

TRANSFORMATIONAL CHANGE

DFI
FRONTIER
MARKETS
FORUM



DIRECTED BY



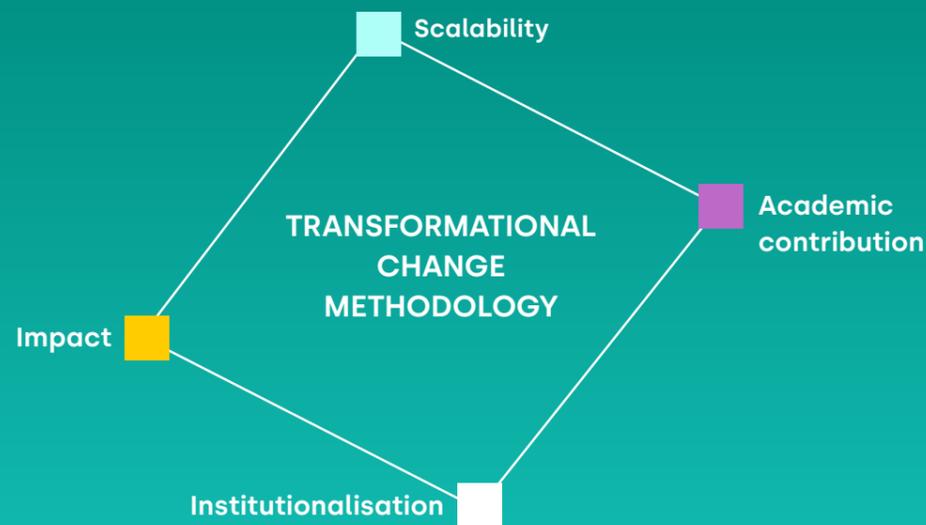
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1. Understanding Transformational Change

The IGC works with policymakers in low- and middle-income countries to promote inclusive and sustainable growth through pathbreaking research. Our research and policy engagement are supported by an international network of researchers and resident country offices across Africa, South Asia, and the Middle East. The collaborative approach made possible by this model – with embedded country teams and global initiatives that bring local and international policy stakeholders together with leading researchers – has created an effective mechanism for collaborative idea generation. To understand, enhance, and communicate IGC’s impact, we created a ‘Transformational Change’ methodology in 2024. The methodology aims to identify the conditions in which research can achieve significant and positive policy and academic impact by focusing on four key dimensions: innovative contribution, institutionalisation, scalability, and impact. The focus of our approach is on contribution to change, rather than attribution; analysing cases where IGC’s contribution was pivotal for change to happen, while simultaneously recognising it was not the sole player. Our Monitoring, Evaluation, and Learning (MEL) Team is now applying this methodology to a series of case studies. The knowledge from these studies will deepen our understanding of the IGC’s pivotal contributions and help us to draw actionable insights that inform future strategies and reinforce the IGC’s role in driving evidence-informed policy research.

From February to June 2025, we applied our Transformational Change methodology to analyse the Development Finance Institutions’ (DFI) **Frontier Markets Forum** (formerly known as the DFI Fragility Forum),¹ drawing on internal documents, official reports, publications, and 14 key informant interviews.²

1 It should be noted that when launched in 2019, the Forum was named the ‘DFI Fragility Forum.’ For the 2025 edition, it has been renamed the ‘DFI Frontier Markets Forum’ to reflect a deliberate shift in perspective—moving from viewing fragile states solely through the lens of risk and challenges to recognising the opportunities for development, investment, and market creation in these contexts.

2 We interviewed co-organisers and participants of the Forum for this case study. This includes **El Hadj Mamadou Bah**, Chief Policy Economist in the Private Sector, Infrastructure, and Industrialization complex at the African Development Bank (AfDB); **Frederik Teufel**, Lead Coordinator for Partnerships, Innovation, and Private Sector Development at AfDB; **Colin Buckley**, Managing Director and General Counsel at British International Investment (BII); **Joanna Kata-Blackman**, Senior Operations Officer, FCS & IDA Coordination Unit at the International Finance Corporation (IFC); **Rafat Ali Al-Akhali**, Convenor of the Council on State Fragility and Global Engagement Lead for the State Fragility initiative at the International Growth Centre (IGC); **Sir Paul Collier**, Professor of Economics and Public Policy at the Blavatnik School of Government, University of Oxford, and Director of the IGC; **Hans Peter Lankes**, Managing Director and Deputy Chief Executive at ODI, Visiting Professor in Practice at the London School of Economics and Political Science, and Senior Fellow at the IGC; **Amna Mahmood**, Policy Economist at the IGC; and **Dr. Richard Manning**, Managing Director at Secretariat International. Other DFIs participants of the Forum include **Jorim Schraven**, Director of the Impact Department at FMO, the Dutch Development Bank; **Saeed Ibrahim**, Sustainable Impact Director at the Private Infrastructure Development Group; **Sébastien Fleury**, Regional Director for the Middle East at Proparco; **Thomas Husson**, Head Investing in Frontier Markets at Proparco; and **Jörg Frieden**, Chairman of the Board at the Swiss Investment Fund for Emerging Markets and Board Member of Helvetas.



Participant group photo, Forum 2025.

2. A Forum on Private Investment in Frontier Markets

DFIs were established with a distinct public mandate: “to reduce poverty over the long run through private investment” (UK House of Commons International Development Committee, 2023). The creation of the DFI Frontier Markets Forum (the “Forum”) was driven by a shared recognition that private sector development is key to catalyse sustainable development in fragile and conflict-affected settings (FCS) and that there are significant opportunities for collaboration among DFIs to improve this. This recognition was highlighted in the 2018 *Escaping the Fragility Trap* report by the LSE-Oxford Commission on State Fragility, Growth and Development,³ an initiative convened and led by the IGC.

Recognising this public mandate and their difference from purely commercial private actors, the *Escaping the Fragility Trap* report argued that DFIs should take on greater risk and help build markets where the

3 The LSE-Oxford Commission on State Fragility, Growth, and Development, established under the International Growth Centre (IGC), was designed to: i) Inform and shape policy responses to state fragility by highlighting recent research insights that have yet to be fully integrated by policymakers and practitioners, and ii) Stimulate further research by identifying critical knowledge gaps related to fragile and conflict-affected contexts. The Commission was launched in March 2017, actively chaired by David Cameron, (who had just stepped down as Prime Minister), with Donald Kaberuka (who had just stepped down following ten years as head of the AfDB), and Adnan Khan (IGC/LSE) serving as co-chairs, and Sir Tim Besley (LSE) and Sir Paul Collier (Oxford) as its academic directors.



Paul Collier, Professor of Economics and Public Policy at Blavatnik School of Government, University of Oxford, and Director at IGC, Forum 2024.

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private sector is reluctant to enter or cannot act alone. Their support for firms in frontier markets can play a critical role in “strengthening enabling environments, establishing and developing new markets, creating jobs and income-generating opportunities, and catalysing private sector development” (Collier, Kriticos, Logan & Sacchetto, 2021). DFIs are uniquely positioned to leverage public funding and resources to de-risk investments, coordinate efforts, and mobilise their expertise, networks, and influence to drive project investment with transformational growth potential (Collier, Kriticos, Logan & Sacchetto, 2021).

Nonetheless, DFIs faced systemic barriers when independently investing in FCS that made fulfilling their public mandate challenging. It was from this understanding, of the opportunities that collaboration amongst DFIs could bring, that the Forum was launched. The first Forum took place in February 2019, initially in collaboration with British International Investment (BII, formerly CDC), the International Finance Corporation (IFC), IGC, and Oxford’s Blavatnik School of Government (BSG); the African Development Bank (AfDB) would formally join as a co-organiser a year later. The 2019 Forum brought together 27 DFIs at the University of Oxford to explore how to align their expertise and approaches to work collaboratively in FCS. The Forum quickly established itself as a dedicated platform for DFIs to align their strategies, share lessons, and coordinate more effectively in pursuit of development impact in some of the world’s most challenging settings.

Since 2019, AfDB, BII, IFC, IGC, and BSG have co-hosted seven Forums. The Forums helped lay both the intellectual and operational foundations for greater collaboration among DFIs, including large and small institutions from Europe, the Americas, and Africa. They are uniquely curated to provide opportunities for DFI leadership to engage with peers on private investments in FCS. As Paul Collier, IGC Director and Professor of Economics and Public Policy at BSG, explained: **“There was no forum where DFIs came together; our [Forum] discussions forced them to confront why they exist and how they could work together”** (Collier, Personal Communication, 6 March 2025). These high-level dialogues and sustained collaboration helped establish the groundwork for the creation of the Africa Resilience Investment Accelerator (ARIA), the Forum’s implementing arm. ARIA represents a concrete step from dialogue to delivery: a mechanism designed to coordinate and scale investment in fragile African markets by aligning DFIs’ efforts, sharing risk, and operationalising the



Foreign Secretary David Cameron with Forum participants, Forum 2024 reception.

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principles of joint investment laid out through the Forum in countries such as Sierra Leone, Liberia, the Democratic Republic of Congo (DRC), Ethiopia, and Benin. Ultimately, the Forum has served as a catalyst and a connector: shaping DFIs cross-institutional thinking and encouraging their collaboration on the ground (BII, 2024a).

Overall, the Forum's success has been a result of the collective leadership and expertise of the co-organising institutions—AfDB, BII, IFC, IGC, BSG—who yearly contribute to the Forum with resources, financially and by investing their staff's time. Moreover, a number of stakeholders have played critical roles in shaping and sustaining the Forum, such as the French DFI, Proparco, and the Dutch entrepreneurial development bank (FMO), amongst others. While recognising the key role of partnerships with and between such institutions for the Forum's success, this report focuses on IGC's contribution.

From the outset, the IGC has been a co-organiser of the Forum through its *State Fragility initiative* (SFi), a global thematic initiative well positioned to contribute to the Forum's creation and strategic direction. SFi's mission is to address the political economy of fragility and the institutional barriers to economic stability and growth in settings affected by fragility and conflict.

The SFi itself grew directly out of the preceding *LSE-Oxford Commission on State Fragility, Growth, and Development*. The purpose of the IGC's SFi programme itself is to develop actionable policy recommendations and convene global debates to influence thinking and practice on the dimensions of fragility.

The IGC's contribution to change

From an operational perspective, IGC mobilises researchers and policy experts to support the Forum and has contributed with a cumulative investment of nearly GBP 45,000⁴ to help shape the Forum's agenda to ensure cross-institutional collaboration. From a strategic perspective, IGC's SFi has supported the Forum's discussions by providing relevant policy insights that tackle both systemic barriers to investment and practical coordination challenges, drawing on IGC's broad research base and global network of researchers and positioning IGC as the Forum's knowledge partner.

- Under Paul Collier's leadership, IGC contributed to reframe the debate by encouraging DFIs to move away from risk aversion and competition to collective responsibility and collaboration in fragile states. Central to this was the idea of treating investment in fragile and conflict-afflicted settings (FCS) as a public good, justifying lower returns in favour of long-term stability and market creation. This reconceptualisation laid the intellectual foundation for the Forum's collaborative model and helped align DFIs around a shared understanding for engagement in fragile contexts.
- IGC's convening power helped launch and sustain the Forum as a platform for a new collaborative vision for investment in fragile states.

⁴ This figure does not include the cost of dedicated IGC staff time spent annually on coordinating Forum logistics.



Roxanne Alozie, Managing Director Business Development and Impact at U.S. International Development Finance Corporation at a panel discussion, Forum 2024.

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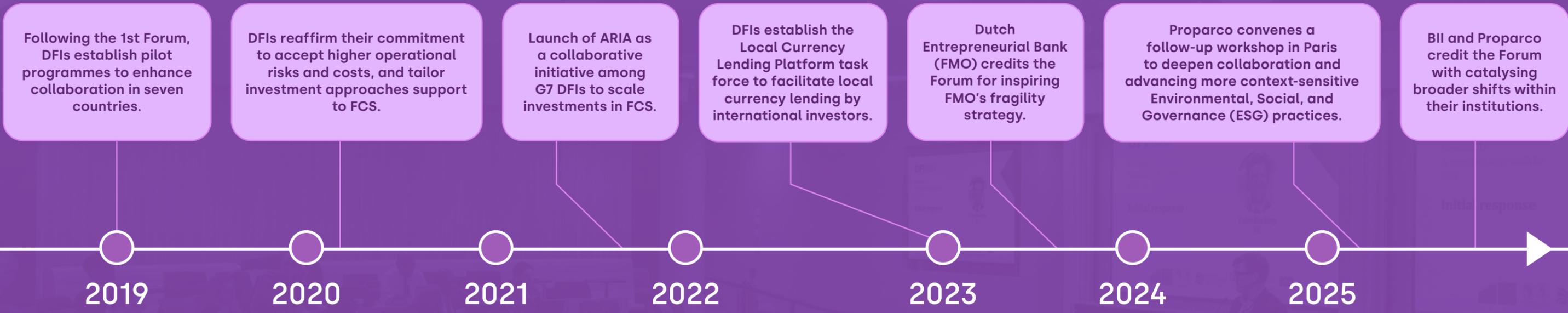
By bringing together senior leaders from more than 25 DFIs and coordinating the Forum's evolution over seven years, IGC has contributed to creating a trusted, neutral space for candid exchange, peer learning, collective problem-solving and ideas generation.

- IGC mobilises academics and practitioners annually to shape the Forum's agenda and deliver targeted research addressing DFIs challenges. Drawing on IGC's global network and research base, IGC produced framing papers, policy outputs, and case studies on systemic barriers and practical coordination challenges. Key contributions include research on the political economy of fragility, analysis of joint DFI in-country pilots, practical guidance on development finance in fragile states, influential work on scaling local currency lending to mitigate foreign exchange risk, supporting FCS-specific approaches to Environmental, Social and Governance (ESG) standards, and reassessing the role that DFIs can play in frontier markets in the changing context of Overseas Development Assistance.

Transformational Change timeline

The DFI Frontier Markets Forum

Main achievements



Following the 1st Forum, DFIs establish pilot programmes to enhance collaboration in seven countries.

DFIs reaffirm their commitment to accept higher operational risks and costs, and tailor investment approaches support to FCS.

Launch of ARIA as a collaborative initiative among G7 DFIs to scale investments in FCS.

DFIs establish the Local Currency Lending Platform task force to facilitate local currency lending by international investors.

Dutch Entrepreneurial Bank (FMO) credits the Forum for inspiring FMO's fragility strategy.

Proparco convenes a follow-up workshop in Paris to deepen collaboration and advancing more context-sensitive Environmental, Social, and Governance (ESG) practices.

Bill and Proparco credit the Forum with catalysing broader shifts within their institutions.

2019

2020

2021

2022

2023

2024

2025

1st

2nd

3rd

4th

5th

6th

7th

1st Forum – Setting the foundations for collaboration. Built on the report *Escaping the Fragility Trap* by the IGC Commission on State Fragility, Growth, and Development (co-chaired by Rt Hon David Cameron and Donald Kaberuka), which advocated for a stronger DFI role in fragile economies. The Forum covered topics such as risk reduction, concessional finance, conflict sensitivity, and strengthening collaboration through pilot programmes.

2nd Forum – Country Pilot initiative progress. Reviewed progress on pilot programmes and discussed risk mitigation strategies for fragile environments; early-stage collaboration for viable project pipelines; maximising donor-supported investment facilitation; and blended finance mechanisms for risk-sharing.

3rd Forum addressed growing poverty concentration in FCS and DFIs' role in enabling private sector growth. Key discussions included lessons from IGC's DFI country pilot assessment; upstream collaboration for improving business environments; and challenges and opportunities in renewable energy investments.

4th Forum covered discussions on upstream business environment improvements, financial and non-financial risks in FCS, and DFI-donor alignment to mobilise concessional finance.

5th Forum – Local currency lending and foreign exchange risk mitigation strategies. Forum, co-organised with ARIA, addressed progress on ARIA and country-level collaborations.

6th Forum – ESG standards. Non-DFI stakeholders were invited to present their work on peace-enhancing investments. Discussions focused on ESG frameworks and standards tailored to FCS; blended finance innovations for high-cost and high-risk projects.

7th Forum – Changing development landscape. Took place in June 2025 under a renewed name "DFI Frontier Markets Forum" to better reflect its purpose and focus. Focused on the changing landscape of international development and the role that DFIs need to play in this changing context.

Policy engagement



IGC commissioned and disseminated a performance analysis of the country pilots along with two additional policy papers – 'AgDevCo in Malawi: A case study of the higher costs and impact of investing in challenging contexts' and 'Strengthening Development Finance in Fragile Contexts'.



IGC prepared a report in consultation with DFIs and financial institutions in the sector. The report showcased existing approaches and outlined DFI collaboration opportunities in improving foreign currency risk mitigation options available for local currency lending in FCS.

This timeline illustrates the evolution of the Transformational Change story over time, highlighting key achievements related to IGC-funded research and policy engagement. It acknowledges the accumulation of policy efforts and support from multiple actors, emphasising contribution rather than direct attribution to the observed outcomes.

3. The path to Transformational Change

a. Underscoring the catalytic role of DFIs for development: The DFI Frontier Markets Forum

By 2019 there was growing recognition that FCS were being left behind in global development efforts. Despite their acute development needs, these contexts remained largely unattractive to private investors due to perceived high levels of risk, political instability, and limited prospects for commercial returns. As Paul Collier observed, 'fragility' is an area where there is a strong public interest in reducing it, but no corresponding private interest (Collier, personal communication, 6 March 2025). This insight⁵ highlighted a fundamental misalignment between the public mandates of DFIs and the commercial incentives that shaped their operational behaviour. Rather than collaborating to build markets in high-risk environments, DFIs were increasingly operating in competition with one another to secure bankable deals (Collier, personal communication, 6 March 2025). Similar reflections were taking place within DFIs such as BII and IFC. Joanna Kata-Blackman, Senior Operations Officer, FCS & IDA Coordination Unit at IFC noted that IGC's 2018 *Escaping the Fragility Trap* report played a catalytic role "by highlighting the importance of DFIs and DFI collaboration to support private sector development in fragile settings, coinciding with IFC and BII's efforts to expand engagement in these markets" (Kata-Blackman, personal communication, 2 April 2025).



Hans Peter Lankes, Managing Director and Deputy Chief Executive at ODI Global and Senior Research Fellow at IGC, Forum 2024.

⁵ This has been developed further in Collier's *The Future of Capitalism* (2018).

Despite this momentum, there was no structured mechanism for coordination, knowledge exchange, or collective strategy development for DFIs working in FCS. This gap led to Collier approaching Hans Peter Lankes, then Vice President at IFC, to propose a more deliberate and coordinated effort to increase DFI presence in FCS, which led to the creation of the Forum—an initiative jointly conceived by key investors in FCS, IGC, and Oxford's BSG.⁶ It was envisioned as a collaborative platform to address the practical and systemic barriers to investing in FCS. The initial meeting, intended as a one-off event rather than the launch of an annual event, aimed to build a coherent, cross-institutional community of practice that could collectively answer pressing questions such as: How can DFIs effectively support pioneer firms in fragile markets? What mechanisms mitigate investment risks in FCS? What collaborative models enhance private sector resilience in fragile economies? The meeting was so successful that the DFI participants collectively requested the IGC to turn it into an annual event. It has continued only because they continue to find it valuable.

Since its inception, IGC's SFI has served as the Forum's neutral convener and research partner, identifying key areas for collaboration based on existing gaps in knowledge and in collaboration with the co-organising institutions. This role has included convening partners, coordinating agendas and producing tailored knowledge products, all with the aim of ensuring that the Forum operates as a trusted, collaborative space. This steady facilitation has enabled DFIs to engage candidly and constructively on sensitive issues that are often difficult to address in more formal or public settings (Mahmood, personal communication, 2 April 2025), with IGC playing an active role in promoting this culture of trust; "IGC has been a trusted and neutral partner not trying to push down a certain direction, but rather to facilitate the interaction" (Al-Akhali, personal communication, 3 February 2025).

What distinguished the Forum, according to Richard Manning, former senior UK civil servant, former chair of the OECD Development Assistance Committee (DAC) and former Forum moderator, was the space it created for candid, high-level dialogue:

"[The Forum] provided a space that did not quite otherwise exist, in which senior members of DFIs could talk about some of these awkward cross-cutting issues and share good practice," (Manning, personal communication, 25 February 2025).

The informal and non-competitive environment enabled deeper strategic reflection on how DFIs could shape market conditions, support fragile governments, and align their operations with a broader development mandate.

⁶ BII, IFC, and AfDB are pivotal investors in FCS, due to their long-term capital, risk appetite, and focus on development impact. BII alone invested approximately USD 1.4 billion in FCS between 2012 and 2017, including in countries like Sierra Leone, Burundi, and the Democratic Republic of Congo (BII, n.d.). The IFC has invested in nearly three-quarters of the countries it classifies as FCS, focusing on sectors such as finance, transport, and agriculture, and leveraging blended finance to de-risk private sector investments (IFC, 2019). Meanwhile, the AfDB's Transition Support Facility has channelled USD 6.8 billion to fragile states across Africa, with additional targeted investments such as USD 31 million to strengthen climate resilience in four FCS in 2024 and USD 2.2 billion planned for agricultural zones in Nigeria (AfDB, n.d.; AfDB, 2024a; Reuters, 2024). Collectively, these institutions bring scale, sectoral breadth, and institutional legitimacy to markets that typically struggle to attract stable, long-term investment.

b. From catalysing conversations to supporting practical collaborative experiences: The DFI pilot initiative

The inaugural Forum was held in 2019 at the University of Oxford's Blavatnik School of Government and built on the 2018 *Escaping the Fragility Trap* report.⁷ It focused on how DFIs could more effectively attract private investment into fragile and conflict-affected economies and identifying practical approaches to invest collaboratively in these markets.

A key outcome was participating DFIs publicly committing to implement a set of seven country pilots—in Ethiopia, Democratic Republic of the Congo (DRC), Haiti, Lebanon, Madagascar, Nepal and Sierra Leone—to explore collaboration amongst these institutions and pursue opportunities to simplify and coordinate their investment procedures in FCS (CDC Group, EBRD, IFC & IGC, 2019). Countries were selected following IFC's identification of potential country pilots through market assessments, considering factors such as the strength of private sector activity, DFI presence, and willingness to participate (Mathewson & Sacchetto, 2021). The main purpose of the DFI pilot initiative was to act as a learning opportunity for DFIs and understand how collaboration amongst them could look, rather than setting specific targets for the collaboration (Mathewson & Sacchetto, 2021).

IGC played a central role in analysing the progress of the pilots after two years of implementation. This internal analysis found that, at the time, five from the initial seven pilots were still active (Haiti and Lebanon were interrupted due to structural challenges and COVID-19). Despite mixed progress across countries, the pilots offered relevant lessons on collaboration, what worked and the challenges DFIs faced. The report *An assessment of the DFI country pilot initiative* found that DFI country pilots led to two emerging models of collaboration: dialogue platforms and joint-upstream vehicles. All pilots, except for Sierra Leone, established dialogue platforms—regular, in-country meetings that enabled DFIs to coordinate, share knowledge, and align engagement with governments and businesses. These platforms helped identify overlapping efforts, build consensus on priority sectors, and promote a more strategic, collective presence. In Nepal and, to a lesser extent, Ethiopia, pilots evolved into joint-upstream vehicles. These formal governance structures pooled DFI resources and strategies for sector-specific, early-stage activities and were underpinned by formal governance and financial contributions (Mathewson & Sacchetto, 2021). The analysis emphasised the need for a common framework to guide future collaboration, including a shared vision, strategy, collaboration models, guidelines, and best practices (Mathewson & Sacchetto, 2021).

The report also revealed that the pilots promoted stronger communication, coordination, trust and complementarity across DFIs; which was explained by strong leadership and local presence, such as local offices or local staff, and long-term engagement. As Jörg Frieden, Chairman of the Board

⁷ The 2018 'Escaping the Fragility Trap' report had been released by the LSE-Oxford Commission on State Fragility, Growth and Development, and convened by the IGC.



Jumoke Jagun-Dokunmu, Chief Investment Officer and Head of Fragility, Africa at IFC, Forum 2025.

at the Swiss Investment Fund for Emerging Markets and Lead of the Nepal pilot, noted, **"it is possible to get results [but only by] rooting whatever initiative you have in a specific context, establishing trust first and asking for change after that [...] If I look at the result we achieved over five years here [in Nepal], they are mainly linked to building trust between DFIs and local authorities, local entrepreneurs, local agents; this is, for me, an absolutely critical dimension"** (Frieden, personal communication, 24 February 2025). It is notable that these characteristics—long-term, trusting, in-country relationships, have been foundational principles of how the IGC itself has operated in all the countries in which we engage.

Other drivers of increased collaboration across DFIs in-country included joint advocacy and collective government engagement. For example, in Ethiopia, a joint IFC-BII effort successfully supported the liberalisation of the telecommunications sector, showing the power of unified advocacy (Mathewson & Sacchetto, 2021). The inclusion of local partnerships across the pilots ensured that FCS voices fed into Forum discussions through the participation of DFIs' in-country staff from fragile states. Their operational insights and reflections on local constraints were brought back into the Forum's strategic deliberations, creating a feedback loop that grounded high-level decisions in the realities of fragile settings. The pilots also highlighted critical internal and external challenges: lack of shared limited resources, institutional misalignment, and the inherent complexity of fragile settings. While collaboration depth varied, the pilots laid important groundwork and signalled stronger DFIs' commitment.⁸

At the 2021 Forum, IGC shared these lessons with participating DFIs alongside two policy papers, *Strengthening Development Finance in Fragile*

⁸ Internally, the lack of a clear guiding framework caused confusion, weakened accountability, and resulted in inconsistent allocation of resources. Additional internal barriers included strategic misalignment, weak institutional incentives, overstretched local teams, and inadequate support from headquarters. Externally, structural challenges such as political instability, limited bankable investment opportunities, bureaucratic complexities, and disruptions due to COVID-19 significantly constrained progress.

Contexts and AgDevCo in Malawi. Building on Paul Collier and IGC's earlier work, the papers argued for treating investments in fragile settings as a public good, justifying lower returns to support long-term market creation. They called for DFIs to go beyond capital provision by engaging local actors (local governments, civil society and local intermediaries), building institutional capacity, and adopting tailored, context-sensitive approaches. The *Strengthening Development Finance* report also emphasised the need for DFIs to utilise innovative financial instruments⁹ such as concessional financing, risk guarantees, and blended finance structures, to de-risk investments (Collier, Kriticos, Logan & Sacchetto, 2021).

The AgDevCo case study on supporting early-stage agribusiness in Malawi illustrated the higher costs DFIs face in fragile settings due to poor infrastructure and weak regulatory framework, among other challenges.

Despite low early financial returns, the study highlighted these investments' essential role in overcoming barriers and enabling long-term sector development, delivering significant social and economic benefits over time. To work, these investments need to be accompanied by technical assistance, local partnerships, innovative financial tools, and risk tolerance to support market creation (Isaac & Logan, 2021). IGC helped translate these findings into actionable insights, helping inform DFI strategies and promoting context-sensitive investment approaches.

c. Institutionalising a mechanism for DFI collaboration: The establishment of the Africa Resilience Investment Accelerator

Building on the discussions and momentum of the first three Forums and the lessons learnt for the country pilots, the G7¹⁰ DFIs agreed to establish the Africa Resilience Investment Accelerator (ARIA) in December 2021, designed to enhance DFI collaboration and to unlock and scale investments in frontier African markets. ARIA was launched by BII; its institutional membership has since expanded to include FMO and Proparco (Husson, personal communication, 7 October 2025).

To deliver on its mission, ARIA offers support to companies, DFIs and other development partners through a range of mechanisms. These include tailored assistance to companies by streamlining engagement with DFIs, providing fundraising support, and strengthening investment readiness through technical and advisory services. ARIA also supports DFIs by

⁹ Innovative financial instruments, such as concessional financing, risk guarantees, and blended finance structures, are used to de-risk investments. **Concessional financing** refers to offering funding provided on terms significantly more generous than market rates (this typically involves below-market interest rates, longer grace periods, or extended repayment terms), to make investments viable in high-risk or low-return environments. **Risk guarantees** are instruments offered by DFIs or multilateral institutions to protect investors or lenders from specific risks, such as political risk, currency inconvertibility, expropriation, or default. They are particularly useful in fragile contexts, as they help reduce perceived or actual risk exposure. **Blended finance** refers to the strategic use of development finance or philanthropic capital to mobilise private investment in sustainable development. In practice, blended finance structures combine concessional and commercial funding in a single investment, where public or concessional capital absorbs part of the risk or provides a return enhancement to incentivise private investment.

¹⁰ The G7 DFIs represent the following seven countries: United States (DFC), United Kingdom (BII), Canada (FinDev Canada), France (Proparco), Germany (DEG-KfW Bankengruppe), Italy (CDP), Japan (JBIC).

sourcing deals in frontier markets, offering due diligence assistance, market insights and facilitating partnerships that promote collective action and knowledge sharing, while collaborating with development partners (ARIA, 2025b). It initially launched operations in Benin, the DRC, Ethiopia, Liberia, and Sierra Leone and later expanded to Togo and Guinea (ARIA, 2024a; BII, 2024a) To date, ARIA has mobilised over USD 45 million in DFI investment, built a growing pipeline of investable opportunities, and contributed to strengthening enabling environments across its focus countries (ARIA, 2024a).

Beyond facilitating investment, ARIA has become a central platform for DFI learning and coordination, supporting the G7's ambition to mobilise USD 80 billion in private sector investment across Africa by 2027 (BII, 2024b). Its efforts have helped shift investors' perceptions, winning the "Ecosystem Enabler" award at the 2024 African Private Capital Association conference for challenging market pessimism and equipping investors with tools to act in fragile markets (BII, 2024a). ARIA has also brokered impactful partnerships through targeted roundtables with local banks and stakeholders, addressing financial and regulatory bottlenecks and advancing investable reforms in the countries where it operates.

As Colin Buckley, Managing Director and General Counsel at BII, notes:

"A lot of the success of ARIA, I would say, is down to [the Forum], which raised awareness everywhere"
(Buckley, personal communication, 24 March 2025).



Thomas Husson, Head Investing in Frontier Markets at Proparco making remarks from the floor, Forum 2024

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This close partnership is reflected in ARIA's launch, "The Forum will remain the thinktank and academic stronghold at the forefront of issues around investment in fragile countries. ARIA will act as an action-driven platform where ideas discussed at the Fragility Forum can be put into practice" (ARIA, 2021).

Similarly, Hans Peter Lankes, noted that ARIA has provided DFIs with a novel structure to collaborate and achieve shared policy goals at the country level (Lankes, personal communication, 5 March 2025). Today, ARIA continues to work closely with the Forum, creating a dynamic iterative process that connects policy insights to operational delivery and translates strategic insights into tangible interventions, including technical assistance to local businesses, DFI coordination, and common tools for market mapping, integrity risk management, and conflict sensitivity.

d. Scaling up collaborative efforts: Consolidating lessons and expanding thematic frontiers

The Forum's progress has catalysed institutional change within DFIs and laid the foundations for scalable, systemic shifts in how DFIs operate in FCS. Forum insights are increasingly embedded in DFI FCS strategies and operations. For example, FMO developed a dedicated business line focused on market creation, using risk-tolerant capital to fund early-stage development activities and lay the groundwork for future investment—recognising the need for patient, subsidised interventions in high-risk environments. According to FMO's Director of the Impact Department, Jorim Schraven, the Forum **"definitely strengthened the impetus"** for this shift, pushing DFIs to confront the need to prioritise longer-term, structural outcomes over short-term results in fragile markets (Schraven, personal communication, 21 February 2025).

Similarly, Proparco's formal adoption of a fragility strategy was influenced by the Forum. Thomas Husson, Proparco's Head - Investing in Frontier Markets, described **"a very strong correlation between the existence of the Forum and when Proparco formalised a strategy to invest more specifically in fragile countries"**, emphasising that the Forum was instrumental in **"crystallising fragility as a subject of strategic importance"** (Husson, personal communication, 27 March 2025). Proparco's FCS strategy (2019–2023) drew on Forum ideas—embedding key concepts such as the role of pioneering firms, targeted sectoral focus, and upstream engagement—translated into practical initiatives, including early-stage investments in Chad's energy sector and upstream partnerships with IFC in the DRC and the Sahel region.

Building on the DFIs' commitments, the Forum evolved its agenda to tackle barriers to investment in FCS at scale, moving beyond a country-level approach to a more thematic one. From 2022-2025, its thematic focus grew to include local currency (LCY) lending, Environmental, Social, and Governance (ESG) standards and the role of DFIs in the context of the changing landscape around Overseas Development Assistance (ODA).

On LCY lending, participants reaffirmed the strong development rationale for scaling up LCY lending to reduce foreign exchange risk for borrowers and to strengthen local financial markets. The IGC report *Mitigating*



Federico Galizia, Vice President, Risk and Finance at IFC presenting at Forum 2024.

foreign exchange risk in local currency lending in fragile states, developed in close consultation with DFIs and with support of the Forum,¹¹ mapped existing approaches and collaboration opportunities for LCY risk mitigation (Fink, Lankes & Sacchetto, 2023). Findings were presented in the 2023 Forum. The report proposed advancing two cross-cutting initiatives: first, providing technical assistance to central banks to strengthen financial stability, money markets, and facilitate cross-currency swaps; and second, deploying LCY credit guarantees tailored to FCS, absorbing part of the credit risk in LCY lending. It also recommended establishing local platforms that handle currency protection and payments, and using donor-backed guarantees to encourage more currency risk coverage (Fink, Lankes & Sacchetto, 2023).

Building on these insights, DFIs launched a task force to explore technical assistance for central banks and financial institutions, and the development of a shared onshore platform to facilitate hedging and manage LCY risks on behalf of international investors. The LCY task force, supported by IGC and led by institutions such as the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), and Frontclear, marked an important next step in scaling up collaborations since its launch in mid-2023 (BII, EBRD, IFC, & IGC, 2022). Milestones include presentations at United Nations General

¹¹ The report was co-funded by the IGC and Forum co-organisers. IGC contributed GBP 28,855, while the Forum's budget for 2023 allocated GBP 15,000.

Assembly (UNGA) Climate Week, recognition at World Bank and IMF Annual Meetings, and a technical roundtable in November 2023. The task force refined a platform model centred on country-specific onshore entities offering hedging services, liquidity, and pooled-risk instruments—addressing market gaps and lowering costs, especially for smaller DFIs. The task force also produced a preliminary mapping that identified initiatives to expand LCY financing. Broader discussions highlighting countries like Georgia and Bangladesh have increased DFI awareness of existing efforts and the need for greater coordination (IGC, 2024). In response, AIIB and EBRD have begun collaborating on the Delta initiative, an onshore vehicle designed to host shared liquidity pools for multiple MDBs, offering scalable LCY solutions.

These efforts were captured in IGC's *policy brief Local currency lending in fragile states* (Ali, Fink & Mahmood, 2024), which helped outline pathways for implementing LCY platforms and informed DFI engagement in refining the task force. Lankes noted that IGC's work clarified DFI approaches to currency risk and identified gaps like onshore hedging, insights now reflected in the Brazilian G20 roadmap for Multilateral Development Bank (MDB) reform (Lankes, personal communication, 5 March 2025).

On ESG standards, Forum discussions prompted DFIs to rethink standards for fragile contexts, with broad agreement on the need for practical, context-sensitive approaches. BII and Proparco began reshaping internal strategies in response. Colin Buckley noted that Forum discussions directly influenced BII's efforts to introduce more tailored standards:



Aida Ngom, Director Private Sector Development at AfDB making remarks from the floor, Forum 2025.



Colin Buckley, Managing Director and General Counsel at BII presenting at Forum 2024.

"We are thinking about having more appropriate standards for SMEs and for the poorest countries [...] that would not have happened without [the Forum]"
(Buckley, personal communication, 24 March 2025).

The Forum also helped catalyse broader changes at BII, including a blended finance facility for fragile geographies and the integration of fragility into its corporate strategy (Buckley, personal communication, 24 March 2025).

Building on this momentum, Proparco convened a follow-up ESG workshop in Paris in January 2025, advancing collaboration and context-sensitive ESG practices across DFIs. Thomas Husson noted that the workshop strengthened Proparco's internal focus on conflict sensitivity and embedding these priorities in Proparco's discussions on their 2024–2027 strategy (Husson, personal communication, 27 March 2025).

In the 2025 edition, the Forum evolved from the DFI Fragility Forum to the DFI Frontier Markets Forum reflecting a broader, more scalable perspective. This focus moves beyond country-level definitions to acknowledge

that pockets of fragility can exist at the sub-national or periphery level, even within countries not categorised as fragile. It also signals a recognition of the development and investment opportunities that these settings offer. The focus in this edition of the Forum centered around the international development changing landscape and the role that DFIs need to play in this changing context. IGC supported these conversations by collaborating with [two briefing notes](#) on *Private Sector Development in Forced Displacement Contexts* (IFC, AfDB & IGC, 2025) and *Investing in Frontier Markets in a Changed Environment* (Lankes, Infante, Teufel & Mahmood, 2025). The briefing notes discussed the need for strengthening collaboration across DFIs and amongst other key stakeholders, the relevance of innovative financial instruments and the importance of continuing to focus on strategies that balance commercial returns with long-term developmental impact in a context of declining ODA.

As this recent edition attests, the Forum's evolution over the years has showcased its potential for scalability and for maintaining relevance. It has focused on sustaining relationships, embedding insights into institutional processes, and leveraging ARIA for technical collaboration and market development. The change in name that it has now undergone, also signals an expanding approach. By embedding this more expansive, opportunity-focused framing, the Forum is better positioned to support scalable, replicable, and context-sensitive DFI collaboration across a wider spectrum of high-risk environments. The IGC remains central in providing evidence, convening dialogue, and supporting rigorous, context-sensitive DFI collaboration.

4. What makes this work transformational

Key achievements by dimension

Innovative Contribution: The Forum filled a critical institutional gap by creating a sustained platform for senior DFI leaders to collaborate, share insights, and coordinate investment strategies in FCS, informed by evidence. IGC's policy and academic insights—including briefs, case studies, and direct intellectual leadership—have helped DFI rethinking how to operate more effectively in FCS. A key contribution is the framing of DFI investments in FCS as a global public good for long-term stability, market creation, and broader development gains, while understanding that financial returns may be lower in these contexts. This framing has shaped collaboration models such as dialogue platforms and joint upstream vehicles, fostering in-country coordination and sector-specific investment efforts. Through both conceptual work and case studies like AgDevCo in Malawi, IGC has shown how strategic collaboration, local presence, and context-sensitive financial tools are essential for scaling impactful, sustainable investment in fragile environments. More recently, IGC's work on LCY highlighted existing approaches and opportunities for collaboration, bridging research and action to equip DFIs with both frameworks and tools

to better support frontier markets. This has resulted in the establishment of the LCY task force, supported by IGC and led by key institutions.

Impact: The Forum, supported by IGC's research and policy engagement, has been instrumental in driving a systemic shift in how DFIs approach investment in FCS—home to nearly a quarter of the world's population and around half of the world's extreme poor (IFC, 2025). The Forum has benefited and positively impacted not only DFIs—through enhanced coordination and learning, risk-sharing, and co-investment opportunities—but the FCS where they operate. This work led to concrete, large-scale effects—including the creation of the ARIA, a joint platform that has mobilised over USD 45 million in investments, developed a robust pipeline of private sector opportunities, and strengthened market foundations in Sierra Leone, Liberia, the DRC, Ethiopia, and Benin. These investments directly benefit entrepreneurs, SMEs, and workers through technical assistance and by setting specific investable opportunities (ARIA, 2024), while laying pathways for private sector growth in some of the world's most fragile contexts. Now a core platform for DFI coordination, ARIA also supports the G7's USD 80 billion ambitions for African private sector investment by 2027.

Institutionalisation: The Forum has institutionalised new forms of DFI collaboration, embedding coordinated problem-solving, shared learning, and joint investment strategies as essential elements into how DFIs operate in FCS. What began as an informal dialogue between IFC and IGC leadership has evolved into a structured, recognised mechanism where senior leaders are expected to participate as part of their institutional mandates. ARIA embodies this shift, turning Forum discussions into tangible, joint action. DFIs have also integrated Forum's core messages into internal policies—recognising that investment in FCS requires adapted strategies, differentiated risk standards, and business models tailored to complexity. This is leading to institutional changes such as revising ESG frameworks, and bespoke investment facilities at DFIs including BII, FMO and Proparco. Over time, the Forum has strengthened institutional ownership and fostered a broader cultural shift: DFIs increasingly recognise that long-term impact in fragile settings depends on collaboration, patience, and context-sensitive approaches.

Scalability: The Forum's ideas have proven highly scalable, expanding geographically and across new themes. ARIA has extended its reach beyond its initial five markets, attracting new funding and entering additional countries such as Guinea and Togo. The Forum has broadened its agenda to address critical issues such as LCY, ESG standards adapted to fragile environments, and conflict-sensitive investment practices. Reflecting this more expansive and opportunity-focused approach, the Forum has been renamed the *DFI Frontier Markets Forum* for its 2025 edition and onwards—moving beyond country-level definitions of fragility to recognise that challenges and opportunities exist outside of traditionally defined FCS. Looking ahead, the Forum's model offers further scale potential—through more frequent technical dialogues, deeper in-country engagement, and systematic sharing of insights via global platforms, donor forums, and DFI-led initiatives.

5. Drivers of change

Several factors have been instrumental in enabling the transformational change achieved through the Forum:

Leadership credibility and trusted networks: The Forum's success was underpinned by the credibility and convening power of its leadership—drawing on the senior expertise of representatives from AfDB, BII, IFC, IGC and other partners. High-level participation ensured discussions influenced strategic directions at the management and board levels, involving technical and operational staff when relevant. The direct engagement of leadership helped translate ideas from discussion into tangible institutional change.

Ownership and autonomous scaling: A key driver of impact was the DFI's willingness to independently take forward ideas and initiatives and embed them in their strategies and operations. DFIs like BII, FMO, and Proparco translated Forum lessons into action—whether through creating and supporting ARIA, recalibrating of ESG approaches, or formalising fragility strategies. While IGC contributed and the Forum provided the initial platform it was DFI leadership and initiative that sustained and scaled these reforms beyond the Forum, ensuring momentum continued to grow organically within the DFI community.

Responsiveness to stakeholders' research priorities. IGC tailored its contributions—such as policy briefs on LCY lending and evaluation of the country pilots—to align with DFIs' evolving needs and providing evidence that directly supported decision-making. Sessions were co-designed with DFI partners to ensure practical relevance and grounding in real-world constraints.

Leveraging IGC's global thematic initiatives. As a global thematic initiative, IGC's SFi convened cross-institutional dialogue, mobilised global expertise, and provided high-level insight—anchoring the Forum in shared challenges across fragile contexts. With a focus on the political economy of fragility and institutional barriers to growth in conflict-affected settings, SFi provided continuity, technical input, and intellectual leadership.

Trusted neutrality and agile support: IGC's role as a neutral, non-lending, non-shareholding partner, enabled it to convene senior DFI leaders in a trusted, non-prescriptive space. Its closed, DFI-only format allowed for open, candid discussions on sensitive issues that would have been harder to explore in public settings. This neutrality enabled DFIs to confront complex strategic dilemmas collectively and without external pressure. Complementing this, IGC's flexible operational model—using of core and rapid-response funding and the full-time dedication of SFi team members to Forum work—ensured continuity, eased coordination burdens, and delivered timely insights. IGC's long-standing presence in fragile states further reinforced trust and collaboration, anchoring the Forum in both intellectual depth and practical relevance.

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