

# 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.

**Published:** April 2026

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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.

### Box 1: Building markets in BII's 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.

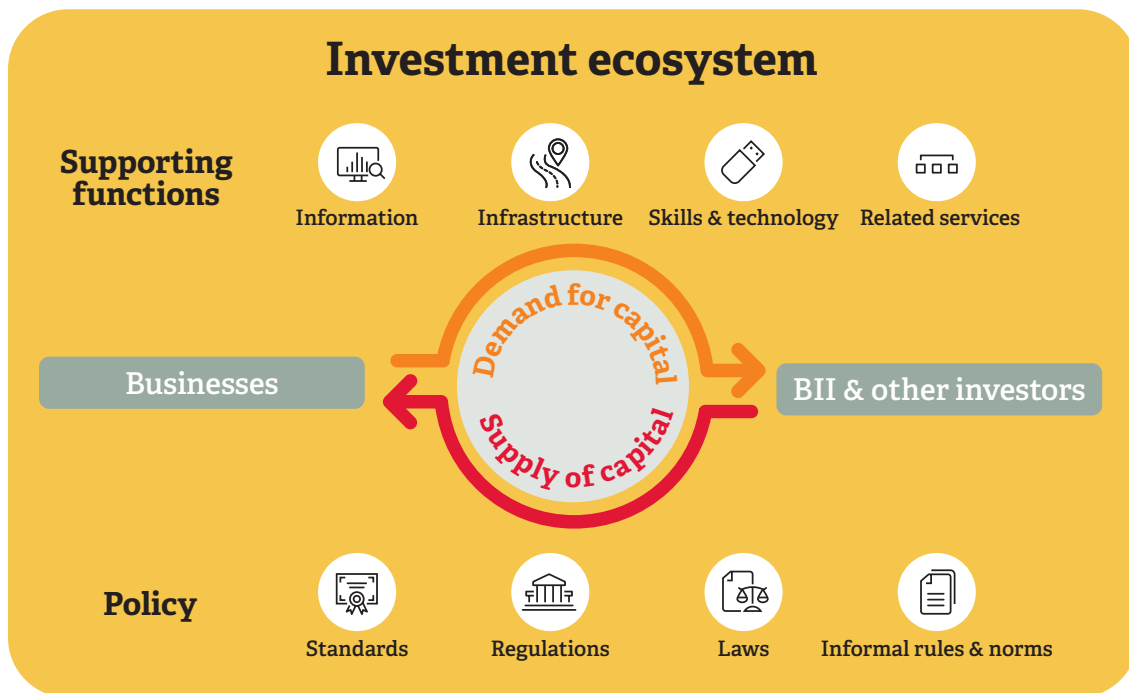
Frontier markets, defined in line with the UN's list of Least Developed Countries, face deep structural barriers to investment and continue to attract only a small share of global capital. In these markets, delivering impact will often require a different approach that goes beyond investment alone.

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.



**This document is an abbreviated version of the original report.  
Scan the QR code to read it in full.**



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.



# 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**

## 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).

## 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.

## 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:**

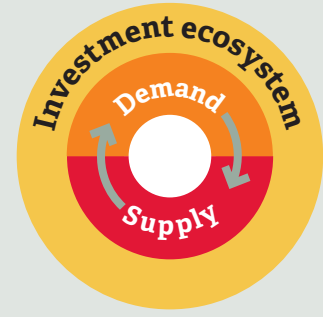
- 16 investments unlocked worth \$183m
- 41 companies supported with TA
- Influenced DFI investment strategies in frontier markets

## Results

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 programmes have contributed to 32 investments worth a combined \$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.

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

- 1. Demand:** We have supported more than 80 businesses and financial institutions with TA to become investment ready. 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. Supply:** We have helped raise and sustain DFI interest by sharing market insights and organising investor visits. 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. Ecosystem:** Our market-building programmes have helped build 28 relationships and partnerships leading to various 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. We have supported five national policy changes that help enable investment, mainly from our programme in Nepal.



**32**  
investments unlocked worth  
**\$415 million**

**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.



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## Practical lessons

### Lessons for DFIs

- **Incentives for market building.** DFIs can set market-building objectives for investment professionals and integrate market-level impact into internal impact frameworks.
- **Pairing market building with deployable capital.** 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.
- **Incentives for frontier market deals.** Investing in frontier markets often involves smaller, more complex transactions. Investment teams must be appropriately incentivised to spend more time on fewer deals, instead of prioritising volume.
- **Ensure frontier markets are included in mandates.** In some cases, investment teams may not be able to operate in specific frontier markets.

### Lessons for donors and TA practitioners

- **Increase collaboration and coordinate resources between donors and DFIs:** We have published insights into how donors and DFIs can collaborate more effectively, as well as recent examples through ARIA. Visit [bii.co.uk/insight](http://bii.co.uk/insight) and [ariainvests.org](http://ariainvests.org) for more information.
- **Combine pipeline development and market-building efforts.** Effective market building blends near-term pipeline work with broader ecosystem building. Short, targeted TA creates early momentum while medium-term interventions widen the long-term pipeline.
- **Involve investment teams in the design of technical assistance:** We have found TA is most effective at unlocking investment when the businesses are prioritised with investment teams and when potential investors help shape the scope of the support.

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## 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.

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.



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## For further information:

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