Narrowing the Gap: Business Environment Reform and Private Capital Mobilisation

Business Environment Reform Working Group

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Executive summary

With increasing constraints on the development community, efforts targeting the mobilisation of the private sector to fill the gaps are critical to meeting the scale of sustainable development and climate resilience needs, especially in emerging and developing economies. Business Environment Reform (BER) aims to enhance the laws, regulations, institutions, and policies that shape business activity, creating a more transparent, predictable, and efficient setting that reduces barriers, lowers costs, fosters entrepreneurship, and attracts private investment. BER has long been viewed as a critical tool and foundational enabler, removing the barriers to private capital mobilisation (PCM), growth and investment (together "Mobilisation"). Targeting BER towards the most effective and expedient Mobilisation outcomes is of critical importance to global sustainable development efforts.

However, the links between BER and Mobilisation are not obvious, direct, or universally strong. While BER plays an important role in removing barriers, reducing costs, and lowering investment risks, its impact is often limited when reforms are not grounded in local realities or when political support for implementation is weak. Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs) and bilateral donors such as members of the Donor Committee for Enterprise Development (DCED) BER Working Group have an important role by supporting better-targeted BER efforts, aligning reforms with market opportunities, and helping to build investor confidence, especially in underserved sectors.

This report draws on interviews with practitioners from development agencies and implementing partners, a review of existing literature, and case studies from South Africa, Vietnam, Zambia, and Senegal. It explores how BER can more effectively drive Mobilisation through a review of evidence, practitioner insights, and case studies. It finds that while traditional BER approaches – such as regulatory streamlining and administrative simplification – provide value, they alone cannot catalyse private sector investment at the required scale.

To bridge the gap, this report identifies four strategic pillars essential for shaping BER to act as an effective driver of Mobilisation:

- **Align reforms with local business needs and investment barriers**, ensuring that BER efforts are informed by ongoing dialogue with domestic and international private sector actors.
- **Focus BER efforts where political will and investor interest are aligned**, prioritising interventions that are both politically feasible and responsive to clear private sector demand.
- **Adapt BER frameworks to support climate resilience investment**, including targeted regulatory tools and sector-specific approaches that address the distinct challenges of financing long-term, climate-related projects.
- **Foster closer coordination between BER practitioners and investment actors**, including DFI and MDB investment teams, to ensure that reforms are grounded in real-time insights about financing constraints and market conditions.

Taken together, a focus on these strategic pillars can help sharpen BER from a general enabling tool to a more deliberate driver of Mobilisation. The challenge is not to rethink BER entirely, but to make it more selective, context-specific, and responsive to market realities and anchored on what works in the field.

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Acronyms

ACET	African Center for Economic Transformation
ADB	Asian Development Bank
AfDB	African Development Bank
BER	Business Environment Reform
DAC	Development Assistance Committee
DB	Doing Business
DCED	Donor Committee for Enterprise Development
DFI	Development Finance Institution
DPL	Development Policy Loan
EMDE	Emerging Markets and Developing Economies
ESG	Environmental, Social, and Governance
FCDO	Foreign, Commonwealth & Development Office
FDI	Foreign Direct Investment
FIAS	Facility for Investment Climate Advisory Services
GDP	Gross Domestic Product
GET FiT	Global Energy Transfer Feed-in Tariffs
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IFC	International Finance Corporation
IMF	International Monetary Fund
JETP	Just Energy Transition Partnership
KfW	Kreditanstalt für Wiederaufbau
MDB	Multilateral Development Bank
MSME	Micro, Small, and Medium Enterprises
NDC	Nationally Determined Contributions
NTCSA	National Transmission Company of South Africa
OECD	Organisation for Economic Co-operation and Development
PCE	Private Capital Enabled

PCM	Private Capital Mobilisation
PPP	Public-Private Partnership
PPA	Power Purchase Agreement
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SME	Small and Medium Enterprises
UNCTAD	United Nations Conference on Trade and Development
WBG	World Bank Group
WEF	World Economic Forum

1. Methodology

This report draws on a multi-pronged evidence base to explore how BER can most effectively support Mobilisation.

The approach combines:

1. Semi-structured interviews with over a dozen practitioners from development agencies and implementing partners providing real-world insights into the challenges and success factors linking BER and Mobilisation;
2. Review of relevant literature from knowledge generation leaders on BER: the World Bank, IFC, OECD, DCED, UNCTAD, IMF, and other sources, including from academia, to ground findings in existing theory and evidence;
3. Case study analysis to illustrate how BER interventions have, under certain conditions, successfully mobilised private sector resources. The selection of case studies favoured climate resilience sectors and sought to illustrate precedents across different geographies, albeit predominately middle-income countries where there have been successes.

Interviews were conducted confidentially to encourage candid reflections and quotes have been anonymised accordingly. While care has been taken to present a balanced view, the findings reflect the perspectives and experiences of the individuals and institutions consulted.

Summary of interviews:

Our research drew on insights from representatives of organisations directly involved in the delivery of the selected case studies.

KfW and GIZ provided valuable perspectives on South Africa's Just Energy Transition Partnership (JETP), energy sector liberalisation, and the effective use of policy-based loans to drive reforms when the political will is present. They also shared broader lessons from less successful BER initiatives in Sub-Saharan Africa, where investor demand proved limited.

SECO and GIZ shared their experience of supporting BER in Vietnam, including private sector engagement models, the development of green finance, capital market reforms, and lessons on the crucial sequencing of reforms as a function of local demand assessed through engagement with local private sector actors.

World Bank and IFC representatives discussed the World Bank Group's (WBG) ongoing efforts to define and measure Private Capital Enabled (PCE), highlighting the challenges involved in attributing private capital mobilised to specific reforms such as financial market interventions and investment climate improvements.

The Development Cooperation team at the Embassy of Switzerland in South Africa provided insights on BER initiatives in South Africa, including the role of subnational reform, thoughts on the links between BER and private capital flows and on the role of political economy constraints. They further discussed the value of local insights and challenges in measuring the impact of reforms on investment.

IFC interviewees detailed investment promotion activities in South Africa focused on driving FDI recovery and enhancing competition policy, as well as the results thus achieved.

The OECD's Development Co-operation Directorate Private Finance for Sustainable Development team provided insights into the role of macro-level technical assistance in unlocking private sector capital. A paper, *The Role of Catalytic Technical Assistance in Unlocking Private Sector Capital*, on this topic was published in June 2025.

Switzerland and the Swiss State Secretariat for Economic Affairs (SECO), as a donor, highlighted its experience and successes with BER for Mobilisation in middle-income countries.

The African Center for Economic Transformation discussed innovative metrics for business environment assessment based on diversification, export competitiveness, productivity, technology upgrading and human well-being.

2. Mission critical: the BER's link to private capital Mobilisation

Given the evolving landscape of development aid and global development finance, the significance of mobilising private capital has never been greater.

In this context, examining the role BER can play as an enabler of Mobilisation is of critical importance. Di Bella et al. (2013) provide a useful overview of the key drivers of this evolving landscape. The global development finance landscape has undergone a profound transformation in recent years. Traditional aid has diminished in relative importance compared to other financial flows like trade, foreign direct investment, and remittances. Simultaneously, Development Assistance Committee (DAC) members face mounting pressure to leverage their limited resources more strategically in response to expanding global challenges. Most critically, the estimated financing needs for achieving the 2030 Sustainable Development Agenda - projected to be in the trillions of dollars - have created unprecedented urgency to mobilise private capital resources as a complement to traditional development assistance.

BER refers to the process of improving the laws, regulations, institutions, and policies that govern how businesses operate, invest, and grow in their national context. The objective of BER is to create a more transparent, predictable, and efficient environment that lowers barriers to entry, reduces the cost of doing business, encourages entrepreneurship, and ultimately attracts private investment.

The Donor Committee for Enterprise Development provides a simple but effective definition of the concept: "business environment reform aims to reduce the costs and risks of business activity ... supporting investment, private sector growth, and poverty reduction."

In theory, BER offers a set of practical and scalable tools to enable the Mobilisation of private capital for development and to support the transition towards more sustainable and resilient growth. BER is, however, not always efficient, effective or particularly well aligned to Mobilisation and its linkages to stimulate Mobilisation are not always straightforward, direct or well measured. In today's context of constrained government and global challenges compounded by urgent climate imperatives, identifying the most effective ways in which BER can deliver Mobilisation towards sustainable growth and resilience represents not just an opportunity but a necessity.

2.1 Understanding the BER ecosystem

To understand how BER effectively mobilises the private capital and the private sector, it is essential to visualise its collaborative ecosystem, comprising a range of actors, each playing distinct yet complementary roles. They work to improve the rules, regulations, and institutions that shape business activity and investment patterns.

Governments lead reforms, supported by development partners like the World Bank, regional banks, BMZ donors. UN agencies provide funding and expertise Implementers such as the IFC, KfW, GIZ and NGOs deliver programmes. Knowledge institutions like the OECD and think-tanks offer frameworks and guidance (Organization for Economic Cooperation and Development 2021; UNCTAD 2015). Private sector players and business associations help shape priorities and validate reforms.

Together, they aim to build a more transparent, predictable, and competitive environment that drives private sector growth and private capital Mobilisation.

Figure 1: The BER ecosystem

Actors	Examples	Activities
Government	• Key ministries supporting the political economy	*Provide the political backing, undertake the reforms*
Funders	• World Bank • BMZ • FCDO • SECO	*Finance BER initiatives*
Implementers	• IFC Advisory • GIZ • KfW	*Conduct diagnostics, assist in execution of reforms, build capacity*
Knowledge Leaders	• OECD • UNCTAD • WEF	*Provide frameworks, benchmarks, and guidance*
Development Banks	• AfDB • ADB • IDB	*Fund and advise on BER linked to investments*
Private Sector	• Business associations • investors	*Identify and shape reform priorities, validate impact through capital flows*

Governments lead reforms, supported by development partners like the World Bank, regional banks, BMZ donors. UN agencies provide funding and expertise Implementers such as the IFC, KfW, GIZ and NGOs deliver programmes. Knowledge institutions like the OECD and think-tanks offer frameworks and guidance (Organization for Economic Cooperation and Development 2021; UNCTAD 2015). Private sector players and business associations help shape priorities and validate reforms.

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Upstream groundwork...

While the BER ecosystem is built of a multitude of stakeholders, the WBG is arguably the most influential and comprehensive participant, and its activities serve as a reference point. It implicitly links BER to Mobilisation where BER represents the "upstream" work that lays the groundwork for "downstream" private capital Mobilisation. This relationship is articulated through its "Cascade" approach (World Bank Group 2021).

The "Cascade" approach aims to optimise the use of public resources by first seeking opportunities to mobilise private sector and commercial finance, enabled where necessary by upstream policy and regulatory reforms. Before embarking on BER interventions, the WBG typically conducts diagnostic studies and assessments to understand market constraints, identify reform opportunities, and tailor technical assistance efforts accordingly (World Bank Group 2023b; Foreign, Commonwealth & Development Office and International Finance Corporation 2023). These diagnostics ensure that BER efforts are evidence-based, aligned with government priorities, and designed to unlock private capital flows.

Among these diagnostic tools, Investment Climate Assessments play a critical role by analysing constraints to private sector growth across legal, regulatory, and institutional dimensions (World Bank n.d.). Similarly, Country Private Sector Diagnostics assess barriers to market entry, policy distortions, and public-private coordination failures that inhibit private sector development (World Bank Group 2023a). Both types of studies inform the strategic design and prioritisation of BER initiatives.

Once priorities are identified, BER implementation is typically carried out through World Bank and IFC's upstream advisory services, constituting a core component of the "Cascade" approach. Implementation activities focus on improving regulations, policies, and institutions that shape the operating environment for private enterprise. These activities can include streamlining business registration and licensing procedures, reforming tax policy and administration, enhancing competition frameworks, facilitating trade processes, and reforming investment policies. In addition to these cross-cutting reforms, BER often targets sector-specific regulatory improvements in areas such as energy, agriculture, and financial services to create more attractive conditions for private investment.

...leads to downstream private capital Mobilisation

The World Bank states in a recent Policy Research Paper that, at "the simplest level, private capital Mobilisation is about leveraging development finance (from governments and multilateral development banks) to attract much larger pools of private capital for investments that help achieve the 2030 Sustainable Development Goals (SDGs)."

It goes on to define private capital mobilised as financing that is explicitly associated with a project or activity, which can be documented from project or activity records. This financing can be direct, meaning financing from private entities on commercial terms as a result of the active and direct involvement of an MDB/DFI leading to the commitment of funds, or indirect, where financing from private entities is made available in connection with a specific activity for which an MDB/DFI is providing financing but without the MDB/DFI's active or direct role in securing the commitment of finance from a private entity. Private capital catalysed, or catalysation in contrast, refers to private investment that occurs because of interventions typically financed by donors or the public sector but is not directly associated with the project or activity itself and is not extended under a specific co-financing arrangement. These definitions are largely aligned with those of the OECD.

Building on these established definitions, we adopt a broader view of Mobilisation that including private capital mobilised and catalysed, incorporates private capital enabled through systemic interventions. These include policy reforms, regulatory improvements and market development initiatives that create an environment conducive to private investment beyond direct transactional support. Understanding Mobilisation through this systemic lens is essential to identifying how the Mobilisation of private resources can be optimised across an economy. This approach allows us to capture not only direct investment outcomes, but also the deeper structural market transformations needed to drive sustainable private sector growth at scale.

BER for Mobilisation works in theory...

Having outlined the practical "Cascade" model, it is valuable to examine the theoretical foundations underpinning why and how BER interventions stimulate private capital flows. BER can be a critical upstream enabler to reduce barriers, de-risk sectors, and create investable conditions to directly unlock downstream Mobilisation.

A primary channel through which BER catalyses private investment is by systematically reducing risk premiums. By reforming legal frameworks, introducing risk-sharing mechanisms, streamlining regulations, and eliminating administrative barriers, BER directly lowers the perceived and actual risks faced by private sector actors. Simplifying business registration, improving contract enforcement, and strengthening property rights are among the reforms that create a more predictable operating environment and encourage domestic and foreign private investment (World Bank Group 2023a; Donor Committee for Enterprise Development 2013).

BER can directly improve the bankability of projects through sector specific reforms. In sectors such as energy, transport, or infrastructure, the development of Public-Private Partnerships (PPP) frameworks, tariff regulations, and transparent procurement rules can make projects more investable for private sector actors. The evidence shows that clear and consistent regulations on energy feed-in tariffs have been critical in attracting Independent Power Producers and private equity investments (Organization for Economic Cooperation and Development, 2021).

BER can also unlock new markets. By reforming the regulatory frameworks governing previously restricted sectors such as telecommunications, financial services, healthcare, and agriculture, or by enabling new business models such as digital payments and fintech, BER can facilitate private sector participation. The enabling regulatory environment for mobile money services in East Africa provides a compelling example through the resulting significant private sector investment into fintech startups (World Bank Group 2022).

BER can, in addition, be effective at enhancing investor confidence. Transparent and predictable policy environments can reassure private sector actors by reducing regulatory uncertainty and the perception of corruption risk. Investment policy reforms, bilateral investment agreements, investment policy standards, tax reforms, and competition law improvements are typical BER measures that boost investor confidence and catalyse investment (UNCTAD 2015; World Bank Group 2023a).

Finally, BER plays a crucial role in financial sector deepening. Financial sector reforms such as the establishment of collateral registries, credit information systems, and implementing predictable insolvency regimes improve access to finance, particularly for SMEs, and enable the Mobilisation of domestic financial systems. As local financial institutions identify new opportunities, they are incentivised to extend their services to previously underserved segments, develop new product offerings, improve risk assessment capabilities, and strengthen their capital base for further expansion. (World Bank 2012).

Figure 2: Theoretical channels of BER impact

LOGIC LEVEL	INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACTS
WHAT IT MEANS	Resources, technical assistance, and policy engagement mobilised to design and deliver reforms.	Reform actions initiated to improve the investment climate.	Immediate changes in laws, regulations, or institutions.	Medium-term improvements in investment climate and financial intermediation.	Long-term transformation through sustained investment and growth.
BER EXAMPLE	Donor funding • IFC/World Bank advisory services • Public-private dialogue platforms	Legal diagnostics • Sector regulation reviews • Financial sector assessments • PPP policy advisory	New energy law • PPP framework established • Tax code revised	De-risked investment climate • Bankable PPP pipelines • New markets opened • Improved investor confidence • Deepened financial sector	Increased private capital mobilisation in: • renewable energy • transport • fintech • agriculture • SMEs
HOW IT SUPPORTS PSM	Establishes foundations for targeted, evidence-based reforms aligned with investor needs.	Identifies and addresses real constraints to private capital inflows.	Creates a more predictable, transparent, and investable regulatory environment.	These outcomes reduce risk, increase project viability, and enhance capital access—key drivers of PSM.	Enables sustainable economic growth, green investment, climate resilience, and financial inclusion.

...but there are no silver bullets in practice

While the theoretical logic behind BER and Mobilisation is compelling, actual implementation often reveals complexities.

Real-world evidence indicates significant limitations and challenges that disrupt or dilute the intended outcomes. For instance, reforms identified by private sector stakeholders as essential to unlocking investment may simply not be politically or institutionally feasible in certain jurisdictions. Even when meaningful reforms can be achieved, shifting government priorities, leadership turnover, and administrative capacity constraints can disrupt or delay implementation. As one development expert we interviewed noted, "BER can remove barriers and facilitate conditions, but structural or political constraints often limit its impact." These observations indicate that successful BER requires a more nuanced, context-driven approach that acknowledges the complex interplay between local business needs, political realities, and market conditions.

Whilst the "Cascade" theory emphasises the importance of upstream reforms in enabling downstream private sector investment, empirically establishing a direct causal link between BER and Mobilisation remains challenging. The relationship between improved regulatory efficiency and actual Mobilisation is frequently indirect and delayed, making it difficult to measure and attribute outcomes. As one practitioner reflected, "We often measure immediate outcomes like reduced processing times for permits, but quantifying the actual impact on private investment remains challenging."

Evidence further suggests that the linkages between BER and Mobilisation are not linear. The quality and impact of these connections vary considerably across contexts. Some interventions, while well-intentioned, are insufficiently aligned with investment needs. Others exhibit clear correlation, and under favourable conditions, causation. A third category lacks strategic coherence and appears to comprise opportunistic interventions.

2.2 Key challenges for BER and Mobilisation

2.2.1 Political economy constraints

Reforms often threaten vested interests or require politically sensitive changes. These may, for example, include tariff reforms, deregulation, or anti-corruption measures. A lack of political will or instances of leadership turnover can stall or reverse progress. Some reforms are technically sound but politically infeasible, especially when they disrupt rent-seeking or elite networks. Duncan et al. (2018) note the failures of governments to fulfil functions required for a stronger business environment often reflect conscious political decisions and political incentives, rather than in the first instance a "lack of capacity". One interviewee stressed, "You might identify the area that would have the most impact for the private sector, but if there's no political appetite for reform, it won't move forward".

2.2.2 Disconnect between reforms and results

The link between reform and actual investment is seldom direct. Even where legislative change is achieved, implementation challenges such as inconsistent enforcement, bureaucratic inertia or lack of capacity can substantially limit its impact. One practitioner shared, "You can change the law, but if enforcement doesn't change, private capital won't follow."

Reforms may improve rankings (e.g. on Doing Business or similar) but have limited effect on actual Mobilisation. The World Bank's independent evaluation of Doing Business indicators in 2022 notes that although many countries use movement in Doing Business indicators as an outcome measure, such movements are inconsistently linked to economic outcomes and unconvincingly predictive of increased investment, employment, or productivity.

More broadly, Jayasuriya, D. (2011) states that 'there appears to be no evidence to suggest large improvements in Doing Business Rankings (i.e. 'reform' countries) attract significantly greater FDI inflows. Evidence from UNCTAD surveys and its World Investment Report indicates that even in countries with improved business environments, investors cite exogenous factors like commodity price fluctuations, political instability, and market demand as primarily determining investment decisions, with regulatory improvements playing a secondary role. These data points collectively support the argument that while BER can reduce friction and marginally improve risk-return profiles, it cannot fundamentally alter the underlying attractiveness of investments in the absence of favourable market conditions.

2.2.3 One-size-fits-all approaches

Standard reform models often fail to reflect local realities, sector dynamics, or informal market structures. What works in one context may not translate to another without proper adaptation. In an IMF Working Paper, Balasubramanian, S et al (2021) noted the need for customised solutions to inclusive growth. A one-size-fits-all approach simply doesn't seem to work. The more customised the inclusive growth model, the better the overall outcome.

2.2.4 Weak data and evaluation systems

Quantifying BER outcomes presents significant methodological challenges that complicate assessment and adaptation alike. Despite efforts over many years, key results, such as improved confidence, reduced risk perceptions, and enhanced market efficiency, are not easily measurable, making it difficult to demonstrate an adequate return on investment or to adapt in real time. The DCED in a practical guidance paper notes the ultimate impact of BER is long dated often taking time to realise and measure. Moreover, development agencies struggle to measure the impact of reforms in the years after programme completion, as doing so is methodologically difficult and resource intensive. These limitations create knowledge gaps that constrain both evidence-based policy decisions and reform optimisation. As one official aptly put it, "attribution is difficult. Was it the reform, or was it global trends, that led to more investment?" Despite the difficulties in data measurement and evaluation, without credible information on what works, why, and under what conditions, BER efforts risk misallocating scarce resources, failing to build on lessons learnt and maintaining accountability. As pointed out by a recent report from the OCED, continuing to capture data, improved metrics and long-term information collection are essential to capture the systemic impact.

2.3 Not all doom and gloom

Nevertheless, amid these complexities and challenges, targeted BER initiatives have demonstrated tangible successes. The following examples illustrate how, under specific conditions, there are plausible indications that BER has effectively delivered Mobilisation. Despite the implementation difficulties noted above, evidence from across the development community consistently shows that well-designed BER interventions can, when properly aligned with market opportunities and political realities, significantly drive private sector activity and investment.

2.3.1 Example of cross-country evidence: Impact of general business environment reforms

The World Bank's Doing Business (DB) project, despite methodological limitations that led to its 2021 replacement by the Business Ready (B-READY) initiative, offers some empirical evidence linking specific reforms to increased private sector outcomes.

Key findings indicate that improvements in specific DB indicators, such as business registration procedures, credit access, and contract enforcement display correlation with higher foreign direct investment (FDI) inflows, increased firm entry rates, and overall private investment growth. The 2010 World Bank Doing Business study found that each 10-point improvement in a country's DB score was associated with a 0.3 percentage point increase in annual GDP growth, primarily driven by private sector expansion.

2.3.2 Example of sector-specific evidence: Financial sector and credit infrastructure reforms

Financial sector reforms, particularly the establishment of collateral registries enabling the use of movable assets as collateral, serve as strong examples of BER directly mobilising private sector resources, particularly in SME lending.

For instance, following the enactment of the Borrowers and Lenders Act (2008) and the establishment of a modern collateral registry at the Bank of Ghana in 2010, secured lending expanded significantly. By 2012, more than 36,000 loans secured with movable property were registered, totalling almost USD 2 billion in lending, according to a 2012 World Bank newsletter.

Similarly, in Nigeria, the establishment of the National Collateral Registry and broader credit infrastructure reforms yielded substantial private sector impacts. According to an FCDO and IFC report, by 2023, over 847,000 financing statements had been registered, securing loans worth USD 4.5 billion with movable assets. Importantly, 74% of the borrowers were micro, small, and medium enterprises (MSMEs), highlighting the reform's direct impact on financial inclusion and SME financing.

2.3.3 Example of FIAS-supported reforms and investment Mobilisation

According to the 2023 annual report from the Facility for Investment Climate Advisory Services (FIAS), supported projects in Fiscal Year 2023 (FY23) collectively generated USD 75.2 million in new private investment across countries including Georgia, the Kyrgyz Republic, and Tajikistan. These investments resulted from targeted activities designed to strengthen the business environment and foster private sector development. In the Kyrgyz Republic, specific support was deployed to enhance public private partnerships in sectors such as digital infrastructure, renewable energy, social services, and urban mobility. In Georgia, FIAS provided advisory support to streamline business regulations and enhance the overall investment climate. In Tajikistan, activities focused on improving policy frameworks to better attract foreign direct investment.

While these examples demonstrate BER's potential, they are isolated success stories that serve to illustrate what is possible under favourable conditions rather than systematically establish how reforms can consistently translate into Mobilisation across contexts.

To address this, the following case studies seek to examine how BER initiatives were not only designed but also aligned with investor needs, political realities, and complementary risk mitigation tools to unlock substantial Mobilisation. By analysing these experiences in South Africa, Vietnam, Senegal, and Zambia, they extract practical lessons on what it takes for BER to transition from general business climate improvements to a powerful enabler of transformational Mobilisation.

3. Case studies

The following case studies seek to examine how BER initiatives were not only designed but also aligned with investor needs, political realities, and complementary risk mitigation tools to unlock substantial Mobilisation. By analysing experiences in South Africa, Vietnam, Senegal, and Zambia, we extract practical lessons on what it takes for BER to transition from general business climate improvements to a powerful enabler of private capital Mobilisation.

3.1 Case study 1: South Africa's Just Energy Transition Partnership (JETP) and energy sector liberalisation

South Africa's Just Energy Transition Partnership (JETP) represents one of the most ambitious attempts globally to link energy sector liberalisation with private sector Mobilisation through carefully sequenced business environment reform (BER) and the strategic use of policy-based loans.

In recent years, South Africa faced a crippling energy crisis. Rolling blackouts, or load shedding, reached historic highs, averaging 8.8 hours per day in 2022 and over 10 hours per day in early 2023, causing the economy to lose up to 3.2 percentage points of GDP. The root causes lay in outdated, vertically integrated structures dominated by a single company (Eskom), poor regulatory frameworks, delayed investments, weak governance, and deep-seated political economy challenges.

Recognising the unsustainable trajectory, the South African government adopted a two-pronged reform strategy: first, restructuring Eskom through legal unbundling and setting up a separate national transmission company (NTCSA) to promote competition; and second, accelerating private sector participation in renewable energy. The reforms were backed by strong political signals, including the establishment of a National Energy Crisis Committee and the creation of a new Ministry of Electricity.

In parallel, major development partners, including the World Bank, African Development Bank, and KfW (with GIZ technical cooperation programs) as well as others structured complementary budget support linked to reform milestones. A landmark USD 1 billion Sustainable and Low-Carbon Energy Transition Development Policy Loan (DPL) from the World Bank directly supported these efforts, focusing on two pillars: unbundling and grid investment under Eskom, and enabling greater private investment through renewable energy policy reform.

The DPL was designed as a results-based instrument, with disbursements directly tied to the government's achievement of agreed reform actions. It operationalised reforms along two mutually reinforcing tracks. Under the first pillar, restructuring Eskom and enhancing grid infrastructure, the DPL supported the legal unbundling of Eskom's transmission division into the NTCSA, the establishment of transparent and non-discriminatory grid access for independent producers, and a significant scale-up of grid investment, targeting 350 kilometres of new transmission lines and 2,600 MVA of new transformer capacity by March 2025. These measures were essential to open space for private renewable energy generation. Under the second pillar, enabling private investment, the DPL supported reforms aimed at accelerating licensing for private renewable energy projects, lifting generation thresholds to encourage corporate power purchase agreements (PPAs), and strengthening carbon pricing mechanisms. Private capital mobilised in embedded renewable generation is expected to grow from ZAR 0.4 billion in 2022 to ZAR 55 billion by March 2025.

Whilst vested interests, legacies of state capture, and bureaucratic fragmentation continue to threaten reform sustainability, early signs are encouraging. Private investment interest in the renewable energy sector is rising, green finance solutions are being piloted, and energy security imperatives are helping align short-term political objectives with long-term climate and competitiveness goals.

Conclusion

The JETP illustrates the powerful role that well-targeted BER, sequenced with private capital incentives and reinforced by results-based policy lending, can play in catalysing systemic change, even in politically complex environments. Crucially, the South Africa case shows that BER and policy-based financing are most effective when they align with domestic policy ambitions, particularly when these ambitions are intensified by external shocks or shifting conditions, such as the acute energy crisis. In such contexts, reform momentum can accelerate dramatically when political necessity meets structured external support. By anchoring reform to national priorities, development partners were able to enhance ownership, manage political risks, and unlock significant private capital flows into critical sectors like renewable energy.

The case highlights the potential for appropriately properly timed and structured BER, to act as a catalyst for large-scale Mobilisation and broader economic transformation.

3.2 Case study 2: Vietnam's green finance reforms: sequenced BER unlocking private capital

In 2021, Vietnam has rapidly advanced a policy agenda to align capital markets with climate goals. This work has been supported by coordinated engagement from international development partners including the IFC, the World Bank, GIZ, SECO and others since more than 20 years of policy work and building awareness on climate change challenges.

Vietnam’s Green Growth Strategy 2021–2030, approved in October 2021, set out a national vision to decouple economic growth from carbon emissions. Recognising the large financing gap, authorities emphasised that mobilising private sector capital, particularly through green bonds and sustainable finance instruments, would be essential to achieve Vietnam’s climate and development targets. According to the World Bank, Vietnam will require approximately USD 368 billion in climate investment by 2040 (World Bank Group 2023b).

Between 2022 and 2024, Vietnam introduced a sequenced series of reforms aimed at building the enabling environment for green finance. In 2022, it launched a pilot version of its Green Taxonomy, aligned with international standards, to clarify eligible green investments for issuers and investors. This taxonomy, developed with input from the World Bank, GIZ and the IFC, provided much-needed clarity to the market. In March 2023, the Ministry of Finance issued Decree 08/2023/ND-CP, which established mandatory ESG disclosure guidelines for listed companies and voluntary disclosure guidance for bond issuers, creating Vietnam’s first regulatory framework for corporate sustainability reporting. Building on earlier voluntary guidelines developed jointly by the IFC and the Ministry of Finance in 2020, Vietnam also began formalising national standards for green bond issuance aligned with ASEAN Green Bond Standards. Simultaneously, the State Securities Commission and the Ho Chi Minh Stock Exchange (HoSE) strengthened the capital markets infrastructure by launching ESG indices and piloting ESG reporting requirements among the top 100 listed companies.

These reforms have already catalysed an initial private sector response. By early 2024, several Vietnamese banks, including BIDV and VP Bank, had issued sustainability-linked bonds worth over USD 500 million. The HoSE reported a 30 percent increase in listed companies voluntarily disclosing ESG data between 2022 and 2023. Vietnam's Ministry of Finance has set a target to double the size of the sustainable finance market by 2030.

Alongside the IFC and the World Bank, GIZ, SECO played an important role by providing technical assistance to support regulatory frameworks, market standards, and capacity building for local financial institutions and regulators. Their coordinated engagement ensured that reforms reflected international best practices while remaining adapted to Vietnam's specific market conditions.

Vietnam's experience demonstrates that the sequencing of reforms matters critically for Mobilisation. Foundational reforms, such as the development of a green taxonomy and the introduction of ESG disclosure obligations, were prioritised, creating policy clarity and predictability for investors. Only after these upstream market-enabling reforms were in place did efforts move toward transaction-level interventions like green bond issuance. Close consultation with banks, asset managers, and corporates helped align reforms with private sector needs, leading to strong early adoption. High-level government commitment, anchored in the Green Growth Strategy and the nationally determined contributions (NDCs), created political momentum and accountability. Coordination among international partners like the IFC, the World Bank, GIZ and SECO helped avoid duplication and ensured technical coherence across initiatives.

Conclusion

Vietnam's case illustrates how the careful sequencing of business environment reforms, aligned with investor needs and supported by high-level political commitment, can quickly unlock private sector engagement and scale up climate-aligned investments. It underscores that BER and Mobilisation are most effective when implemented as part of a broader systemic effort, underpinned by clear national strategies and strong regulatory foundations.

3.3 Case study 3: Scaling solar in Senegal and Zambia: competitive reforms unlocking private investment

Since 2015, the Scaling Solar initiative led by IFC has demonstrated how structured, transparent reforms can catalyse private investment into renewable energy markets across Sub-Saharan Africa. The experiences in Senegal and Zambia illustrate how upstream business environment reforms, anchored in standardised project documents and transparent auctions, can unlock large-scale private sector participation.

In Senegal, the government partnered with the IFC in February 2016 to launch its first competitive utility-scale solar procurement under the Scaling Solar program. Before this effort, Senegal's energy sector was heavily reliant on imported oil and characterised by high electricity costs and frequent power outages (IFC, 2021a).

Scaling Solar introduced a transparent, internationally competitive tender process, backed by standardised documentation, World Bank Partial Risk Guarantees, and MIGA political risk insurance. In April 2018, the Engie/Meridiam consortium was awarded two projects—Kahone (44 MWp) and Kael (35 MWp)—at record low tariffs of 3.80 and 3.98 euro cents per kilowatt-hour respectively (IFC, 2021; IFC, 2023). Together, the projects mobilised approximately USD 50 million in private investment, reduced greenhouse gas emissions by an estimated 58,000 metric tons per year and are expected to provide electricity access to nearly 170,000 additional users (IFC, 2021).

In Zambia, the Scaling Solar initiative was similarly launched in 2015 to address acute power shortages and diversify a hydro-dependent energy mix. In Round 1, two solar PV plants—Bangweulu (54 MWp) and Ngonye (34 MWp)—were awarded through a transparent competitive tender (World Bank, 2018; IFC, 2023). Developers Neoen/First Solar and Enel Green Power offered tariffs of 6.015 and 7.839 US cents per kilowatt-hour, respectively, representing the lowest-cost solar energy in Sub-Saharan Africa outside South Africa at that time. The projects reached financial close with the support of IFC loans, IDA Partial Risk Guarantees, and MIGA insurance, and mobilised approximately USD 100 million in private investment (World Bank, 2018).

Both cases show how structured, transparent procurement, combined with de-risking mechanisms and clear regulatory frameworks, can drive significant private sector participation, even in challenging environments. Scaling Solar's standardised documentation provided clarity to investors, minimised negotiation risks, accelerated financial close, and resulted in highly competitive pricing.

Conclusion

Senegal and Zambia's Scaling Solar experiences demonstrate how BER, carefully aligned with private sector needs, can mobilise private investment at scale. Their success highlights the critical role of transparent auctions, bankable standardised documents, and multilateral development institution support in accelerating climate-aligned infrastructure.

4. Climate resilience-linked BER for Mobilisation: a nascent but critical frontier

The scale of required climate finance is staggering. According to recent estimates from a report produced by an independent high level expert group of the G20, meeting Paris Agreement goals will require climate investment in EMDEs to increase more than fourfold, reaching USD 2.4 trillion annually by 2030, including USD 250 billion specifically for adaptation and resilience. Even accounting for domestic resources, EMDEs will require around USD 1 trillion in external financing each year. According to a 2024 IMF report, strengthening climate policies, particularly through green investment codes, could mobilise up to 40% of the private finance needed for renewable energy investment in emerging markets.

When examining BER activities that can mobilise private sector resources for climate and more broadly for the Sustainable Development Goals (SDGs), the development community emphasises the critical role of reformed market policy and regulatory environment to reduce investment risks, enhance transparency, and build investor confidence.

The UNDP's "Policy Momentum for an Impact Economy" draws insights from over a thousand stakeholders across 43 countries. The report highlights substantial policy deficiencies in sectors such as renewable resources, alternative energy, agriculture, food and beverages, and infrastructure as barriers to Mobilisation. It also notes that targeted policy reforms in health care and education could significantly improve access to essential services and enhance human capital in developing countries, thereby attracting the private sector.

The World Bank's "Mobilising Private Capital for the Sustainable Development Goals" delves into climate and banking regulations, suggesting specific policies are required to promote environmentally friendly investments. It presents evidence on various financial instruments and regulatory approaches to stimulate private investment, including guarantees, public-private partnerships, syndicated loans, sustainable financial contracts and climate and banking regulations.

As the urgency around climate change intensifies, targeted BER for climate resilience financing is emerging as a critical yet underdeveloped opportunity. In many emerging markets and developing economies (EMDEs), weak regulatory frameworks, unclear investment rules, and institutional bottlenecks deter private investors from financing climate-related projects. Standard BER interventions are often insufficient given the unique challenges climate resilience presents.

Climate investments, particularly in adaptation and resilience, require substantial upfront capital with financial returns materialising only over extended horizons. This long-term uncertainty magnifies political risk and governance concerns, making these projects fundamentally less attractive to private investors. Moreover, climate resilience initiatives often deliver public goods such as disaster prevention and ecosystem restoration whose financial benefits are difficult to monetise directly. As a result, traditional investment models based on near-term, predictable cash flows are poorly suited for these projects.

Yet today, the climate resilience application of BER remains nascent. While financial sector policies integrating climate considerations have quadrupled since the Paris Agreement, frameworks remain fragmented. The inaugural 2025 OECD Review on Aligning Finance with Climate Goals aims to provide a comprehensive assessment of the available evidence, but practical models for targeted climate BER are still emerging.

Critically, purely financial solutions like blended finance are unlikely to be sufficient. Blended finance is designed to correct mispriced risk, but in the case of climate resilience, the political and governance risks are not misperceptions; they are real and substantial. Mobilisation for resilience, therefore, demands not just financial de-risking, but systemic policy reform to lower fundamental uncertainties.

4.1 The opportunity for targeted BER

Tailored BER approaches are essential to unlocking private-sector engagement in climate resilience. These must go beyond administrative reforms to address sector-specific barriers, such as:

- Specialised risk-sharing mechanisms between public and private actors;
- Climate-specific fiscal incentives and investment codes;
- Long-term regulatory roadmaps that provide certainty across political cycles.

Enacting comprehensive PPP legislation that standardises PPAs can, for example, reduce transaction complexity and boost investor confidence in renewable energy. Similarly, establishing independent regulatory agencies can offer the stability needed for climate investments with 15 to 30-year horizons

Development banks and donors have recognised this opportunity, supporting the creation of green and sustainable bond frameworks in several markets. The field does however remain nascent, and their initial approaches need to scale.

4.2 BER, climate resilience and the cost of capital

A key mechanism through which targeted BER can catalyse Mobilisation is by systematically lowering the cost of capital. Investors demand higher returns for projects associated with greater uncertainty. Climate-related investments face multiple risk factors: shifting policy landscapes around carbon pricing and subsidies, long technological adoption cycles, and unpredictable climate impacts.

Policy stability can dramatically shift this equation. Clear, credible regulatory frameworks such as phased-out subsidies, stable carbon pricing, and mandatory ESG disclosure, reduce investor risk perceptions. They thus, in turn, lower financing costs, improving project bankability

Evidence supports this mechanism. The University of Oxford's Energy Transition Risk and Cost of Capital Project finds that a one standard deviation increase in the strength of climate and environmental policies reduces the cost of debt for renewable energy by approximately 31 basis points compared to conventional energy loans. While direct incentives such as feed-in tariffs initially play a stronger role, the long-term impact of regulatory certainty on investment flows is expected to become dominant as renewable technologies achieve parity.

Thus, predictable, climate-aligned BER acts as a powerful de-risking tool, one that can mobilise the private sector at scale more effectively than subsidy-driven models alone.

Mobilising the private sector for climate resilience requires moving beyond conventional BER toolkits. It demands bespoke reforms that lower structural risks, improve bankability, and create stable investment environments over decades. Done right, targeted BER can transform climate resilience from a niche concern into a mainstream investment opportunity, closing critical financing gaps without relying solely on public budgets.

5. Key findings

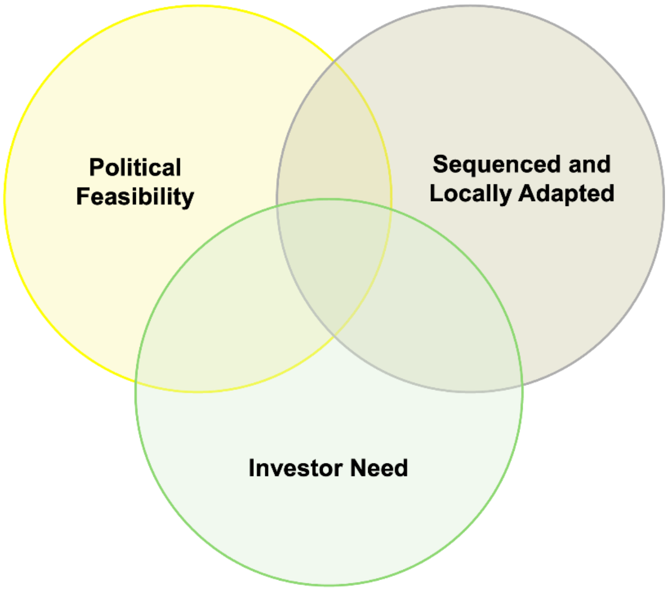
As an enabling factor, BER creates conditions that allow the private sector and capital to flow more efficiently once investment opportunities become attractive, but it is unlikely that it can itself generate the initial spark of investor interest.

While BER can enhance the risk and return characteristics of investment opportunities through reducing transaction costs and administrative burdens, strengthening legal frameworks for investor protection, improving regulatory predictability and transparency, and streamlining business operations, these improvements primarily optimise existing investment flows rather than create new ones. The fundamental limitation is that BER addresses friction in the system but is unlikely to significantly enhance the core investment rationale.

For an investment to proceed, the opportunity must first be attractive based on market demand for the product or service, the potential for globally competitive returns relative to risk, an alignment with investor strategy and priorities, and crucially in developing economies, the ability to manage political and governance risks. Only after these primary conditions are satisfied does the business environment become relevant to the investment decision. Even the most streamlined business environment cannot catalyse investment in opportunities that lack fundamental attractiveness.

This has significant implications for development policy sequencing and resource allocation. Donor countries, as external policy makers, cannot create investment flows ex nihilo; they can only accelerate existing momentum. Given the scarcity of public resources, implementing BER initiatives too early in markets without inherent investment attractiveness represents an inefficient use of finite Official Development Assistance funding.

Figure 3: Ingredients for successful outcomes



6. Recommendations

Drawing on the analysis presented in this report, we propose four strategic recommendations to maximise BER's effectiveness in mobilising the private sector. These targeted approaches address specific barriers to investment with particular attention to the unique challenges of climate resilience financing.

6.1 Recommendation 1: anchor BER in solving local business needs and local investment challenges

For BER to effectively support private sector growth and investment, it must directly address specific local business constraints and market obstacles. Reforms detached from these local realities, whether developed through top-down processes, driven by external policymaker priorities, or based on generic frameworks consistently underperform.

Reforms should be shaped through continuous dialogue with local business associations, the leading domestic and international companies and financial institutions driving local economies, as well as leading local investors. The starting point must be what businesses and investors actually say is needed to expand, invest, and create jobs, not generic ideas of what constitutes a "better" business environment.

This approach requires the establishment and maintenance of platforms that allow BER stakeholders to engage directly and continuously with businesses, financiers, and entrepreneurs in real-time and with regularity. It also involves prioritising reforms according to what businesses and financial actors themselves identify as the most pressing constraints to investment and business activity. Finally, it is essential to embed feedback loops that can consistently track how reforms are tangibly unlocking business activity and investment over time and adjust accordingly.

This principle was demonstrated in the case of Vietnam's green finance reforms. Vietnam's sequenced and deliberate approach first addressed the local investment ecosystem by developing a green taxonomy and ESG disclosure requirements, solving real barriers identified by local financial institutions and investors, before advancing toward the development of financial instruments. This responsiveness to local private sector needs helped unlock Mobilisation at scale.

In short:

- BER targeted on Mobilisation must be locally grounded, business-led, and focused on removing the barriers that matter most to real-world economic activity.

6.2 Recommendation 2: focus BER where political will and investor demand align

Even when BER is carefully tailored to address the real needs of businesses and investors, it cannot succeed without two critical ingredients: strong political will for implementation and meaningful latent demand from investors for the opportunities being unlocked.

Donors and policymakers should implement a strategic sequencing approach that prioritises BER initiatives that fully recognise this dual requirement. BER prioritisation must start by identifying where credible investor interest already exists and where there is sufficient political commitment to enable reform.

This approach calls for greater investment in improved intelligence and engagement systems that are capable of accurately mapping both latent investor demand and political feasibility. These enhanced information frameworks should be built through direct and ongoing engagement with key capital allocators to identify genuine investment appetite. Simultaneously, they must assess the political landscape to pinpoint political, regulatory, and administrative frictions distinguishing surmountable obstacles and deeply entrenched barriers that may render reforms impractical despite their technical merits.

This sequencing logic is exemplified by South Africa's JETP. Reform momentum only accelerated when an acute energy crisis forced political alignment, creating a window where government commitment and private sector demand for renewables investment converged.

In short:

- Effective BER targeted on Mobilisation must "follow the money" and "read the politics," ensuring reforms are not just technically sound or business-informed, but genuinely feasible and catalytic in their specific local context.

6.3 Recommendation 3: build tailored BER instruments to enable climate resilience investment amidst uncertainty

Traditional BER approaches cannot adequately address the unique challenges and time horizons of climate resilience investments. To unlock Mobilisation at scale for climate adaptation, mitigation, and resilience, development actors should prioritise the design of specialised BER frameworks. These frameworks should directly tackle the long-term risks, public goods characteristics, and policy uncertainties inherent in these investments. Climate-resilience-related projects, particularly those focused on adaptation, face distinct challenges that generic reforms fail to resolve unpredictable regulatory evolution, extended return cycles, and technological flux, all factors that increase risk perceptions and reduce bankability.

To catalyse Mobilisation for climate resilience investments, donors should work collaboratively with governments, MDBs and DFIs to design targeted, climate-specific BER instruments. These tools must go beyond conventional measures and instead address the structural risk asymmetries inherent in climate investment.

Such instruments might include climate resilience fiscal tools such as tax incentives for green infrastructure. The introduction of resilience-linked bond structures that embed returns linked to resilience outcomes could also be effective.

These frameworks should incorporate long-term policy roadmaps that deliver regulatory clarity across key adaptation sectors such as water security, agriculture resilience and coastal infrastructure. Embedding long-term policy and regulatory commitments is essential, including predictable carbon pricing paths, phased-out subsidy schedules, or climate-aligned procurement regulations. These measures provide investors with the confidence needed to take on long-term return profiles.

The legal underpinnings for resilience financing must also be strengthened. This can be achieved through disaster risk insurance frameworks, resilience bonds, and the adoption of natural capital accounting standards that provide clarity and credibility.

Finally, BER efforts must be directly linked to climate finance Mobilisation targets. Investment climate reforms should be intentionally designed to unlock private capital not just for mitigation and clean energy, but also for the often-overlooked adaptation and resilience sectors.

This approach recognises that climate resilience investment cannot be unlocked through capital access alone. Instead, it requires a policy environment that actively reduces perceived volatility and offers a predictable, long-term operating horizon.

In short:

- BER for climate resilience must be purpose-built, incorporating targeted incentives, financial de-risking tools, and clear policy signals - transforming uncertainty into investability.

6.4 Recommendation 4: bridge the gap between policy reform and investment practice

While the "Cascade" approach recognises that upstream policy and regulatory reforms are necessary to unlock “downstream” Mobilisation, the evidence suggests that it often misses critical insights held by those working directly with investors, financiers, and market participants. A more dynamic and two-way engagement is urgently needed.

Multilateral and bilateral development finance systems should establish structured collaboration between their policy reform teams and investment practitioners, whether they be their own or private sector counterparts. The currently often observed disconnect between BER architects and investment specialists creates a critical knowledge gap, as upstream diagnostics do not systematically incorporate insights from those with firsthand knowledge of where investment bottlenecks lie and of how to address them. By institutionalising these connections, reforms can be better targeted to address actual market constraints rather than theoretical barriers.

Latent knowledge about constraints and opportunities sits with investment practitioners, yet it remains underutilised. For example, in Southeast Asia, unlocking more venture capital investment is not so much about simplifying start-up licensing processes, but rather about enabling a more successful environment for IPOs for start-ups, which necessitates reforming capital market structures and listing rules.

Similarly, in Africa, unlocking greater institutional investment into private equity funds is not best addressed through the creation of new blended finance vehicles, but through educating pension fund trustees on alternative investments and reforming pension regulations to allow allocations to private equity and venture capital asset classes.

To bridge this divide, MDBs and DFIs could establish formal protocols to integrate investment expertise into their BER design programmes. This could include embedding investment specialists within BER planning teams, creating joint review processes for reform proposals, and implementing regular feedback loops from transaction teams to policy units.

They could mandate structured collaboration between their upstream policy teams and downstream investment or transaction teams, ensuring they are aligned from diagnostic to delivery. They could also build continuous feedback loops with private sector actors operating in each target market to ensure real-time market intelligence is incorporated into policy planning.

Furthermore, to unlock the full potential of private capital Mobilisation, development actors must bridge the currently fragmented silos between BER, blended finance, and impact investing ecosystems. This calls for a step-change in cross-sectoral literacy and capability-building among policy designers. By harmonising reform agendas across these fields and fostering a shared understanding of each ecosystem's mechanics, stakeholders can co-create more coherent and effective Mobilisation strategies.

In short:

- Policy reform for Mobilisation must not only be investor-informed, it must also be deeply investor-integrated.

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