firms than bank loans. By tapping into a wider investor base, they offer better pricing and longer tenors (Narayanaswamy et al., 2017). The growth of large firms can be constrained by insufficient access to low-cost capital at scale.

A recent IFC paper shows how capital markets (both bonds and equities) in LMICs have taken as developing country firms have been increasingly able to tap into these advantages. The IFC shows that since 1990, non-financial firms in LMICs have issued around \$2.5 trillion of equity and \$1.5 trillion of bonds on a net basis.³ SSA economies have been left behind in the LMIC bond boom (see Figure 1a).

The bulk of the boom in corporate bond issuances, documented by the IFC, has been in domestic local currency bonds, especially in East Asia and Pacific, where local currency bonds account for 85 per cent of corporate bond issuances by value.⁴ In contrast, this note focuses on international (hard currency) bonds, which dominate the African market in volume (see Figure 1b).

This does not imply local currency bonds are unimportant for development. There are many businesses and projects that are best financed in local currency, to avoid foreign exchange risk, and local bonds are also an important channel for allocating African domestic savings towards productive uses.⁵

» *SSA economies have been left behind in the LMIC bond boom.*

³ Meh and Schmukler (2025). Excluding equity and bonds issued by financial firms. Cumulative Net Issuance is calculated as the sum of equity issuances and bond issuances since the beginning of the period minus bonds that have matured. Sums are in 2020 constant US dollars.

⁴ World Bank Capital Markets Portal

⁵ See Narayanaswamy et al. (2017); African Local Currency Bond Fund (2022); Demekas and Nerlich (2020)

The industry standard index for international bonds is JPMorgan's Corporate Emerging Markets Bond Index (CEMBI includes banks, unlike the IFC data, and requires bonds of at least \$300 million for inclusion. Within its Broad Diversified High Yield Index, SSA corporations, excluding South Africa, account for about \$18 billion, or 7.5 per cent of the total.⁶ Roughly 60 per cent of this comes from companies in the metals, mining, oil and gas sectors, with the remainder split between banks and telecoms companies. From the perspective of EM bond fund managers, the SSA real economy is almost invisible. For the continent's development, that must change.

Despite the poor credit ratings and high yields associated with SSA sovereign bonds, corporate bond markets could still offer better financing options of large companies.⁷ In advanced economies, governments are typically the safest credit on the market while companies carry added risks such as market exposure, technology risks and governance challenges that governments are less exposed to. Investors also expect compensation for the extra research required when buying corporate debt. As a result, investors generally demand a yield premium for holding corporate rather than government (sovereign) debt. When sovereign rates are already high, this percentage premium translates into an even larger absolute cost, which further discourages corporate issuance. Many bond investors are accustomed to looking for a percentage premium (or 'pickup') that corporate bonds offer over government. When government bond rates are already high, this percentage premium translates into an even larger absolute cost, which further discourages corporate issuance.

This logic breaks down in countries where fiscal discipline is weaker, public debt management is more precarious, and where government revenues more exposed to volatile commodity prices. As we will show, most of the few international corporate bonds that have been issued by SSA companies trade at tighter spreads than their respective sovereigns. But for the market to grow, investors must learn how to identify other companies reliable enough to keeping paying their debts even when governments are struggling to.

This creates a 'chicken-and-egg' problem for SSA bond markets. It is hard for a company to issue bonds unless investors can see lots of relevant precedents that help them assess risk, but these precedents cannot be created if companies cannot issue bonds. This is a species of market failure, and is where the market-creating role of DFIs could come in.

This note considers the causes of this problem, how to address them, and why bond markets matter to development. It first provides an overview of global capital markets and the financing of larger SSA firms, including a full breakdown of the constituents of the CEMBI. It then covers the importance of large firms for social and economic development. Finally, it considers why we observe this 'great disconnect' between international capital markets and SSA through the lens of the EM Corporate Bond market, and suggests ways DFIs can help to bridge this gap.



Most of the few international corporate bonds that have been issued by SSA companies trade at tighter spreads than their respective sovereigns.

⁶ This is based on the high yield sub-index. There are just two African investment grade bonds issued outside of South Africa: the African ExIm Bank (Egypt) and the African Finance Corporation (Nigeria). There is roughly another \$2bn of African USD corporate bonds, which are too small for inclusion in the CEMBI. Some of these are anomalous (SPVs, sovereign-related). Convertible Bonds (roughly \$1.2bn from Africa) are excluded from the CEMBI because of their equity conversion feature. There is one Euro-denominated African corporate bond (roughly EUR1bn). Authors' analysis of data from Bloomberg.

⁷ The African constituents of the CEMBI HY are currently displaying higher annualised yields and lower annualised defaults than the Emerging Europe, LatAm and Asia regions, which suggests there should be more appetite for African credit. We thank Simon Cooke from the EM specialist investment manager Ashmore Group for raising this point.

An overview of large firm financing in lower-income countries

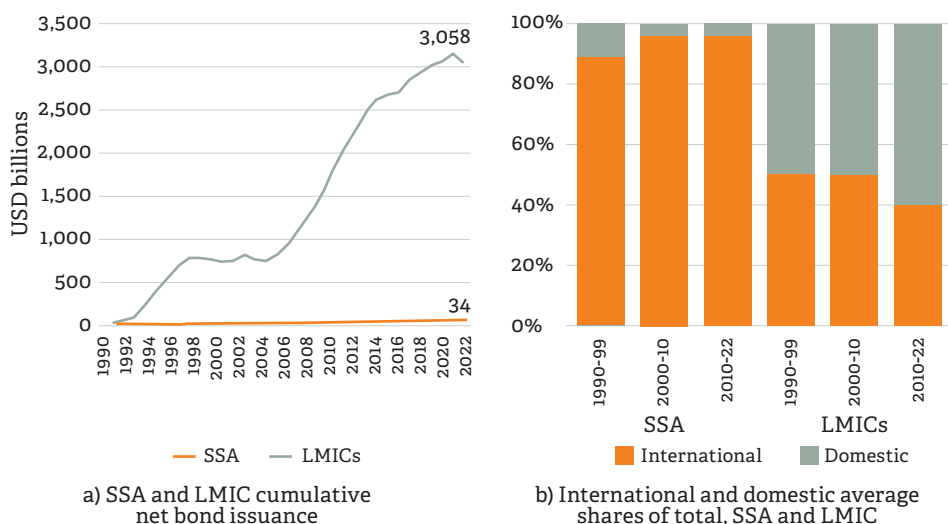


Figure 1: Trends in cumulative net bond issuance in SSA and LMICs (excl. China), 1990-2022⁸

Source: [World Bank Capital Markets Portal](#)

International investors tend to direct their capital towards developed markets (DM), large liquid markets that can easily absorb the vast sums of money they want to find a home for. Although there are specialist EM funds, the overall allocation of international capital to EM is small, and even smaller to ‘frontier’ markets (FM) across all asset classes (see Figure 2). **FM comprises just 1 per cent of what is considered the global investable market**, and over three-quarters of SSA economies are considered too small, risky or illiquid to even be considered FM, and therefore remain unclassified by the main index providers (MSCI, FTSE and S&P). They are beyond the frontier, outside of consideration by most international EM investors.⁹

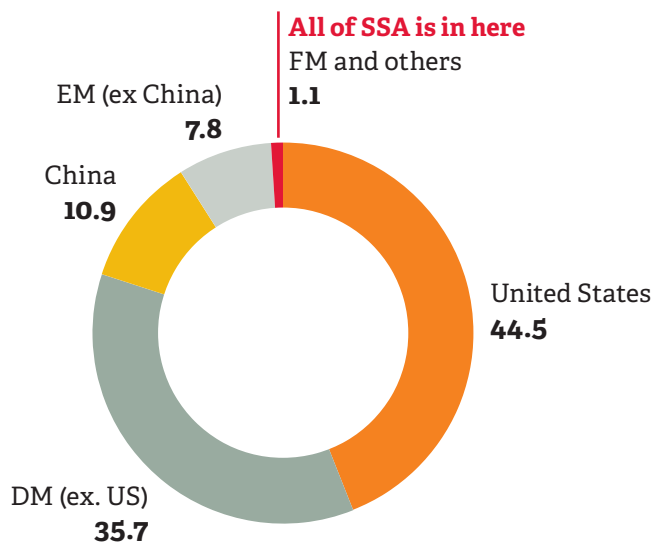


Figure 2: Regional composition of the global market.

Source: [Sizing Up the Global-Market Portfolio | MSCI](#)

⁸ Cumulative net bond issuance is calculated as the sum of bond issuances since 1990 minus bonds that have matured since 1990

⁹ MSCI’s market classification identifies one emerging market (South Africa) and 10 frontier markets in SSA. The remaining markets are not counted in its investor classifications. As a DFI, we seek to invest in places where commercial investors do not typically invest. A DFI definition of a frontier market would therefore be more expansive than commercial investors.

As a result, even the largest SSA firms face challenges in raising capital in the volumes needed. As they reach a certain size, they cannot always get finance on an appropriate scale and price from banks, nor from private credit funds.¹⁰ More large SSA firms say that access to finance is their biggest obstacle to growth than in any other part of the world (see Figure 3). Their ability to expand and take advantage of economies of scale is thus limited. This presents a problem for development.

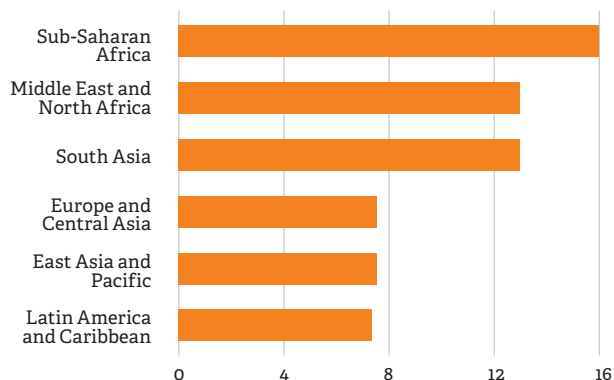


Figure 3: Average share of large firms reporting access to finance as biggest obstacle (%)
Source: WBES

Naturally, banks are a vital means through which capital is channelled to businesses. The financial sector in SSA economies, except for South Africa, is dominated by banks (Allen et al., 2011).

Between 2016 and 2022, bank financing in SSA was 11.8 times greater than bond financing compared with 3.9 in LMICs and just 1.4 in high-income countries (HICs). While bond markets in LMICs have grown steadily to around 14 per cent of gross domestic product (GDP), in SSA they have stagnated at around 2 per cent (see Figures 4a and 4b).

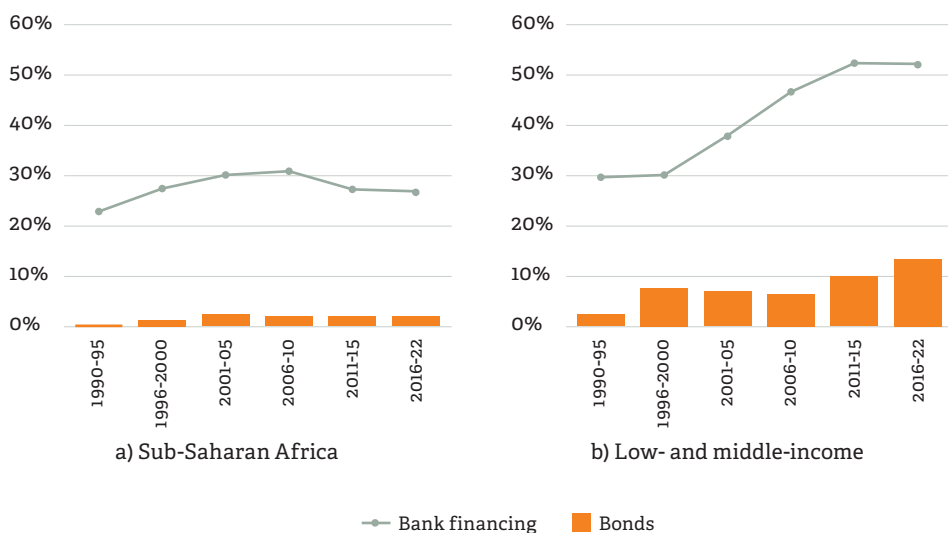


Figure 4: Bond market and bank financing in SSA and LMICs as % GDP
Source: World Bank Capital Markets Portal

¹⁰ Private credit funds are a growing global asset class, yet private credit markets are also underdeveloped in EMs and FMs, particularly SSA. BII has been actively supporting the development of private credit funds in SSA: <https://www.bloomberg.com/news/articles/2025-05-13/european-nations-back-250-million-african-private-credit-fund>

Differences in bond market development are partly driven by demand. Larger firms are more prevalent in richer economies, where they seek stable, competitively priced financing in high volumes, and are financially sound enough to attract investors willing to lend in volume at relatively low rates. Bond markets meet this demand by offering easier access to larger sums, better pricing, and longer maturities, supported by a broad investor base (Narayanaswamy et al., 2017). Of course, this does not negate role of banks. These two sources of finance play a complementary role in a complete financial system, and can drive development by serving the needs of different types of firm.

Banks also need access to capital to expand and strengthen their contribution to development. They are more willing to provide long-term loans when they can match them with long-term liabilities. The 2024 EIB Banking in Africa Survey found that 'lack of funding' was the most frequently cited major constraint on bank lending to large firms (EIB, 2024). Raising capital through bond issuance also helps banks to lend to smaller firms too (World Bank, 2020). Expanding corporate bond markets in sub-Saharan Africa therefore includes enabling local banks, as well as corporates, to issue bonds.

If bond markets have a significant potential to play in supporting development in SSA, they are not yet fulfilling it. Global cumulative net issuance of international bonds, defined as the total issued minus those that have matured, now exceeds \$6 trillion.¹¹ Yet despite accounting for around 2 per cent of global GDP, SSA corporates are underweight at only 0.3 per cent of current outstanding international bonds.¹² This limited representation even extends to the small corner of the investing world that specialises in EM and frontier markets.

Table 1 lists the near-\$18 billion of international bonds issued by SSA corporations in the [CEMBI Broad Diversified Index](#), excluding South Africa, mainly in the extractive industries (oil and gas, metals and mining). Within the [CEMBI CORE](#) Index – which excludes bonds smaller than \$500 million and is most relevant to the biggest EM bond managers – the region's "real economy" presence falls to just 1.6 per cent of the index and consists entirely of telecoms firms. Restricting the pool further to investment grade issuers ([CEMBI IG Index](#)), only two African names remain, both supranational financial institutions: the Africa Finance Corporation and Afreximbank.

¹¹ [World Bank Capital Markets Portal](#)

¹² CBonds and World Bank DataBank

Country	Company	Sector	Total face value (USD)
Angola	Azule Energy	Oil & Gas	1200
Burkina Faso	Endeavour Mining PLC	Metals & Mining	500
Burkina Faso	IAMGOLD Corp	Metals & Mining	450
DRC	Ivanhoe Mines Ltd	Metals & Mining	750
Cameroon	Golar LNG Ltd	Utilities	300
Ghana	Kosmos Energy	Oil & Gas	1250
Ghana	Tullow Oil PLC	Oil & Gas	1400
Gambia	Africell Holding Ltd	Telecoms	300
Madagascar	Axian Telecom	Telecoms	420
Nigeria	Access Bank	Financials	1000
Nigeria	EBN Finance Co BV	Financials	300
Nigeria	FBN Finance	Financials	350
Nigeria	Fidelity	Financials	400
Nigeria	IHS Holding Ltd	Telecoms	1700
Nigeria	SEPLAT Petroleum	Oil & Gas	650
Nigeria	United Bank for Africa PLC	Financials	300
Togo	Ecobank Transnational	Financials	750
Tanzania	Helios Towers Africa	Telecoms	850
Zambia	East South Africa	Financials	650
Zambia	First Quantum Minerals	Metals & Mining	4400
TOTAL			17,920

Table 1: Composition of the CEMBI Broad Diversified Index (as of February 2025)

Figure 5 shows capital market concentration across bond and equity markets. A higher value indicates a higher concentration of issuances in a lower number of firms.¹³ While capital market concentration has fallen in SSA in the last decade or so, it is still relatively high, reinforcing the idea that only a handful of firms in SSA can access capital markets. Telecommunications is the only 'real economy' sector to have issued international bonds. Box 1 describes how the first telecoms operator issued an international bond in 2014, and how other companies were able to follow, with the support of DFIs.

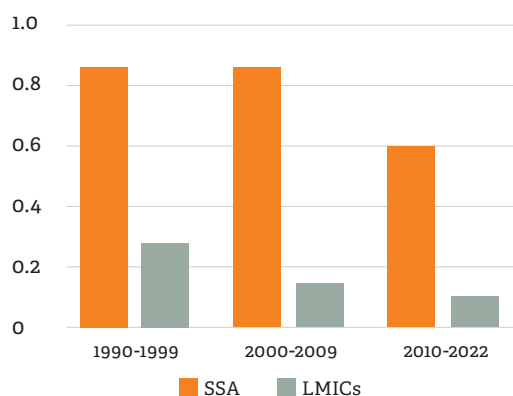


Figure 5: Capital market concentration
Source: World Bank Capital Markets Portal

¹³ Market concentration is constructed using a normalised Herfindahl- Hirschman Index (HHI). If only one firm in a region/income group issued capital, that firm would hold 100 percent market share with a HHI of 1.

Box 1: DFI support for African telecoms issuances

Most of the SSA telecoms companies in the CEMBI Broad Diversified Index received DFI support for their debut and follow-on issuances. Early issuers were typically based in countries with strong macroeconomic conditions, but as investor confidence in the sector grew, more operators were able to access the market. The most recent was Africell, which operates in The Gambia, Sierra Leone, Democratic Republic of Congo (DRC), and Uganda. One of the most consistent supporters of the sector has been the Emerging Africa & Asia Infrastructure Fund (EAAIF), a Private Infrastructure Development Group (PIDG) company which has supported 10 issuances since 2016.

Helios Towers operates towers on over 14,000 sites and serves more than 144 million people across the continent. In 2014, the company made history as the first SSA non-commodity, non-financial services issuer, after issuing a \$250 million bond with no involvement from DFIs. That business was subsequently acquired by IHS. In 2017, the newly-configured Helios Towers Africa issued its inaugural bond of \$600 million, with DFI anchors taking 10 per cent of the issue, the first public benchmark from a corporate out of DRC, Congo Brazzaville and Tanzania. In 2021, Helios raised \$160 million through a \$110 million equity placing and convertible bond issuance. Helios refinanced in 2024, when we co-anchored Helios Towers' \$850 million public bond offering alongside IFC, DEG and EAAIF, with a lower coupon and longer maturity, listed on the London Stock Exchange (LSE).

IHS Towers began owning and leasing towers in Nigeria in 2009 and acquired towers in Cote d'Ivoire and Cameroon in 2013 before expanding into Rwanda, South Africa and Zambia and acquiring Helios Nigeria in 2016. It now manages more than 40,000 towers in ten countries with a focus on SSA. In 2016, it launched a \$800 million bond which was the largest African corporate high yield issuance at the time. Further issuances followed in 2019 and 2021. Most recently, in 2024 IHS issued a \$1.2 billion dual tranche bond issuance, co-anchored by the EEIAF, Proparco, and the IFC.

Sonatel, a Senegalese telecoms business which also operates in Mali, Guinea and Sierre-Leone, issued a CFA 100 billion West African Franc bond in 2020. Alongside the IFC and Proparco, we supported a CFA 57 billion sustainability-linked facility in 2024, and the IFC and EAIF also anchored a CFA 75 billion securitisation. Sonatel has not yet issued an international bond.

Axian offers mobile and fixed network services, digital infrastructure, and mobile financial services in Africa and the Indian Ocean region. It was created in 2004 with the privatisation of Telma in Madagascar, with mobile services launched in 2008. In 2015, it expanded into Reunion and Mayotte, followed by Comoros, Senegal and Togo, then Tanzania. In 2022, we anchored Axian's \$420 million debut bond offering alongside IFC, KFW, and EAAIF to expand its footprint in Tanzania and Togo. This was refinanced by a \$600 million issuance in July 2025, which we backed alongside other DFIs.

Africell is a mobile network operator active in relatively less-developed African countries, including The Gambia, Sierra Leone, DRC, and Uganda. It made its capital market debut with a \$300 million issuance in 2024, backed by the EEIAF. Demand was sufficiently strong that EEIAF was able to scale back its \$40 million anchor commitment to \$28 million. The proceeds of the issuance will support capital expenditure growth across Africell's subsidiaries, strengthening the supply of mobile and data connectivity for approximately 14 million subscribers.



2

Do bond markets matter for development?

Development thinking has been described as suffering from ‘the cult of the small.’ This refers to the belief that small-scale enterprises hold the key to unlocking economic growth and poverty reduction. Micro, small and medium enterprises (MSMEs) are certainly important, both in emerging and developed economies, and improving their access to finance is a priority for BII.¹⁴ Yet it is also true that economic growth and poverty reduction involves the growth of larger firms. As economies develop (and poverty falls), they typically rebalance away from a reliance on small firms and towards a greater role for big business. The absence of this process is a symptom of underdevelopment.¹⁵

Countries have different financing needs at different stages of development. An underdeveloped financial sector makes it harder for countries to advance through these stages.

Modern economies require goods and services that involve large capital expenditures, which can only be undertaken by large corporations. In earlier stages of development, economies are characterised by small firms operating with low capital intensity. This means workers have limited access to productive assets, such as machinery, that increase their output. Banks are likely the main source of formal financing, because small firms predominantly want small loans. As economies develop, capital intensity rises, increasing the need for more growth capital directed towards larger firms (Lin et al., 2020). Buera et al., (2011) find that sectors with large scales of operation, such as heavy industry, which are often central to economic development, have greater financing needs and are disproportionately affected by limitations in financial markets.

The structure of the financial system is therefore a constraint on the size and capital intensity of companies, which in turn is a constraint on development. Due to their reliance on short-term deposits (typically in local currency), banks manage risk by limiting the maturity of their loans. Longer-term financing enables ambitious growth plans that take time to bear fruit. The weighted average of maturity of bonds issues by firms in developing countries is 7.9 years, longer than typical bank loans (Cortina et al., 2018). Capital markets can also offer financing at cheaper rates than bank loans (Meh & Schmukler, 2025). In international markets, bonds offer hard currency financing, typically in dollars, which is vital for firms that need to import capital goods. However, such financing can create challenges for companies with revenues in local currencies.

¹⁴ 14 or more on BII’s approach to SME finance, see our publication ‘How and why we finance SMEs’

¹⁵ One of the symptoms of the absence of large firms is that young Africans are no more likely to have a salaried job than their parents. See Bandiera et al (2002).

» *Modern economies require goods and services that involve large capital expenditures, which can only be undertaken by large corporations.*

Bonds can play a key role in shaping firms' growth prospects. Bonds can have more 'growth-friendly' terms than bank loans, not only offering longer tenors but also more flexible covenants (contractual agreements that require or restrict behaviour by the borrower) and 'bullet' repayments (the principal is only repaid at the end of the term rather than repayments being spread over the life of the loan).¹⁶ Evidence shows that firm growth accelerates as finance is raised in capital markets (Didier et al., 2021). The estimated impact of issuance in low-income countries is cumulative growth of 53 per cent and 7 per cent in physical capital and labour, respectively (Meh & Schmukler, 2025).¹⁷ Opening access to bond markets can help companies to outgrow the financial constraints of their countries, with the effects extending across the wider economy.

There is a 'missing top' in the firm size distribution of less developed economies. Compared with advanced economies, poorer countries have far more small firms and far fewer large ones. High-income countries have, on average, five times as many large firms per capita, as SSA.¹⁸ Fewer than 1 per cent of firms in Africa have more than 300 employees (Cruz et al., 2025). This matters because large firms stand out in their contribution to development in several ways:

- **Productivity growth** is the key to economic development, and in both high-income and low- and middle-income economies, large firms tend to have higher total factor productivity and higher rates of productivity growth (Ayyagari et al., 2014; Haltiwanger et al., 2013; Leung et al., 2008; Poschke, 2018).
- **Quality jobs** are central to inclusive growth, and large firms create better jobs, both in the wages they offer and in other areas such as job security and benefits (e.g., training). These jobs are also more inclusive as the 'wage premium', – the differences in wages relative to smaller firms – tends to be higher for workers with less education (Ciani et al., 2020).
- **Tax revenues** – which can be invested in education, healthcare, and other social services – are disproportionately generated by large firms. In Côte d'Ivoire, the 20 largest firms represent 1 per cent of all businesses, but contribute a fifth of total tax revenue.¹⁹
- **Spillover effects** from large firms reach the wider economy through knowledge transfer, innovation, and stronger demand. Strengthening the connections between large firms and SMEs can boost sales, productivity, export revenues, employment, and cost efficiency for the latter (World Bank, 2018).

Before companies reach the scale to issue bonds, DFIs can support the growth of large firms and infrastructure projects through equity investment and direct lending.¹⁹



Bonds can have more 'growth-friendly' terms than bank loans.

¹⁶ A contract that only requires interest payments but no repayment of principal until the end of the term is more growth friendly because it initially takes less cash out of the business, which is preferable when internal cashflows would be better used to invest in growth opportunities. Of course, the business must be in a position to fully repay principle at the end of the term.

¹⁷ This includes issuance through both bond and equity markets.

¹⁸ The number of large firms per 1,000 people is 0.08 in SSA and in high income countries the average is 0.4.

¹⁹ Authors' calculations based on Ciani et al. (2020) and Cruz et al. (2025)

²⁰ We have invested over \$700 million in digital infrastructure, including our equity investment in **Safaricom Ethiopia**, the first private network operator in the country. Other examples of our investments in large enterprises include **African Gateway**, a joint venture with DP World to modernise and expand ports and inland logistics across Africa, including the **Democratic Republic of the Congo's first deepwater container port**, our partnership with Mahindra and Mahindra to launch a new four-wheeler EV company, which has since **attracted new commercial investors**, a **\$100 million investment in ReNew**, a solar manufacturing business in India, and a **\$25 million investment in Magpet Polymers**, a plastics recycler.



3

Barriers to bond market access: market signals and learning

Whether buying a car, a phone, or a corporate bond, markets rely on information and signals to function effectively. When you buy a new phone, for example, the vendor provides details such as product features, but other signals – like customer reviews or second-hand values – also guide your decision. Together, this information helps buyers answer the key questions: Am I getting a good deal, and what isn't the vendor telling me?

Unlike bank loans, international bonds are public instruments that disclose important information about borrowers. Issuers must publish a prospectus outlining their business, the intended use of the bond's proceeds, plus audited financial information. Bond investors also expect ongoing disclosure through public financial statements, annual reports and presentations throughout the life of the bond. Bonds are typically rated by major rating agencies, providing further signals to international investors. By contrast, corporate loans from banks (and DFIs) require no public disclosure, so knowledge spillovers to other investors are limited.

Bond investors rely on issuer disclosures to build comparables, drawing on the record of similar companies or markets to price new issuers. Bond pricing itself creates a market signal that can attract or deter investors, while credit ratings highlight risks and provide benchmarks. These market signals develop over time, and each successful bond issuance adds extra data to help investors to assess borrowers and price risk more accurately. A critical mass of information is needed for investors to engage with a new market. Because there are fixed costs to understanding a new market, bond investors will only engage if there is sufficient supply. At present, there are too few African corporate bonds to warrant their attention.



Unlike bank loans, international bonds are public instruments that disclose important information about borrowers.

A principal benchmark for corporate bond investors is the sovereign rating and debt record of the issuer’s home country. Establishing a government bond market creates a framework corporate issuers can use later, so government debt issuance precedes the development of a corporate bond market (Meh & Schmukler, 2025). At early stages, government and corporate debt are complementary, as more government debt at a given maturity encourages firms to issue more (Dos Santos, 2024). The cost to corporates of borrowing in international markets is highly correlated with the cost of capital faced by their sovereigns (Durbin & Ng, 2005; Corsetti et al., 2014; Mendoza & Yue, 2012; Bedendo & Colla, 2015). This is because credit risk in both sovereign and corporate bonds is affected by many of the same factors: macroeconomic conditions, capital flows, commodity prices, and global financial conditions.

The idea that a company can only be as safe as the country it operates in gave rise to the concept of the “sovereign floor”, under which corporate debt is priced as a spread above sovereign debt yields, and cannot trade below them. This was the formal policy of rating agencies until the late 1990s (Standard & Poor’s, 1997). In lower-income countries, where corporate bond markets are limited and market signals are scarce, this rule might be expected to be particularly binding. Yet while sovereign yields remain an important pricing benchmark, corporates do not necessarily face higher yields than their sovereigns.

Bevilaqua et al. (2020) find that the close link between sovereign and corporate bond yields weakens when sovereign yields are high. Figure 6 shows that corporate and sovereign pricing tends to rise one-for-one until the real yield (i.e., after inflation) reaches about 2 per cent, after which point corporate yields rise more slowly. In emerging markets, this pattern is more marked.

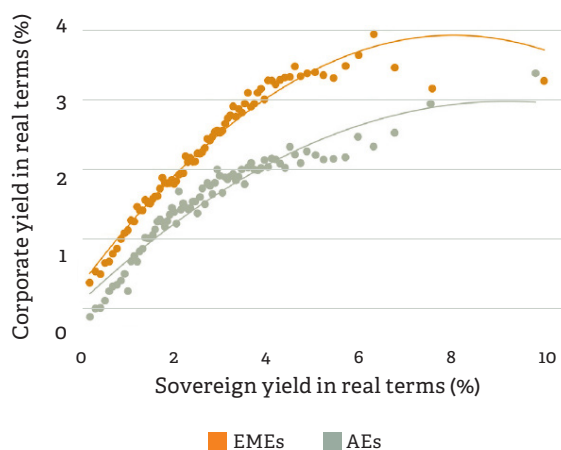


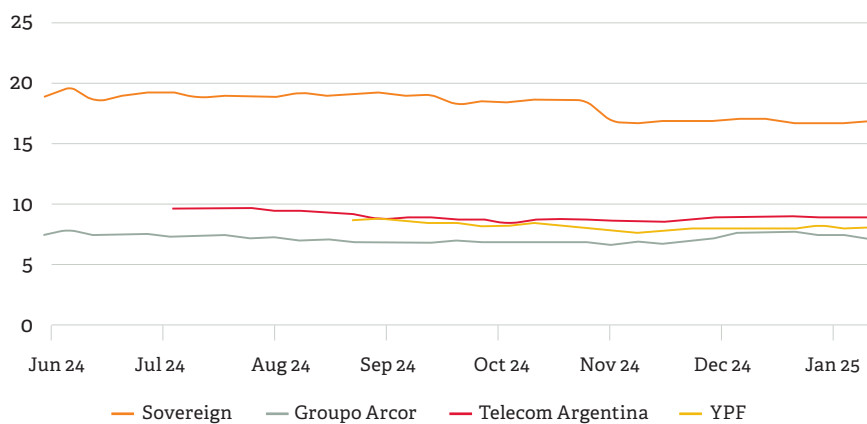
Figure 6: Relationship between sovereign and corporate yields in advanced economies and EMs

When a country’s public finances are in bad shape, with high yields reflecting a heightened risk of default, the market starts to consider some corporations as more reliable borrowers than their respective sovereigns. This is often the case when sovereign distress has led to very high sovereign yields.

» **The close link between sovereign and corporate bond yields weakens when sovereign yields are high.**

Take the examples of Argentina and Ukraine. Argentina has defaulted on its sovereign debt several times in recent decades and undergone repeated restructurings. Ukraine's sovereign rating fell from B in 2020 to RD ('restricted default') in 2024 as a result of the war. Yet, as Figure 7 shows, some corporates in both countries are viewed by international investors as stronger credits than their sovereigns, and have managed to access markets even under severe macroeconomic challenges and sovereign pressure.

a) Argentina



b) Ukraine

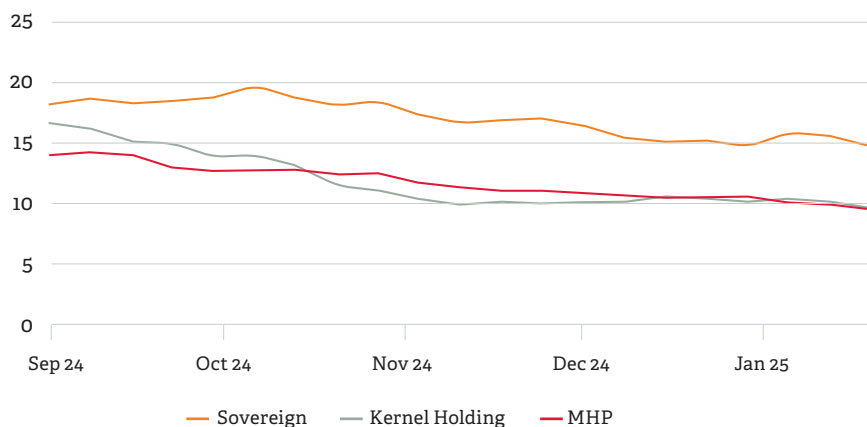


Figure 7: Sovereign and selected corporate yields, Argentina and Ukraine
Source: Bloomberg

The ability to price corporate debt below the sovereign is especially important for lower income African countries. Among the SSA countries covered by the World Bank-IMF Debt Sustainability Framework, over half are in or at high risk of debt distress.²¹ For corporates in these countries, being priced off the sovereign would result in a very high cost of capital, negating much of the advantage of being able to issue bonds.

²¹ See the [IMF-World Bank Debt Sustainability Framework for Low-Income Countries](#)

Figure 8 compares corporate and sovereign bond yields in Africa with those in other EM regions.²² In Asia and Latin America, corporate bond yields are typically above or close to sovereigns, whereas in Africa they are, on average, below. Sovereign yields in Africa are consistently higher than the other EM regions, so Bevilaqua’s findings in Figure 6 may help to explain this – corporate yields appear ‘decoupled’ from sovereigns in SSA, on average. Put differently, only a small group of corporates – typically multinationals with diversified currency revenues and operating in resilient sectors – have been able to issue bonds, reflecting their perceived strength relative to domestic governments.

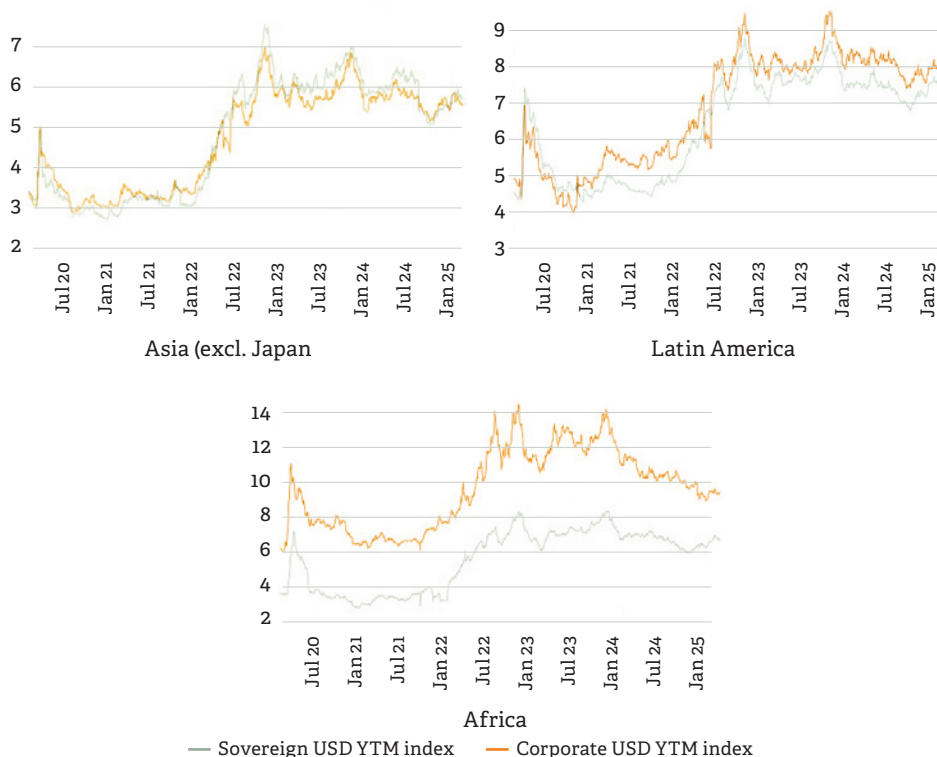


Figure 8: EM Corporate and Sovereign yields on USD bonds across country income groups (%)
Source: CBonds

Figure 9 examines this pattern using a single company. It plots the corporate bond yield for Helios Towers (see Box 2) against sovereign yields in three of its countries of operations where JPMorgan tracks US dollar-denominated sovereign bonds through its Emerging Market Bond Index (EMBI). Since issuance, the yield on the Helios bond has traded inside of sovereign yields in Ghana and Senegal, and broadly in line with South Africa.

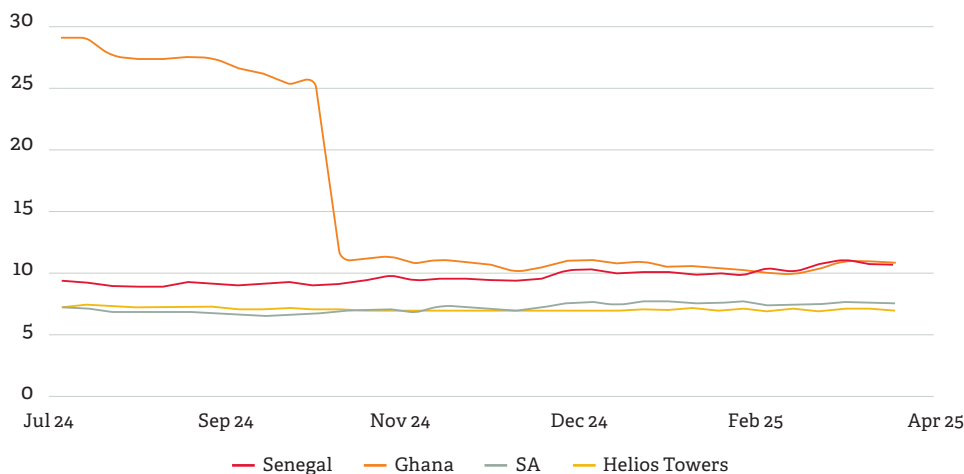


Figure 9: Helios Towers corporate and country of operation sovereign bond yields (%)
Source: Bloomberg

22 Source: CBonds. Methodology note can be found [here](#).

Helios Towers shows that African corporate debt can be regarded as stronger than sovereign debt. The challenge is how few other examples exist. DFIs are still needed to grow the market, for two related reasons:

- 1) **The volume of Africa bonds issuance is far too low to have a meaningful impact on the continent's development.** Capital markets have been instrumental in the growth of Asian and Latin American economies. That hasn't yet happened for sub-Saharan Africa.
- 2) **The real economy is underrepresented.** Beyond telecoms tower operators, the African real economy is non-existent in the international corporate bond market, and only a few of the continent's banks have been able to issue. DFIs must support new issuers across a range of industries.

Box 2: Market structure and the role of indices

Inclusion in an EM corporate bond index, such as the CEMBI, greatly increases a corporate or bank's exposure to international investors. This is because inclusion in an index naturally attracts benchmarked capital. Nearly \$800 billion of EM and FM debt assets track the various JPMorgan indices, including the CEMBI. While funds are not obliged to buy only index constituents, their performance is judged against these benchmarks. As a result, a large proportion of an EM bond fund will be invested in the index, with managers seeking to outperform by being overweight or underweight individual constituents. The lack of SSA corporates in these indices again reflects the 'chicken-and-egg' problem: SSA corporates struggle to attract investors because they are not included in the indices, and they struggle to break into the indices due to lack of investor engagement. The outcome is that EM and FM bond investors have little incentive to pay attention to African corporations, and without comparables to guide risk pricing, the universe of investable African issuers remains narrow.

The emergence of an EM corporate bond market is still quite recent, having first developed in Latin America, then Central and Eastern Europe around 20 years ago, and then later in Asia. The CEMBI index itself is less than 20 years old.²³ SSA is the last region without significant capital market development, and while some progress has been made, it has been slow. The first international corporate bonds were issued in SSA and Middle East and North Africa (MENA) in the mid-1990s. Early market growth in the two regions was similar, yet since the mid-2000s growth in MENA has expanded steadily, whereas in SSA it has largely stalled (see Figure 10).

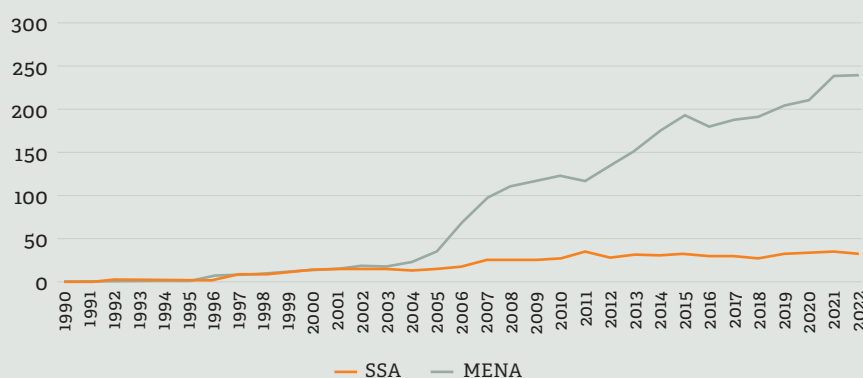


Figure 10: Cumulative net bond issuance (international) in SSA and MENA, 1990-2022

Source: World Bank Capital Markets Portal

²³ JPMorgan JPMorgan Launches The Corporate Emerging Markets Bond Index, CEMBI (7 November 2007)



4

Capital market development as a mobilisation machine

How to attract private investment at scale for emerging and developing economies remains at the heart of the financing for development agenda, even as the ‘billions to trillions’ rhetoric is increasingly seen as unrealistic.²⁴

A mismatch persists between most commercial EM investors and DFIs. Most DFI debt is provided through private loans, while institutional EM investors focuses mainly on publicly traded equities and bonds. Capital market development helps bridge the gap between the two worlds.

The largest pools of capital sit with institutional investors in wealthy countries, such as insurers and pension funds, and the asset managers they invest through. These investors operate under strict regulation that penalises ‘alternative’ assets perceived as risky, and their business models favour securities that can be bought and sold in high volumes at low cost.²⁵ Mobilising this institutional capital runs into two obstacles: a product barrier, as EM investors prefer listed instruments, and an information barrier, as they lack reliable information on the performance of private investments.²⁶

Blended finance is an umbrella term for tools used to attract different sorts of private investors in varying contexts.²⁷ In markets with a high volume of demand for capital, it can help mobilise institutional investment at scale, often through structures that pool and de-risk assets to align with their investment preferences.



Most DFI debt is provided through private loans, while institutional EM investors focuses mainly on publicly traded equities and bonds.

²⁴ Our blogs [Realism about private finance in next year's Financing for Development Conference](#) and [Financing gap? What financing gap?](#) explain why.

²⁵ See the report [Trillions or billions? Reassessing the potential for European institutional investment in emerging markets and developing economies](#) by ODI Global for discussion.

²⁶ The [Global Emerging Markets Risk Database \(GEMs\) Consortium](#) is an important tool in overcoming these barriers. It pools credit risk data and publishes default and recovery statistics on an annual basis to drive investments in emerging markets and developing economies

²⁷ The BII and BCG report [Practical tools for scaling blended finance](#) presents a typology of those different contexts, targeting different types of investor.

Nothing suits the preferences of institutional investors better than international bonds traded on reputable and liquid public markets and included in benchmark indices. Although it receives less attention than blended finance, capital market development is an essential part of DFIs' role in global mobilisation. Blended finance structures can mobilise capital at scale, but as IFC research has shown, it is capital markets where the trillions truly flow.

By helping business issue bonds structured to be index-eligible, DFIs could advance two key mobilisation goals:

- 1) **Accessing large pools of capital:** Inclusion in a major index naturally attracts benchmarked money. Most of the world's largest asset owners in the world (pension funds, insurers, and private individuals in wealthy economies) only gain exposure to Africa via funds that buy publicly traded assets. International bond markets are a 'mobilisation machine' operating on a scale far exceeding commercial co-investment in DFI-originated private transactions. India attracted \$25 billion more in capital after it joined the JP Morgan EMBI in 2024.²⁸
- 2) **Creating additional data:** A deeper African corporate bond market would dramatically increase the volume of information about African businesses and economies, making global investors more willing to commit investment capital through other channels as well.



Nothing suits the preferences of institutional investors better than international bonds traded on reputable and liquid public markets and included in benchmark indices.

²⁸ See World Bank event [Unlocking Growth: Developing Domestic Capital Markets for Private Investment and Jobs](#)



5

What can DFIs do?

DFI exist to support business that cannot secure finance on suitable terms. Their role is to step in where private investors will not, and, to show that such investments can perform well and deserve wider market interest. Underdeveloped bond markets need 'first movers' to break the 'chicken-and-egg' cycle – a role DFIs are well placed to fill. The question is what, specifically, should DFIs be doing.

DFIs have supported capital market development in four ways:

- 1) **Anchor pioneering corporate and bank Eurobond issuances.** Bond issuances are not always successful. Some are halted early due to weak investor appetite, while others collapse only after companies have secured regulatory approvals, prepared documentation, obtained ratings and held investor roadshows. Having DFI support throughout this process, with a commitment to take a significant proportion of the issuance, greatly improves the chances of a successful outcome. For issuances that push the boundaries of investor appetite, such backing can be essential. Issuers recognise the value of DFI anchors, often bringing them in early for detailed due diligence, to reassure other investors, and sometimes pay an anchoring fee. If commercial demand proves strong, DFI can scale back their commitments and take a smaller share of the issuance. Most African telecoms bond issues required DFI anchors (see Box 1).

- 2) **Pooled Bonds:** Many companies and financial institutions are too small to issue bonds in the volumes needed to attract international investors. Pooling the financing of several entities into a single bond can overcome this barrier. A leading example is the IIX Women's Livelihood bond series, first listed on the Singapore stock exchange in 2017 and has in its **seventh issuance**. These bonds pool loans to microfinance institutions and women-owned enterprises. In 2022, we partnered with the investor and fund manager **Symbiotics** to create a 'green basket bond', followed by a **second \$75 million issuance in 2024**. The bond pools loans to MSME lenders earmarked for green projects in energy, buildings, agriculture, and forestry. Although we were initially the sole investor in the bond, the aim is to bring private investors into future issuances. These pooled bonds are not yet eligible for the CEMBI, as they are too small in scale and pay a variable income rather than a fixed coupon. In principle, however, pooled bonds could be structured to pay a fixed coupon, with the inclusion of a subordinate tranche to absorb defaults on underlying loans. Even without meeting the criteria for index inclusion, listing makes them accessible to EM debt portfolios, channelling capital that would not otherwise reach the underlying borrowers. This aggregation model has the potential to connect global pools of capital with smaller borrowers.
- 3) **Private Placements:** For companies interested in bond issuance, but are not yet ready to issue a Eurobond, DFIs can support private placements designed with structures and disclosure requirements mirroring Eurobonds. This would help the company prepare for a future Eurobond which could refinance the private placement. Private placements can be listed, which means they must be vetted by the exchange and obtain the necessary regulatory approvals. Listing ensures documentation and performance are visible to investors, and that pricing information can also be made available. A notable example is the \$500 million sustainability bond issued by the AAIB and backed by BII, the IFC and EBRD. This was intended to open the door to further issuances, setting a benchmark for others to follow. However, that transaction was unusually large, and private placements would more usually fall within the \$100 million to \$300 million range.
- 4) **Local Currency Bonds:** Several African countries are developing their local currency debt markets. These bond issuances can help local pension funds invest in longer-dated maturities of non-sovereign issuances, and give borrowers access longer-term funding. The UK-funded **Financial Services Deepening Africa** (FSD Africa) has a mission to develop domestic financial markets and combines regulatory and policy advisory, having recently supported the launch of the **Ethiopian Securities Exchange**, with an investment arm **FSD Africa Investments**, to anchor pioneering funds and issuances. The **African Local Currency Bond Fund**, backed by several DFIs, is a pan-African investor in local-currency corporate bonds that acts as an anchor investor and provider of technical assistance (TA). In 2023, **BII and the IFC anchored a TZS 400 billion sustainability bond** issued by NMB Bank – known as the NMB Jamii Bond. The bond is dual tranche, with a local currency tranche listed on the Dar es Salaam and Luxembourg exchanges, and a US dollar tranche listed on the LSE.

Local currency bonds are not just a stepping stone to international bonds, they are an effective instrument for channelling domestic savings into investments in the real economy, and as the experience of several Asian economies have shown, they can be the dominant source of corporate finance. At the same time, the experience of listing a local currency bond, building investor relations functions, and establishing a track record lays valuable foundations for future international bond issuance.

Local capacity and coordination among stakeholders in bond markets is often lacking, making technical assistance (TA) a vital tool for DFIs and others to address barriers to market development (OECD, 2024). For NMB Bank's inaugural green bond issuance, we worked with FSDA, which provided TA and training in preparation of the bond and support its pre- and post-issuance verification. DFIs can help corporations manage bond issuance requirements – extensive documentation, legal advice, regulatory approvals and investor relations – ensuring they can successfully navigate the path to market.

DFIs can also issue partial guarantees against default, for a fee, to ease investor concerns about risks on bond issuances that stretch the limits of investor appetite. The World Bank and other development banks have used partial guarantees to support sovereign bond issuances. The IFC can **issue partial guarantees** against private sector bonds, and the **Green Guarantee Company** was created in 2024 to provide guarantees against green bonds listed on the LSE.

Conclusion

As economies develop, capital markets take the place of banks as the main source of financing for large firms. On the African continent, too few corporates can access this channel, and the lack of long-term, large-scale debt at competitive costs is a constraint on firm growth. International indexed bonds are the most effective way to connect global capital to African businesses. Capital market development can be a 'mobilisation machine' because by using instruments that match investor preferences, corporations can get access to the largest pools of global capital.

Bond markets depend on public information. This paper has emphasised the importance of building a 'critical mass' of African corporate bonds included in industry-standard indices such as the CEMBI, so that global investors have sufficient data to price risk with confidence. DFIs can help prepare companies and financial institutions for international bond markets by creating pooled bonds, supporting private placements, and anchoring local and international bond issuances.

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