

Insight



Unlocking investments, shaping ecosystems – lessons from BII's market- building programme

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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Introduction

Global capital does not flow evenly. It tends to concentrate in wealthier markets, leaving too many countries – particularly frontier markets – on the margins of international investment. Yet these are the places where investment is often needed most: to support businesses to grow, create jobs, and expand essential services.

Development finance institutions exist to help correct this imbalance. At British International Investment (BII), our role is to invest where commercial capital struggles to go, by taking on greater risk, deploying patient capital, and helping lay the foundations for investment to follow. But in many frontier markets, capital alone is not enough. The barriers run deeper: a shortage of investment-ready businesses, shallow financial ecosystems, or regulatory frameworks that deter long-term investors.

In response, we have been testing a more deliberate, programme-led approach to market building. Rather than addressing constraints one transaction at a time, we focus on identifying the underlying factors holding markets back and working to remove them. This brings together our investment capital with tools beyond capital – including technical assistance, policy engagement, partnerships and convening – with the aim of influencing behaviour across the market and catalysing wider flows of investment.

Although this approach is still relatively new for us, the early results are encouraging. Programmes in Nepal, Ghana and Zambia, alongside the Africa Resilience Investment Accelerator (ARIA), are beginning to demonstrate what is possible with sustained, coordinated effort. Together, our market-building portfolio has contributed to 32 investments worth \$415 million. Beyond individual transactions, this work has helped businesses become investment-ready, supported investors to adapt their strategies and tools, influenced policy reforms, and strengthened environmental, social and governance practices across financial institutions.

This experience is shaping how we look ahead. Frontier markets – defined in line with the UN's Least Developed Country classifications – are home to over a billion people and 40 per cent of the world's extreme poor, yet receive less than 1 per cent of global foreign direct investment. Over the next five years, we intend to deepen our focus on these markets, building on what we have learned so far. In a small number of countries, this will involve adopting our market-building approach that combines capital and support to unlock specific investments with sustained ecosystem engagement.

This report distils what we have learned so far: what market building looks like in practice, where it can be most effective, and how DFIs can use their capital and influence to help markets work better over time.

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Executive summary

Over recent years, we have piloted a programme-led approach to unlocking capital flows and strengthening investment ecosystems in selected markets. It brings together how we invest our capital with tools *beyond* capital, including technical assistance (TA), partnerships, and government engagement. Our ultimate goal is to influence the behaviour of other actors and catalyse investment across the markets in which we operate.

This report looks at examples of our market-building approach. It sets out our strategy, and describes our delivery model that applies systems-based approaches to private sector development, playing to the comparative strengths of DFIs. By combining in-house expertise with specialist external partners, and by delivering flexible, country-focused programmes aligned with what we and other investors are trying to achieve, we are beginning to see progress in unlocking investment and addressing complex market constraints.

For example, in Nepal, our market-building programme has contributed directly and indirectly to increasing DFI commitments to the financial sector from \$75 million in 2020 to \$873.5 million by 2025. Through ARIA, we have helped add 41 investments to DFI investment pipelines with \$183 million already committed in African frontier markets. In Ghana, we have supported \$9 million of investment into six small- and medium-sized enterprises (SMEs) to date.

As of March 2026, through our technical assistance facility, BII Plus, we have provided \$6.3 million (£4.8 million) towards market-building programmes, with many co-funded with other partners. Our market-building approach has three complementary components:

- 1. Building demand for capital by helping businesses prepare for investment.** We support high-potential, impactful businesses to become investment-ready. This includes using TA to help strengthen governance, financial management and operational practices, as well as improving visibility to investors.
- 2. Increasing our supply of capital and working with DFIs and other investors to tailor products and enter unfamiliar markets.** We want to invest more in the geographies where our market-building efforts are focused, but we also want to help other investors get comfortable with unfamiliar markets and tailor their investment products and strategies accordingly. This includes blended finance approaches and local currency solutions that reduce risk and crowd-in capital.
- 3. Deepening the investment ecosystem to drive business growth and investment.** Supporting local intermediaries, such as banks and fund managers, is essential. But we also work with partners to strengthen the broader ecosystem. This includes incubating industry associations, helping to strengthen policies and regulations, and by helping to provide business support services needed to make investment easier.

Looking ahead, we will draw on our formative experiences with this programmatic approach towards market building to refine and expand our activities in priority countries, particularly those in frontier markets. Market building will be a central part of our 2026-2030 strategy.

This report covers only one aspect of what it means to harness the power of markets to drive development. DFIs can use their capital and influence to help improve how markets function in different contexts and in many ways, as outlined in our report: *Driving market-level changes in impact investing*, written with the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and IDB Invest.² In the coming years, we intend to increasingly focus on activities that identify and overcome the barriers holding markets back, using all of the tools at our disposal.

1 We define frontier markets as those meeting the United Nation's definition of Least Developed Countries, available here: [List of LDCs | Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States](#).

2 Driving market-level changes in impact investing (2025), available here: <https://www.bii.co.uk/en/news-insight/insight/articles/driving-market-level-changes-in-impact-investing/>

32

Our market-building programmes have unlocked 32 investments.

\$415m

Investments unlocked by the market-building programmes are worth \$415 million combined.

Overview of our market-building programmes

Nepal

Invest for Impact Nepal

Launched: 2021

Partners: BII, FMO and SDC

Purpose: To address market failures limiting foreign investment in Nepal's financial sector and private equity (PE) and venture capital (VC) funds, expand the pool of investment ready institutions, advocate for regulatory reforms, promote sustainable lending and business practices, and strengthen industry capabilities.

Results:

- 11 banks and funds with improved business practices
- 5 government policy reforms influenced
- Indirectly supported DFI investment in FIs to increase from \$100m to \$873.5m

Myanmar

In 2020 we launched our first market-building programme in Myanmar. Supported by FMO, it focussed on building the **PE/VC investment ecosystem** and closed following the military coup.

Sierra Leone

In 2025 we began a new market-building programme in Sierra Leone, in addition to our work with ARIA (see other red box).

Ghana

Ghana Investment Support Programme

Launched: 2023

Partners: BII, SECO, and Norfund

Purpose: To increase investment flows to underserved SMEs by developing pipeline, providing pre- and post-investment support, and shaping the broader ecosystem through market-level interventions.

Results:

- 6 investments unlocked worth \$9m
- 15 TA projects completed or underway
- 'Big Four' launch SME advisory campaign

Zambia

Zambia Investment Support Programme

Launched: 2025

Partners: BII and Swedfund

Purpose: To expand SME access to financing through our intermediaries and other investors, building on lessons from Ghana to drive pipeline development and ecosystem support.

Results:

- 15 SMEs supported with TA
- 1 deal unlocked worth \$2m with more expected
- 3 workshops/ trainings hosted for SMEs

Africa Resilience Investment Accelerator (ARIA)

Launched: 2022

Countries: Benin, Democratic Republic of Congo (DRC), Ethiopia, Guinea, Liberia, Sierra Leone, Togo

Partners: BII, FMO and Proparco

Purpose: To identify and unlock investment opportunities in a subset of African frontier markets that are underserved due to small market size, regulatory constraints, or fragmented domestic economies.

Results:

- 16 investments unlocked worth \$183m
- 41 companies supported with TA
- Influenced DFI investment strategies in frontier markets



1

What is market building and why does it matter?

Global capital flows are highly uneven. A small group of predominantly high-income countries capture most flows, while low- middle-income countries receive very little. The concentration is stark: the ten largest recipients of foreign direct investment account for around two-thirds of the total global stock, while sub-Saharan Africa accounts for just 1.4 per cent.³

Addressing this imbalance is the central purpose of DFIs, which will invest where commercial capital will not. However, even DFIs depend on a pipeline of investable opportunities, and that pipeline is unevenly distributed too.

As a result, DFI investment has historically been clustered in larger, more established markets. Between 2010 and 2023, nearly one-third of DFI investment in sub-Saharan Africa went to South Africa and Nigeria.⁴ While investment in these large economies is vital, this concentration underscores a persistent challenge: how can we build investable opportunities and mobilise capital in frontier markets that remain chronically underserved?

1.4%

Globally, sub-Saharan Africa receives just 1.4% of foreign direct investment.

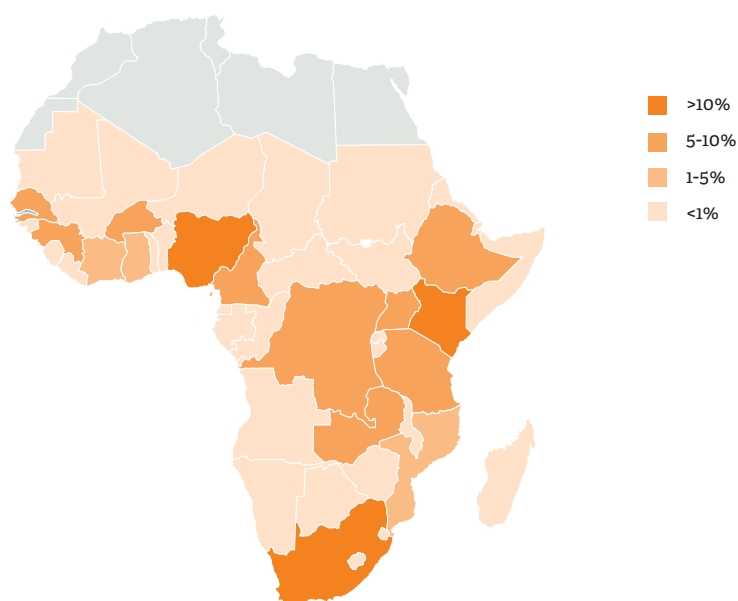


Figure 1. Country shares of total country-specific DFI commitments in SSA, 2010-2023
Source: ARIA (2024)

³ UNCTADstat Data centre, available here: <https://unctadstat.unctad.org/datacentre/>

⁴ ARIA (2024) finds that the 25 countries in SSA receiving the least DFI financing comprised just 3 per cent of total DFI commitments between 2010 and 2023, available here: <https://www.ariainvests.org/resources/foundations-of-growth-1-5tkej>

As a DFI, our conception of frontier markets differs from that of mainstream international investors. The index provider MSCI, for example, identifies one emerging market (South Africa) and 10 frontier markets in sub-Saharan Africa (FTSE and S&P market classifications are similar), while the remainder are unclassified. We see those countries that mainstream investors consider to be 'beyond the frontier' as our frontier. Under our 2026-2030 strategy, we identify countries on the UN's Least Developed Country (LDC) list as frontier markets.

All economies—even developed ones—have market inefficiencies and system failures. There is always a margin where market-building approaches can create more investment opportunities. Frontier markets have the greatest need for market building. We must strike a balance, however, between the degree of need and the likelihood of successfully driving change. DFIs have limited resources, so must be selective. Our current set of live programmes (see page 6 and Annex) reflects a weighting towards frontier markets, with some activities in relatively more advanced economies such as Ghana, where our market-building activities complement our pioneering small- and medium-sized enterprise (SME) lending platform, Growth Investment Partners.

The rest of this paper sets out how we have delivered our market-building approach, the results achieved so far, and lessons learned.

Box 1: Building markets in our 2026-2031 strategy

Market-led thinking sits at the centre of our 2026–2031 strategy. We recognise that lasting impact depends not only on individual investments, but on how well markets function. So we're tailoring our approach to delivering market-level impact to different country and market contexts, recognising that different types of market-level impact are achieved in different settings.

Frontier markets, defined in line with the UN's list of Least Developed Countries, face deep structural barriers to investment and continue to attract only a small share of global capital. In these markets, delivering impact will often require a different approach that goes beyond investment alone.

Looking ahead, we intend to strengthen our focus on frontier markets by combining investment with technical assistance and local partnerships to address barriers to investment and improve conditions for growth. In a smaller number of focus countries, this will involve adopting a more deliberate, programme led approach to market building.

This builds on what we have learned from early pilots, which show that sustained, coordinated engagement can help unlock investment and strengthen markets over time.

1.1 Our theory of change

Investment outcomes are not delivered by individuals. Businesses seeking investment and investors looking for opportunities operate within an ecosystem consisting of formal policies and social norms, and supporting factors such as information, skills and professional services. Figure 2 below presents this interconnected ecosystem, based on a framework developed by systems approaches to the development of the private sector such as Market Systems Development (MSD).

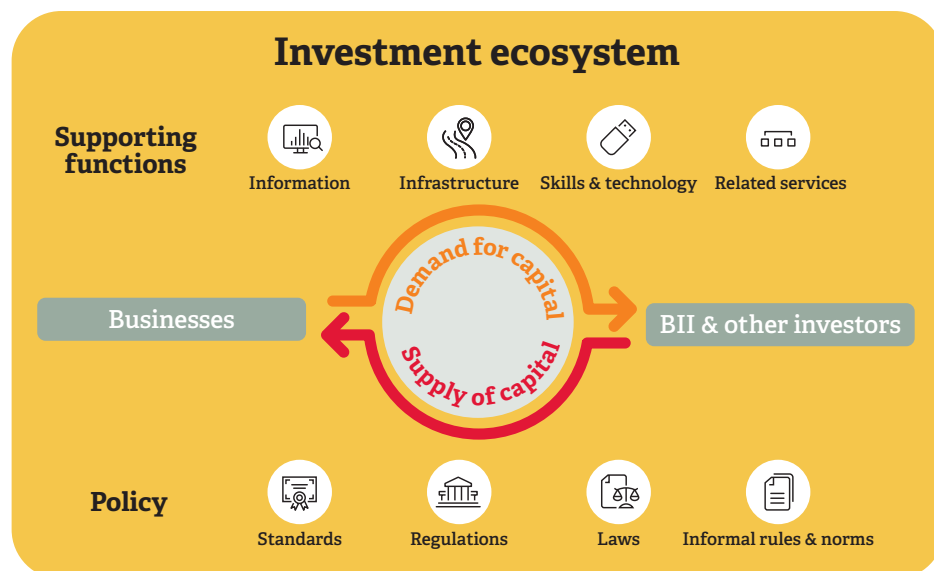


Figure 2. The investment ecosystem relevant to market building

Our approach to market building draws directly on this systems thinking. It aims to unlock specific investments while also strengthening the underlying conditions for sustained capital flows by supporting the broader ecosystem. As the OECD has noted, TA that improves these foundations helps build resilient markets, enabling private finance to mobilise at greater scale, and to persist beyond concessional support.⁵ This represents a deliberate shift away from traditional, transaction-by-transaction approaches to TA, in favour of a more programmatic model of market building.

⁵ OECD DAC (2025), The Role of Catalytic Technical Assistance in Unlocking Private Sector Capital, available here: [https://one.oecd.org/document/DCD/DAC/STAT\(2025\)29/en/pdf?sessionId=1751880903981](https://one.oecd.org/document/DCD/DAC/STAT(2025)29/en/pdf?sessionId=1751880903981)



Our approach is structured around three channels of change:

First, many businesses are not yet ‘investment-ready’, hampering demand for capital. They may not be aware of investor expectations, or lack the governance structures, financial systems, or commercial track records required to meet these expectations, even when underlying business potential is strong.

Second, investor participation is often constrained by unfamiliarity with certain markets, heightened perceptions of risk, or the absence of suitable investment products and approaches. Even where capital exists, it is not always designed for frontier conditions.

Third, the wider investment ecosystem is frequently nascent. Capital flows depend on effective interaction between investors, entrepreneurs, FIs, fund managers, transaction advisers, and governments. When these networks are fragmented or embryonic, investment flow often struggle to take root.

The box below outlines these three channels in more detail.



1) By helping businesses become ready for investment (demand)

Targeted support can turn promising firms into investable opportunities, but many are not yet investor ready. They may lack clear investor materials, business plans, robust financial models and audited accounts, sound corporate governance, and effective E&S risk management. Building these capabilities, and connecting high-potential companies to investors, makes these companies more visible, **unlocking demand for capital.**



2) By working with DFIs and other investors to tailor products and enter unfamiliar markets (supply)

Most international investors are unfamiliar with tougher markets. Their current products, often large-ticket investment in hard currency, rarely match what companies need. Local investors may also have limited experience with blended finance or alternative asset classes, leaving promising firms underserved. The fix is two-sided: co-create products and share market intelligence with peers, while also challenging our own investment teams to adapt what we offer. Better-informed investors, with better-suited instruments, leads to **more capital supplied.**



3) By developing the supportive environment that can drive business growth and investment (ecosystem)

Investor appeal depends on a strong investment ecosystem with clear rules, reliable market data, and the infrastructure that sources, develops and helps close deals. Strengthening the ecosystem means partnering on policy reform, building market intelligence, and connecting high potential founders to business service providers such as law and accounting firms, transaction advisers, accelerators, and more. Because many growth firms need sub DFI ticket sizes, trusted fund managers and other intermediaries that can pool capital and write smaller cheques are essential. By strengthening the ecosystem, we can help **close the gap between investors and investees, between demand and supply, improving how capital matches opportunity.**

Figure 3 presents the high-level theory of change for market building. It shows what we aim to achieve by promoting both the demand for and supply of capital and developing the ecosystem for business growth and investment. The activities we support seek to change the ways in which businesses, investors, and ecosystems operate (outputs). This in turn facilitates business growth and increased investment, and develops ecosystems that are more conducive to both (outcomes).

These changes are critical to unlocking productive, sustainable, and inclusive development – our overarching impact objectives. This theory of change is adapted to the business environment and constraints in each of the markets targeted by our programmes. Each has its own theory of change with progress tracked by relevant indicators at the output, outcome and impact levels.

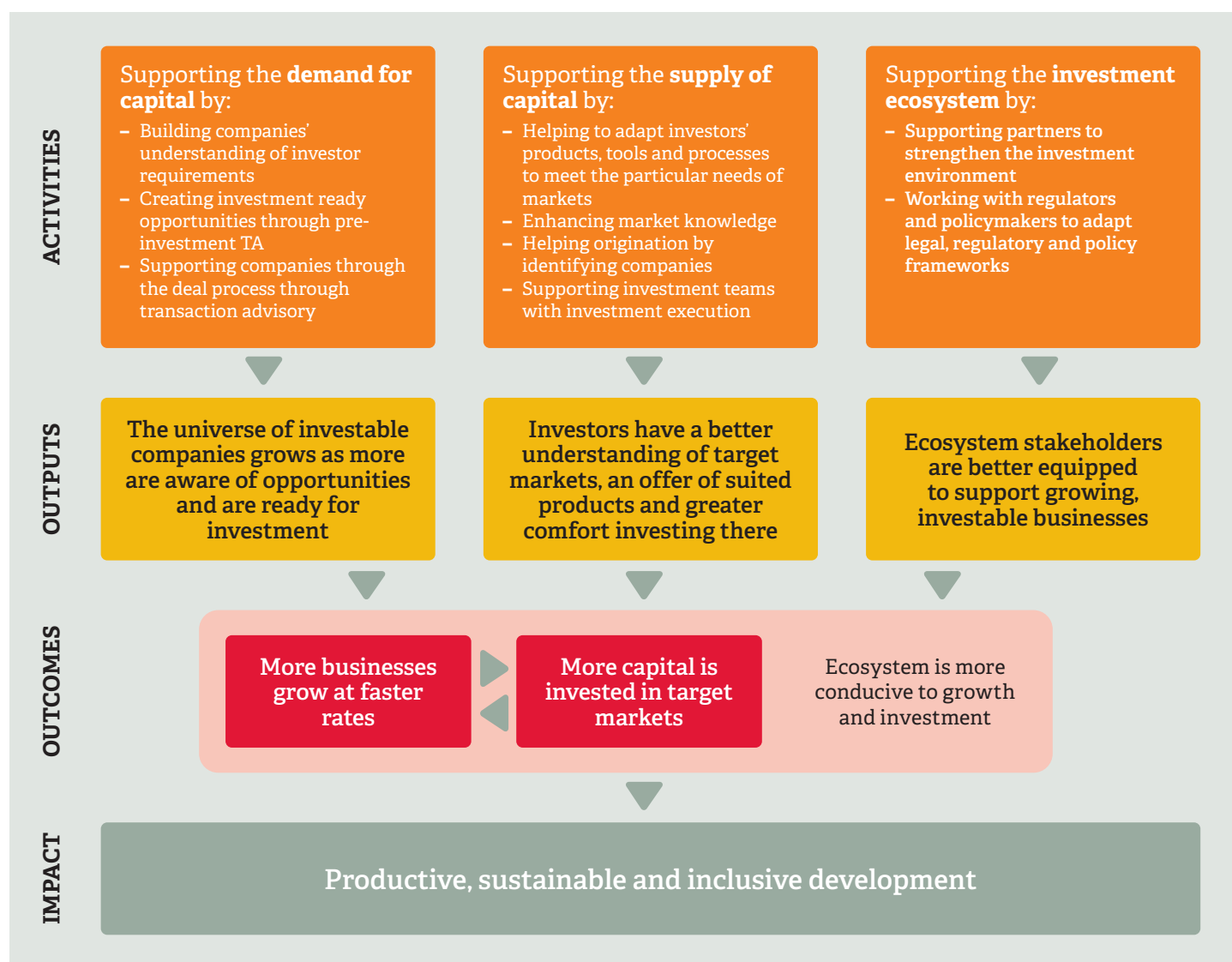


Figure 3. General theory of change for market building programmes

The three focus areas reinforce each other. Stronger ecosystems produce more investor-ready pipelines, enabling investors to engage and close deals; more deals build experience, attract new capital and, in turn, strengthen the ecosystem, accelerating market building.

ARIA research shows many FIs in frontier markets struggle to meet environment and social (E&S) and business integrity (BI) standards, which is often a red line for investors (see our Policy on Responsible Investing).⁶ One route is deal-by-deal TA with bank executives to implement such standards. A more scalable route is to work through industry groups to convene chief executive officers (CEOs), equip local service providers, and back policy reform. This second path strengthens both demand and the broader ecosystem, unlocking multiple transactions now and building sector-wide investment readiness for the future. That is market building.

Market building delivers most when our ‘non-financial offer’ (TA, ecosystem building, government engagement, partnerships) is paired with our ‘financial offer’ (direct forms of deployable capital including blended finance). ARIA identified \$2 billion of investment opportunities for DFIs across five African frontier markets. However, 43 per cent of companies required TA to reach investment-readiness.⁷ Our Africa Resilience Investment Facility (ARIF) is a £50 million pool of highly concessional capital that leverages the pipeline generated by ARIA, showing how market-building TA feeds investable deal flow.

6 BII Policy on Responsible Investing (2022), available here: <https://assets.bii.co.uk/wp-content/uploads/2022/01/25182701/Policy-on-Responsible-Investing-1.pdf>

7 ARIA (2024) Investment opportunities and needs in frontier markets across Africa: Insights from ARIA countries, available here: <https://www.ariainvests.org/resources/foundations-of-growth-2-9dzna>



2

Our approach to market building

Our market building journey began in Myanmar, where we noted that fund managers were all facing the same barriers to attracting and deploying capital. Rather than addressing gaps deal-by-deal, such as fund-manager capability, entrepreneurs' understanding of finance, and a nascent ecosystem, we launched a market-building programme to tackle root causes. Although we closed the programmer following the military coup in 2021, the experience gave us confidence to apply the same approach in other markets.

Since then, we have developed a distinct delivery model. The previous section set out our theory of change and the three dimensions of a market we want to influence: supply, demand and ecosystem. This section describes how we go about it. We take a long-term, adaptive approach that aligns with our investment strategies, draws on our reputation and convening power, and is tailored to each country.

2.1 Integration with investment strategies

Our market building activities are aligned with our investment strategies in each country, creating a feedback loop. Market building helps surface investable opportunities, while investing generates insights that refine our approach. The result is mutually reinforcing, and accelerates investment.



This two-way dynamic is visible across our portfolio. In Ghana and Zambia, our market-building programmes are anchored to GIP Ghana and GIP Zambia, with their focus on SMEs and local currency investment. ARIF is an investment platform built around ARIA, our market-building programme covering a selection of frontier markets. In Nepal, Invest for Impact Nepal (IIN) has helped close \$40 million across two FIs focused on climate and gender. Each market-building initiative works hand-in-hand with our investment strategies and ties directly into our strategic priorities.⁸

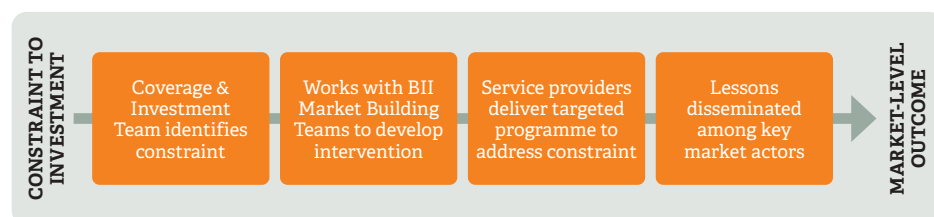
⁸ For more information on GIP Ghana, see <https://www.gipghana.com/>. For more information on ARIF – one of three facilities in our Kinetic portfolio – see <https://www.bii.co.uk/en/about/our-company/investment-portfolios/kinetic/>

2.2 Hybrid BII-local delivery model



We use a hybrid approach, combining in house teams spanning market building and TA, coverage, investment and impact, alongside external specialists. Our in-house teams bring experience of investing in challenging markets and core expertise in areas like E&S, BI and gender financing, while external partners add technical depth and delivery capacity. Together, this helps us to design and execute our market-building initiatives faster, leaner and more flexibly than relying on internal resources alone, while continually refining the balance as we learn.

Our in market Coverage Teams anchor both our investing and market building, work that is inherently local. Beyond mapping today's participants, on the ground teams assess the market's trajectory and identify the key constraints to capital flows. Their proximity helps share lessons through local networks, so results can endure and scale.



In Nepal, our local team identified E&S and BI practices as a major constraint to foreign investment in FIs. With our Responsible Investing Team, we worked with local experts with deep experience in Nepali financial services to deliver a programme that helped spread awareness of E&S and BI investor requirements across the market.

2.3 Focused and tailored yet consistent approach



The markets in which we focus each have their own complexities, distinct features, customs, and challenges. The core philosophy that underpins market building is consistent across countries, but delivery must be focused and tailored to account for such differences across countries.

Regulation is often the binding constraint. In Nepal, the work of our Invest for Impact Nepal programme supports equity bylaws, hedging solutions, and streamlined rules for microfinance institutions (MFIs) and PE/VC, barriers flagged by investors that demand context-specific interventions. But what works in Nepal cannot be copied and pasted elsewhere. In Ghana, for example, underserved SMEs were the principal challenge, but the local banking system and macro conditions demanded a different approach. Drawing on our local teams and partners and the expertise of our shareholder, FCDO, ensures we apply market-building principles to solve problems in the right way.

2.4 Long-term & flexible outlook



Markets don't change overnight and conditions shift, with or without DFI involvement. Therefore, market building must be long-term and adaptable, not locked to activities based on assumptions made at the time of design.

Traditional TA programmes often have fixed budgets, timelines and output targets. Our multi-year market-building programmes start with outcome goals and adapt the activities to meet them, by scaling up or down, or adding new workstreams as opportunities or risks such as regime change emerge.

In Nepal, we moved from cautious advocacy to targeted regulatory engagement once 'quick-win' pathways became clear. In Ghana, we scaled back our work in the financial sector during a period of macroeconomic stress, then re-engaged quickly as conditions improved. The through-line was to stay focused on long-term outcomes and design a flexible delivery model that can adapt to achieve them.

2.5 Leveraging partnerships and BII's reputation and convening power



Many actors drive investment in frontier markets, including governments, multilateral development banks (MDBs), commercial investors and more, with each having distinct strengths. For DFIs, our work in these markets brings us into direct contact with the CEOs of banks and corporations, regulatory bodies, and other investors and development actors. That puts us in a strong position to see a more complete picture and make connections that can result in change. A core part of our offer is our reputation and convening power. We bring the principal actors to the table and help to win buy-in through coordination and leadership.

We do not have all the answers, but our track record helps us build collaborative partnerships that move markets. In Sierra Leone, we helped to assemble one of the biggest delegations of investors ever to visit the country, with more than 50 investment professionals having visited the market in the last couple of years. We also work closely with FCDO to align programming in country. This contributed to \$51 million of new investments closed in Sierra Leone in 2024 and 2025. While this might seem like a modest amount, investment opportunities in frontier markets tend to be smaller and require significant effort to identify and close. We work closely with other DFIs and donors, some of whom such as FMO, Proparco, Swedfund and the Swiss Development Cooperation and Swiss State Secretariat for Economic Affairs, which co-fund our market-building initiatives.



3

What does market building achieve?

The market building work described here is a recent initiative, but current programmes are already starting to show promising results, and at a cost that compares favourably to other forms of donor-funded programmes that support investment. The flows of financing, and the impact those investments deliver, are the ultimate test of success. It often takes years for an investment to move from conception to completion, especially when there are barriers to overcome on the way. We therefore expect results to accumulate after these programmes have been in place for longer.

Box 2: What are realistic expectations for increasing investment flows through market building?

One of the ultimate tests of market building success is higher investment volumes, but expectations must be realistic. By definition, low-income countries have little economic activity per person, and many have small populations. Therefore, in absolute terms, the volume of investment will never reach that of larger economies. To enable a more meaningful comparison, investment can be expressed as a share of gross domestic product (GDP). In relative terms, a \$5 million investment in The Gambia is equivalent to \$800 million in South Africa, both represent 0.2 per cent of GDP.

Only a minority of firms seek growth, and fewer than half of Nigerian firms cite it as their main objective.⁹ Of these, over three-quarters finance investment from internal cashflows.¹⁰ Among those seeking external finance, DFIs focus on firms unable to access private capital that meet our impact objectives, and which can comply with our responsible investing requirements, further narrowing the pool. Market building aims to expand this pool, but given these constraints, in some countries even a few tens of millions of dollars deployed is a success story. In small low-income countries, it is extremely important for economic growth and human development that firms with the ambition and potential to grow can find the finance they need.

⁹ World Bank Enterprise Survey (WBES) Nigeria 2024 dataset, available here: <https://www.enterprisesurveys.org/en/enterprisesurveys>

¹⁰ World Bank Enterprise Survey (WBES) data, available here: <https://www.enterprisesurveys.org/en/data/custom-query?getDataFrom=LS>

The following is an overview of the results delivered through our current set of market-building programmes. For country-level results, see the Annex.

Overall investment outcomes

Our market-building programme portfolio has contributed to 32 investments being unlocked worth \$415 million. Out of the 32 investments approved to date, 13 have been by us and our intermediaries (for example GIP-Ghana) while 19 have been approved by other DFIs, impact investors and local investors.

We are observing the programmes contributing to changes across the three dimensions of market building:

1. Building the demand for capital by helping businesses become ready for investment.

Our market-building programmes use TA, origination support and transaction advisory services to help businesses become ready for investment. For any investor to scale up deployment in a market, they need a pipeline of potential investees. This means a set of companies that are investable – or close to investable – to engage with, develop understanding of the opportunities, and align with their own processes and strategic priorities.

Across our market-building programme portfolio, we have supported more than 80 businesses and FIs with TA to help them become investment ready, or to support the success of the investment. Of these, 16 investments have already been approved, and we expect that number to increase given the time lag between provision of pre-investment TA and investment closing.

2. Increasing our supply of capital and working with DFIs and other investors to tailor products and enter unfamiliar markets.

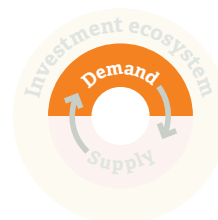
Our market-building programmes also work with investors to help them adapt their strategies, investment products and understanding of the markets, which helps pipeline deals convert into closed deals. We have helped deliver critical support in helping to raise and sustain DFI interest in deals in the target markets through sharing market insights and organising investor visits. These programmes have also helped transactions get over the line by supporting investor due diligence. Investor missions have played a particularly important role in increasing the number of DFIs and impact investors active across our priority countries.

Since 2023, our programmes have led to 29 practice changes from investors. These range from enabling DFIs to enter new markets through targeted market research, to supporting them in adapting their strategies and investment tools to deploy capital more effectively.

3. Deepening the investment ecosystem by developing a supportive environment that drives business growth and investment.

Our market-building programmes are also beginning to deliver wider ecosystem outcomes, helping to drive lasting change in local markets. They have helped build over 28 relationships and partnerships through events, ecosystem initiatives and investor visits, leading to a variety of investment, collaboration and formal partnership outcomes across public, private, local and international actors. We have also supported service providers that facilitate investments, including transaction advisers, accounting firms, law firms and accelerators, to adjust their business models to better serve businesses in target markets with services supporting investment readiness.

Some of our programmes focus on working with national governments to enable policy changes that support the investment ecosystem. Across our portfolio, we have supported five policy changes that help enable investment, mainly from our programme in Nepal, which has that as a focus.



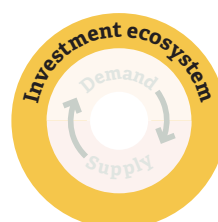
80

businesses and financial institutions supported with technical assistance to become investment-ready.



29

Our programmes supported 29 practice changes among investors.



5

policy changes supported in Nepal.

Practical lessons

A critical objective of our market building work is learning. By reflecting on evidence of what works, what does not, and how things can be improved, we can enhance the effectiveness of market building for ourselves and other market actors. Here are some of the key lessons we have learned, targeted at DFIs, official development assistance donors, and practitioners working in the field of market building.

Lessons for DFIs

- **Incentives for market building.** DFIs can increase the scale of their impact with a focus on not just transactions but broader market building. There is an opportunity for our peers to set market building as an explicit objective for investment professionals and to integrate market-level impact into internal impact frameworks.
- **Pairing market building with deployable capital.** Market-building efforts are most effective when paired with capital that is specifically designed – or at least well aligned – to invest in the opportunities they find. That means, among other things, having the right internal capital allocations and investment committees ready to deploy smaller tickets in risky contexts. Without this connection to internal decisions, promising pipelines may stall, and the momentum generated through TA or ecosystem building can be lost.
- **Operational coordination.** A deliberate process to connect market-building programmes with investment teams is essential. Our Market Building team plays a central role in facilitating this alignment, bridging relationships between programmes and deal teams to ensure market creation work supports and feeds into investable opportunities.
- **Incentives for frontier market deals.** Investing in frontier markets often involves smaller, more complex transactions. Investment teams need incentives that reflect this, so they are encouraged to spend more time on fewer deals. This may include recognising the number and location of deals within targets, instead of prioritising volume. Without this, even well-structured market-building efforts may struggle to translate into actual investment.
- **Ensure frontier markets are included in mandates.** In some cases, investment teams may not be able to operate in specific frontier markets. This has been a limiting factor for some of our peers.

Lessons for donors and TA practitioners

- **Increase collaboration and coordinate resources between donors and DFIs:** Market-building programmes align stakeholders, coordinate TA, and unlock co-funding to accelerate investment in frontier markets. In Sierra Leone, FCDO and BII have a strong and effective partnership pioneering a new model of collaboration between a donor and a DFI. Invest Salone, which is funded by FCDO, and ARIA, which is funded by BII, FMO and Proparco, work closely together. ARIA draws on Invest Salone for upstream work and ecosystem building, which Invest Salone uses ARIA's investor lens and networks to strengthen TA and broker deals. The result is a stronger, longer-term pipeline and investments that align with both partners' objectives. We have published insights into how donors and DFIs can collaborate more effectively¹¹ as well as recent examples through ARIA.¹²

11 BII (2022), Bridging the Gap: Unlocking Synergies between Private Sector Development and Development Finance, available here: <https://assets.bii.co.uk/wp-content/uploads/2022/04/21173508/Unlocking-synergies-between-private-sector-development-and-development-finance-institutions.pdf>

12 ARIA (2024), Building Bridges: Case studies on successful collaboration between donors and development finance institutions, available here: <https://static1.squarespace.com/static/61af528eb14c603aa79149d2/t/6756b403d4b4867eeec40ab6/1733735445749/ARIA+-Foundations+of+Growth+4.pdf>

- **Align strategies, sector focus and incentives around common market building opportunities.** Donors and donor-funded programmes can work with DFIs to align shared objectives for market building and selecting sectors for donor-funded programmes, taking into account both commercial and impact criteria. We found that an overlapping sector focus – by chance or design – was a prerequisite for alignment and creating synergies between donors and DFIs.
- **Combine pipeline development and market-building efforts.** Effective market creation blends near-term pipeline work with broader ecosystem building. Short, targeted TA creates early momentum, including building credibility and investor interest, while medium-term interventions widen the long-term pipeline. Together, they surface opportunities and ensure the conditions exist to scale and sustain investment.
- **Involve investment teams in the design of technical assistance:** Many programmes provide TA to businesses to support their growth. We have found TA is most effective at unlocking investment when the businesses are prioritised with investment teams and potential investors help shape the scope of the support. Generic assistance is less effective than tailored support in addressing specific areas of investment readiness based on investor feedback and delivered by TA providers with sector expertise and local market knowledge.

As phase one wraps up, we've included these insights in our operations. We tested widely, scaled what worked, and dropped what didn't. We see clear signs of progress, and we're ready to further invest in scaling up our market-building model.

In the next phase, we will pursue market building with our full toolkit: TA and flexible capital (including Kinetic and Catalyst) and our convening power. Our focus will continue to shift from deal-by-deal fixes to market-level outcomes that move foundational parts of the economy. Because our capital is finite, the greatest leverage comes from partnerships that influence others. We'll concentrate in a select set of partner countries, with heightened focus on frontier markets and the people and places most in need.



4

Conclusion

Frontier markets face a chicken-and-egg problem. Without a track record, they struggle to attract capital, but without capital, the track record never forms. DFIs exist to lean in, but we can still only back business that are investable. Market building helps close that gap by convening the right actors to tackle system constraints and, as momentum builds, mobilise private capital.

The reasons for a narrow investable set vary. In Nepal, for example, E&S and BI standards are a binding constraint for FIs, whereas in Ghana, the financial sector's capacity to serve underserved, capital-starved SMEs is the bottleneck. The common thread in our market-building programmes is complementary, market-level interventions tailored to context.

This approach to market building is relatively new for us, but the early results look promising. The real test is scaling investment flows, from DFIs and, crucially, commercial investors. That will take time and more than TA alone, as it requires blended finance and clusters of investments capable of changing the behaviour of other participants. Market building remains central to our toolkit for correcting persistent imbalances in international finance.



Annex: Market building programme results



Countries: Benin, Democratic Republic of Congo (DRC), Ethiopia, Guinea, Liberia, Sierra Leone,¹³ Togo

Programme name: Africa Resilience Investment Accelerator

Launched: 2021

Funded by: BII, FMO and Proparco

Programme ambition

- Businesses in frontier markets in Africa have struggled to access the financing needed to grow. We work with businesses and investors to address this challenge.
- ARIA supports the long-term growth of frontier markets across the African continent, by working closely with DFIs and local businesses to help mobilise capital where it is needed.
- Our country-based teams connect companies with our partner DFIs to provide investment readiness support and facilitate long-term sustainable investment in the markets where we operate. We work with a broad coalition of companies, investors, governments and donors to help build business enabling environments in frontier markets across Africa.

Example outcomes related to demand for capital:

Enhancing pipelines in target markets

Any investor looking to scale up deployment in unfamiliar markets needs a strong pipeline of potential investees. These are companies that are investable, or close to it, allowing investors to engage early, understand the opportunity, and assess how it fits with their own processes and strategic priorities. Results in this area include:

- ARIA helped an impactful agro-processing business in Ethiopia gain access to a \$5 million working capital and capex facility to support business needs and product line expansion.
- ARIA supported a transport and logistics company in Sierra Leone with market analysis, financial management and transaction advisory services that enabled it to be on track to receive the first \$5 million of investment from an international lender.



Key programme results and outcomes



ARIA has made a significant contribution to DFI activities in its focus markets, particularly in terms of developing pipelines and closing deals. ARIA's strategy focuses on expanding the universe of investable companies, both by identifying opportunities not previously visible to DFIs, and by addressing the binding constraints to DFI investment.

Results to date:

16 deals

supported by ARIA have received investment committee approval across

four

of the seven coverage countries, with a total value of

\$183 million

Since 2024,

62 TA projects

have been completed or are underway, supporting

41 companies

ARIA helped establish ARIF, a

\$50 million

blended finance facility announced in February 2025 that provides capital to African

low-income countries,

investing in critical infrastructure and real economy sectors

Our traction in

Sierra Leone,

led BII to scale up a market-building programme in addition to working with ARIA

¹³ As of 2026 we are scaling up a BII-led market building programme in Sierra Leone, in addition to the activities of ARIA, in close collaboration with FCDO

Example outcomes related to supply of capital:

Familiarising investors with markets and opportunities

To deliver impact, pipeline deals must convert into closed deals. ARIA has helped delivered raise and sustain DFI interest in target markets by sharing market insights and organising investor visits. It has also supported investor due diligence to help transactions reach completion.

- ARIA organises country visits for investors to familiarise themselves with target markets, engage with businesses and explore investment opportunities. First-hand market experience is important for deals to progress. For example, a European DFI approved a \$20 million deal with an agricultural company in Sierra Leone that came directly from ARIA's pipeline and was originated during a visit organised by ARIA.
- ARIA organised a country visit to Ethiopia, involving nine DFIs and two impact investors. The potential investors engaged with 80+ stakeholders through various events, including a roundtable discussion with public officials, the ARIA launch event, a workshop with donors, DFIs, and investors, deal-making sessions, and networking events with key private sector participants. Seven deals have since entered the investment cycle processes of DFIs.
- ARIA supported our due diligence for a \$5 million deal with a power battery rental provider to rural households in the DRC. ARIA supported the team with market insights and on-the-ground engagements. The deal would not have happened without ARIA's ability to quickly mobilise the necessary in-country resources.

Contributed to changes in DFI strategy

For individual transactions to translate into market-level impacts, DFIs may need to adjust their strategies to better serve frontier markets. This often requires the type of support ARIA has demonstrated success in providing.

- ARIA helped inform our 2026-2030 strategy and its emphasis on frontier markets. Market data and insights from the countries of focus help shaped the products and approaches we will be following. It also helped inform the design of a dedicated blended finance facility focused on frontier markets.
- ARIA supported a European DFI in a strategy refresh, including a greater focus on market creation and a revision of processes to enable smaller ticket sizes and higher risk investments. ARIA delivered the key learnings that form the basis of this strategy, and continues to support the DFI in pursuing higher risk opportunities and exploring new markets. ARIA is also supporting ecosystem development activities in Ethiopia, particularly the VC and start-up environment.
- Two DFIs that are not co-funders of ARIA changed their frontier markets approach:
 - o One DFI revised its priority frontier markets based on the countries ARIA is working in, including Ethiopia, Sierra Leone and Liberia, on the basis that ARIA provides better sourcing and information in these specific countries than available previously. ARIA mission trips have also helped the DFI with its investment processes and collaboration.
 - o The other DFI changed its strategy within frontier markets to consider smaller ticket sizes. As a result, more SME deals are entering their pipeline, facilitated by ARIA's on-the-ground support and sharing of due diligence and sourcing costs, which has made smaller deals more feasible.

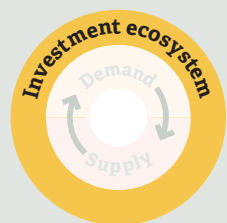


Example outcomes related to the investment ecosystem:

Supported programmes that create a stronger ecosystem:

ARIA also works with donor programmes. In Sierra Leone, for example, BII partnered with FCDO to align strategy and delivering, including the collaboration between ARIA and Invest Salone, an FCDO-funded private sector development programme. This pioneering DFI-donor collaboration culminated in the Sierra Leone Investment Forum in London (October 2025) and an agriculture-focused visit in November 2025, which was delivered alongside the Food and Agriculture Organization (FAO), Invest Salone and ARIA, which engaged more than 40 investors and over 200 wider stakeholders.

The partnership has led to more effective TA provision, ecosystem building and government engagement. It also contributed to two deals closing, with two more DFI transactions underway.





Country: Nepal

Programme name: Invest for Impact Nepal

Launched: 2021

Funded by: BII, FMO and SDC

Programme ambition

- Invest for Impact Nepal (IIN) is a ground-breaking collaboration between DFIs and Development Partners (DPs) to unlock and accelerate transformative foreign investments to speed up growth, create jobs, and assist in the development of an equitable and sustainable economy in Nepal.
- IIN aims to achieve this by enabling FIs, PE and VC funds to access resources and expertise from DFIs and impact investors, supporting investment into Nepali businesses and strengthening the investment ecosystem.
- Through its investment readiness support, IIN supports FIs, PE and VC funds to become investment ready and attract foreign investments. IIN's activities are intended to lead to increased investment, positive environmental and social impact, and increased productivity, incomes, and jobs in Nepal.

Key programme results and outcomes



As of 2020, DFI investment in Nepal's financial sector consisted of two investments in two FIs for

\$75 million.

Since then, as of December 2025, there have been 33 investments by 12 investors in six FIs totalling

\$873.5 million.

IIN has contributed directly to a number of these deals through origination and pre-investment technical assistance as well as in directly through organising DFI visits to Nepal and strengthening the FI ecosystem

DFIs have invested

\$221 million

in Nepali FIs across nine deals attributed to IIN's direct contribution.

15 TA projects

for FIs have been completed or are underway.

Of the total

\$873.5 million

invested, \$473.5 million (65 per cent) was for on-lending to micro-, small and medium-sized enterprises (MSMEs). Based on the average investment sizes, this has improved financial inclusion for

7,000 MSMEs.

The downstream impact of these investments was demonstrated in a study of 88 MSME clients of two banks that received DFI investment. The study found that 95 per cent reported the loans had a positive impact on revenue growth, while 61 per cent were first-time formal borrowers, highlighting the reach to underserved, credit-constrained businesses. More than half of borrowers hired new staff following the loan, with 59 per cent of total employees coming from economically disadvantaged communities and areas.

IIN also influenced

five

government policy reforms, and was linked directly to

11 FIs

and private capital funds improving their business practice.

Example outcomes related to demand for capital:

Improved FI processes and systems

An important barrier to scaling impact investment in Nepal is the ability of FIs to meet investor requirements, particularly relating to ESG standards. IIN formed a partnership with Class A Commercial Banks and the Nepal Bankers' Association (NBA) which has prompted a transformative shift within the banking sector, evident through widespread adoption of E&S practices and the establishment of international-standard Environment & Social Management Systems (ESMS) within these banks.

- One local FI reports that IIN has driven significant operational improvements in including ESG risk management factors in loan processes following an IIN-supported ESG-certified course for staff. The FI has also improved its financial risk management by ending the use of overdraft cards and evergreen loans which were perpetually renewed, without being classed as non-performing assets. This, alongside the increased focus on safe lending to SMEs, is increasing the FI's SME portfolio.
- Another FI has developed an ESG policy document aligned with international standards, and has started collecting data and quantifying projects against ESG criteria. It has also established an ESG committee with representatives from across the organisation, which it reports has had a significant impact on operations. IIN supported this process by advising on selecting a service provider to support the ESMS, providing access to ESG training courses, raising awareness of the benefits of ESMS, and facilitating introductions to DFIs. The FI has also strengthened staff capability to design and deliver tailored products for women-led businesses, following a 'Training of Trainers' programme delivered by IIN.



Example outcomes related to supply of capital:

Enhanced understanding of how FIs, PE and VC funds operate and how to engage with them

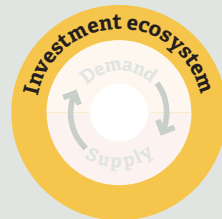
IIN's presence and expertise in Nepal has contributed to ease of DFI deployment through market research, local networks, and familiarity with FIs. Organising investor missions has played a particularly important role in increasing the number of DFIs and impact investors active in Nepal from six in 2020 to 29 in 2026, out of which 15 have invested in FIs and PE/VC funds. In FIs, the number of investors increased from 2 to 14, while across PE and VC funds, the number of investors increased from six to ten.



Example outcomes related to the investment ecosystem:

Building confidence in the investment landscape and reducing the perceived risk of investing

A stronger regulatory and ecosystem backdrop is helping to clarify opportunities and risks in Nepal. Through IIN, we helped the Nepal Private Equity Association (NPEA) to run policy dialogues with ministries on foreign direct investment rules, tax and repatriation, culminating in memoranda of understanding between NPEA and the Securities Board of Nepal, and between six DFIs and the Government of Nepal to drive ecosystem change. In February 2024, IIN's engagement with Nepal Rastra Bank secured formal recognition of DFIs in the Foreign Investment and Loan Management Bylaws and addressed key debt-investment issues via amendments.





Country: Ghana

Programme name: Ghana Investment Support Programme

Launched: 2023

Funded by: BII and supported by SECO

Programme ambition

- Ghana's SMEs form the backbone of the country's economy and employ much of its workforce. But these companies face persistent barriers to growth. According to the SME Finance Forum, around three quarters of Ghana's SMEs face some level of financial restraint. This means a huge volume of missed commercial and development impact potential. The Ghana Investment Support Programme (GhISP) exists to help unlock this potential.
- We work to increase investment flows to SMEs in Ghana through pipeline development, capacity building, and matchmaking activities. We focus on driving gender-smart investing (the 2X Challenge), diversity lens investing (Black Owned and Leadership for Development/ BOLD) and climate finance through our work with private capital funds and transaction advisers.
- GhISP also supports capital providers to expand investment in SMEs by strengthening the supply of capital. We work with Ghana's pension funds to channel more investment into local private capital intermediaries that finance SMEs, while also supporting financial institutions to attract investment and scale up SME lending.

Key programme results and outcomes



In its first three years of operations, GhISP has supported six SMEs to receive investment worth \$9 million from private capital providers in Ghana, including Growth Investment Partners Ghana (GIP), a dedicated SME financing vehicle set up with our backing. The programme has helped improve match making of high-potential SMEs to investors/capital providers and transaction advisers, helped improve the capability of Ghanaian pension funds to engage with impactful businesses, and provided thought leadership in advancing gender lens investing and promoting climate-focused investment strategies.

Results to date:

Supported GIP-Ghana in closing

six transactions (\$9 million),

supported four other SMEs in progressing to conversation with other investors, with over

\$10 million

in potential investment under consideration.

15 TA projects

have been completed or are underway.

22 Ghana pension funds

engaged to increase private capital AUM through the AVCA Knowledge Exchange Initiative.

Transaction advisory campaign with support from eight transaction advisers (including all of the 'Big 4' in Ghana) and GVCA, making advisory affordable to SMEs (reported discounted service rates of between

50-70 per cent for SMEs

as a result).

The GhISP programme was also instrumental in the design of the Zambia Investment Support Programme (ZISP). Since launching as a one-year pilot in May 2025, the ZISP has supported

11 SMEs with direct TA (completed or underway), enabling one investment with four further investments approaching Investment Committees in Q2 2026.

Example outcomes related to demand for capital:

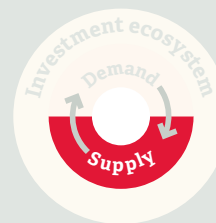
Building the demand for capital by helping businesses become ready for investment through direct technical assistance



In 2023, a leading producer and distributor of high-end fresh vegetables, fruits, herbs and juices, needed to meet annual revenue targets to further conversations on investment. GhISP provided TA to develop and execute a retail expansion strategy, with the specific objectives of growing its channel for small retail stores, piloting a new channel through street vendors and developing and expanding online presence. The company successfully implemented the retail expansion strategy in-house, and piloted new retail stores and a sales agent network to increase overall turnover. Within a year of the TA, they surpassed the revenue target and exceeded its retail expansion goal, significantly boosting its visibility and positioning for investment. Now, the company is finalising its succession plan and actively engaging potential equity partners in anticipation of potential investment.

Example outcomes related to supply of capital:

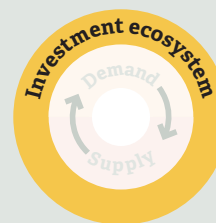
BII has established Growth Investment Partners Ghana (GIP – Ghana), a custom built Ghanaian entity providing capital to SMEs in Ghana



GhISP is supporting GIP to tailor its strategy towards smaller SMEs that face the most significant barriers in access to finance. GhISP supports GIP to conduct due diligence and investment readiness support for the smaller businesses that would otherwise be difficult to serve. The programme creates feedback loops that helps GIP inform its strategy and products. Smaller, higher impact deals are now actively being included in GIP's pipeline thanks to TA to support investment readiness prior to GIP committing to a thorough due diligence process.

Example outcomes related to the investment ecosystem:

Developing the supportive environment that can drive business growth and investment by influencing the model of service providers to better serve SMEs



GhISP has worked with transaction advisers to adapt their client strategy to begin including SMEs in their investment readiness services. This was done through capacity development workshops and toolkits in partnership with the Venture Capital and Private Equity Association (GVCA) and IIGH. Alongside GVCA, GhISP led a partnership with Deloitte, EY, KPMG, PwC and GVCA in 2024 to make transaction advisory services relevant and affordable for SMEs. In 2025, this partnership expanded to include four additional transaction advisers: Stafford Law, GFA Consulting, Crescendo and CDC. Companies accessing these services have reported discounted service rates of between 50-70 per cent for SMEs, including for audit and diagnostic advisory fees. SMEs are now seeking services that help make them investment ready that they previously would not have considered.

Helped to close deals by supporting 'match-making' events that make markets more efficient by bringing investors and high-potential companies together

For example, GhISP part-funded matchmaking events run by Impact Investing Ghana (IIGH). IIGH provided pre-event support to the companies to help them structure and practice their pitch decks and understand investor requirements, matching them with suitable investors and transaction advisers. Through a match-making event run by IIGH and GhISP, a female-led, technology driven agribusiness SME was able to close a deal with a Ghanaian fund.

For further information:

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