



How DFI Private Capital Mobilisation Can Support Local Capital Market Development in Africa

Part of Itad's BII mobilisation study

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Foreword

Low and middle-income countries face a widening gap between the finance needed to support development and tackle climate change, and the funding available. Public capital alone will not meet the scale of investment required. Mobilising private capital is essential – helping us deliver greater development impact than we ever could alone.

At British International Investment, this sits at the heart of our 2026–31 strategy. We are increasing our ambition to mobilise private capital at scale: using our capital and partnerships to crowd in others, and to help make investment in these markets the norm rather than the exception. A critical part of that effort is domestic capital mobilisation.

Across many of the markets where we invest, local institutional investors – pension funds, insurance companies and others – are growing. They represent a potentially powerful source of long-term capital for development. Yet too often, this capital remains underutilised, in part because local capital markets are not sufficiently developed to channel it effectively.

This is why we commissioned this independent think piece with Itad. It reflects a growing recognition that mobilising domestic capital and developing local capital markets are closely linked – and that progress on one depends on the other.

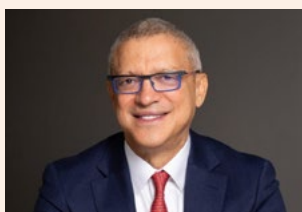
We have already seen what is possible in practice. In Zambia, we have worked with the National Pension Scheme Authority as part of the Growth Investment Partnership, helping to mobilise domestic institutional capital into productive sectors. In West Africa, we co-anchored NSIA Banque Benin’s landmark securitisation, supporting small businesses while developing local capital market instruments. In Tanzania, our role in anchoring NMB Bank’s sustainability bond helped to attract a broad base of local investors.

Individually, these transactions demonstrate what can be achieved. But they also point to a broader shift we are making: moving beyond single transactions towards a more deliberate focus on market development – using our interventions to help shape stronger, deeper local capital markets over time.

This report highlights the tools available to development finance institutions and how they can be used with greater intentionality to support both mobilisation and capital market development.

This is long-term work. But the prize is significant: financial systems that can continue to mobilise capital long after development finance institutions have stepped back.

We hope this think piece contributes to that effort, and to a wider conversation on how we can work together to unlock the full potential of domestic capital.



Leslie Maasdorp
Chief Executive Officer
British International Investment

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Acronyms and abbreviations

AELP	African Exchanges Linkage Project
ALCBF	Africa Local Currency Bond Fund
ASEAN	Association of Southeast Asian Nations
AUM	assets under management
BII	British International Investment
BOAD	West African Development Bank
BRVM	<i>Bourse Régionale des Valeurs Mobilières</i>
CDFS	Centre for Development Finance Studies
CEMBI	Corporate Emerging Markets Bond Index
DFI	development finance institution
EMDE	emerging market and developing economy
FCDO	Foreign, Commonwealth & Development Office
FMO	Entrepreneurial Development Bank of the Netherlands <i>(Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden)</i>
GDP	gross domestic product
GEMs	Global Emerging Markets Risk Database
IFC	International Finance Corporation
InvIT	Infrastructure Investment Trust
IMF	International Monetary Fund
IPO	initial public offering
J-CAP	(World Bank's) Joint Capital Market Programme
KfW	Credit Institute for Reconstruction (<i>Kreditanstalt für Wiederaufbau</i>)
LCM	local capital markets
MDB	multilateral development bank
MOBILIST	Mobilising Institutional Capital Through Listed Product Structures
MSME	micro, small and medium-sized enterprise
MTN	medium-term note
NGN	Nigerian naira
OECD	Organisation for Economic Co-operation and Development
PIDG	Private Infrastructure Development Group
REIT	Real Estate Investment Trust
SDG	Sustainable Development Goals
SME	small and medium-sized enterprise
SSA	Sub-Saharan African
SWF	Sovereign Wealth Fund
TA	technical assistance
USD	United States dollar
USAID	(former) United States Agency for International Development
WAEMU	West Africa Economic and Monetary Union



Executive summary

Mobilising local institutional investors through LCMs: a growing need

Mobilising private capital at scale in emerging markets and developing economies (EMDEs) is urgently needed to help countries finance their development agendas. Local capital markets (LCMs) in EMDEs are increasingly seen as an important mechanism for supporting the mobilisation agenda because local institutional investors in EMDEs are growing and LCMs can provide the types of investment vehicles that can attract their funds. This report focuses on how development finance institutions (DFIs) can mobilise private capital from local institutional investors in ways that, at the same time, help develop LCMs, with a particular focus on Africa and on middle-income countries in Africa where the ability of DFIs to achieve impact by building capital markets may be largest.¹

More specifically, local institutional investors – pension funds, insurance companies, sovereign wealth funds and other non-bank financial institutions – are steadily expanding their assets under management (AUM). In Africa alone, the combined assets of pensions, insurers and sovereign funds exceeded USD 1 trillion, having more than doubled since the late 2000s – 40% of Africa’s 2024 gross domestic product (GDP). Asia displays more significant growth and from earlier dates, driven by demographic change, pension reforms and financial deepening.

LCMs can provide investments to attract this financing. Local institutional investors are often required to invest in regulated products and marketplaces, with sufficient transparency and quality disclosure. In addition, LCMs have the potential to provide them with long-term assets to match their liabilities, having greater liquidity, as well as products that can be structured to meet their size and risk appetites and that, like funds, can be diversified and professionally managed.

Yet in many EMDEs, LCMs remain shallow and underdeveloped, limiting the ability of local institutional investors to both deploy their assets beyond government securities and bank deposits and more extensively finance their country’s sustainability and economic development agenda. LCMs in EMDEs face a variety of development challenges and each country experiences these challenges in different ways.

At the same time, many middle-income countries in Africa have stock exchanges and debt markets with varying degrees of activity that provide a foundation on which stronger LCMs can be built.

As is well documented, much work is needed to develop LCMs in EMDEs. Given this report’s focus on mobilising local institutional investors like pension funds and insurance entities through LCMs, a key challenge will be to provide high-quality capital market investment opportunities that can also demonstrate strong due diligence and disclosure. These investors, particularly in early stages of LCM growth, will need low-risk investments given their social security functions. and, for some, their relative inexperience managing credit risk. Products can expand as investors gain more experience and sophistication.

¹ DFIs can have additionality in low-income countries but the ability to develop and significantly grow LCMs in those countries will be slow and limited in many cases.

To date, high-quality non-government issuers have been constrained due to a combination of reasons, including limited borrowers of significant size and financial performance, a preference for bank loans due to lower costs and stronger borrower/lender relationships, and an unwillingness to issue equity and share ownership. Medium and small size firms often lack the size and documented track records needed to access LCMs and may find issuance costs prohibitive.

DFI interventions: mobilisation that builds LCMs

DFIs have several tools they can use to mobilise private capital from local institutional investors in ways that at the same time help build LCMs for both debt and equity. The ability to use these tools will vary from country to country. This thinkpiece identifies six interventions, all of which are detailed further in Table 1:

- 1 Anchoring bonds and equity issuances.** DFIs can act as anchor investors in corporate bonds and equity, signalling quality, improving pricing and encouraging both investor participation and future issuances.
- 2 De-risking with guarantees and blended finance structures.** DFIs can structure transactions using guarantees, subordinated capital, first-loss tranches or concessional finance to align risk–return profiles with local institutional investor needs.
- 3 Issuing local currency bonds.** Where mandates allow, DFIs can issue their own local currency bonds. These can provide high-quality paper, help lengthen yield curves and demonstrate strong issuance practices. Issuing local currency bonds will also benefit DFIs, by reducing their currency risk when financing local projects.
- 4 Investing to build entities that strengthen market infrastructure and transactions.** Where their mandate allows, DFIs can provide financing for critical capital market infrastructure like exchanges, clearing systems, rating agencies and market-makers that underpin market functioning and liquidity. If key operations like trading, clearing and settlement are not reliable, timely and accurate, investors will shy away from a market, constraining mobilisation.
- 5 Providing transaction-specific and upstream technical assistance (TA).** Where DFIs have access to TA funding and appropriate mandates, they can provide transaction-specific as well as upstream TA to strengthen policies, regulations, market infrastructure, disclosure and institutional capacity. Both types of DFI TA can enhance mobilisation by enhancing investor confidence: Transaction TA provides a stamp of assurance for and demonstrates quality structuring and disclosure. Upstream TA helps develop a well supervised and regulated marketplace including quality oversight, market operations, institutional capacity, and products. Without a well-run marketplace, investors will shy away and mobilisation will be difficult to achieve.
- 6 Expanding platforms with dual mobilisation and LCM mandates.** Platforms are understood as entities created by one or several DFIs to develop and/or invest in multiple transactions at arm’s length from the DFI, mobilising at the entity and/or transaction level. DFIs can support LCMs in EMDEs by investing in platforms that combine anchoring, crowding-in and TA..

Building off established practices with heightened intentionality

As can be seen, these interventions are not new. Most DFIs actively engage in them already. As examples: British International Investment (BII) provided USD 15 million to co-anchor NMB Bank's sustainability bond in Tanzania, helping to attract 5,600 local investors. It was heavily oversubscribed. The International Finance Corporation (IFC) has issued numerous local currency bonds, including a recent USD 17 million-equivalent, 8-year local currency bond in Rwanda that attracted local institutional investors – and was 1.75 times oversubscribed. It was issued under IFC's Pan Africa Domestic Medium-Term Note Programme which improves the ability to issue small-sized bonds whose proceeds can be on-lent to projects. In terms of new products, BII co-anchored Benin's landmark securitisation to help NSIA Bank Benin finance MSMEs, together with IFC and the West African Development Bank (BOAD). It contributed to securitisation's ongoing growth in the West Africa Economic and Monetary Union (WAEMU) region.² All these transactions were listed on local exchanges and, as noted, attracted local institutional investors to LCMs.

The difference going forward is that DFIs will need to be more intentional about using these interventions to help develop LCMs. That may require committing to employing capital market products more than in the past, for example by encouraging a bank to raise funds by issuing a bond and anchoring and/or de-risking the bond to attract investors, rather than providing the bank with a loan. Particularly in the early stages of LCM growth, these LCM interventions may result in a smaller financial outlay by the DFI. That is, the amount of DFI financing needed to anchor or de-risk a bond, even a fairly sizeable one, may be less than if a DFI just provided a loan. That, in turn, can create conflicts with a DFI's mobilisation or overall volume targets, conflicts that each DFI will need to address independently.

Moreover, it is key to build on established products and interventions that are known, simple, and standardised, as that will accelerate understanding and replication. Developing LCMs requires getting the fundamentals right and strengthening the basics. DFIs will want to avoid unnecessarily 'recreating wheels' and seek to reduce complexity.

Some countries may offer more advantageous entry points than others. In sub-Saharan Africa (SSA), not all countries are ready for DFI interventions and DFIs have limited resources. DFIs like BII could prioritise and focus on lower-middle-income economies such as Nigeria, Ghana, Côte d'Ivoire, Kenya, Tanzania and Zambia that have a base of market infrastructure, knowledge and investors with demonstrated appetite for LCM investment. In a more advanced market like South Africa, DFI efforts might focus on supporting financing for new, more sophisticated products and sectors. Smaller economies, fragile and least developed countries may benefit from issuing through regional exchanges rather than aspiring to create a stock exchange of their own. DFIs would need to assess how to support a country like Ethiopia, a fragile, low-income country with a sizable GDP whose markets are still nascent and may require more time to develop. DFIs like BII can also consider countries in the middle ground between large and small, developed and fragile, selected on their investor size, potential issuance pipelines, and enabling environments.

2 Copernican Securities Pty Ltd, FSD Africa, & British International Investment. (2025, October). *The role of securitisation in developing capital markets in Africa* (Insight). <https://fsdafrica.org/wp-content/uploads/2025/10/The-role-of-securitisation-in-developing-capital-markets-in-Africa-BII-and-FSD-Africa.pdf>

Collaborating on the ground and across DFIs

Developing LCMs is a long, slow process that requires coordinated interventions across a range of areas. The more DFIs can collaborate with local entities, both public and private sector to draw on their in-depth local knowledge and networks, the more impactful their own interventions can be.

Similarly, collaborating with other MDBs and DFIs is imperative at a time when development finance is dropping and needs are rising in size and urgency – to streamline and share resources and avoid costly duplication. Collaboration can be done across the spectrum, from financings through co-anchoring and co-de-risking, coordinated and shared TA programmes, and joint efforts to standardise areas like transaction structures and templates and enhance data.

Numerous efforts and examples of collaboration are under way, many under the multilateral development bank (MDB) Task Force on Mobilisation. For example: The MDB Task Force's Collaborative Co-financing platform shares pipeline projects to enhance co-financing. On data, the GEMS database shares data across MDBs and DFIs. The Platform for Technical Assistance, led by the Asian Infrastructure Investment Bank (AIIB) aims to help coordinate TA resources and reduce fragmentation.

As is well recognized, more work is needed. DFIs could make a concerted effort to increase issuance in a target market, for example by agreeing to anchor separate bond issues, issue their own bonds, and exit investments through listed markets to create a critical mass of activity. They could more extensively combine their de-risking to support large financing needs and combine investments to scale existing and new platforms. They could share knowledge products to reduce duplication and accelerate standardisation and templates. BII and FSD Africa's report on securitisation in Africa and BII's Gender Bond Toolkit provide fundamental information that could be built on, not repeated. Clearly, cross-institutional collaboration is time consuming and difficult to implement, but given the urgency for mobilisation, workable approaches are sorely needed to be backed by DFI leadership and dedicated resources.

DFIs can heighten their ability to mobilise and scale private capital in ways that simultaneously help develop LCMs. DFIs have the tools, experience and convening power to accelerate this process, if interventions are designed for market building, scaled through collaboration, and sustained over time. By aligning mobilisation objectives with LCM development, DFIs can help create resilient financial systems that continue to mobilise capital long after DFI balance sheets have stepped back, while enabling countries to take full ownership of their development agendas.

Table 1. DFI mobilisation interventions and specific actions supporting LCMs

Mobilisation intervention	Specific actions for DFIs
<p>Anchor bonds and equity issuances</p>	<p>Debt (Bonds)</p> <ul style="list-style-type: none"> • Encourage high-quality firms/high-performing investees/banks to issue bonds and anchor those bonds instead of providing direct loans • Anchor bond funds, including ones which can be listed on local stock exchanges • Anchor a securitised pool of loans to create bonds with a senior tranche that is listed on a local stock exchange • Include specific scale-back provisions to maximise private capital investment in the case of strong demand for the issuance <p>Equity</p> <ul style="list-style-type: none"> • Invest equity in a pre-initial public offering (IPOs) (just before it is offered to the general public). Publicise DFI investments through i.e. press releases, IPO prospectus, and investor roadshows to encourage private investors to participate in the IPO • Look to exit private equity investments through public markets • Encourage investees to issue equity instead of taking on further loans or looking for a trade sale partner • Exit investments through a listed secondary market vehicle to attract new private investors to LCMs • Support creation of new secondary market vehicles by providing structuring advice
<p>De-risk with guarantees and blended finance structures</p>	<ul style="list-style-type: none"> • Provide an external guarantee, full or partial, for the bond’s principal and interest payments • Capitalise entities like InfraCredit (Nigeria-based specialist platform setup by Private Infrastructure Development Group (PIDG)) to provide guarantees for LC bonds • Take an equity or junior position in a bond structure to encourage institutional investors to invest in the senior tranches
<p>Issue local currency bonds</p>	<ul style="list-style-type: none"> • Issue its own DFI local currency bond to provide high-quality bonds, demonstrate disclosure, and help lengthen yield curves, – perhaps using a medium-term note (MTN) programme to reduce challenges related to timing, cost, and on-lending funds
<p>Invest to build entities that strengthen market infra and transactions</p>	<ul style="list-style-type: none"> • Support the African Exchanges Linkage Project (AELP) which aims to facilitate cross-border trading of securities in Africa and regionalise local stock exchanges, to expand and deepen equity markets • Invest in exchanges, clearing/settlement/depository institutions, rating agencies • Support tech upgrades for the above institutions
<p>Provide transaction-specific and upstream TA</p>	<ul style="list-style-type: none"> • Provide transaction-specific TA to create high-quality transactions that demonstrate proper structuring, disclosure, investor engagement • Inform upstream TA to strengthen policies, regulations, market operations, institutional capacity to improve market quality • Advise on a country’s domestic capital market master plan
<p>Expand platforms with dual LCM and mobilisation mandates</p>	<ul style="list-style-type: none"> • Finance platforms which catalyse domestic private capital and spur local capital market development (e.g., Africa Local Currency Bond Fund, InfraCredit, FSD Africa)

1. Definitions and scope

1.1 Research scope

There is abundant research on mobilisation and LCM development as separate areas of study.³ This report focuses on how DFIs can best link their mobilisation actions to help build LCMs. The goal is to provide insights for the broader DFI community and strive to better integrate LCM development and mobilisation as outcomes of DFI activity that can be worked out in coordination.

In terms of MDBs and DFIs, the key focus of this paper is on bilateral DFIs, which differ from MDBs in that they lack the preferred creditor status, government relationships and other policy leverages that shape MDB development finance operations.

In terms of geographical focus, this thinkpiece focuses on sub-Saharan Africa (SSA), with limited reference to Asia, as SSA remains a key region of focus for most smaller bilateral DFIs. On account of the strong contextual nature of LCMs, it bridges prior research on supporting LCMs in Africa and efforts to mobilise in EMDEs, looking at African markets and identifying challenges specific to these countries and country groups. Thus, this research also provides for categorisation criteria to cast light on how DFI interventions can play out differently in different markets and country groups.

1.2 Conceptual framework and definitions

This report leans on a series of agreed definitions of the key concepts of mobilisation and LCMs:

- ▶ **Private capital** is commercial capital provided by private sector investors operating on commercial terms. Where publicly owned entities deploy capital with commercial risk-adjusted return expectations, they are considered private capital too.⁴
- ▶ **Institutional investors** in this report refers to investors like pension funds, insurance entities and sovereign wealth funds (SWFs) that have a mandate to invest domestically and in LCMs, all private within the remit of this definition of private capital. Furthermore, this learning review focuses on local institutional investors. These have been growing in many EMDEs and offer promising potential to scale domestically sustainable development funding for EMDEs.⁵ Unlike foreign investors, they do not have to hedge currency risk, which is a major deterrent to foreign investment, and they are more knowledgeable about and comfortable with investing in local currency and so need less de-risking on that front as well. However, foreign investors are needed to fill financing gaps in most EMDEs, so they are referred to periodically across the research.
- ▶ **Mobilisation** is understood in the framework of BII's conceptualisation as private capital that is committed to a transaction as a direct and indirect result of a DFI's involvement, where the DFI's participation is causal, additional and necessary for the private investment to occur.⁶ The focus of this report covers both direct mobilisation (i.e. private co-investment contractually linked to the DFI's commitment) and indirect mobilisation and related catalytic effects, like the signalling and demonstration effects that often underpin LCM development.

3 See reports from the OECD, International Monetary Fund (IMF), World Bank Group and British International Investment (BII).

4 British International Investment and Itad. (2024). *Understanding mobilisation: A practical framework for development finance*. British International Investment. <https://www.bii.co.uk>

5 Horrocks, P., Marshall, C., Thomas, C., Venon, T., Portmann, D. and Okuwobi, W. (2025). *Unlocking local currency financing in emerging markets and developing economies: What role can donors, development finance institutions and multilateral development banks play?* (OECD Development Co-operation Working Paper No. 117). OECD Publishing. <https://doi.org/10.1787/bc84fde7-en>; World Bank. (2023). *Global financial development report 2023: Financial institutions*. World Bank Publications. <https://www.worldbank.org/en/publication/gfdr>

6 British International Investment and Itad. (2024). *Understanding mobilisation: A practical framework for development finance*. British International Investment. <https://www.bii.co.uk>

- ▶ **Local capital markets** entails a definition with multiple dimensions:
- ▶ **Onshore**, locally regulated markets where long-term financial instruments – primarily debt and equity – are issued, traded, priced and held in local currency. They include the policies and regulations, institutions, intermediaries and infrastructure (clearing and settlement, rating agencies, etc.) which enable savings to be transformed into long-term investment in the EMDEs that receive the DFI investment.
 - ▶ **Instruments** include long-term debt and equity products such as bonds and funds. They exclude the banking sector, short-term money markets or microfinance. Both debt and equity products can provide investments that fit institutional investors’ need for standardised, transparent and, in many cases, regulated instruments with long-term and predictable investment horizons.
 - ▶ **Issuers** include both public and private issuers, both corporate and financial entities, and both foreign and local issuers, as long as their participation in a specific intervention enables mobilisation and LCM development.
 - ▶ **Markets** include public as well as private markets. Although public markets, and particularly instruments like bonds, best fit these institutional investor requirements thanks to their rigorous disclosure and transparency obligations, private markets can meet some of these features as well and are often needed as a first step to capital market products.⁷ Therefore, a variety of instruments are considered in this research provided that they can meet institutional investor appetites and structure transactions and interventions supporting both LCMs and mobilisation.
 - ▶ **Sovereign wealth funds (SWFs)** largely encompass state-owned investment funds that invest public wealth for financial objectives, usually with medium to long-term horizons. As an institutional investor, an SWF sits in the same broad family as pension funds, insurers, endowments and mutual funds in that it pools capital and allocates it professionally across asset classes. What makes it distinct is that the ultimate owner is the state, and the capital typically comes from sources such as commodity revenues, fiscal surpluses, privatisation proceeds or excess foreign exchange earnings, rather than from private savers or policyholders. They are publicly owned entities pursuing commercial returns, so they are treated as institutional investors in the sense of being a primary target of private capital mobilisation efforts, considering their substantial AUM.

7 Horrocks, P., Marshall, C., Thomas, C., Venon, T., Portmann, D. & Okuwobi, W. (2025). *Unlocking local currency financing in emerging markets and developing economies: What role can donors, development finance institutions and multilateral development banks play?* (OECD Development Co-operation Working Paper No. 117). OECD Publishing. <https://doi.org/10.1787/bc84fde7-en>

2. Introduction

As the global financing gap for the Sustainable Development Goals (SDGs) continues to widen, the need to mobilise private capital amid stretched public budgets gains momentum and urgency. The money is in the global financial system: institutional investors⁸ collectively manage approximately USD 120–150 trillion, while the annual SDG financing gap in developing economies is estimated at USD 3–4 trillion annually, hence a paltry 4% of their AUM.⁹ The challenge is mobilising this capital to support the SDG agenda.

In EMDEs, LCMs are increasingly seen as an important mechanism for raising private capital to support the sustainability agenda. Local institutional investors in EMDEs are growing and LCMs can provide the types of investment vehicles that can attract their funds. Pension funds, insurers and SWFs already manage assets equivalent to approximately USD 16–38 trillion in upper-middle-income countries and USD 2–6 trillion lower-middle-income countries.¹⁰ This growth presents an opportunity for these investors to help finance the SDGs and EMDE economic development more broadly.

Yet the ability to mobilise this money is often curbed by the underdevelopment of LCMs. Markets remain shallow, concentrated in sovereign debt, with limited liquidity, weak investor diversification, and insufficient pipelines of investable assets.¹¹ These constraints suppress risk appetite and increase the cost of capital. By contrast, countries with deeper LCMs attract higher volumes of long-term institutional investment, demonstrating that LCMs can be an enabler of private capital mobilisation. Underdeveloped LCMs also constrain the foreign investment that EMDEs need for similar reasons such as by limited availability of local currency solutions, complicated exits due to secondary market illiquidity, weak legal and regulatory frameworks, and lack of capacity of local entities.

DFIs are well positioned to help develop LCMs. Their mandates combine developmental additionality with mobilisation of private capital. Importantly, they have several tools that allow them to mobilise private capital in ways that at the same time help develop LCMs – such as anchoring and de-risking bonds and issuing their own, while demonstrating and contributing to efforts to improve disclosure and standardisation. Some DFIs operate close to policy discussions with national regulators and central banks and can contribute to broader LCM-building strategies. Not every mobilisation intervention will or is intended to contribute to LCM development but there is a clear linkage between both outcomes when the intention exists.

This report outlines ways in which DFIs can use their mobilisation interventions to help build LCMs. As background, it briefly reviews the importance of LCMs for the mobilisation agenda and the challenges EMDEs face in developing their LCMs, with a focus on Africa.

8 Institutional investors are broadly categorised as pension funds, insurers, sovereign wealth funds and asset managers commanding large pools of capital.

9 Organisation for Economic Co-operation and Development. (2025). *Global Outlook on Financing for Sustainable Development 2025: Towards a More Resilient and Inclusive Architecture*. OECD Publishing. <https://doi.org/10.1787/753d5368-en>

10 Organisation for Economic Co-operation and Development. (2025). *Global Outlook on Financing for Sustainable Development 2025: Towards a More Resilient and Inclusive Architecture*. OECD Publishing. <https://doi.org/10.1787/753d5368-en>; World Bank (2026). *World Development Indicators: GDP (current US\$) - Upper middle income, Lower middle income*. World Bank Open Data. Available at: <https://data.worldbank.org/country/upper-middle-income>

11 Organisation for Economic Co-operation and Development. (2025). *Local-currency bond markets for development financing in Africa*. In *Africa Capital Markets Report 2025*. OECD. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en/full-report/local-currency-bond-markets-for-development-financing-in-africa_b9d9f859.html

3. How DFI mobilisation can help build LCMs

DFIs have a diverse toolbox available to mobilise private institutional investors that at the same time has the potential to develop LCMs. This section first reviews why LCMs are so critical for the mobilisation agenda in EMDEs. It then reviews key challenges that can hinder LCM growth in EMDEs, with a particular focus on Africa, to lay the foundation for how DFIs might best intervene to help address those challenges.

3.1 LCMs - a crucial piece of the mobilisation agenda

Local institutional investors like pension funds and insurance entities are growing in many EMDEs. They are increasingly seen as important contributors for developing and providing local currency financing solutions. LCMs can help unlock their participation because they provide the types of investment these investors need.

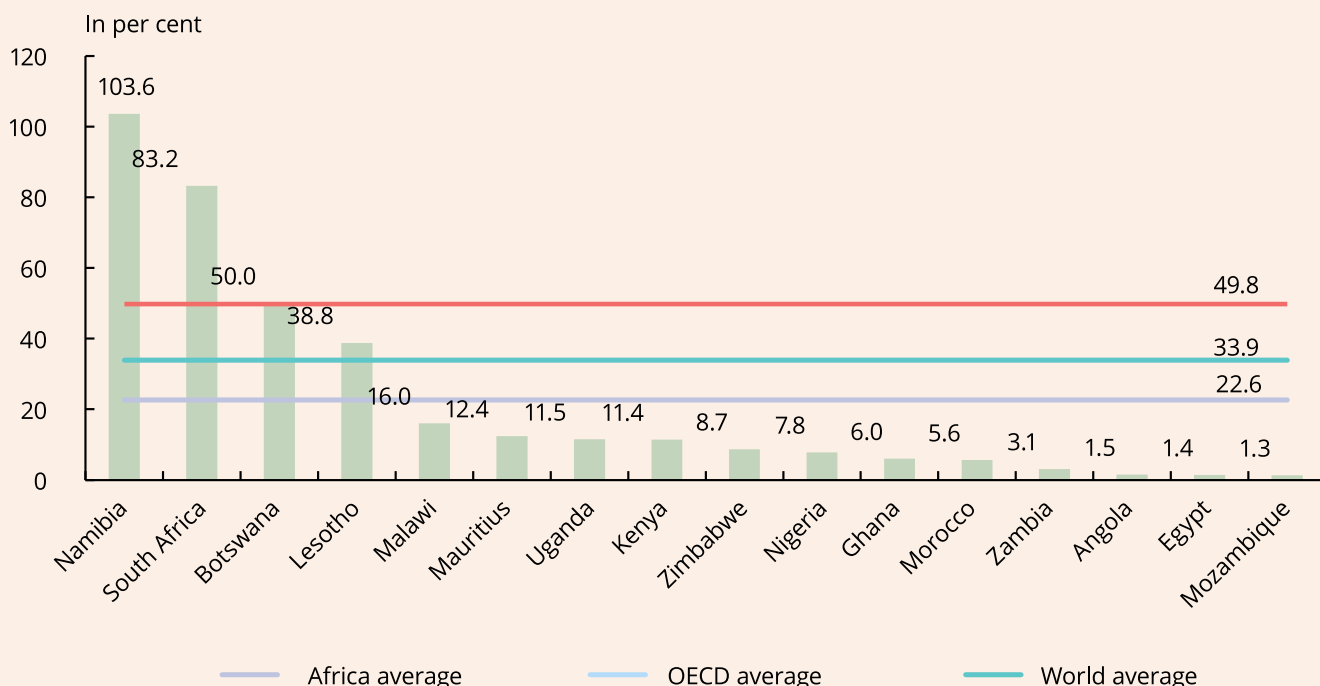
3.1.1 Growing institutional investors

While institutional investors are small in their size and participation relative to developed economies, they are growing. In Africa, insurance companies and pension funds were estimated to collectively hold USD 775 billion in AUM in 2025, with insurance companies holding around USD 320 billion and pension funds approximately USD 455 billion. Specifically, pension fund assets in Africa stood at approximately 22.6% of GDP in 2023, compared to 34% of world average and 50% in OECD countries. Africa also displays a relatively small penetration of insurance in the economy: 3.5% of GDP for insurance premia value as opposed to 7% globally, while Africa's share of the global insurance market stood at less than 1% in 2023.¹² A handful of countries concentrate most of the insurance and pension fund assets in the African continent, particularly Southern African nations and those with more developed capital markets (Morocco) or larger economies (Nigeria, Egypt), as per the figures below:

¹² Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

Figure 1. Pension fund assets as a share of GDP in African economies, end-2023¹³

The size of pension funds` assets is small in most African countries compared to global peers



In several large African markets, local asset management has expanded alongside pension and capital market reforms. For instance, in 2025 alone, several new SWFs were created in Botswana, Eswatini and Kenya, adding to a list of more than 100 entities on African soil.¹⁴ Total AUM, combining privately held pension and insurance capital with publicly owned SWFs, currently exceeds USD 1 trillion across major African economies, compared with well under USD 500 billion in the late 2000s.¹⁵ Funded pension schemes have continued to expand in countries such as Nigeria, Kenya and Ghana, driven by mandatory contribution systems and demographic dynamics, although large amounts of informal labour still caps pension fund growth in several African countries.¹⁶

On the Asian continent, institutional asset expansion has been largely driven by India and rapidly growing economies from the Association of Southeast Asian Nations (ASEAN) like Indonesia, Vietnam, Philippines and the more middle-income economies of Thailand and Malaysia, with pension fund and insurance AUM having grown from 2 to over 15 percentage points in the last 10 years, depending on the individual country.¹⁷ Furthermore, many non-banking financial institutions in EMDEs are increasingly holding local currency bonds and assets, improving liquidity and reducing bank reliance as economies develop and capital markets grow in size and sophistication.¹⁸

13 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

14 Reuters. (2025, December 1). *Africa nears record \$1 trillion in state-owned assets under management*. Retrieved from <https://www.reuters.com/world/africa/africa-nears-record-1-trillion-state-owned-assets-under-management-2025-12-01/>

15 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html; Organisation for Economic Co-operation and Development. (2009). *Financing development: Aid and beyond*. OECD Publishing. https://www.oecd.org/en/publications/financing-development_9789264027596-en.htm

16 Nyang'oro, O. and Njenga, G. (2022). *Pension funds in sub-Saharan Africa* (WIDER Working Paper 2022/95). United Nations University World Institute for Development Economics Research (UNU-WIDER). <https://doi.org/10.35188/UNU-WIDER/2022/229-4>

17 OECD. (2025). *Equity markets*. In *Asia Capital Markets Report 2025*. OECD Publishing. https://www.oecd.org/en/publications/asia-capital-markets-report-2025_02172cdc-en/full-report/equity-markets_21fa56c1.html

18 Aldasoro, I., Eren, E., Huang, W., McGuire, P. and Sushko, V. (2022). *The shifting drivers of global liquidity* (BIS Bulletin No. 116). Bank for International Settlements. <https://www.bis.org/publ/bisbull116.pdf>

A representative set of Asian economies shows an aggregate amount of at least USD 2.1 trillion USD in AUM from pension funds and insurance corporations.¹⁹ As the largest economy in the sample that excludes China, India has by far the greatest share of insurance assets, at approximately 730 USD billion.²⁰ Malaysia has a large pension fund base, totalling close to USD 320 billion and close to India's 342 billion, despite being more than 10 times smaller than India's economy.²¹ Thailand and Philippines also have relatively large pension fund and insurance assets.

3.1.2 Why LCMs are important

LCMs have the potential to mobilise this growing pool of assets because they offer investment opportunities that match institutional investor needs. That is, local institutional investors are often required to invest in regulated products and marketplaces, with sufficient transparency and quality disclosure. In addition, LCMs provide pension funds with long-term assets, which are especially needed in countries such as those in Africa that have young and growing populations. LCMs also provide products that can be structured to meet the risk appetites of institutional investors and that, like funds, are diversified and professionally managed.

There are additional benefits to relying more on local institutional investors. Compared to foreign investors, local institutional investors can invest without taking currency risk, eliminating the need to hedge currency risk, which is a major deterrent to foreign investment in EMDEs. In addition, they are more familiar with local credits, making them more willing and stable investors. They do not raise the risk of capital flight and the macro and other instabilities that this can create. Furthermore, local investors may allocate capital more efficiently and manage assets more effectively considering their local knowledge, as opposed to offshore investors with limited local presence and knowledge of the field.

As discussed below, today these investors play a minimal role in LCMs. Part of the problem is the dearth of attractive investment products.

Overall, well-functioning LCMs can enhance the ability to mobilise financing from institutional investors. Without sufficiently deep and liquid LCMs, transaction costs remain high, liquidity is low, and risk-adjusted returns become unattractive for both local and foreign investors.²² This constrains not only market-based financing but also the capacity of DFIs to structure transactions that crowd in additional private capital at scale. Hence, there is the need to design transactions so that mobilisation and LCM dovetail in a mutually reinforcing positive cycle.

19 This sample is intended to be representative of the diversity of Asian economies and includes India, Indonesia, Malaysia, Thailand, Philippines, Pakistan, Sri Lanka, Vietnam and Mongolia.

20 Organisation for Economic Co-operation and Development. (2025). *Asia capital markets report 2025*. OECD Publishing. <https://doi.org/10.1787/02172cdc-en>

21 Bank Negara Malaysia. (2025, March). *Financial stability review – Second half 2024*. Kuala Lumpur, Malaysia: Author. https://www.bnm.gov.my/documents/20124/17523783/fsr24h2_en_book.pdf

22 OECD. (2025). *Supporting emerging markets and developing economies in developing their local capital markets*. OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/supporting-emerging-markets-and-developing-economies-in-developing-their-local-capital-markets_fdf900e/4456de62-en.pdf

3.2 Size of African capital markets

While African capital markets tend to be small in size and undeveloped, most middle-income countries have stock exchanges, several that list debt products, that have a foundation of activity.

3.2.1 Equity markets

Africa has 29 stock exchanges serving 38 nations, including two regional exchanges (described below), while the 'Big Four' of South Africa, Nigeria, Egypt and Morocco account for the vast majority of Africa's market capitalisation and liquidity.²³ As of early 2026, total market capitalisation across African exchanges stood at approximately USD 1.7 trillion, that is, approximately 55% of the continent's GDP.²⁴ On its own, the Johannesburg Stock Exchange accounts for circa 80% of this USD 1.7 trillion market capitalisation. Figure 2 lists the countries with stock exchanges and their market capitalisation (in billion USD) and listings, using end of 2025 data.

Figure 2. Africa's 29 stock exchanges: market cap, listings, key sectors and country income level²⁵

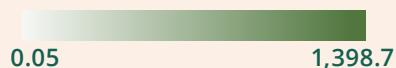
Rank	Exchange	Country / Region	Market Cap (USD bn)	Listings	Key Sectors	Income Level
1	Johannesburg Stock Exchange (JSE)	South Africa	1399	272	Mining, financials, telecom, consumer	UMIC
2	Casablanca Stock Exchange	Morocco	114	79	Banking, telecom, construction, consumer	LMIC
3	Nigerian Exchange (NGX)	Nigeria	95	164	Banking, telecom, cement, industrials	LMIC
4	Egyptian Exchange (EGX)	Egypt	67	250	Banking, real estate, industrials, consumer	LMIC
5	Bourse Régionale des Valeurs Mobilières (BRVM)	Regional (WAEMU)	25	47	Banking, telecom, consumer, agribusiness	Mixed
6	Nairobi Securities Exchange (NSE)	Kenya	24	61	Telecom, banking, industrials, agriculture	LMIC
7	Malawi Stock Exchange (MSE)	Malawi	18	16	Banking, telecom, sugar, property	LIC
8	Lusaka Securities Exchange (LuSE)	Zambia	17	21	Mining, banking, consumer, agriculture	LMIC
9	Ghana Stock Exchange (GSE)	Ghana	16	37	Banking, telecom, oil, mining	LMIC
10	Tunis Stock Exchange	Tunisia	13	75	Banking, insurance, industrials, healthcare	LMIC
11	Uganda Securities Exchange (USE)	Uganda	12	19	Telecom, banking, breweries, pharma	LIC
12	Dar es Salaam Stock Exchange (DSE)	Tanzania	9	28	Telecom, banking, industrials, breweries	LMIC
13	Stock Exchange of Mauritius (SEM)	Mauritius	9	97	Financials, tourism/property, industrials, consumer	UMIC

23 African Securities Exchanges Association. (2024, July). *ASEA Africa focus report*. https://african-exchanges.org/sites/default/files/2024-07/ASEA_Africa_Focus_Report_.pdf

24 International Monetary Fund. (2026). *Sub-Saharan Africa* [Data set]. IMF DataMapper. Retrieved March 19, 2026, from <https://www.imf.org/external/datamapper/profile/SSA>; Daba Finance. (2026, January 13). *The largest African stock exchanges in 2025 by market capitalization*. <https://dabafinance.com/en/insights/the-largest-african-stock-exchanges-in-2025-by-market-capitalization>

25 Authors' own elaboration with data from: World Federation of Exchanges. (2026, February). Market statistics. Focus. <https://focus.world-exchanges.org/issue/february-2026/market-statistics>; African Markets. (n.d.). Uganda Securities Exchange (USE). <https://www.african-markets.com/en/stock-markets/use?start=20>

Rank	Exchange	Country / Region	Market Cap (USD bn)	Listings	Key Sectors	Income Level
14	Algiers Stock Exchange (SGBV)	Algeria	6	8	Banking, insurance, pharma, hospitality	UMIC
15	Botswana Stock Exchange (BSE)	Botswana	4	32	Pensions/insurance, mining, retail, banks	UMIC
16	Zimbabwe Stock Exchange (ZSE)	Zimbabwe	4	39	Mining, consumer, agriculture, financials	LMIC
17	Bolsa de Valores de Moçambique (BVM)	Mozambique	3	16	Industrials, utilities, banking, consumer	LIC
18	BODIVA (Angola Debt and Securities Exchange)	Angola	3	5	Banking, insurance, financial services	LMIC
19	Namibian Stock Exchange (NSX)	Namibia	3	40	Mining, financials, consumer	LMIC
20	Rwanda Stock Exchange (RSE)	Rwanda	3	10	Banking, telecom, cement, breweries	LIC
21	Victoria Falls Stock Exchange (VFEX)	Zimbabwe	3	15	Mining, consumer, banking, REITs	LMIC
22	Libyan Stock Market (LSM)	Libya	2	10	Banking, insurance, telecom	UMIC
23	Central African Securities Exchange (BVMAC)	Regional (CEMAC)	1	6	Banking, holdings, finance	Mixed
24	MERJ Exchange	Seychelles	1	24	Investment funds, finance, property, digital assets	HI
25	Eswatini Stock Exchange (ESE)	Eswatini	0	10	Banking, property, consumer	LMIC
26	Bolsa de Valores de Cabo Verde (BVC)	Cabo Verde	0	4	Banking, energy, telecom, consumer	UMIC
27	Somali Stock Exchange (SSE)	Somalia	0	7	Banking, telecom, transport	LIC
28	Khartoum Stock Exchange (KSE)	Sudan		67	Banking, insurance, investment funds, sukuk	LIC
29	Ethiopian Securities Exchange (ESX)	Ethiopia		3	Telecom, banking	LIC



An important insight from the overview of stock exchanges across Africa is that only seven of those, the biggest four (South Africa, Morocco, Nigeria and Egypt) besides those from Mauritius, Kenya and the West Africa Economic and Monetary Union (WAEMU) have reached a critical mass of listings. Banking and telecommunication sectors dominate, representing roughly 60-80% of market capitalisation in most cases, with the notable exception of South Africa's Johannesburg Stock Exchange where global mining and consumer companies also weigh in. The majority of listings also belong to privately owned companies, with state-owned corporations representing usually less than 7% of listings for most countries.²⁶

26 World Federation of Exchanges. (2026, February). Market statistics. Focus. <https://focus.world-exchanges.org/issue/february-2026/market-statistics>; Daba Finance. (2026, January 13). *The largest African stock exchanges in 2025 by market capitalization*. <https://dabafinance.com/en/insights/the-largest-african-stock-exchanges-in-2025-by-market-capitalization>

The largest capital markets by issuance volumes across SSA include South Africa (approximately USD 278 billion in total issuance with estimates from 2024), Ghana (17 billion), Kenya (6.5 billion), Uganda (4 billion), Nigeria (2.5 billion) and Tanzania (1.4 billion). All data are based on OECD estimates of end of 2024 stock values.²⁷ Specifically for equity, the largest market is, predictably, South Africa, with an estimated USD 5.6 billion in 2024, followed by Nigeria with 2.4 billion, and then Malawi, Zambia and Ghana, all under 150 million.²⁸ At the same time, outside of South Africa, most markets suffer from minimal initial public offerings (IPOs) and secondary market trading.

There is an appreciable correlation between upper-middle-income country status and market stability leading to exchange growth, both in size and listings, as proven by South Africa, Botswana (driven by pension fund demand) and Mauritius's role as an offshore financial centre. However, the most rapid growth is occurring in lower-middle-income countries like Ghana and Nigeria, along with very new exchanges like Ethiopia's fresh ESX.²⁹

The small size of many African economies and markets, many of which will struggle to reach a critical size, raises the question of whether aggregating markets can move them forward. To date, though a country like South Africa has a well-developed stock exchange, most other African countries have resisted becoming part of another country's market, largely for political reasons.

Other types of aggregations have had limited success. The Bourse Régionale des Valeurs Mobilières (BRVM) stock exchange serves the eight WAEMU nations, five of which are lower-middle income and the rest low income. Countries agreed to close their local exchanges and developed the BRVM as their one unified market. Today, the BRVM is skewed to the largest players: Côte d'Ivoire dominates on the equity side and concentrates, alongside Senegal, more than half of debt issuances.³⁰ The BVMAC, which includes six countries in the Central Africa Economic and Monetary Union (Cameroon, Congo, Gabon, Central African Republic, Equatorial Guinea and Chad) and uses a similar model, is minimally active, with barely six listings to date and reportedly thin secondary trading, reflecting the economic and market challenges its composite countries face.

A potentially important new development in Africa is the African Exchanges Linkages Project (AELP), a joint initiative of the African Development Bank and the African Securities Exchanges Association (ASEA) that went live in November 2022. The goal is to deepen and expand equity markets in the region by linking national exchanges to one shared cross-border trading system, making listings available across participating countries. Participating exchanges will adopt harmonised policies and regulations.³¹ Trades will be cleared, settled and regulated by the home country and in the home currency. To date, 10 SSA exchanges have signed on to AELP – BRVM plus exchanges from Ghana, Nigeria, Kenya, Uganda, Botswana, Mauritius and South Africa. Others are in the queue to sign up.

If successful, the AELP could address some of the challenges to market growth in the region. But true impact is likely to take time. New initiatives, particularly the Pan Africa Payment and Settlement System, may help reduce challenges to settling across currencies which has been a persistent obstacle to regionalisation. That could contribute to AELP's success.

27 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

28 Daba Finance. (2026, January 13). *The largest African stock exchanges in 2025 by market capitalization*. <https://dabafinance.com/en/insights/the-largest-african-stock-exchanges-in-2025-by-market-capitalization>

29 Daba Finance. (2026, January 13). *The largest African stock exchanges in 2025 by market capitalization*. <https://dabafinance.com/en/insights/the-largest-african-stock-exchanges-in-2025-by-market-capitalization>

30 Daba Finance. (2025, May 2). *Complete guide to BRVM-listed companies by country*. <https://dabafinance.com/en/insights/complete-guide-to-brvm-companies-by-country>

31 African Securities Exchanges Association. (n.d.). *About AELP*. African Exchanges Link. <https://africanexchangeslink.com/about-aelp/>

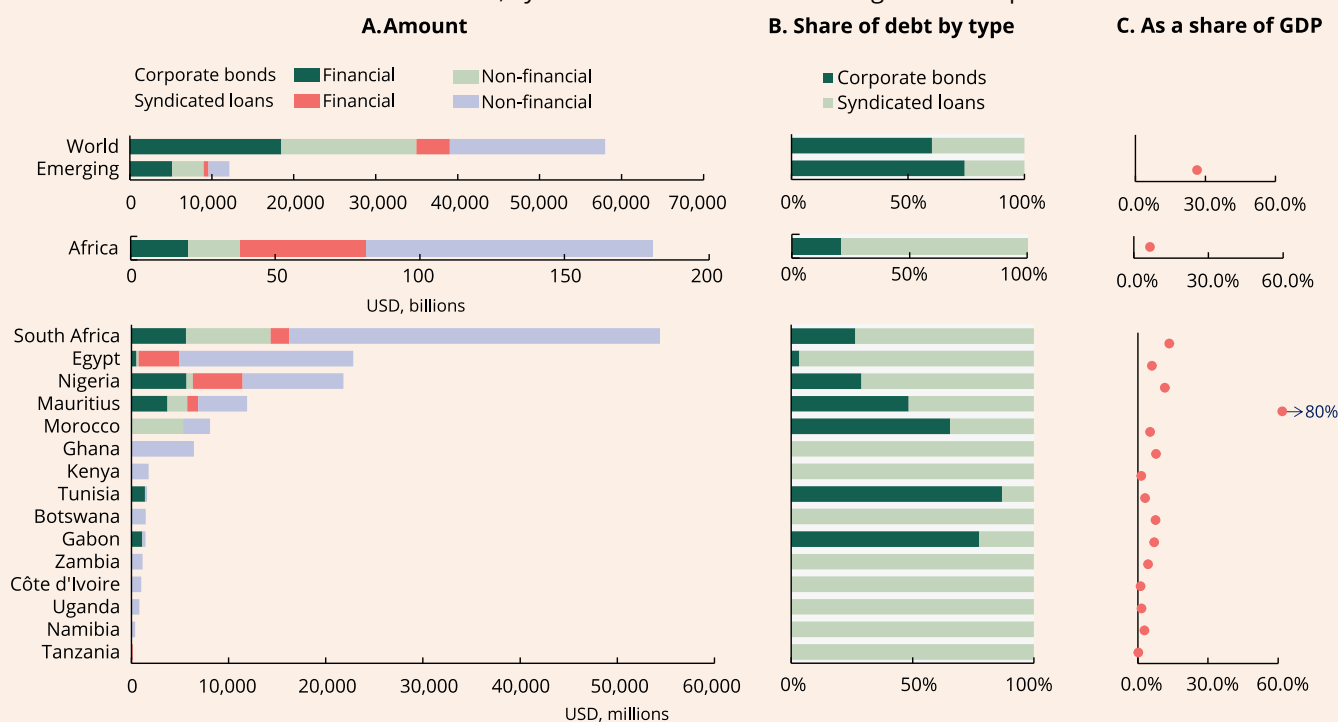
3.2.2 Corporate bond markets

Local corporate bond markets are even smaller in Africa than local equity markets. According to the OECD, there is a shortage of investable assets in Africa’s corporate debt markets. South Africa has by far the largest issuance, trading, and range of issuers in SSA (see Figure 3). Corporate bonds have been issued in several other countries, such as Nigeria, Ghana, Kenya, Tanzania, and Botswana but the issuance tends to be sporadic and has not resulted in sizable and on-going market growth. Most local corporate bonds are issued mainly by a handful of financial institutions and large corporate firms that are rated by local credit rating agencies. Some are able to issue in sizeable amounts, at times with fairly long maturities.³² Part of the challenge is that many firms are small-scale and unable to directly access local bond markets: they struggle to meet the needed scale and technical capacity requirements. Some resort to the often more competitively priced and accessible private-loan market.

Several stock exchanges in SSA – such as in Johannesburg, Nigeria, and Kenya and the BRVM – have segments where corporate bonds can be listed to get the benefits of a regulated public marketplace for debt products, as well as for trading. A few countries trade their bonds in organised over-the-counter exchanges, as is often done in developed markets. However, corporate bonds do not trade actively, even in more developed markets, partly because they are not as commoditised as equity and many institutional investors seek to buy and hold them to match their liabilities. They will trade even less so in EMDEs where the supply of quality corporate bonds is so low.

Figure 3. Debt markets in Africa³³

Total debt-to-GDP levels remain low in Africa; syndicated loan markets are larger than corporate bond markets



32 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

33 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

3.3 Challenges to LCM growth in Africa

3.3.1 General conditions needed to build LCMs

Like other EMDEs, African LCMs face a variety of development challenges which can deter market growth. Countries experience these challenges in different combinations and degrees. DFIs need to understand a country's circumstances to determine how best to intervene to mobilise private capital and expand local markets. Lack of understanding can result in interventions that fail to have the intended impact or result in one-off transactions, with limited follow-on activity. In 2025, 10 countries in SSA had developed capital market roadmaps that outline their plans for addressing obstacles to growth: Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia and Zimbabwe, with Botswana scheduled to develop one in 2026.³⁴

Generally speaking, three sets of conditions are needed for LCMs to grow, as highlighted in Table 2:

- ▶ **Market participants:** a sufficient size and number of issuers, investors and investable assets – affected by the economy's size and structure. As noted more below, this will be a challenge in many African countries because of small- and medium-sized-dominated economies, which will constrain the size of the institutional investor base and sufficiently sizeable capital market issuers.
- ▶ **Macroenvironment and competitive positioning:** a supportive macroenvironment, in particular credible, stable monetary and fiscal conditions, high and stable interest rates, and policies that do not disadvantage capital markets relative to other financial products, like tax-free interest earned on bank products but not on bond interest. A key issue in many African nations is that governments issue significant amounts of sovereign bonds to finance budgets, often with high interest rates, absorbing funds from local investors like pension funds and crowding-out corporate issuance.
- ▶ **Capital market environment:** a 'well-functioning' capital market with an 'enabling environment' typified by reasonable, credible, enforced policies and regulations that govern the marketplace, set standards and protect the rights of market participants; quality market data and disclosure; reliable and timely infrastructure for executing and settling trades; and a range of market instruments and products that support borrowing and investing needs. Capacity among regulators and market participants is critical. In addition, extended sovereign yield curves and pricing benchmarks are needed but seldom found in most SSA economies.

Table 2. Key needs for LCMs to develop³⁵

Key need	Specific examples
Market participants	<ul style="list-style-type: none"> • Pipeline of attractive issuers • Sufficient and growing base of local institutional investors/assets
Macroenvironment and competitive positioning	<ul style="list-style-type: none"> • Stable macro and political conditions and credible policymaking • Stable and low interest rates • Lack of government crowding-out of private capital • Competitive position vis-à-vis other financial products, particularly tax treatment • Economy that generates issuers and investors
Capital market enabling environment	<ul style="list-style-type: none"> • Reasonable and credible policies and regulations • Suite of financial instruments and products • Well-functioning infrastructure for executing market transactions • Proportionate issuance cost for bonds and other instruments • Sustainable bond frameworks or other notes' taxonomies that regulate issuance

34 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

35 Own elaboration from: World Bank Independent Evaluation Group (2016). *World Bank Group support to capital market development: Evidence from IEG evaluations*. World Bank. [wbgsupporttocapitalmarketdev-full.pdf](https://www.worldbank.org/en/publication/wbgsupporttocapitalmarketdev-full.pdf) FSD Africa & UK International Development (March 2025). *Impact of Green Bonds in Africa*. FSD Africa. <https://fsdafrica.org/publication/impact-of-green-bonds-in-africa/>

Since these elements play out in different ways in different countries, each country needs to be independently assessed to understand the local context and determine the actions needed to address them. There is no one-size-fits-all approach. That said, the main obstacles to growth often come from macro/political instability, tax disadvantages, and high transaction costs as well as limited issuers and investors in some cases. These elements can stop issuance even if a country has a well-formed policy, regulatory and operating infrastructure.

3.3.2 The situation in Africa

While many EMDEs have strengthened their macro-management and created more stable macroenvironments, many still suffer from periodic macro and political instability. These environments need to be repeatedly monitored and assessed. Quick shocks and changes in macro and fiscal policy can easily stall LCM growth even if a country has a strong enabling capital market environment. Countries that have successfully developed LCMs, like Indonesia, Malaysia or Morocco, have benefited from sustained reforms and stable macroeconomic environments.³⁶

As shown, in Africa today, a handful of middle-income countries have operating stock exchanges of decent depth and scale, notably the largest economies of the continent (South Africa, Nigeria and Egypt) and the case of Morocco. Another handful of middle-income countries have small-scale markets but some market infrastructure such as market regulation and exchanges that might be built upon. Selected countries with smaller activity may offer an entry point for LCM development if they display sufficiently large and diversified investor bases and appropriate market infrastructure.

A Limited market participation

On the **issuer** side, the lack of non-government issuance is due to a combination of reasons including limited borrowers of significant size and financial performance, a preference for bank loans due to lower costs and stronger borrower/lender relationships, and an unwillingness to issue equity and share ownership. Medium and smaller firms lack the size and documented track records needed to access LCMs, and they find issuance costs prohibitive.

In addition, and most importantly, many African governments are issuing high levels of sovereign debt, much of it with very attractive interest rates. This often crowds out corporate issuance and makes it unaffordable to the issuer, as corporate issues are typically priced at a spread above sovereign yield curves.

Finally, as discussed more below, DFIs can themselves contribute to low issuance in capital markets. DFIs often prefer to make loans for ease of structure or to meet volume targets, which reduces a borrower's interest in going to the LCMs.

On the **investor** side, some countries lack the investor base to create demand for LCM products. A starting point for determining actions in any country is to assess the size and growth rates of these investors and what that suggests in terms of their LCM growth potential.

As noted, in most Africa countries, many institutional investors need high-quality investment opportunities, for a combination of reasons: (1) their social security profile which requires them to take low risk to protect their assets; (2) for some, their limited experience and hence capacity to evaluate and manage investment risk; and (3) in many markets the overall lack of market sophistication, including low-quality disclosure, undeveloped credit cultures, and limited research information.

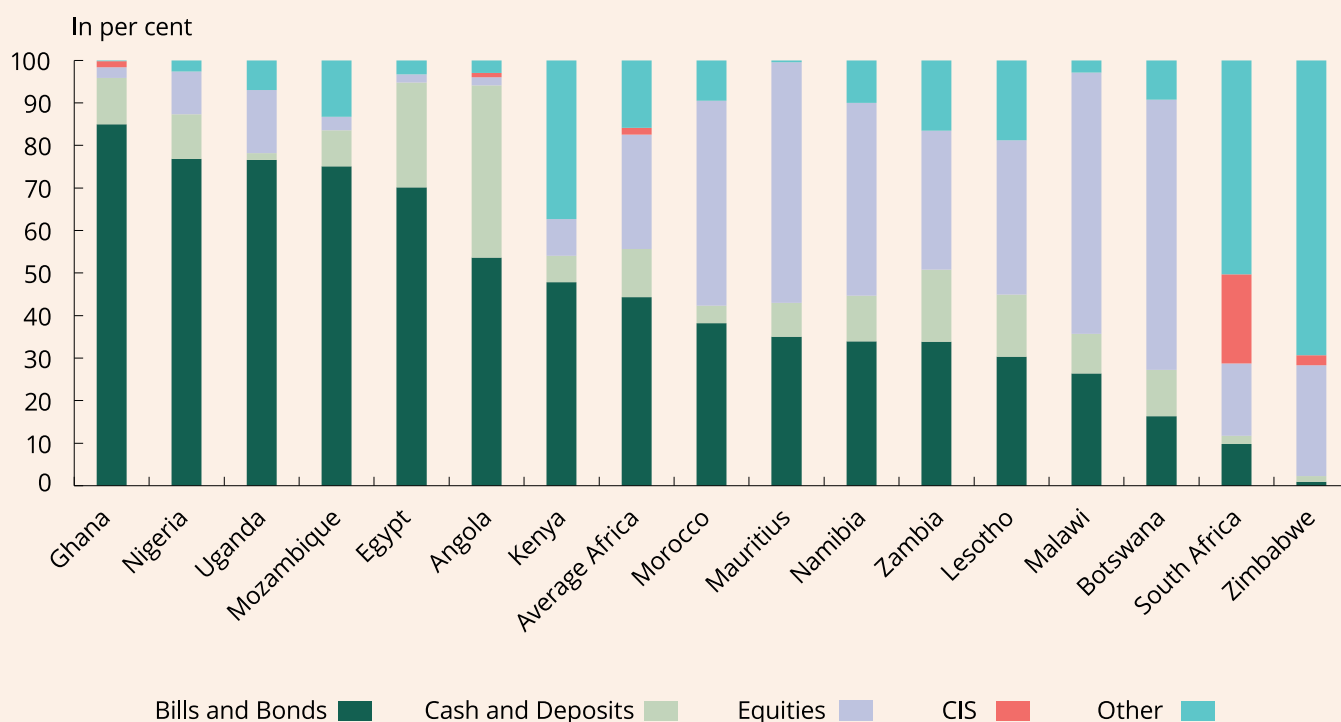
These reasons partly explain why a significant proportion of institutional investor assets are invested in high-yielding, low-risk government securities where those are available, as do regulations that may steer them in that direction. as highlighted in the figure below ('bills and

36 World Bank Independent Evaluation Group (2016). *World Bank Group support to capital market development: Evidence from IEG evaluations*. World Bank. [wbgsupporttocapitalmarketdev-full.pdf](https://www.worldbank.org/publications/iegevaluations/wbgsupporttocapitalmarketdev-full.pdf)

bonds' category). The levels range from over 80% in Ghana, 65% in Nigeria, or 34% in Zambia, the latter displaying only 2% allocated to corporate bonds, for example.³⁷

Figure 4. Asset allocation of a selection of African pension fund national industries, end-2023 (CIS meaning Collective Investment Scheme)³⁸

Pension funds in Africa mainly invest in bills and bonds



Another key reason for the focus on government securities is the dearth of high-quality alternative investments, which is itself partly due to crowding-out by high-paying government securities.

Many African local institutional investors recognise that they need more diversified investments. As a result, issues of good quality, non-government securities are typically well oversubscribed and held to maturity, reflecting the robust demand and insufficient supply.³⁹ The distribution of demand across IPOs is wide, ranging from 5.7% excess demand for Kenya Pipeline in 2026 to 532% oversubscription for Safaricom in 2008. Most successful cases share some features: large corporations and quasi-monopolies (government-linked Safaricom, fully state-owned Kenya Pipeline, both in Kenya), in telecoms and infrastructure sectors with predictable and transparent cash flow stories (private concessionaries like Umeme in Uganda, Celtel in Zambia), or in consumer and defensive sectors in buoyant local markets (privately owned Dangote Flour in Nigeria). Non-government bonds have also been oversubscribed, including IFC's recent bond in Rwanda that was 1.75 times oversubscribed and the Nigerian green bond issuance noted in Case study 3 below.

B Products and markets to focus on

In terms of **products**, debt and equity markets are both needed to provide a range of diversified financial products in Africa. In many ways debt products provide an easier starting point to mobilise investors and help build LCMs. Debt markets offer clear and predictable revenue streams and maturity dates that are easier to match against liabilities in the balance sheets of institutional investors. For issuers, debt dilutes concerns about sharing ownership. Structured debt instruments

37 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

38 Organisation for Economic Co-operation and Development. (2025). *Africa capital markets report 2025*. OECD Publishing. https://www.oecd.org/en/publications/africa-capital-markets-report-2025_7d26e1d3-en.html

39 InfraCredit Nigeria. (2025). *Unlocking long term local currency infrastructure finance in Nigeria* (Factsheet Feb 25-03-25 NG-1). InfraCredit Nigeria. https://infracredit.ng/update/wp-content/uploads/2025/04/Factsheet-Feb_25-03-25_NG-1.pdf

can be designed more easily to fit the risk appetites of targeted institutional investors. Most sustainability financing is done through debt markets, via green and sustainable bonds for example.

In terms of **markets**, public, listed markets offer important benefits for attracting institutional investors and growing local markets. They are regulated, have standardised listing requirements and robust data and documentation which matches institutional investor needs and can provide greater comfort and willingness to engage. Transactions are highly visible, expanding demonstration effects. Many EMDE stock exchanges actively train market participants, engage in peer exchanges that further market growth,⁴⁰ and have sustainability segments that are helping to educate investors about sustainability through listing requirements, disclosure and other aspects. Well-functioning public equity markets can also increase private equity investment by providing a viable exit, something often lacking today.

Most bonds in Africa are publicly issued and listed. However, some borrowers may need to start in private debt markets to learn about LCM products and avoid higher issuance costs that can be associated with public issuance. Information on the size of private issues is difficult to find. DFIs can pave the way to public-market issuance by encouraging private issuers to use and share disclosure documents that are informative but less onerous than those required in public markets, as a step to fuller disclosure, while combining this with development through technical assistance (TA) efforts. That said, many issuers may prefer to stay in the private markets over the longer term to avoid the scrutiny that comes with public markets and the higher transaction costs and size demands that may not prove workable for them.

3.3.3 Expectations and impact

Building LCMs is a slow, long-term process. The goal is to take steps that engender continued engagement that leads to ongoing market development, through replicated transactions and ongoing investments that build experience, quality, sophistication and trust and allow for greater scope and participation.

In Africa, the two core sets of complementary operations, explained in more detail in Section 5, are to:

- ▶ **Contribute to producing high-quality investments opportunities** that meet investor risk appetites and allow investors to gain experience and comfort operating in LCMs. This can be done through financing interventions and providing transaction TA to help create attractive, high-quality, low-risk investments that demonstrate strong structuring, disclosure, pricing, and investor relations to increase the pipeline of bankable projects that investors will want to finance.
- ▶ **Provide upstream TA to create enabling environments** that allow for diversified products and investment strategies and strengthen capacity to develop willingness and ability to invest in LCMs including capacity building

In executing this agenda, DFIs will need to determine what they mean by scale – that is, how large is their goal for LCM growth. Many countries have small markets and their growth in many cases will be slow and limited in size. As discussed, regionalisation efforts like the AELP may help create more critical mass for the region and individual countries but will likely take time to yield sizeable benefits. To scale significantly, a country will need a sizeable and growing investor base as a starting point, which will typically require a large GDP and large population, complemented by other core elements. A more limited goal could be to mobilise institutional investors to the greatest extent possible in ways that help grow LCMs and in turn mobilisation, with realistic expectations about what that means in any one country.

DFIs can follow a number of metrics to assess market growth and impact, such as the increase in the number of capital market bonds and equity issues, issuing entities, amounts invested, trading levels and tighter pricing. However, attributing change to any one DFI can be difficult since market development is the result of a combination of interrelated factors contributed to by a range of entities.

40 MOBILIST. (2023). *Development finance through public markets: Originate-to-demonstrate*. https://www.mobilistglobal.com/wp-content/uploads/2023/11/MOBILIST-Research-Report_Development-Finance-Through-Public-Markets_November-2023.pdf

4. A proposed country classification for local capital market and mobilisation interventions

As noted, the ability to develop and scale LCMs depends on how well an EMDE incorporates the fundamentals. There is no hard and fast rule about the pathway or the size of countries that can create capital markets, though one IFC report suggested USD 20 billion GDP based on a survey of market participants.⁴¹ Each country needs to be assessed to size up its capabilities.

Given the wide range of conditions that influence LCM growth, bucketing countries by their development capacity without detailed analysis is difficult. One basic, data-based approach is to bucket countries by GDP (see Table 3). Four groupings are used, with USD 25 billion set as the GDP threshold for sustaining a market.

At one extreme is the top group, which has the greatest potential for scale given its sizeable GDP and, for most of the countries, sizeable populations. DFIs could employ a range of interventions, including to support secondary markets and targeted TA. The lower middle income countries might have the greatest range for DFI engagement. Many of their markets are underdeveloped in various ways but their economic size may suggest the potential for scaling with DFI assistance. In an upper middle income country like South Africa with an active LCM, DFIs could focus on supporting introduction of more sophisticated products and new sectors to finance. For any UMIC, DFIs will need to assess whether and if so where their interventions can further market growth and development.

The bottom group should for the most part be excluded. Most fragile states will lack the needed political and macro stability. The least developed markets will likely lack a sufficient investor base and economy, among other elements. Ethiopia may be an exception which DFIs will need to evaluate. It is fragile, low income but has a sizable GDP and recently introduced a new stock exchange.

The middle section has a mix of countries, divided into two groups with a continuum of GDP size and conditions. Many mid-growth countries should be able to scale to varying degrees, particularly those at the upper GDP levels, if they have strong leadership willing to address macro and market challenges and an attractive investor base and potential issuers and issuances. Here, the extent of scale sought will have to be defined. The 'developing middle' group will have fewer possibilities. But again, this is a very broad-brushed approach. Each group will include a few countries with stronger possibilities and a few with weaker. Granular country-specific analyses are needed to assess growth potential.

In sum, this grouping of countries offers several possibilities for growth and, in some countries, more extensive scaling. More analysis is required to determine how far and fast a particular country can grow. And DFIs will need to determine their own targets for what they want to achieve in any particular country.

41 Demekas, D.G. and Nerlich, A. 'Creating Domestic Capital Markets in Developing Countries: Perspectives from Market Participants.' EM Compass Note 77, International Finance Corporation, January 2020.

Table 3. Country segments by LCM and mobilisation intervention potential

Country group	Key country features ⁴²	Examples of countries	LCM implications
'Scale markets'	+USD 100 billion GDP, large population, most have active capital markets with active investor bases	Upper Middle Income: South Africa Lower-middle income: Nigeria*, Ghana *	Largest potential for a range of DFI interventions that scale LCM growth, including those that mobilise large tickets for local investor bases.
'Mid-growth economies'	USD 25-99 billion GDP, mix of population sizes and levels of local investor bases	Lower-middle income: Kenya, Tanzania, Côte d'Ivoire, Senegal, Zambia, Cameroon, Angola. Low-income: Uganda	Possibility to scale LCMs via the range of DFI interventions, especially anchoring and de-risking high-quality issuances, and TA. Some countries will be challenging.
'The developing middle'	Under USD 25 billion GDP, smaller population sizes, small but in some cases growing local investor bases. Some countries have minimum macro fundamentals	High income: Seychelles Upper-middle income: Botswana, Gabon, Equatorial Guinea, Cabo Verde Lower-middle income: Namibia, Benin, Mozambique, Mauritania, Eswatini, Lesotho. Low income: Rwanda, Togo, Madagascar, Malawi, Sierra Leone, Gambia.,	Their smaller size and likely small investor bases makes mobilisation structurally challenging. Markets will need substantial TA. Some like Botswana and Namibia display higher per capita income and stronger macroeconomic fundamentals, which allows for greater scale relative to their market sizes.
'Fragile states ⁴³ and least developed countries' ⁴⁴	Lack of contextual stability, investor bases or quality issuers Often plagued by conflict and insecurity	Lower-middle income: Zimbabwe, Guinea, Republic of Congo, Comoros, São Tomé and Príncipe. Low income: Burundi, Democratic Mali, Central African Republic, Chad, Somalia, Sudan, South Sudan, Niger, Burkina Faso, Eritrea, Guinea-Bissau, Liberia, Central African Republic, , Ethiopia**	Limited potential for any LCM growth intervention, as most DFI activity is focused on concessional financing for de-risking and economic reconstruction. Potential for a client firm located in these countries to use regional exchanges for issuance.

* Nigeria is classified as a fragile state under the World Bank methodology but included here as 'a Scale market' because of its large economy and sizable institutional investor base with growing experience assessing private credit risk.

** Ethiopia has a GDP which is above \$100 billion and a newly created stock exchange but it is included in the bottom, and not the top, category because it is a fragile, low-income state. As noted in the text, DFIs will need to assess its potential for LCM growth in terms of speed and scope.

42 GDP data taken from: World Bank. (2025). *GDP (current US\$) — World Bank Open Data*. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

43 'A fragile state is one that experiences significant weaknesses across key dimensions of governance, institutional capacity, and conflict dynamics, such that its ability to deliver core functions, manage risk, and maintain stability is impaired.' See more at: World Bank Group. (2025). *Classification of fragile and conflict-affected situations: FY25 list of fragile and conflict-affected situations* [Technical report]. World Bank. <https://thedocs.worldbank.org/en/doc/b3c737c4687db176ec98f5c434d0de91-0090082024/original/FCSListFY25.pdf>

44 An LDC is a country with severe structural impediments to development, as defined by the United Nations Committee for Development Policy as long as two of three inclusion thresholds are met: Gross National Income (GNI) below USD 1,088 and/or Human Asset Index below 60 and/or the Economic and Environmental Vulnerability Index (EVI) above 36. See more at: United Nations Conference on Trade and Development. (2025). *List of least developed countries*. United Nations. <https://unctad.org/topic/least-developed-countries/list>

5. DFI interventions

5.1 DFI interventions that support both mobilisation and LCM development

DFIs have several tools that can encourage new issuance, mobilise private capital, and help develop LCMs in the process. The goal is to create an ongoing dynamic where mobilisation helps develop capital markets which in turn helps create the conditions for future, sustainable, long-term mobilisation and so on. It is important to recognise at the same time that not all mobilisation interventions will or are intended to lead to capital market development.

As noted, local institutional investors in EMDEs need low-risk investments. At the same time, these investors need investments that yield sufficient returns so they can meet their policyholder obligations. Given this, DFIs should focus on increasing the availability of quality investment opportunities, encouraging issuance by top-tier financial institutions and corporates that demonstrate strong due diligence, disclosure and other elements. This makes DFI origination and de-risking efforts particularly valuable.⁴⁵

Specifically, this thinkpiece identifies six main interventions through which DFI mobilisation activities can support both mobilisation and LCMs, as noted in Table 4 below:

Table 4. DFI interventions that support both mobilisation and LCM development

Intervention taxonomy	DFI intervention types
Increase the number of quality capital market products and transactions	1. Anchor bonds and equity issuances
	2. De-risk with guarantees and blended finance structures
	3. Issue local currency bonds
	4. Invest to build entities that strengthen market infrastructure and transactions
Build enabling environments and capacity	5. Provide transaction-specific and upstream technical assistance
Strengthen entities with LCM development mandates	6. Expand platforms with dual mobilisation and LCM mandates

Clearly, not all DFIs will have the mandate or tools to engage in each area. Moreover, as can be seen, these types of engagements are not new. Most DFIs are doing them already. The difference going forward is that DFIs will need to be more intentional about using these interventions to help develop LCMs. That may require committing to employing capital market products more than in the past, for example by encouraging a bank to raise funds by issuing a bond and anchoring the bond to attract investors, rather than providing the bank with a loan. That in turn can create conflicts with other institutional goals, particularly for broader mobilisation or overall volume targets. Will the DFI be willing to take a smaller stake in an operation to leave the door open for private investors, or to anchor a small bond issue to help increase when they could instead make a more sizeable loan that could also be quicker and easier to complete? DFIs will need to answer these questions if they pursue this path.

⁴⁵ MOBILIST. (2023). *Development finance through public markets: Originate-to-demonstrate*. https://www.mobilistglobal.com/wp-content/uploads/2023/11/MOBILIST-Research-Report_Development-Finance-Through-Public-Markets_November-2023.pdf

A second reason these actions are not new is because developing LCMs requires getting the fundamentals right, building on the basics. The more that products and interventions are recognisable, known, simple and standard, the easier it will be to start using and replicating them. Replication is what is needed for the markets to grow.

5.2 Debt markets

5.2.1 Anchoring bonds

A The value of anchoring

Anchoring refers to a DFI's early, visible commitment to a capital market transaction with the explicit objective of crowding-in private investors, allowing them to benefit from the DFI's strong origination, patient capital and transaction support. For many institutional investors the opportunity to invest in a project vetted and co-owned by a DFI is a major inducement. The value of DFIs as anchor investors has already been recognised in research focused on mobilisation, as they help to unlock a transaction or close an investment fund.⁴⁶

More specifically, anchoring is underpinned by the DFI's rigorous due diligence, followed by a financial stake and transaction support such as advising on structuring, preparing quality documents and disclosure – which demonstrate proper techniques and build capacity – and at times paying for legal fees or credit ratings. DFI financial contributions can vary widely. There is no 'official' financing floor but typical amounts are between 10% and 30%. The goal is to set an amount that, combined with other DFI contributions, will raise investor confidence and attract the needed private capital.

A DFI's anchoring is typically communicated through disclosure documents, book building efforts and press releases. DFIs are not registered securities brokers; they cannot publicly market the investment to other investors. That is done by the investment bank managing the deal. And while DFI involvement signals that a transaction is expected to perform well – DFI involvement can be said to de-risk the transaction – DFIs are not responsible if it does not.

For all these reasons, having a DFI anchor a debt issue can also encourage non-government entities to issue in the capital markets, with greater comfort that their issue will be well-placed with investors.

B Approaches to anchoring

DFIs can focus more intentionally on anchoring high-quality bonds issued by top-tier banks and corporates, combined with transaction support. More specifically to:

- ▶ Encourage high-quality firms to issue bonds and anchor the bonds, instead of lending to those firms. Start with leading financial institutions that are well-known, well regarded, with strong performance. The issuance pool can expand and move downmarket and into new sectors as experience and investor appetite grows.
- ▶ Encourage high-performing investees to issue bonds instead of taking on a loan to expand their operations and anchor those bonds. Bonds can also be used to 'take out'/refinance DFI loans.
- ▶ Take smaller stakes in investment operations to allow larger engagement by private investors, possibly with scale-back provisions based on the level of market interest.
- ▶ Anchor bond funds, including ones that can be listed on the local stock exchange, to provide larger ticket sizes as well as portfolio diversification and professional asset management.
- ▶ Anchor a securitised pool of loans that creates bond with a senior tranche that is listed on the local stock exchange (see Case study 2).

⁴⁶ The value of DFIs as anchor investors is discussed in the Asset Management Learning Review: Alexander, S. and Alarcón, J. (2025) 'Learning Review: Asset Management and Mobilisation of Private Capital'. Brighton: Itad.

Anchoring bonds could be done in any market. The greatest impact on LCM growth will likely be in “Scale Markets” and “Mid growth economies”, countries that might possess sizable and growing investor bases that could be mobilized by DFI engagement. Ideally the bonds would be issued publicly and listed but can otherwise be privately placed. In that case, the DFI could provide TA to prepare a limited disclosure document as a step towards preparing a more extensive public documentation and to help educate investors about reading documents and analysing investments in the process.

C On-selling anchored bonds

DFIs could go a step further and look to originate bonds with the intention of selling them on to private investors. DFIs could keep a small 10% share of the overall issuance for themselves to have ‘skin in the game’ both to induce others to invest and to maintain their own book. This is a version of the ‘originate-to-share’ approach. The benefits of shifting from an originate-to-hold to an originate-to-share paradigm across MDB and DFI operations are clear from a mobilisation perspective.⁴⁷ By sharing larger percentages of their assets with private investors rather than holding them on their balance sheets, DFIs can recycle their funds and help create an ongoing, sizeable pipeline of attractive LCM products. This approach would likely work best in the upper range of markets as those could best generate a portfolio of assets to share and have investors available to purchase them or if a regional fund was created.

5.2.2 De-risking with guarantees and blended finance structures

De-risking LCM bonds is very much needed to attract local institutional investors, given their inexperience taking credit risk. Financings related to the sustainability and climate agendas can raise additional credit risk concerns since they often involve new sectors, technologies and borrowers.

A Guarantees for credit enhancement

There are different ways to de-risk a bond or bond fund. The simplest is by providing an external guarantee structured to create a credit risk level that makes the investment saleable. A DFI can fully guarantee the bond’s principal and interest payments or partially guarantee them, sharing the risks with investors. Partial guarantees can also be given to cover the longer-dated legs of a bond when the goal is to lengthen maturities in the market. Partial guarantees have an added ‘capacity building’ value: because they require the investor to take some of the credit risk, they encourage investors to learn how to identify and evaluate those risks. All guarantees are given with the intention of not being called but this is especially important in the LCM development context. The goal is for the investor to have a positive introductory experience in LCMs, one that encourages them to return to the market.

DFI guarantees can support LCM growth by promoting bond issuances, enabling a bond to reach a rating or risk level that meets investor thresholds, with limits. A challenge is whether the guarantee can reduce the coupon level to the point where the all-in-cost to issue the bond can compete with available bank financing and, more generally, whether that cost is affordable to the borrower.⁴⁸ In some markets and for some borrowers, a modest amount of credit enhancement may be enough to uplift the rating by one notch and attract institutional investors, but in other cases, pricing is more discontinuous. Investor demand may drop sharply below a particular rating because of regulation, mandate restrictions, or internal portfolio rules.

47 Gregory, N. and Alarcón, J. (2025). Opportunities for DFIs to scale private capital mobilisation: Structures and tools. Brighton, UK: Itad. <https://assets.bii.co.uk/wp-content/uploads/2025/10/10104741/Opportunities-for-DFIs-to-Scale-Private-Capital-Mobilisation.pdf>;

48 Garbacz, W., Vilalta, D. and Moller, L. (2021). The role of guarantees in blended finance (OECD Development Co-operation Working Papers No. 97). OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/06/the-role-of-guarantees-in-blended-finance_cef700a2/730e1498-en.pdf

Experience suggests that a minimum 20% credit enhancement can move an issuer up one notch in markets where risk pricing is largely continuous and stable, but 45-70% is needed in more discontinuous markets.⁴⁹ The latter may make the bond issuance too expensive and not worth doing.

Bond issuers may be willing to pay for guarantees and all-in costs that are high relative to bank loans because they are not just looking for lower cost funding in the immediate term. Bond financing may provide other worthwhile benefits, such as longer maturities or larger sizes compared to bank loans. Importantly, issuing a bond may let them tap into and gain visibility with a new and growing set of institutional investors they want to draw on going forward. DFI guarantees, full or partial, are a way to be introduced to LCMs and institutional investors, with the expectation that over time, a guarantee will not be needed and the coupon rates can decline due to investor familiarity and comfort with their issues. This was the case for infrastructure bonds in Nigeria, as InfraCredit's experience demonstrates (see case study below). But again, the all-in-cost including the guarantee must be affordable to the issuer.

Guarantees are seen as a powerful and underutilised mobilisation tool that can be used more extensively to encourage local bond issuances that help grow LCMs.⁵⁰ While guarantees can be used to support any one transaction, to help build LCMs a country needs to offer sufficiently attractive investment opportunities that do not require moving too far down the credit risk scale to find issuers. Otherwise, the de-risking can become unaffordable to the DFI and/or the issuer.

Instead of providing external guarantees directly, DFIs can also capitalise entities like InfraCredit, a specialist platform based in Nigeria and set up by the Private Infrastructure Development Group (PIDG) to unlock local currency debt issuances in Nigeria (see case study below). Entities like InfraCredit are well positioned to provide guarantees given their in-depth on-the-ground knowledge and local networks. DFIs can also co-guarantee alongside InfraCredit, taking advantage of their insights and financial resources. Drawing on InfraCredit's success, PIDG and GuarantCo replicated InfraCredit in Kenya by creating the Dhamana Guarantee Company with FSD Africa in 2024. PIDG has also replicated the InfraCredit model by creating InfraZamin in Pakistan and partnered with the Credit Guarantee Corporation of Cambodia.

49 Inter-American Development Bank, Office of Evaluation and Oversight. (2022, February). Evaluation of guarantee instruments at the IDB Group (RE-559-1). <https://publications.iadb.org/publications/english/document/Corporate-Evaluation-Evaluation-of-Guarantee-Instruments-at-the-IDB-Group.pdf>; Credit Guarantee and Investment Facility. (2023, January). Comparison of ASEAN corporate bond markets. <https://www.cgif-abmi.org/storage/2023/01/Comparison-of-ASEAN-corporate-bond-markets-FINAL-v4.pdf>

50 For more information on de-risking tools and their mobilisation implications, please consider the dedicated Learning Review: Kaanen, R. and Alarcón, J. (2025) 'Learning Review: De-risking Tools for Mobilising Private Capital'. Brighton: Itad.

Case study 1. De-risking the financing of others in local currency: InfraCredit⁵¹

InfraCredit Nigeria is a specialist provider of credit guarantees for local-currency infrastructure bonds in Nigeria. Backed by PIDG, PIDG-owned GuarantCo, the Nigeria Sovereign Investment Authority, DFIs (KfW) and development agencies (USAID, AFD), InfraCredit provides irrevocable, unconditional guarantees that elevate corporate and project-finance debt from sub-investment grade to Nigeria's sovereign AAA, increasing the ability to issue long-term, naira-denominated bonds in the local capital markets.

Before InfraCredit's launch in 2017, there was no local-currency credit-guarantee facility for infrastructure bonds in Nigeria. Local pension funds and insurers had limited pathways to invest in infrastructure debt since most project sponsors couldn't achieve investment-grade ratings on their own and naira-denominated long-tenor paper was extremely rare. Commercial bank loans dominated infrastructure finance and tenors rarely exceeded 5-7 years – too short for infrastructure economics.

By late 2025 InfraCredit had mobilised over USD 300–400 million in local-currency infrastructure bond issuances through 20 projects, subscribed predominantly by 19 Nigerian pension funds across renewable energy, gas, transport and digital infrastructure. Tenors have extended up to 15 years and pension-fund participation has gone from virtually zero to oversubscriptions of 24-60% on individual tranches. Many transactions were done in private markets because of insufficient size to go public.

InfraCredit sees its contributions as going well beyond de-risking individual transactions. It has helped create naira-denominated infrastructure bonds as a viable asset class – several recent issues succeeded without a guarantee; facilitated price discovery and yield curve development – helping to extend tenors to over 10 years; and build confidence in local-currency long-term debt. Its risk-sharing facility with Financial Sector Deepening (FSD) Africa is helping to create a track record of issues. In addition, InfraCredit integrates TA services with its guarantee products, supporting early-stage and first-time borrowers with project preparation, and building capacity in the process. It has developed a toolkit on preparing infrastructure projects for financing to share its lessons learned.

InfraCredit enshrines a platforms approach, showcasing how DFI support can mobilise local investors and deliver structural capital-market development by supporting entities with strong local knowledge, networks, and on-the-ground operations.

B Blended finance structures

Another approach is for DFIs to take an equity or junior debt tranche in a structure where institutional investors provide senior debt. This provides institutional investors with greater protection against loss in the event of default. This can be done through a simple two-tier structure, for instance with just Class A and Class B shares, or a more expanded blended finance approach that combines a mix of DFI interventions, for example (1) a first-loss position or external guarantee; (2) concessionary lending; and (3) TA to strengthen the issuer's performance, the transaction structure, and the enabling environment. Blended finance can be used for different types of issuers, including a business, project or fund. The challenge with blended finance is to create simplified, standardised structures that reduce complexity and, in turn, transaction costs and transaction risks that the structure's complexity can cause, and allow, for greater replication.⁵²

51 Own elaboration from: InfraCredit. (2024). Annual report 2023. InfraCredit Nigeria. https://infracredit.ng/update/wp-content/uploads/2025/03/2024-Annual-Report_NEW.pdf; <https://infracredit.ng/update/wp-content/uploads/2024/08/Knowledge-Exchange-Report-2023.pdf> Centre for Development Finance Studies (CDFS). (2025, November). In search of a rising tide: Can African capital markets lift the continent's futures? (Local Capital Markets Development – Chapter 1).

52 For more information on blended finance, see Convergence. (2025). The state of blended finance 2025. <https://www.convergence.finance/resource/state-of-blended-finance-2025/view> and Convergence's website <https://www.convergence.finance>.

5.2.3 Issuing local currency bonds

DFIs that have an appropriate mandate and funding structure (notably FMO (Dutch) and KfW (German) development banks) can issue local currency bonds, where they are the issuer and obligor, and provide high-quality investment opportunities. To date, most local currency bonds issued in LCMs have been issued by MDBs and large-size DFIs like IFC. Developing LCMs is often given as a reason for issuing these bonds. MDB and DFI bond issuances can help lengthen yield curves, and demonstrate how to properly issue bonds, disclose information and engage with investors. The bonds can be listed on local stock exchanges and support their development too.

There are several challenges to issuing local currency bonds in LCMs, mainly concerning the cost, timing and size of the issues. The goal is to issue at times and amounts that can quickly be lent on to projects to avoid currency risk and expensive carrying costs. This often proves challenging, also because high issuance costs can push for issuing in large sizes that cannot be quickly disbursed.

DFIs have often swapped the bond proceeds into hard currency, partly due to these lending-on challenges. But local currency DFI bond issues in LCMs are increasingly being seen as a way to reduce currency risk to local borrowers and DFIs themselves and to raise local currency financing for the sustainability agenda. A sizeable number of DFI issues could help create a critical mass of quality paper in the market, educating investors and setting the foundation for ongoing issuance.

Medium-term note (MTN) programmes and shelf-registration⁵³ can offer ways to address these challenges. IFC's Pan Africa Domestic MTN Programme exemplifies this approach. A programme prospectus is set up in advance under English law, rated by S&P that allows IFC to issue local currency notes and bonds in 10 African countries, ranging from South Africa, Nigeria and Kenya to Uganda, Zambia, Mozambique and Rwanda with the ability to add others. A local addendum is approved for each country by local authorities and attached to the Programme prospectus. To date these addenda have been prepared for Rwanda and Zambia. The notes must have a maturity of at least 3 months. There is no limit on the overall size of the MTN Programme or a minimum or maximum amount for a local bond offering.

In 2025 under the MTN Programme, IFC issued an 8 year, USD 17 million-equivalent Rwandan local currency bond that attracted institutional investors including pension funds and banks – it was 1.75 times oversubscribed. The bond is listed on the Rwanda Stock Exchange and the proceeds used to finance a digital project. Developing LCMs is given as an objective goal of the operation. This could perhaps be a template that other DFIs could follow.

5.3 Equity markets

5.3.1 Background: equity markets in Africa

As shown, equity markets in Africa play a minimal role in most countries today. There are limited listings and IPOs are almost non-existent in many markets. But as noted, public equity markets are an important piece of a country's financial architecture. Institutional investors will tilt to debt over equity to match their liabilities no matter which geography, but equity will be valuable to them to diversify their portfolios. International investors tend to hold portfolios with equity, on average, accounting for 25-30% compared to bills and bonds at 30-35%

In Africa, institutional investors currently hold barely 20% of the region's listed equity (and less than 5% in most nascent markets from Nigeria to Ghana to Zambia), but an increasing appetite is evidenced.⁵⁴ Many IPOs in the last decade featured substantial oversubscription from local investors, signalling demand. These ranged from 5.7% excess demand for Kenya Pipeline in 2026

53 Medium-term note programs offer a standardised legal framework for debt issuers to issue debt frequently and quickly over time. Shelf-registration allows an issuer to register a large number of securities with authorities and regulators well in advance without selling them at once.

54 Organisation for Economic Co-operation and Development. (2025). Africa capital markets report 2025. OECD Publishing. <https://doi.org/10.1787/7d26e1d3-en>

to 532% oversubscription for Safaricom in 2008. Most successful cases share some features: large corporations and quasi-monopolies (Safaricom and Kenya Pipeline in Kenya), in telecoms and infrastructure sectors with predictable and transparent cash flow stories (Umeme in Uganda, Celtel Zambia in Zambia), or in consumer and defensive sectors in buoyant local markets (Dangote Flour in Nigeria).

At the same time, some IPOs were notably undersubscribed, like Uganda's Airtel, with only 54% of shares sold. But local institutional investors cited valuation concerns and a clear tilt to more competitive yields in government bonds, indicating developmental and competitive challenges that local equity markets can face in Africa rather than a lack of interest in equity.

The AELP may breathe new life into African exchanges that could make DFI interventions more impactful – more visible and more available to a wider range of investors beyond one national market, though this is likely to take several years to become fully operational.

The lack of local equity markets reduces access to equity financing for many borrowers in EMDEs. Access to international equity markets is typically accessible only to a country's government-owned or linked corporations and the best known, largest private firms. As an example, JP Morgan's Corporate Emerging Markets Bond Index (CEMBI) requires bonds of at least USD 300 million for inclusion, while the more important CEMBI Core excludes bonds below USD 500 million; while in contrast there are reportedly about USD 2 billion of African USD corporate bonds that are simply too small for index inclusion.⁵⁵

There are several actions DFIs can take to increase the availability of quality equity listings and help grow the market, with a focus on middle-income countries that have a market foundation and growing institutional investor base. DFIs will need to assess where lack of issuance is due to broader challenges like macro instability or high transaction costs that would make DFI actions less impactful and to determine which countries to target.

5.3.2 Anchoring equity issuances

As with debt issuances, DFIs can anchor public and/or listed equity issues in similar ways and with similar benefits for both issuers and investors if they have the mandate to invest in public equity.

DFIs can help increase access to quality paper by investing in pre-IPOs (i.e. investing in the IPO just before it is offered to the general public) and following-on offerings to signal to and encourage private investors. Their engagement could be publicised through press releases, the DFI's website, and their own and others' reporting. Pre-IPO investments might be documented in the IPO's prospectus, alerting potential investors. (As noted, DFIs cannot market public securities and are not responsible for their performance.)

DFIs can also expand stock exchange listings in countries that display relevant activity in ways that allow investors to indirectly benefit from the DFI's anchoring, and also provide transaction support to the issuing entity to prepare and demonstrate proper issuance and disclosure:

- ▶ Exit their private equity investments, which they anchored and supported from early stages, through listings on the local stock exchange.
- ▶ Encourage their investee firms, entities that they invested in with private equity, to issue equity instead of seeking a bank loan (including from the DFI) to grow their operations and to list that equity on the local stock exchange.
- ▶ Encourage their investee firms to issue IPOs to raise funds to take out a shareholder, including the DFI, instead of looking for a trade sale partner.

55 Ayres, S., Hakyemez, V. & Carter, P. (2025, September). A mobilisation machine: International corporate bonds in sub-Saharan Africa. British International Investment. <https://assets.bii.co.uk/wp-content/uploads/2025/09/12152951/A-mobilisation-machine-international-corporate-bonds-in-Sub-Saharan-Africa.pdf>

DFIs can also encourage other entities with strong origination capabilities to do the same.⁵⁶ The second and third actions could create tension within the DFI around mobilisation and financing goals. Both actions could reduce the stock and growth of assets on the DFI's balance sheet, reducing their ability to reach those goals.

5.3.3 Supporting secondary market vehicles⁵⁷

Secondary market vehicles pool a portfolio of assets that were invested in by early-stage investors and issue tradable shares backed by cash flows from those assets to raise funds and repay early investors. In this way, secondary market vehicles can be another way for DFIs to mobilise private capital and at the same time help build equity market participation and liquidity. They can provide much-needed exits to early-stage investors through listed products, such as a listed fund that pools private equity investments, as is being considered in Ghana, or an Infrastructure Investment Trust (InvIT) or Real Estate Investment Trust (REITs) that pools operating infrastructure projects or properties, respectively. InvITs allow project developers to exit their projects at the operating stage. A secondary market vehicle can be listed as an open or closed-end fund depending on the underlying assets. Pooling private equity investments from seasoned SMEs with performance track records can reduce risk and attract investors.

DFIs can support growth of secondary market vehicles from both sides of the market; They can (1) exit their own private equity investments through a listed vehicle, helping to attract private investors to LCMs (and allowing the DFI to recycle its own capital in the process); and (2) support creation of new vehicles by providing structuring advice – using simplified structures, anchoring and de-risking them, and advising on regulations and capacity building. Employing these complementary actions can have the greatest impact.

To start, secondary market vehicles may be most appropriate in African countries with more active equity markets, that also have or can develop enabling regulations and sizeable project pipelines with strong cash flows. South Africa has both infrastructure trusts and REITs. Nigeria has REITs regulation. Case study 2 highlights REITs in Kenya.

5.3.4 Supporting participation in the AELP

The AELP is still in the early stages of use, working to address issues related to linking exchanges and markets with different aspects such as currencies, market regulations, and taxation, areas that typically challenge regionalization efforts. Given that it is linking existing exchanges rather than replacing them with a fully integrated regional exchange, a DFI can support development of local markets and, at the same time, be supporting regionalization. Any efforts to strengthen local market regulations, availability of quality issues, new products, and institutional capacity will only enhance a market's value from and to the AELP.

In addition, DFIs can advise a country and its exchange on elements specific to linking. For example, to join the AELP, exchanges have to pass a market readiness assessment to assure they can support cross-border trading, as determined by the AELP's framework. This includes meeting the AELP's requirements in regulatory compliance, clearing and settlement, order routing systems, and investment taxation.⁵⁸ DFIs could support exchanges in meeting these requirements and building their capacity to participate to the fullest, through technical assistance and studies.

56 MOBILIST. (2023). Development finance through public markets: Originate-to-demonstrate. https://www.mobilistglobal.com/wp-content/uploads/2023/11/MOBILIST-Research-Report_Development-Finance-Through-Public-Markets_November-2023.pdf

57 This information draws on MOBILIST's report Secondary Market Vehicles in EMDEs: Lessons and Implications For Development Actors, January 2026.

58 African Exchanges Linkage Project. (n.d.). African Exchanges Linkage Project. <https://africanexchangeslink.com/>

5.4 Providing transaction-specific and upstream TA

Transaction-specific TA is critically needed in African capital markets to create quality transactions that investors will want to invest in and build pipelines of new issues. Most DFIs have mandates to provide that. In addition, upstream TA is critical to address barriers to LCM growth and development – to strengthen policies, regulations, operations and capacity, introduce regulations to enable new products and related investment guidelines. DFI mobilisation cannot contribute to LCM growth if the enabling environment is not conducive to and stymies that growth. Local institutional investors will need considerable TA to enhance their ability to assess credit risk, new investments in sectors like infrastructure, new products like securitization, among other areas.

Most bilateral DFIs have mandates to provide transaction-specific but not upstream TA. DFIs that lack this latter mandate will want to ensure that other institutions are covering it. They can also inform upstream TA by sharing their insights on barriers they encounter doing transactions. All of the African markets will require TA of some sort that can be determined by an assessment of their barriers to action. As reported by the World Bank's Joint Capital Market (J-CAP) programme and FSD Africa, 13 countries have Capital Market Master Plans that identify key areas in need of development and plans for addressing them.⁵⁹

Engaging in transactions and supporting improvements in the enabling environment can be a useful combination. The World Bank Group strengthened links between its upstream TA and transaction work through its J-CAP programme, after the Bank's internal evaluation group concluded that lack of coordination across the World Bank Group, including TA and financing interventions, had undermined the institution's effectiveness at building LCMs.⁶⁰ Entities like FSD Africa, the Africa Local Currency Bond Fund (ALCBF), PIDG and InfraCredit link their TA and transactions work to more effective engagements. Case study 8 below on PIDG provides an example of the effectiveness inherent in blending TA with financing with a clear LCM-creation intent. MOBILIST⁶¹ notes in its recommendations for public equity markets that by coordinating TA and transactions, DFIs can have a greater impact on enhancing market growth and activity.⁶²

5.5 Supporting new products and markets

5.5.1 New products

DFIs can use their various interventions and links to government leaders to support development of new LCM products that allow DFIs to mobilise funds and build LCMs at the same time, either products that exist but are not yet used in an EMDE(s) or new products that might be developed. They can anchor, de-risk, provide transaction and, if mandated, upstream TA for new products. They can perform research, share knowledge and contribute to efforts to develop standardised, simple but workable structures. DFIs can ally with local financial institutions to benefit from their local knowledge and networks to identify transactions and approaches that best fit local conditions. They can draw on global connections for insights on how to simplify and standardise new products.

Securitisation has been seen as a promising instrument for mobilising institutional investors to support SDG financing, because of its ability to pool small borrowings and create bond issues with

59 These countries are Kenya, Nigeria, Ghana, Rwanda, Uganda, Zambia, Tanzania, Malawi, Zimbabwe, Sierra Leone, Eswatini, Botswana and Mauritius. This information is obtained from: FSD Africa. (2026). Landscape study: A comprehensive assessment of pension systems and asset management industry in Africa. Financial Sector Deepening Africa. <https://fsdafrica.org/wp-content/uploads/2026/02/Landscape-study-pension-and-asset-management-systems-02.02.2026.pdf>

60 Demekas, D.G. and Nerlich, A. (2019). Creating domestic capital markets in developing countries: Perspectives from market participants. IFC/World Bank Group. <https://www.ifc.org/content/dam/ifc/doc/mgrt-pub/emcompass-note-77-creating-domestic-cap-markets-dev-countries.pdf?>; World Bank Group. (2022, November 3). Coming together: The World Bank Group's Joint Capital Markets Program. IFC Stories. <https://www.ifc.org/en/stories/2022/coming-together>

61 Mobilising Institutional Capital Through Listed Product Structures.

62 MOBILIST. (2023). Development finance through public markets: Originate-to-demonstrate. https://www.mobilistglobal.com/wp-content/uploads/2023/11/MOBILIST-Research-Report_Development-Finance-Through-Public-Markets_November-2023.pdf

investment tranches that meet the size and risk appetites of institutional investors. It also allows a wider range of borrowers to access LCMs, ones that lack balance strength but have performing assets they can borrow against. SMEs and infrastructure finance are two particular targets.

There is growing focus on securitisation's applicability in Africa. As well documented in a recent report by FSD Africa and BII titled 'The role of securitisations in developing capital markets in Africa', several types of assets and cash flows have been securitised in Africa to date, including SME loans, infrastructure receivables, and housing receivables.⁶³ Bilateral DFIs have participated in several of these securitisations, raising market awareness and knowledge through demonstration transactions that complement the report. However, also well noted is the need for considerable legal, regulatory and capacity building as well as standardising and employing simplified approaches for securitisation to proceed. As with any new product, the goal is to find markets with the capacity to take on these challenges and benefit from the instrument's promising potential.

Case study 2 provides examples of how DFIs are supporting new products that are listed on local stock exchanges and mobilising institutional investors to finance sustainability objectives. In securitisation, working closely with local partners, IFC's financing and TA interventions have helped expand use of securitisation in Côte d'Ivoire to finance electricity distribution. The securitisation is listed as a social bond on the BRVM (*Bourse Régionale des Valeurs Mobilières*). In Benin, BII co-anchored a securitisation, alongside the West African Development Bank (BOAD) and IFC, to increase financing for MSMEs, also locally listed. In these and other ways, DFIs like BII have contributed to securitisation's rising use in the WAEMU region, where to date about 13 transactions have been completed. DFIs are also supporting growth of REITs. In Kenya, PIDG, GuarantCo, and US DFC's supported development of two REITs in Kenya to finance affordable student housing, both listed on the Nairobi Stock Exchange's Unquoted Securities Platform.

63 Copernican Securities Pty Ltd, FSD Africa, and British International Investment. (2025, October). The role of securitisation in developing capital markets in Africa (Insight). <https://fsdafrica.org/wp-content/uploads/2025/10/The-role-of-securitisation-in-developing-capital-markets-in-Africa-BII-and-FSD-Africa.pdf>

Case study 2. DFIs supporting new product growth: securitisation in Côte d'Ivoire and Benin

Supporting securitisation in WAEMU

DFIs have played an important role in developing securitisation in the WAEMU region. About thirteen securitisations have been done in the region since 2018, building on and reflecting DFI work to provide demonstration transactions that have contributed to market knowledge and growth.

Côte D'Ivoire: In the past 3 years, IFC has supported two securitisations to finance Côte D'Ivoire's Electricity for All programme, both listed as social bonds on the BRVM: (1) a USD 97 million LC-equivalent 15 year bond which IFC anchored (at 50%) in 2023; and (2) a USD 107 million LC-equivalent issue with 7, 10 and 15 year tranches which IFC guaranteed in 2025, anchored by a local financial institution and a PIDG affiliate. Other DFIs supported these issues which were also funded by a mix of local institutional investors. CDI-based Africa Link Capital Titrisation was transaction manager. The Electricity For All Program is expected to increase electricity access by 13% over 4 years, support job creation, and attract private capital. In addition to financing and transaction support, IFC helped address data quality concerns and in 2020 advised on developing green, social and sustainability bond guidelines which helped lay the groundwork for the social bond. The World Bank Group also worked with regulators, fiscal institutions, and investors to enhance the enabling environment

Benin: To increase micro, small and medium-sized enterprise (MSMEs) financing, BII contributed to securitisation's growth in WAEMU by co-anchoring a USD 90 million equivalent securitisation to raise critical financing for MSMEs – the first ever securitisation in Benin. Partnering with NSIA Bank Benin, IFC, and West Africa's Development Bank (BOAD), BII co-anchored with USD 14 million equivalent and IFC with USD 25 million equivalent which encourage local investors to join. The Bond was issued by Keur Samba, BOAD's securitisation special purpose vehicle, with three tranches, including a junior tranche retained by the seller. The landmark transaction was listed on the BRVM and reportedly 15% oversubscribed. Proceeds from the bond will help NSIA Bank Benin expand its lending to MSMEs in Benin, Senegal and Togo. At least 25% of the proceeds will go to women-led MSMEs. Earlier deals with NSIA and other financial institutions in the region have securitised SME loans to raise additional financing for the sector.

Case study 3. DFIs supporting new product growth: REITs in Kenya

Supporting REITs in Kenya to raise affordable student housing

REITs are collective investment vehicles that pool funds from investors. Investors obtain rights in a trust and receive returns based on profits or income generated by the real estate assets held in the trust.

In 2021, Acorn Holdings issued two listed Real Estate Investment Trusts (REITs) to finance affordable student housing in Kenya, one to finance land acquisition and construction (D-REIT), another to generate income from rentals from completed hostels (I-REIT). The REITs are listed on the Nairobi Stock Exchange's Unquoted Securities Market, a regulated market where unlisted entities can list, contributing to local capital market development. The goal is to raise USD 700 million in local currency equivalent, including over USD 300 million from local institutional investors, particularly pension funds and asset managers. PIDG provided a USD 10 million anchor, US DFC provided USD 180 million financing, and GuarantCo provided a partial credit guarantee, all in local currency. Investors in the I-REIT will earn returns as dividends based on real estate rental payments while those in the D-REIT will earn returns from sale or leasing of the properties. In late 2025, Acorn announced a new REIT to build rental properties for young professionals, which PIDG will also anchor.

5.5.2 Supporting the green and sustainable finance agenda

DFI attention to the climate and sustainability agenda is escalating rapidly given the urgency of the situation. DFIs can mobilise funds for this agenda in ways that help build LCMs. In the climate space, Africa is recognised as one of the most vulnerable regions to climate events and of all different types depending on the locale – that is, extreme droughts, floods and heat. Increasing access to adaptation finance to build resilience and transition finance to transition out of oil and gas to renewable energy are key needs in addition to mitigation finance. DFIs can mobilise funds in ways that help build green and sustainable LCMs by supporting bond and equity issues (see Case study 3 below), issuing their own bonds to finance needed areas, and helping to build much-needed frameworks like taxonomies and bond principles as well as capacity.

Notably, approximately 11 sub-Saharan countries have adopted some taxonomy related to bonds, from the full-fledged green finance taxonomies of South Africa, Rwanda and Kenya, to the green bond guidelines of Nigeria, Kenya, Zambia, Rwanda and Tanzania, among others.⁶⁴ Other EMDEs have done the same. African countries can build off these approaches to accelerate adoption of their own taxonomies. Harmonising frameworks across countries increases familiarity with investors, local and foreign, making it easier to attract financing and grow local markets. However, countries will need to adjust their taxonomies to fit local conditions as appropriate.

Case study 4. A green bond issuance listed in Nigeria's stock exchange and guaranteed by InfraCredit⁶⁵

North South Power is a Nigerian company with a Nigerian and international shareholder base that acts as a power-generation platform for renewable energy. In 2019, North South Power issued a 15-year, 15.6%-senior green infrastructure bond for NGN 8.5 billion. The issuance was listed on the Nigerian Stock Exchange. InfraCredit, a specialised provider of local-currency guarantees for corporate bond issuances for infrastructure projects in Nigeria, provided a guarantee (InfraCredit is explained further below as a separate case study).

InfraCredit's unconditional and irrevocable guarantee of scheduled principal and coupon payments uplifted the issuance to an AA local rating, making the issuer the first certified corporate green bond and the longest-tenor corporate bond in Nigeria's capital markets. The issuance was reportedly 60% oversubscribed with commitments from 15 institutional investors, including 11 pension funds. As explained further below, InfraCredit played a critical role to shift Nigeria's pension funds away from government securities and into private infrastructure, largely a new asset class for them.

Case study 5. NMB's Jamii Bond, Tanzania's inaugural sustainability bond

In May 2024, BII provided USD 15M to co-anchor NMB Bank's inaugural sustainability bond in Tanzania, alongside IFC. The bond, supported by over 5,600 local investors, was significantly oversubscribed and at TZS 400 billion, became the largest ever sustainability bond issued in the East Africa region. It was listed on the Dar Es Salaam local stock exchange. NMB is a pioneer in sustainability. Proceeds will finance projects that expand inclusive socioeconomic growth and help strengthen the country's response to climate change. FSD Africa provided TA for NMB Bank's portfolio review and a second party opinion. A USD 73 million tranche was listed on the London Stock Exchange to encourage international investment.

64 Sustainable Banking and Finance Network [SBFN]. (2025). 2025 global progress report: Benchmarking national sustainable finance initiatives. World Bank Group. <https://www.sbfnetwork.org/2025-global-progress-report>

65 Organisation for Economic Co-operation and Development. (2025). InfraCredit: Making infrastructure projects in Nigeria more bankable through credit enhancement. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/07/blended-finance-case-studies_2dbe4d82/infacredit-making-infrastructure-projects-in-nigeria-more-bankable-through-credit-enhancement_f9bfb6d2/bdb679c6-en.pdf; North South Power. (2024, May 13). First SEC approved 15-year corporate green infrastructure bond in the Nigerian debt capital markets. <https://northsouthpower.com/2024/05/13/first-sec-approved-15-year-corporate-green-infrastructure-bond-in-the-nigerian-debt-capital-markets-2/>

5.6 Investing to build entities that strengthen market infrastructure and transactions

DFIs have invested in market infrastructure such as exchanges or clearing, settlement, and depository institutions, to strengthen their ability to execute/trade, clear and settle LCM transactions in a reliable, accurate and timely way and increase investor confidence. They have invested in rating agencies that can enhance information on issuer credit quality or in entities that guarantee trade will settle to improve secondary market liquidity. Today, these institutions are established in many LCMs.

Going forward possible areas for DFI support are (1) technology upgrades for these institutions; (2) revisions in institutional policies and operations that might be needed to participate in the AELP, as noted above; and (3) a facility to guarantee or de-risk settlement of trades, similar to how FrontClear guarantees counterparty credit risk in money market transactions to encourage trading.⁶⁶ That said, active trading in most LCMs will take time to develop because of the limited supply of paper to trade, due to low primary market issuance and the tendency for investors to buy and hold securities that are offered. Moreover, corporate bonds do not typically trade actively, even in advanced markets, beyond the first few months after issuance.

5.7 Expanding platforms with dual mobilisation and LCM mandates

'Platforms' are entities created by one or several DFIs to develop and/or invest in multiple transactions at arm's length from the DFI. They can mobilise private capital at the entity or transaction level.⁶⁷ Platforms often set out principles and thresholds for approving transactions, standardising processes and templates, and possibly designating product teams with in-depth market knowledge. Even if they may require significant upfront effort and bespoke structuring, they offer the advantage of creating a sustained investment pipeline and hence repeated mobilisation over time, both at the platform level and at the sub-entity level. Importantly, platforms can play a key role in catalysing local financing and spurring local capital market development, as platform financing transitions from foreign investors to local ones.⁶⁸

DFIs can adopt a platforms approach in several ways. For instance, they could scale their own operations by creating internal platforms that enhance their speed and flexibility. That would help address the frequent comment that slow and inflexible decision-making by DFIs is a constraint to scale. A platform could be product and/or geographically based or defined in a way that best accelerates decision-making and disbursement for critical areas. Dedicated staff can be assigned to manage and build expertise to support it.

DFIs can also finance platforms run by others. In Africa, several entities with regional or international mandates are drawing on their in-depth product knowledge, geographic expertise, and related networks to help build LCMs, by mobilising private capital, providing TA, and sharing lessons learned and market research. Examples are the ALCBF focused on local bond markets (see Case Study 7), PIDG and its related entities GuarantCo and InfraCredit, which de-risk infrastructure transactions (see Case study 8); and MOBILIST, set up by the Foreign, Commonwealth and Development Office (FCDO) to build public markets and listed products in them.⁶⁹ Similarly, FSD Africa has done extensive work to build LCMs in Africa through targeted TA, investments and extensive knowledge sharing. FSD Africa brings critical geographic and product expertise that could be expanded to support a far wider group of countries (see Case study 6).

66 For further information on FrontClear's role as a de-risking agent, please consider the De-risking Learning Review: Kaanen, R. & Alarcón, J. (2025) 'Learning Review: De-risking Tools for Mobilising Private Capital'. Brighton: Itad.

67 Gregory, N. and Alarcón, J. (2025). Opportunities for DFIs to scale private capital mobilisation: Structures and tools. Brighton, UK: Itad. <https://assets.bii.co.uk/wp-content/uploads/2025/10/10104741/Opportunities-for-DFIs-to-Scale-Private-Capital-Mobilisation.pdf>;

68 For further information on the role and value of investment platforms in private capital mobilisation, please consider the dedicated Learning Review: Tahir, W. and Gregory, N. (2025) 'Learning Review: Platforms for Mobilisation.' Brighton: Itad.

69 See more at: <https://www.mobilistglobal.com/about/>

Case study 6. Deepening local capital markets through TA and investments: FSD Africa⁷⁰

FSD Africa is a UK-backed specialist development agency, established in 2012, that works to deepen and strengthen African financial markets. FSD Africa provides two types of support: non-financial market-building support, and catalytic investment capital through its investment arm, FSD Africa Investments (FSDAi).

In terms of non-financial support, FSD Africa engages in three main ways:

- Advises on policies regulations, and institutional support. FSD Africa advised the Dar Es Salaam Stock Exchange on revising its rules to enable the issuance of sustainability-linked bonds in Tanzania, in Kenya on developing green-bond regulations and in Rwanda on introducing asset-backed securities. It helped develop capital-market master plans in Nigeria, Kenya, Ethiopia, Uganda and Zambia, and a strategy for Ghana's Ministry of Finance.
- Helps build market infrastructure such as exchanges and clearing and settlement institutions. FSD Africa helped develop Kenya's EABX over-the-counter exchange and provided technical and grant capital for Ethiopia's first securities exchange, including co-financing the central securities depository and training more than 600 market professionals.
- Supports transaction and new product development. FSD Africa provided TA to Tanzania's NMB Bank to develop its social bond framework and obtain a second-party opinion, which paved the way for issuance of the USD 32 million equivalent Jasiri gender bond, the first ever gender bond in sub-Saharan Africa. One year later, in 2023, NMB issued the Jamii sustainability bond, anchored by BII alongside IFC, also supported by FSD Africa's TA.

On the financing side, FSD Africa's investment arm FSDAi provides patient, risk-bearing capital to new intermediaries, facilities and instruments to unlock private participation. Its support to InfraCredit through a risk-sharing backstop as well as TA helped prove the credit-enhancement model for mobilising Nigerian pension and insurance capital into infrastructure, later replicated through vehicles such as Dhamana in East Africa. It supported the Kenya Credit Enhancement Facility to provide guarantees for long-term local-currency infrastructure debt and was an early investor in the Africa Local Currency Bond Fund (ALCBF), another important initiative for local capital market development explained in Case study 7.

FSD Africa has made significant contributions to developing local capital markets in Africa with a systems change ambition and approach.

DFIs can provide capital to these and similarly successful platforms so they can expand their operations and mobilise more private investment through LCMs, or provide guarantees, as KfW did for the ALCBF to guarantee investors that are lending to the ALCBF. Both engagements 'credentialise' and essentially de-risk these institutions, empowering them to attract greater private financing, as has been the case for ALCBF and InfraCredit, creating a direct and indirect impact for these entities from DFI financing.

These platforms can be capitalised on further. DFIs could support their replication to other regions, perhaps creating a global holding-company structure under which regional entities operate. That would enhance informative cross-regional knowledge sharing and peer interactions, deemed particularly valuable for cross-pollination of learnings that drive LCM development. Finally, when needs exist that scaling existing platforms won't address, DFIs can heighten efforts to identify and support new platforms.

⁷⁰ FSD Africa. (2024). FSD Africa impact report 2024. <https://fsdafrica.org/wp-content/uploads/2025/05/FSD-Africa-Impact-Report-2024-Final.pdf>

Case study 7. Financing intermediaries with a dual mandate: ALCBF⁷¹

The Africa Local Currency Bond Fund (ALCBF) is a pan-African investment fund with a mandate to develop local African capital markets by making anchor investments in primary, non-sovereign local-currency bond issuances. ALCBF seeks to mobilise African investors in both their own countries and other African countries. Established by KfW in 2012, it is backed by KfW and FSD Africa (equity and subordinated debt) and several DFIs (senior debt from FMO or IFC) and managed by private manager Cygnum Capital. As of the end of 2025, it had deployed over USD 400 million to over 60 companies across 16 countries and diverse sectors like renewables, financial inclusion or affordable housing, demonstrating a private capital mobilisation ratio of over 1:9 at the portfolio level.

The ALCBF exemplifies a platform approach with complementary actions to mobilise and develop LCMs. On the investment side, its mandate allows it to take a minority stake in bond issuances of up to 50%. The rest must be matched by local institutional investors to maximise crowd-in effects. The Fund also mobilises through innovative mechanisms like a backstopping facility with FMO funding that ALCBF taps into in cases of failure to raise sufficient institutional capital. It reports a default rate of under 2%, which it attributes to the existence of quality investments in Africa combined with strong diversification across countries, currencies and sectors.

Its broader market development interventions include a TA facility, launched in 2015 with KfW and FSD Africa funding, which plays a similar role to InfraCredit's, supporting capacity-building and transaction preparation; providing financial and technical support for legal, accounting and credit ratings on a cost-sharing basis to reduce the cost barriers that can deter new issuers; financing studies on product development; and creating knowledge products. The ALCBF's work has expanded new issuance, facilitated the prolongation of tenors, and broadened investor bases across African countries, all of which contribute to developing local markets.

All in all, ALCBF's integrated model, from the platform's approach via an investment fund structure, to the combination of anchor investments designed to maximise local crowd-in, coupled with bespoke TA at the clients' disposal, enshrines an important approach in terms of how DFIs can design interventions for LCM development while mobilising both local and international investors along the way. The ALCBF reports that its track record, and DFI funding as a signal of support, enabled it to launch a EUR 150 million European Medium-Term Note (EMTN) programme, with the German Investment and Development Corporation (DEG) as a first anchor investor, to tap into European institutional investors.

71 Own elaboration from: Cygnum Capital. (2025). ALCB Fund quarterly factsheet: Q3 2025. https://cdn.prod.website-files.com/674d781640f36d3c8f7cbc9f/692710ce11409f570638cec6_CygCap%20ALCBF%202025%20Q3%20Factsheet%20-%20Public.pdf; Cygnum Capital. (2024). ALCB Fund secures milestone first private institutional investor through EMTN programme. <https://www.cygnumcapital.com/news/alcb-fund-secures-milestone-first-private-institutional-investor-through-emtn-programme>

Case study 8. Towards a platforms approach that combines TA and financing in integrated interventions: PIDG

The Private Infrastructure Development Group (PIDG) is a multi-DFI platform founded in 2002 to mobilise and provide local-currency funding to infrastructure projects in African and Asian EMDEs. PIDG encompasses two main institutions or 'sub-platforms': InfraCo Africa and InfraCo Asia (providing early-stage project development equity), GuarantCo (providing local-currency guarantees); besides two facilities: the Emerging Africa Infrastructure Fund (EAIF, providing long-term commercial loans to private infrastructure projects), and the Technical Assistance and Innovation Facility (TIF, providing TA). Each sub-platform draws on different types of capital to serve different purposes. PIDG also supports InfraCredit in Nigeria and Dhamana in Kenya.

PIDG enshrines a 'platforms approach', using various interventions to strengthen project bankability and de-risk local infrastructure issues to mobilise institutional investors and create demonstration transactions. Its services include early-stage project preparation for structuring, risk mitigation and long-term financing. GuarantCo's guarantees have enabled over USD 1.7 billion in local-currency infrastructure financing, attracting local investors, particularly pension funds and insurers, to participate in long-tenor infrastructure bonds.

To complement its transaction support, PIDG provides upstream TA to strengthen market policies, regulations and disclosure standards related to infrastructure financing. To further increase project bankability, PIDG runs a transaction advisory programme for government clients, DevCo, with the IFC that includes feasibility studies, and financial, legal and technical structuring. These mutually reinforcing interventions help marry mobilisation and LCM development.

Key lessons for scaling PIDG's model include shoring up local and regional models to originate and deploy and strengthening its TA and capacity-building services. For GuarantCo specifically, balance sheet growth comprises the main pathway for financial sustainability, with the help of guarantee syndications and the expansion of portfolio guarantees for interested, mainly international, investors.

5.8 Accelerating collaboration across DFIs

Greater DFI collaboration can significantly enhance and scale the mobilisation link to LCM development, in several ways, some of which are already moving forward. Increased dedication and speed would help bring out more quality issues, strengthen TA, build knowledge and advance joint DFI-private sector initiatives.

In addition, greater collaboration of DFIs with MDBs on transactions, TA and knowledge sharing offers the potential for DFIs to operate on a larger stage with larger impact. MDBs have the resources to anchor scaled transactions and provide enabling macro and market environment TA to enhance their success and grow LCMs. DFIs can participate with their financing and transaction support. Upstream TA from MDBs can also pave the way for transactions that DFIs handle independently, with greater expectation for replication. Moreover, DFIs will be more informed about successful transaction structures and templates, disclosure information, the state of LCMs in countries of interest, and other knowledge and experience shared more extensively.

5.8.1 Collaborating to enhance quality issues

Collaboration could happen on several fronts to enhance the number of quality issues and their size. For example, DFIs could:

- ▶ Make a concerted effort to increase issuance in a target market, by agreeing to anchor separate bond issues, issue their own bonds, and exit investments through the listed markets.
- ▶ More extensively combine de-risking in complementarity with other DFIs to address larger issues and more as markets expand to incorporate a wider range of borrowers and sectors.
- ▶ Combine assets to create larger pooled funds.
- ▶ Combine financing to scale existing and new platforms.

5.8.2 Collaborating to improve TA

Collaborating and coordinating on TA would have several benefits. Combining TA funding would reduce the scarcity that is so often an issue. LCM development projects are sizeable and long term. TA resources are often insufficient to fully address areas of need. In addition, creating a shared platform with information on TA under way would inform DFIs about market readiness for their financing interventions. It could share reports on an EMDE's LCM growth and development roadmaps. DFIs could jointly commission studies to reduce duplication and share their considerable knowledge and insights from country-related work.

Efforts to reduce DFI fragmentation would be widely welcomed by LCM issuers and investors, who suffer from fragmented origination processes, having to produce duplicative, inconsistent due diligence requirements, and environmental and social reports, and manage across numerous DFI TA programmes. It would have similar benefits for regulators.

5.8.3 Collaborating to share knowledge and standardise approaches

As noted, employing simple, standardised approaches will help accelerate understanding, decrease risk, and increase replication. Greater DFI collaboration can hasten these goals and avoid duplication of scarce resources. Anecdotal evidence from private co-investors like banking institutions underlines the challenges these face when dealing with multiple competing and sometimes contradictory requirements from different DFIs. DFIs could:

- ▶ Standardise templates, disclosure and data, or support industry-led efforts where that is most appropriate. The green bond market grew because global standards and definitions were adopted, led by an industry group supported by DFIs who also advised EMDEs on how to adopt them.
- ▶ More extensively publicise and share lessons learned on successful transactions, including blended finance structures, to accelerate learning and easier replication as well as on developing LCMs markets. Cross-country lessons could also be made available to EMDEs for similar benefits.

Much of this work is under discussion and some is being developed, particularly under the MDB Task Force on Mobilisation, which includes many DFIs. For example, the MDB Taskforce:

- ▶ Launched the 'Collaborative Co-financing Portal', which shares pipeline projects that could benefit from co-financing, targeted at country priorities and building financing partnerships in the process.
- ▶ Is working to identify scalable innovative approaches and financial instruments to boost private investment.
- ▶ Is expanding the type and disaggregation of statistics that MDBs and DFIs release through the [Global Emerging Markets Risk Database](#) (GEMs) Consortium, supporting investors to better assess investment risks and opportunities. (While GEMs focuses on credit risk, it can provide insights into the potential risks investors might face in LCMs as well.)
- ▶ Knowledge reports like BII's [Gender Bonds Toolkit](#) build foundational, practical knowledge on bond structures, issuance processes, external reviews that can be refined and built on rather than duplicated by other DFIs.

In addition, the Platform for Technical Assistance, led by the Asian Infrastructure Investment Bank (AIIB), aims to bring together MDBs, United Nations agencies, public development banks, and other donors to coordinate their TA resources and reduce fragmentation. Several DFIs have also collaborated on upstream work to create more favourable investment frameworks and to develop project pipelines in fragile states.

Clearly, cross-institutional collaboration is time consuming and difficult to implement, illustrated by how slowly it has evolved. Large institutions struggle with collaboration within their own walls. But the urgency for greater mobilisation is rising, and workable approaches are sorely needed, backed by top DFI leadership and dedicated resources.

6. Conclusions

DFIs have several tools they can use to mobilise private capital in ways that help develop LCMs. This linkage is a key need today. LCMs in EMDEs represent an underutilised lever to support mobilisation of private capital. Across many countries from Africa to Asia, institutional investors are growing in scale and sophistication. In principle, these assets are well aligned with the long-dated financing needs of infrastructure, productive investment and climate transition. In practice, however, this alignment remains only partially realised.

The core constraint is the persistent underdevelopment of LCMs. In many EMDEs, markets remain shallow, issuance is episodic, and the supply of high-quality, investable instruments is limited. This creates a self-reinforcing cycle in which limited issuance constrains investor participation, and limited participation discourages new issuance.

To mobilise private capital in ways that at the same time help develop LCMs, DFIs can anchor, de-risk and, in some cases, issue their own local currency bonds, creating high-quality investment opportunities in LCMs that can help lengthen yield curves and provide demonstration effects. In addition to transaction-specific TA, they can provide upstream TA to strengthen enabling environments and institutional capacity. They can invest in entities that have regional mandates to develop LCMs, drawing on their in-depth local knowledge and networks.

However, given the level of development in capital markets across SSA and their finite resources, DFIs like BII might best focus on countries such as Nigeria, Côte d'Ivoire, Ghana, Kenya, Tanzania and Zambia. These are mainly lower-middle-income countries that have a base of market knowledge, activity and investors that can be built on. That said, they might also support a large, upper-income and more developed market like South Africa to enhance its sophistication and capacity, to introduce new products for example. BII and other DFIs can also consider one or two countries in the 'developing middle' group, selected on the basis of their investor size, potential issuance pipelines and enabling environments. For smaller, fragile economies, DFIs may consider supporting investable client firms in those countries to issue through regional stock exchanges like BRVM in the WAEMU region or the AELP as that develops. Ethiopia may be an exception which DFIs will need to evaluate. It is a fragile, low-income country but has a sizable GDP and recently introduced a new stock exchange. Overall, DFIs will need to determine whether and if so how to engage in any particular country to enhance LCM growth.

Developing LCMs in EMDEs is a long process that requires interventions across a range of areas with consistent and strategic application. It also requires building on fundamentals, allowing market participants to learn, gain comfort, then replicate and grow. DFIs can accelerate their impact through cross-collaboration with local entities, both public and private, to draw on their in-depth knowledge and networks, and with other DFIs. Greater collaboration among DFIs – around common platforms, shared standards and complementary risk-taking roles – would allow these interventions to operate at a scale commensurate with the challenge.

Many of these interventions are not new to DFIs. What *is* new is doing them with the intention to develop LCMs. That may create conflicts with broader mobilisation and volume targets that DFI will need to manage.

If DFIs are able to align more deliberately around these objectives, LCMs in EMDEs can move from being a constraint on mobilisation to one of its primary engines. Clearly, the degree of growth will vary across countries and DFIs will need to select where their efforts can best be applied. But many countries will benefit. DFIs would not only help close financing gaps in the short term, but also contribute to more resilient, self-sustaining financial systems that can let countries take ownership of their development agendas with effective funding to lean on.

Appendix 1. List of organisations consulted and interviews

A series of semi-structured interviews were conducted with key stakeholders, both across the MDB/DFI community and key BII personnel.

For external stakeholders, the interviewees were:

Name	Organisation	Role
Paul Horrocks	OECD	Head of the Private Finance for Sustainable Development Unit
Chinua Azubike	InfraCredit	CEO
Brock Hoback	ALCBF	Fund Lead at ALCBF, President at Cygnum Capital
Evans Osano	FSD Africa	Chief Financial Markets Officer
Tim Streeter	PIDG	Head of Investor Relations
Sophie Gaze		Investor Relations Manager
Denesh Srishanker		Head of Credit Enhancement Facilities
Kreshav Gaur	IFC	Treasury Client Solutions Director
Kevin Warui Njiraini		Syndications Director
Guancarlo Ortega		Manager, Syndications Operations
Kruskaia Sierra-Escalante		Senior Manager, Co-investor solutions

For BII key staff, the interviewees were:

Name	Role
Vincent Hakyemez	Investment Director, Special Situations, Office of Chief Investment Officer
Jumai Mohammed	Investment Director, Financial Services Debt
Gieltje Adriaans	Director, Financial Services Development Impact
Leyla Charles	Investment Manager, Intermediated Financial Services

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