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The Role of Catalytic Technical Assistance in Unlocking Private Sector Capital

This document has been prepared by the OECD Development Co-operation Directorate with inputs from the Community of Practice on Private Finance for Sustainable Development (CoP-PF4SD) and the Working Party on Development Finance Statistics (WP-STAT).

It aims to advance understanding of macro-level catalytic technical assistance (TA) as a tool for unlocking private sector capital. It draws on extensive research and consultations with donors, DFIs, MDBs and private actors to explore how macro-level catalytic TA can strengthen enabling environments through policy and regulatory support and institutional capacity building. It promotes the use of improved metrics to better capture the systemic impact of macro-level catalytic TA, building on the findings from the WP-STAT technical assistance pilots undertaken in 2023.

This document is circulated FOR INFORMATION during the MDB – OECD DAC Working Group Plenary Meeting on 2 July 2025, as an input to ongoing efforts to capture the impact of catalytic interventions in building robust enabling environments conducive to private finance flows.

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Abstract

This report examines the role of macro-level catalytic technical assistance (TA) in unlocking private finance by drawing on extensive research and insights from donors, development finance institutions (DFIs), multilateral development banks (MDBs) and private sector representatives. It analyses the unique potential of macro-level catalytic TA in developing countries to drive systemic change by building robust regulatory frameworks, strengthening institutional capacity and supporting macro-level market reforms in that facilitate private finance flows. The report identifies key barriers in scaling, accounting for, and prioritising macro-level catalytic TA initiatives. This includes challenges in measuring long-term impact, overlooking the role of recipient government efforts, and the structural constraints within DFIs and MDBs that lead them to favour immediate project-level interventions over macro-level catalytic TA initiatives. The report concludes with policy recommendations, emphasising the need for stronger alignment between donors and DFIs, clearer accountability structures and improved metrics to better capture the systemic impact of macro-level catalytic TA.

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Executive summary

In the global push to mobilise private finance for sustainable development, the role of technical assistance (TA) has gained increasing prominence. While TA has traditionally focused on direct project financing, there is growing recognition that scaling private capital effectively requires more than just de-risking individual projects or investments. It also demands a more robust enabling environment to allow private investments to flow more easily and at a larger scale, and to do so over the long term.

Drawing on research and insights from donors, development finance institutions (DFIs), multilateral development banks (MDBs) and private sector representatives, this paper explores how macro-level catalytic TA plays a critical role in shaping robust enabling environments. Supporting broader structural reforms, enhancing institutional capacity, and building legal and regulatory frameworks which ultimately facilitate more domestic and international private finance flows. Without addressing systemic barriers, the impact of private finance mobilisation efforts will remain limited in both scope and sustainability.

Donors typically manage the most significant volumes of Technical Assistance in the development system but are often not integrated into the mobilisation efforts of MDBs and DFIs, this needs to be addressed as the foundations of financial transactions are built on structural reforms, policies and institutional capacity in developing countries. The mobilisation efforts have not delivered on the expectations, which is why all parts of the mobilisation agenda need to be re-assessed. Donor effort in the mobilisation agenda therefore needs to be more prominently recognised and accounted for, only by creating agreed frameworks on what can be measured, will the outcome be achieved.

Macro-level catalytic TA differs from traditional, project-specific TA by focusing on interventions that drive systemic change in an investment environment. It is designed to create long-term, sustainable improvements in the investment climate, addressing fundamental weaknesses that inhibit private capital flows—especially in emerging markets and developing economies (EMDEs). Compared to project-specific TA, macro-level catalytic TA seeks to mitigate the risks of market distortion that often come with direct subsidies or project-based interventions. Instead of artificially lowering risk for specific projects, it focuses on improving the underlying conditions for investment. Additionally, macro-level catalytic TA helps develop resilient markets, allowing private finance to mobilise at scale and endure beyond the period of concessional support.

Despite its importance, macro-level catalytic TA faces significant challenges, particularly in accounting for and measuring its long-term, downstream impacts. Regulatory reforms and capacity-building efforts often require years to materialise, complicating attribution and increasing the risk of misreporting or double counting—particularly when multiple actors contribute to the same enabling environment. As a result, the critical role of local recipient governments in shaping investment climates is often undervalued. Furthermore, development finance providers often struggle to prioritise macro-level catalytic TA due to institutional constraints, short-term performance pressures, and a traditional preference for project-specific initiatives. Compounding these challenges, the OECD Development Assistance Committee (DAC) does not currently recognise macro-level catalytic TA as a direct mobiliser of private capital, limiting its visibility and potential support within official development finance frameworks.

Whilst challenges remain, it is critical that donor support becomes more strategic to ensure catalytic macro-level TA interventions are paired alongside broader development and blended finance efforts to deliver systemic impact and long-term sustainability.

Policy considerations

For development finance actors to scale the effective use of macro-level catalytic TA and account for it better, this paper presents the following policy considerations:

- **Strengthening collaboration between donors and DFIs is crucial to ensuring that macro-level catalytic TA complements other development finance tools.** Improved strategic alignment can help tie TA initiatives to performance metrics and development outcomes while bridging gaps between donors' risk appetite and DFIs' commercial focus. This co-ordination is essential for ensuring complementary roles in market-building efforts.
- **Identifying and scaling macro-level catalytic TA in contexts where it can play a particularly strong role is key**. For example, catalytic TA should be targeted to create secondary markets, strengthen financial institutions, and enable the development of market-based solutions. This includes supporting financial infrastructure for instruments like Green, Social, Sustainable and Sustainability linked bonds, providing TA to local financial institutions to deepen domestic capital markets and addressing key barriers to private sector development.
- **Expanding the evidence base through case studies and increased data transparency is essential for improving the impact and effectiveness of TA interventions.** Increasing peer learning and experience exchange on mobilisation and catalysation, alongside a structured approach to identifying proven TA strategies, will ensure that interventions are more effectively targeted and that their impacts are better understood.
- **Improving the co-ordination and accounting of TA will be to scaling its use and transparency moving forward.** Establishing clearer methodologies for measuring catalytic TA's impact and promoting standardised approaches to defining TA outcomes across different development actors will ensure greater comparability and harmonisation of processes, hopefully leading to improved cooperation and coordination. Enhanced donor co-ordination can also help avoid double counting and maximise TA effectiveness across different sectors and regions, ensuring that resources are used more efficiently.
- **Integrating macro-level catalytic TA into broader development efforts requires combining it with blended finance strategies to drive long term market development**. Supporting local capacity building for regulators, financial institutions, and policymakers can institutionalise TA-driven reforms, building long-term financial sector development. A more systematic and co-ordinated approach to catalytic TA within development finance frameworks will help maximise its broader impact and drive long-term private finance mobilisation and private sector development.

Acronyms & Abbreviations

ARIA	Africa Resilience Investment Accelerator
BII	British International Investment
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DFCD	Dutch Fund for Climate and Development
DFI	Development finance institution
EBRD	European Bank for Reconstruction and Development
EMDEs	Emerging markets and developing economies
ESX	Ethiopian Securities Exchange
FDI	Foreign direct investment
FMO	Dutch Entrepreneurial Development Bank
GSSS	Green, social, sustainability and sustainability-linked
MDB	Multilateral development bank
NGO	Non-governmental organisation
ODA	Official development assistance
PCE	Private Capital Enabled
PPP	Public-private partnership
REEP	Regional Energy Efficiency Programme
SDC	Swiss Agency for Development Co-operation
TA	Technical assistance
TFCD	Transition Finance Country Diagnostics
TIA	Tunisia Investment Authority
WWF	World Wildlife Fund
WP-STAT	Working Party on Development Finance Statistics

1. Leveraging the potential of macro-level catalytic TA in unlocking private finance

There is now an established understanding that the mobilisation of private finance must play a crucial role in meeting urgent and growing development needs, yet systemic barriers often limit the impact of such efforts in developing countries. To date, efforts to mobilise private finance have focused on how to mobilise *more* private capital, including through the use of specific instruments and approaches like guarantees and bonds. This approach is rooted, at least in part, in the need for donors and other development actors to account for their mobilisation efforts and achievements. Yet the broader enabling environment in developing countries – including policies and regulations – can pose systemic barriers to the mobilisation of private finance. Without addressing these macro-level factors, the impact of private finance mobilisation efforts will remain limited in both scope and sustainability.

Technical assistance or capacity building (hereafter "TA") can facilitate access to capital, strengthen project pipelines and promote an enabling environment to mobilise private finance in developing countries. TA refers to assistance from local or international entities in the form of sharing information and expertise, advice, skills and training (WP-STAT, 2023[1]). In the context of private finance mobilisation, TA remains crucial at the capital provider level i.e. those institutions that supply or facilitate access to capital (including to build capacity of local financial institutions and project developers). TA is also needed at the project level, including to build and strengthen project pipelines.

Beyond this, TA at the level of the wider enabling environment can help put in place policies and regulations that incentivise the private sector to invest (OECD, 2023[2]). This is also referred to as macro-level catalytic TA, which crucially helps promote a sound enabling environment conducive to attracting private finance flows. In particular, developing countries often lack the capacity and/or do not have the regulatory environment or policies to mobilise the private sector effectively. In this instance, macro-level TA is not targeting a specific ring-fenced project. Rather, it supports the broader enabling environment that, in turn, catalyses private finance.

Despite the acknowledged importance of TA, it remains challenging to quantify its mobilisation effects. This is especially true for macro-level catalytic TA. This paper[1] aims to show how macro-level catalytic TA interventions can contribute to creating an enabling environment that is favourable for channelling private finance flows. In so doing, it takes a systemic view of blended finance, beyond a transaction-by-transaction approach and provides greater details on the role of TA in private sector mobilisation.

[1] This work complements and builds upon the work of the DAC Working Party on Development Finance Statistics (2023[1]). It also includes findings from consultations with different stakeholders within the OECD DAC Community of Practice on Private Finance for Sustainable Development (CoP-PF4SD). These occurred in an OECD-SECO workshop (7 March 2024) and during the OECD DAC CoP-PF4SD Meeting (23 May 2024).

1.1. The advantages of macro-level catalytic TA

Macro-level catalytic TA offers significant advantages. Crucially, it provides systemic benefits that endure beyond individual projects. For example, policy and regulatory changes that streamline investment processes can open markets for more efficient private sector engagement across multiple sectors, significantly amplifying the potential development impact.

Furthermore, aligning TA with broader strategic priorities creates larger, more enduring impacts. To that end, it avoids potential short-term market distortion risks and instead builds more long-term market resilience. This approach ensures that regulatory reforms are sustainable and scalable.

In addition, it helps prioritise the most critical areas for reform and supports the channelling of greater amounts of private finance. Having a focus beyond the accounting of private finance mobilisation also helps provide more rigour and knowledge on where macro-level catalytic TA efforts are most effective and efficient in mobilising private finance. This is beneficial both for donors (who provide the TA), and for recipient governments (who can consequentially give them insight into which policies and reforms to prioritise).

Relatedly, macro-level catalytic TA helps foster more sustainable investment ecosystems and build frameworks that align regulations with international best practices to support private sector development. The OECD's Transition Finance Country Diagnostics series explores the evolution and interaction of public and private sources of finance on a country-by-country basis to help optimise partner countries' access to financing. It points out that well-structured TA efforts can drive systemic, long-term change, supporting the enabling environments necessary for greater private sector investment and development (OECD, 2024[3]). This view is also supported by the OECD Investment Policy Reviews, which insist that investment policies should aim to bridge regulatory gaps and continue to build an investment-friendly enabling environment (OECD, 2024[4]).

Mobilisation and catalysation of private finance

The impact of TA is either direct (mobilisation) or indirect (catalysation):

- **TA mobilising private finance:** A causal link between TA activities and mobilisation of private investment is needed to demonstrate the mobilisation effect of TA on private capital (and account for it as such). In some cases, and in particular when the TA targets a ring-fenced project, the causal link can be demonstrated directly (e.g. support in accessing external finance, public-private partnership [PPP] transaction advisory services). Here, then, TA *is* or *enables* blended finance – and therefore directly mobilises private finance. According to Convergence, this type of TA accounts for just 6% of total blended finance transactions (2023[5]).
- **TA catalysing private finance:** In other cases, the impact of TA is indirect and more difficult to track in international statistics, especially given the risk of double counting. Examples include TA for capacity building, and for regulatory and policy changes to facilitate more domestic and international private finance flows. Here, TA supports the enabling environment, and is therefore said to *catalyse* private finance.

Two key questions can help distinguish between mobilisation and catalysation. Does TA target a ring-fenced project (as opposed to the macro-level enabling environment)? Can a direct causal link between the TA and the subsequent private investment be demonstrated?

The OECD official reporting methodology for private sector mobilisation does not recognise macro-level catalytic TA interventions as mobilisers of private capital. Nonetheless, they should and can be a crucial part of development providers' mobilisation efforts. To that end, they need to be integrated into broader development finance efforts (including with blended finance).

For all these reasons, robust internationally agreed accounting methodologies must be developed to measure the impact of technical assistance in both mobilising and catalysing private finance effectively. While TA plays a pivotal role in creating the conditions necessary for private sector investment, reporting frameworks often struggle to capture its indirect yet transformative effects.

Since 2017, the OECD has worked to include data on private finance mobilised by official development interventions, recognising the need to track these contributions more systematically. The OECD Development Assistance Committee (DAC) Working Party on Development Finance Statistics (WP-STAT) launched a two-year data pilot to explore how to account for TA more accurately in mobilisation metrics. This initiative highlighted the importance of clarifying the extent to which and how the measurement framework on mobilisation[2] can account for private sector mobilisation. This, in turn, would help further strengthen the global effort to unlock private capital for sustainable development. Relatedly, the MDB – OECD DAC Working Group was created in 2019 with the aim of strengthening collaboration on mobilisation methodologies and data sharing. Ongoing developments make collaboration particularly timely to avoid further divergences in methodologies – including the development of an MDB joint approach for capturing broader mobilisation (e.g. catalysation, generation, mobilisation), and the OECD DAC workplan on improving measurement of mobilisation. As of March 2025, discussions of the MDB – OECD DAC Working Group have therefore focused on progress of work by MDBs on developments for capturing catalysation. Participants have also been invited to suggest areas of potential harmonisation with the OECD DAC on mobilisation, generation and catalysation.

In the context of measuring mobilised private finance through technical assistance, the WP-STAT identifies five categories of TA, which distinguish between TA mobilising and catalysing private finance (Figure 1.11).

Mobilisation of private finance:

- Category A: direct support in accessing external financing
- Category B: PPP transaction advisory services
- Category C: feasibility studies or other support to help develop and implement projects

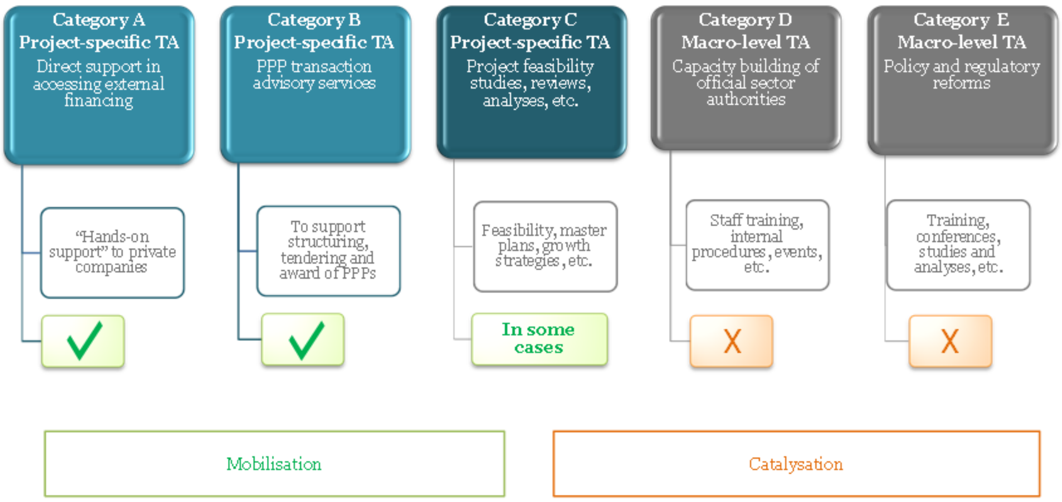
Catalysation of private finance:

- Category D: capacity building of official sector authorities
- Category E: policy and regulatory reforms.

More information can be found in (DAC Working Party on Development Finance Statistics, 2023[6])

[2] This led to the introduction, in 2022, of a new reporting guidance for measuring the mobilisation effect of TA in the OECD DAC statistical system (see guidance n°8 in Annex 6 of ADD 1 of the Reporting Directives).

Figure 1.1. Overview of technical assistance categories in the context of mobilised private finance



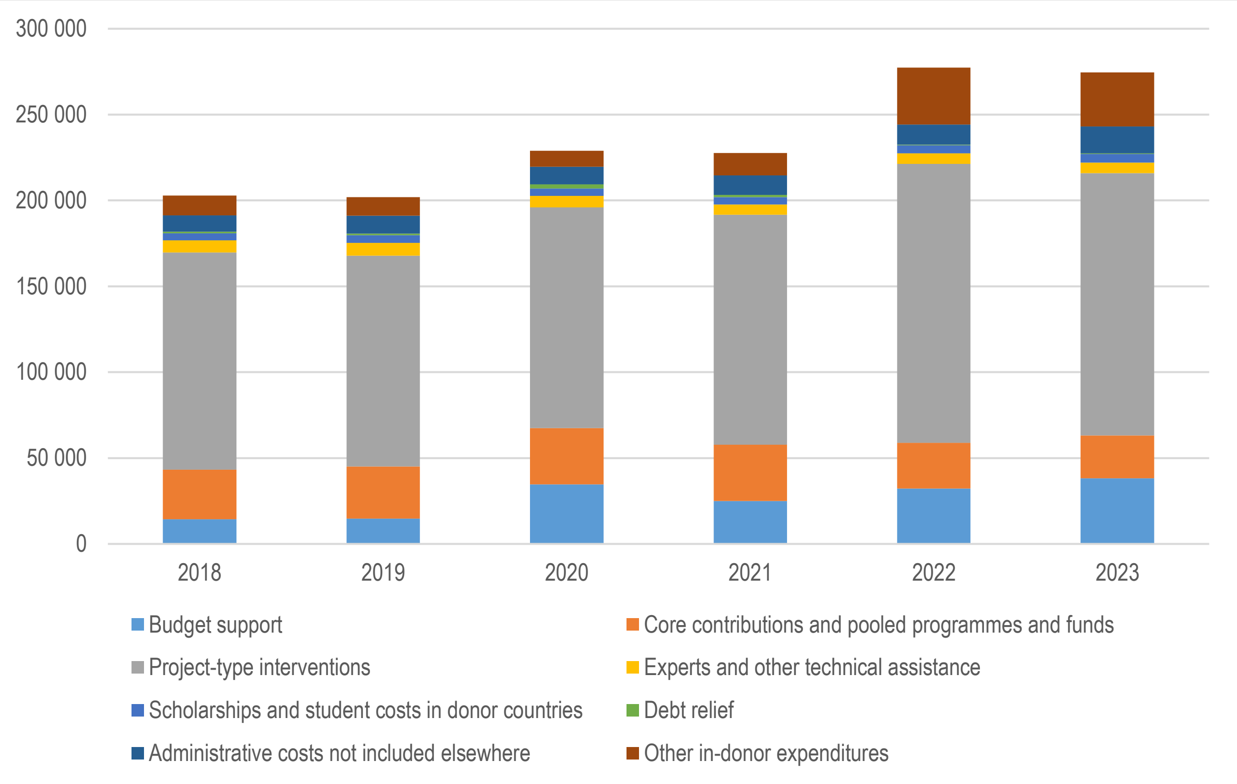
Source: DAC Working Party on Development Finance Statistics, (2023[1]), https://one.oecd.org/document/DCD/DAC/STAT%282023%2935/REV1/en/pdf.

1.2. An overview of technical assistance within official development assistance

OECD Creditor Reporting System (CRS) data on disbursed official development assistance (ODA) from DAC countries by modality type show that ODA funding is still concentrated on project-specific activities, as indicated in Figure 1.2**.**

Figure 1.2. ODA disbursement from DAC countries to developing countries by modality type

Total amount US dollar, Millions, 2022



Note: ODA disbursement modality types do not strictly adhere to the DAC Working Party on Development Finance Statistics TA categories.
Source: (OECD, 2023[7]), CRS: Creditor Reporting System (flows).

From 2018 to 2023, the percentage of ODA spent on experts and other technical assistance declined, while the share allocated to project-type interventions remained high. Over the period, ODA for experts and other technical assistance (defined as the provision, outside projects, of know-how in the form of personnel, training, and research) gradually declined from 4.73% in 2018 to 3.32% in 2023. Meanwhile, the share of ODA directed toward project-type interventions remained significantly higher, increasing from 49.82% in 2018 to 52.85% in 2023, despite fluctuations in annual allocations.

Based on the above data, ODA for TA is still focused on projects that can deliver visible impacts. The percentage of ODA disbursed above represents TA broadly, and not just in the context of mobilising private finance. However, the trend still highlights a common focus on more tangible, ring-fenced projects that can provide direct and measurable outcomes in terms of development impact.

Such tangible projects are more likely to secure private capital since their benefits and risks are clearer, making them a central target for ODA spending. In contrast, the immediate or direct returns of macro-level catalytic TA can be more difficult to quantify. This leads to its relatively lower share of ODA funding, and might also reflect the challenges of demonstrating a clear causal link between TA and mobilised private finance.

Macro-level catalytic TA, although underrepresented in terms of official recognition as a mobiliser of private capital, is essential for creating conditions that facilitate future investments. Integrating TA into broader development finance efforts, including blended finance, could help address the disparity between mobilisation and catalysation. In so doing, it could ensure that long-term capacity building receives adequate support, particularly considering the increased pressure on donors to mobilise.

1.3. The role of TA in catalysing private capital

While this paper focuses on macro-level catalytic TA, all TA efforts are complementary and mutually reinforcing – whether they target ring-fenced projects or the broader enabling environment.

Ring-fenced projects can be included in the measure of the amounts mobilised from the private sector. Such activities typically comprise direct technical support to projects/transactions on accessing private finance. In this way, they establish a causal link between private finance made available and an official intervention (Categories A, B and C in Figure 1.1).

Macro-level catalytic TA interventions, on the other hand, are vital in establishing a market context and enabling environment conducive to private finance (Categories D and E in Figure 1.1). Catalysation often refers to private investment on a broader scale than "mobilisation" – a consequence of an official development finance intervention (e.g. policy reform, enabling investment environment). Compared to mobilisation, catalysation is more difficult to quantify for a number of reasons, including the risk of inflating figures. As part of the WP-STAT secretariat's ongoing consultations with development finance providers, a proposed definition has looked to timebound the downstream investments considered enabled by catalytic interventions to "a maximum of three years after the completion of the project" based on the existing literature and the MDB draft approach.

In assessing whether a TA activity led to the mobilisation or catalysation of private finance, two key concepts emerge. The first relates to "causality" between the TA intervention and the private sector investment. The second relates to the "risk of double counting", especially in cases where other official actors are involved (WP-STAT, 2023[1]). The technicalities of these two concepts are beyond the scope of this paper.

Capacity building of official sector authorities: Staff training, internal procedures, events (Category D)

Capacity building of official sector authorities (Category D in Figure 1.1) focuses on macro-level interventions that strengthen investment promotion at both national and local levels. Such initiatives can include training staff, enhancing internal procedures, improving participation in international events and conducting sectoral analyses. In addition, they can comprise the establishment of private or public organisations from scratch. Such initiatives exemplify how this type of TA can extend beyond improving frameworks to laying the groundwork for new entities aimed at overcoming structural deficiencies, governance issues and ineffective procedures.

As its overarching goal, this type of macro-level capacity building aims to strengthen the agencies' abilities to attract and facilitate private investment, including foreign direct investment. The desired outcome is an improvement in the capacity of local authorities to attract and manage investments effectively. Local authorities in emerging markets may often lack the expertise, resources or institutional frameworks to engage with private investors effectively. Consequently, these types of TA activities help alleviate a critical barrier in private sector engagement in these regions. As such, the increased effectiveness and capacity of official sector authorities helps create a more attractive enabling environment, identify investment opportunities, streamline administrative processes and provide necessary support to investors – thereby catalysing private sector involvement.

The German-Tunisian Investment Partnership offers a clear example of how the capacity building of official sector authorities can have a catalytic effect on investment (Box 1.1.). Tunisia, which ranks 95th on the Human Development Index, faces significant challenges. These range from economic stagnation and high youth unemployment rates to social unrest and regional inequalities, all of which greatly inhibit investment opportunities (OECD, 2021[8]). Additionally, local authorities in Tunisia, including the Tunisia Investment Authority (TIA), have historically lacked the institutional frameworks and expertise to engage private investors effectively. Through extensive staff training, new investment procedures, and the enhancement of Tunisia's capacity to attract and facilitate investments, German's capacity building has clearly helped strengthen the overall investment climate in Tunisia. Ultimately, this has made the country more attractive to potential investors – a key objective of macro-level catalytic TA.

Box 1.1. Category D case study: German-Tunisian Investment Partnership

The German-Tunisian Investment Partnership, funded by Germany to facilitate investment in Tunisia, focuses on strengthening the Tunisia Investment Authority (TIA) to attract investments into the country.

Key activities include training TIA staff; introducing new investment procedures to enhance support and reduce processing times; assisting investors in obtaining necessary authorisations and incentives; and promoting Tunisia as an investment destination through participation in international conferences and trade fairs. These efforts have led the Higher Investment Council to validate 19 investment projects of national interest, totalling EUR 244 million in volume and creating some 7 700 new jobs in the country.

The support activities contribute indirectly to the mobilisation of investments. On the one hand, the project support facilitates investment procedures and reduces the number of authorisations, which make Tunisia a more attractive investment location. On the other, training allowed TIA staff to better prepare investors' declarations and to successfully obtain state incentives, making investments more attractive.

Source: WP-STAT (2023[1]), Measuring mobilised private finance through technical assistance – Revised proposal, https://one.oecd.org/document/DCD/DAC/STAT%282023%2935/REV1/en/pdf.

Policy and regulatory reforms: Training, conferences, studies and analyses, etc. (Category E)

Category E (Figure 1.1) focuses on policy and regulatory reforms aimed at supporting private sector development and mobilisation through macro-level capacity building and advisory services. Establishing robust pro-business policies and regulations is essential for fostering a thriving private sector globally. However, striking the right balance between investment return and sustainability presents a challenge for many governments. Providing external advice and expertise to local ministries and government agencies plays a crucial role in shaping a conducive environment for private sector growth. TA in this category includes tailored training sessions, participation in conferences and workshops, learning visits, and conducting studies and analyses. The desired outcomes of these initiatives include establishment of stable and dependable investment policies and the creation of a conducive environment for private sector development.

The crop receipts programme in Ukraine shows clearly how TA for policy and regulatory reforms can catalyse private sector capital (Box 1.2). By supporting institutional policy reforms, legislative changes and the establishment of a crop receipt register, the programme helped foster a more supportive environment for investment opportunities. The case study also highlights the importance of extensive stakeholder engagement and capacity building initiatives, including targeted training sessions for farmers, creditors, notaries, judges and government staff. These efforts were instrumental in building understanding and confidence in crop receipts, with differentiated training approaches ensuring comprehensive support. Overall, the case underscores the critical role of policy and regulatory reforms, coupled with capacity building, in catalysing private sector capital and promoting financial inclusion and resilience in Ukraine's agricultural sector.

Box 1.2. Category E case study: Implementation of crop receipts in Ukraine to improve access to finance for small and medium-sized agri-enterprises

With support from the International Finance Corporation and Swiss State Secretariat for Economic Affairs, Ukraine introduced crop receipts during 2015 - 2020. This was conceived as an innovative instrument to improve access to pre-season financing for small farms using the future crop as collateral. The initiative attracted almost USD 1.3 billion in crop receipt loans, twice more than the target.

The project's success faced some initial challenges along the way. Agribusinesses and banks initially resisted the idea of adopting crop receipts into creditors' business models. This required time for organisational adjustments and policy approvals. The project thus started with a cautious pilot phase in one Ukrainian oblast/region before expanding gradually throughput the whole territory. The collaboration of key market stakeholders, including government agencies, private sector creditors and producers, was essential.

Many efforts focused on supporting the necessary legislative changes, establishing a crop receipt register and raising public awareness about these initiatives. The project developed standardised communication formats and financial analysis methods to facilitate better understanding between borrowers and lenders. All this created a supportive environment for the widespread adoption of crop receipts.

Extensive stakeholder engagement and capacity building helped facilitate adoption and ensure compliance with new policies. Extensive outreach, including targeted training for farmers and creditors, was instrumental in building understanding and confidence in crop receipts. The project tailored training to the needs of stakeholders, extending it to notaries, judges and government staff to ensure sustainability. Leadership from agribusiness firms, particularly those already engaged in future harvest contracts, played a pivotal role in driving adoption of crop receipts. Their early endorsement helped build confidence among other stakeholders.

Monitoring, training and innovation efforts were continuous to sustain crop receipts as a viable financial instrument. Government support and stability were identified as critical factors for long-term success.

The case study highlights the importance of regulatory/policy support and capacity building in catalysing private sector capital. By addressing key challenges and fostering collaboration among stakeholders, the initiative successfully promoted financial inclusion and resilience in the agricultural sector in Ukraine. Indeed, it laid the ground for replication of Ukrainian experience in other countries of Eastern Europe, Asia and Latin America.

Source: Consultations with the International Finance Corporation.

2. Challenges in scaling, accounting for and prioritising the catalysation effects of TA

Building on the categorisation developed by the DAC Working Party on Development Finance Statistics (WP-STAT), as well as the insights received throughout various consultations, this chapter outlines the challenges in scaling, accounting for and prioritising the significance of macro-level catalytic TA. It looks at how the interdependence of project-level and macro-level TA makes accounting a challenge for each of them – touching on such issues as attribution, the risk of double counting, temporal disconnects, conflicts of interest, political volatility and pairing TA with other support. It also examines how the role of recipient governments and other national stakeholders in creating enabling environments often goes unrecognised. Finally, it reflects on the structural and strategic challenges faced by multilateral development banks and development finance institutions that can lead to missed opportunities to mobilise private finance.

2.1. Difficulties in reporting on and accounting for macro-level catalytic TA

Until recently, the accounting of mobilisation disregarded the contribution of macro-level TA. This type of TA was not considered less important; rather, it was difficult to measure and account for its impacts downstream of individual investment projects. For example, regulatory reforms and capacity building often play a crucial role in setting the conditions for future investments (including those that then benefit from project-specific TA). However, their effects may only materialise after several years, making it challenging to tie specific investments to the TA efforts.

Moreover, macro-level catalytic TA initiatives often build on previous macro-level efforts. This makes it even more difficult to attribute mobilised private capital or development impact solely to one intervention. Additionally, the strenuous nature of reporting on macro-level catalytic TA also leads to reporting fatigue, as development actors struggle to capture the long-term, indirect impacts of these initiatives. This leads to incomplete or delayed data, which complicates accurate attribution and obscures the full value of macro-level catalytic TA in fostering private sector investment environments. However, for private sector mobilisation in the long-term, macro-level TA will be a significant contributor.

Accounting challenges therefore exist due to interdependent nature of project-specific and macro-level catalytic TA. The interdependence between project-specific and macro-level catalytic TA creates challenges in measurement and attribution. Macro-level catalytic TA is often necessary to set up the adequate enabling conditions under which project-specific TA can be effective. For instance, improved regulatory frameworks can help increase the success rate of public-private partnerships and build a strong conducive environment for greater levels of private investment (HLEG, 2024[9]). Conversely, a higher quantity of successful project-level TA initiatives can provide better evidence-based insights and data that feed back into implementing macro-level catalytic TA effectively, such as further refining policies and regulations.

Attribution challenges

Overlaps and interdependencies complicate the accounting of the respective impacts of project-specific and macro-level TA. Furthermore, large-scale projects can often encompass both policy and regulatory reform (macro-level) and project-specific interventions. Development financiers must then determine how to appropriately account for and report on these integrated efforts without inflating the reported outcomes, especially in the context of mobilisation.

Disentangling the precise contributions of each category of TA to private investment mobilisation is challenging. It requires careful consideration and robust methodologies to avoid misattribution and to ensure that reporting accurately reflects the combined impact of interdependent efforts. Otherwise, it can raise the risk of overestimating the mobilisation effect of such projects (OECD, 2016[10]).

For some experts, differentiating between catalysation and mobilisation is important, but the priority should ultimately be the system as a whole. This is especially important as TA is seldom carried out on its own. For example, TA is often accompanied by development or blended finance, making the question of accountability even more challenging.

Double counting risks

In macro-level catalytic TA, the mobilisation impact is clearly indirect, falling outside of the OECD Creditor Reporting System. It is critical to assess the eligibility of the intervention in the mobilisation measure, as well as the extent to which a certain share of the private financial flows can be attributed to the TA provider. To that end, the DAC Working Party on Development Finance Statistics assesses TA interventions based on causality and the risk of double counting (WP-STAT, 2023[1]). Macro-level catalytic TA interventions are particularly vulnerable to double counting as they usually happen at an early stage of the project and upstream of the financing phase.

Temporal disconnects

When multiple development actors have been involved in macro-level catalytic TA, they should not report on the same mobilisation impact. Indeed, for both Categories D and E, it is unclear whether project financiers coming in at a later stage are aware of the previous TA, especially as this did not target them directly (WP-STAT, 2023[1]). This is particularly relevant for Category E (policy and regulatory reforms) as the investments are likely made years after the reforms. It is therefore challenging to establish a direct causal link between the TA activities and specific investment outcomes. This temporal disconnect, coupled with the macro-oriented objectives of these activities, increases the risk of attributing private investment mobilisation multiple times to different interventions, leading to overinflated reporting.

Conflicts of interest

When multiple development actors are involved – each with their unique governance structures, internal regulatory frameworks and strategic priorities – the risk of conflicting interests can arise. Certain development actors might prioritise short-term visibility goals over long-term systemic change, undermining the overall effectiveness of joint-catalytic TA efforts. Consequently, such conflicts of interest may further complicate accurate reporting and collaboration.

Political volatility

Due to the longer time horizons associated with macro-level catalytic TA, the political cycle poses a significant challenge. Political cycle volatility – the fluctuations in government administrations, policies and strategic priorities during electoral cycles or political transitions – can inhibit the effective and sustained implementation of macro-level catalytic TA programmes. Consultations revealed that enacting legal and regulatory policy reforms through macro-level catalytic TA interventions requires political stability and the sustained continuity of funding resources. This may be more challenging if government administrations and political priorities shift during each political cycle change.

The importance of pairing TA with other support activities

While differentiating between macro-level and project-specific TA has reporting advantages, a more comprehensive approach that maximises development impact remains the key priority. Development finance actors should consider, where appropriate, pairing TA programmes with other types of support. OECD work, for example, has explored the importance of TA alongside blended finance (e.g. anchor investments). This is especially relevant, for example, in the context of supporting the issuance of green, social, sustainability and sustainability-linked (GSSS) bonds in developing countries (OECD, 2024[11]; 2023[12]).

2.2. Lack of recognition of the recipient government's active role in creating a sound enabling environment

The role of national stakeholders in establishing the enabling environment is often overlooked. Donors and development actors can be crucial in accelerating implementation of the right policies (Category E) or in training officials (Category D). However, the domestic government – and numerous other local stakeholders – will naturally be the main actors making up the local enabling environment. In measuring the catalytic impact of macro-level TA, however, the critical role of such stakeholders in establishing the enabling environment can be undervalued.

Donors and other development actors should consider two issues before taking mobilisation credit for macro-level catalytic TA activities. First, they should be cautious not to overstate their potential contributions. Second, they should accurately represent the critical role of recipient domestic national governments in creating a sound enabling environment for investment. Indeed, all macro-level catalytic TA efforts will crucially depend on strong partnerships and collaboration with partner country governments and other local stakeholders.

The role of national stakeholders can be further undervalued when multiple actors collaborate on a single TA project, with each potentially overstating their individual contributions. This issue can also occur when speaking about – and accounting for – mobilisation more broadly. For example, project-level TA can often disregard former contributions that helped establish the enabling environment. More generally, a small or medium-sized enterprise may have benefitted from early-stage TA or smaller investments before receiving larger-scale blended finance. This further illustrates the cumulative nature of mobilisation and the need to account for these layered contributions in reporting.

In sum, recognising and crediting the work of all development partners – and especially domestic governments – is essential to ensure a comprehensive understanding of the impact of TA initiatives. Indeed, the role of local stakeholders is at the heart of many key development initiatives. For example, the Kampala Principles on Effective Private Sector Engagement in Development Co-operation aim to leverage the private sector to achieve development objectives. Principle 1 focuses on inclusive country ownership (Global Partnership for Effective Development Co-operation, 2019[13]). Similarly, the OECD DAC Blended

Finance Principles aim to make blended finance more effective and efficient. Here too, Principle 3 focuses on tailoring blended finance to the local context, while Principle 4 focuses on effective partnering – highlighting the role of local stakeholders (OECD, 2018[14]).

2.3. Lack of strategic prioritisation of macro-level catalytic TA from donors and development actors

Macro-level catalytic TA is recognised as important for building an effective enabling environment for private sector investment. However, MDBs and DFIs often face structural and strategic challenges that limit their ability to use macro-level catalytic TA.

Lack of accountability and prioritisation for macro-level catalytic TA remains a significant challenge in overall mobilising efforts. MDBs and DFIs often lack the structural and cultural frameworks needed to prioritise macro-level catalytic TA as a core tool for the mobilisation of private finance. This can result in choosing other blended finance instruments and approaches over macro-level catalytic TA. Technical consultations revealed that certain institutions have started to scale back more catalytic capacity building efforts largely because the impacts of macro-level catalytic TA are harder to quantify in the short term. This, in turn, reflects a broader institutional misalignment, where the pressure to deliver measurable, short-term financial outcomes outweighs the emphasis on long-term market development. Without clear accountability structures that recognise TA's catalytic potential, donors, DFIs and MDBs will struggle to leverage this tool for systemic change effectively.

Missed opportunities due to misplaced priorities

DFIs often favour project-level interventions over strengthening the enabling environment, particularly in the allocation of official development assistance (ODA). DFIs tend to direct ODA towards project-level TA rather than macro-level catalytic TA, addressing individual investments rather than helping to reshape entire market landscapes. This creates a missed opportunity for systemic intervention and potentially large scale private sector mobilisation, as policy and regulations can be transformative for private sector actors.

Absence of de-risking mandates

The fundamental governance frameworks within MDBs and DFIs are not structured to prioritise de-risking or mobilisation as strategic objectives. While many development finance providers are actively trying to measure private sector mobilisation numbers, this is not embedded as a core goal in their operational strategies. The absence of de-risking mandates in these institutions further limits the scope of macro-level catalytic TA, which cannot be used effectively to reduce the perceived risks that deter private investment.

Catalysation, therefore, is not something that private investors can or will drive themselves. It requires the long-term commitment and convening power of DFIs, MDBs and donors positioned to enforce and implement macro-level catalytic TA interventions. Without this commitment, the catalytic potential of TA remains largely untapped, and the necessary structural shifts in high-risk markets remain elusive.

3. Policy considerations for scaling up (the mobilisation of private finance via) macro-level catalytic TA

This chapter puts forward policy considerations that could allow development finance actors to scale the effective use of macro-level catalytic TA, and better account for it more effectively. It explores the need for donors and development finance institutions to work together more effectively through better alignment of strategies and programme design, aimed at finding common ground to amplify and harmonise their approaches. The chapter also stresses the need to identify key areas for macro-level catalytic TA with a view to creating secondary markets, supporting market-based products and solutions, and building capacity for financial institutions in developing countries. In addition, it encourages the expansion of the evidence base of TA, especially through case studies, and also highlights the need for more transparency and alignment on how donors approach and account for TA. Finally, the chapter identifies the need to integrate macro-level catalytic finance into broader development finance efforts by building local capacity and more systematic use of blended finance.

3.1. Encourage greater collaboration between donors and DFIs, including on macro-level catalytic TA

Donors are well placed to provide macro-level catalytic TA. Compared to more complex instruments and approaches – which may require specialised and technical knowledge – TA aligns well with the capacities of many donors. Indeed, donors are well placed to support macro-level catalytic TA initiatives in developing countries where they often have longstanding partnerships. These partners can help them better understand local development needs and priorities, and also establish the necessary relationships (OECD, 2024[11]).

However, donors and DFIs need to work more together more effectively on development co-operation, including macro-level catalytic TA, to achieve greater overall impact. While donors engage in development co-operation using a range of tools – including TA, but also blended finance instruments such as guarantees – there is an essential need for a more strategic alignment between donors and DFIs. Donors can better leverage DFI interest in commercial opportunities, while DFIs can use donor expertise to overcome constraints to sector performance. On a practical level, they can therefore ensure that different instruments and approaches (including blended finance strategies and TA) and strategic priorities are complementary and foster connections between each other.

Aligning investment strategies and programme design

As DFIs and donors often focus on different areas, they need to align investment strategies with programme design, developing mutually relevant targets and improving monitoring. Both DFIs and donors are increasingly seeking ways to magnify the economic and social development impact of their investments, but challenges can arise due to each entity's differing focus. Donor-led private sector development initiatives often focus on inclusive growth and seek to build markets around micro, small and medium-sized enterprises. For their part, DFIs typically emphasise larger transactions, financial viability and long-term firm investments with more sophisticated firms (BII & Gatsby Africa, 2022[15]).

As such, both donors and DFIs should increase their emphasis on broader market-shaping TA initiatives as part of the investment process, tying it to performance metrics and incentives. Both donors and DFIs should also co-ordinate efforts at the country level, ensuring that investment strategies are aligned with donor programme designs. Additionally, by setting performance metrics tied to private sector partnerships and development outcomes, donors can ensure that macro-level catalytic TA programmes emphasise both commercial viability and broader impact. Ultimately, this alignment requires clearer exit strategies, mutually relevant criteria targets, and improved monitoring and measurement frameworks to track systemic change.

Bridging gaps through greater collaboration

Donors typically have a higher risk appetite than DFIs, making them well positioned to facilitate TA in high-risk sectors and regions. By assuming more risk, donors can encourage DFIs to participate in TA initiatives they might otherwise avoid, therefore further encouraging co-ordination across development systems.

Consultations pointed to the need for both donors and DFIs to sharpen and amplify their approaches. Donors need to commit to ambitious yet practical TA initiatives that can directly affect ground-level realities of developing countries and address the needs and challenges of the sectors they aim to support. Meanwhile, DFIs need to increase their involvement in macro-level catalytic TA so they can ultimately scale its use.

Donors can play a pivotal role in collaborating with DFIs to catalyse private finance through TA initiatives. While instrumental in mobilising private finance, DFIs often face structural limitations that restrict high-level policy engagement (OECD, 2022[16]). As such, DFIs typically focus on more project-level TA initiatives. There is therefore significant room for donors and DFIs to work more co-operatively.

Donors can bridge the gap faced by DFIs by facilitating platforms for engagement with government authorities and other development actors. In so doing, they can help identify and address key issues that hinder capital investment in developing countries. Robust regulatory frameworks and advisory services are key. The Invest for Impact Nepal – a collaborative platform to support private sector growth and innovation in Nepal – serves as an excellent example of the role that DFIs can play in macro-level catalytic TA (Box 3.1).

Box 3.1. Invest for Impact Nepal: increasing foreign direct investment in Nepal

Established by British International Investment (BII), the Dutch Entrepreneurial Development Bank (FMO) and the Swiss Agency for Development Co-operation (SDC), Invest for Impact Nepal is a collaborative platform to support private sector growth and innovation in Nepal.

The programme's key activities include supporting investment readiness for financial institutions and funds; building the capacity of local environmental, social and governance professionals and the Nepal Private Equity Association; developing investment-related intelligence; and engaging DFIs, regulators and other stakeholders to enhance and broaden the investment environment. Consultations reveal these reforms have led to a significant increase in investment in just two years, underlying the effectiveness of systemic macro-level reform within the country. TA, then, is crucial not just in project implementation but also in originating and shaping markets in riskier sectors and regions.

Source: BII (2021[17]), CDC has joined with other DFIs and development partners to launch Nepal Invests, an innovative new platform to tackle the barriers to investment in Nepal, www.bii.co.uk/en/news-insight/insight/articles/nepal-invests/; Invest for Impact Nepal (2024[18]), Fostering Transformative Foreign Investments in Nepal, www.investforimpactnepal.com/.

3.2. Identify the contexts where macro-level catalytic TA can play a crucial role, and scale up its use

TA helps build an effective enabling environment, reduces transaction costs and de-risks investments by increasing operational capacity (Convergence, 2023[5]). Identifying the need for TA – both project-specific and macro-level catalytic – is thus vital. Indeed, this will help lead to the use of more effective macro-level catalytic TA. Key areas include creating secondary markets, supporting market-based products and solutions, and building capacity for financial institutions in developing countries.

Greater rigour in the macro-level catalytic TA space is needed to ensure that interventions are systematically evaluated and based on robust evidence. Future work could explore the development of a list of proven, evidence-based interventions, offering a structured approach to identifying the most effective strategies for catalysing private finance. In doing so, the particularities and needs of different markets need to be recognised, and the use of TA adapted accordingly. Consultations pointed to a number of such areas: some of these are outlined below as a starting point.

Creating secondary markets

Macro-level catalytic TA was identified as especially important in the creation of secondary markets, which in turn play a crucial role in increasing investment and mobilising private finance.

One notable example is the establishment of the Ethiopian Securities Exchange (ESX) earlier this year, where FSD Africa—a UK-funded financial sector development program—provided crucial support. This included funding legal advisory services, technical expertise, and the operational setup of the exchange (FSD Africa, 2022[19]). FSD Africa's assistance was instrumental in developing ESX's business plan, trading rules, policies, and infrastructure, ensuring a well-regulated and functional capital market. The exchange has already facilitated interbank liquidity, improved credit accessibility, and provided SMEs with new fundraising opportunities (FSD Africa, 2025[20]). By strengthening market infrastructure, catalytic interventions like these are expected to attract private sector investment and accelerate economic growth.

Supporting local capacities and market infrastructure which enable market-based products and solutions such as GSSS bonds

Macro-level TA can also play an important role in supporting the broader market infrastructure needed for different market-based products and solutions. For example, green, social, sustainability and sustainability-linked (GSSS) bonds hold significant potential to finance sustainable development and drive private capital towards this. Recent OECD work has also explored the role of TA in supporting the GSSS bond market in developing countries. Capacity building can be fundamental to increase organisational capacity in key domestic institutions and financial organisations which in turn enable capital market development; support development of the local market infrastructure needed to issue bonds; and create the necessary regulation, principles and frameworks relating to GSSS bonds specifically (OECD, 2024[11]; 2023[12]).

Especially at early stages of capital market development, development actors can provide TA for sovereign debt management offices, relevant ministries and financial authorities. The World Bank Group, for example, provides advisory services (e.g. policy advice on strengthening the legal and regulatory framework for capital markets) that support the development of local capital markets (World Bank Group, 2020[21]). The EU's Global Green Bond Initiative supports the development of green bond markets in partner countries, also through the provision of TA to develop green bond frameworks which are locally-adapted and credible – and which therefore facilitate the issuance process and increase the credibility of bonds (European Union, 2025[22]).

Strengthening capacity of financial institutions in developing countries

Macro-level catalytic TA can build the capacity of developing country financial institutions. This can help them identify and strengthen local currency solutions for greater domestic resource mobilisation and deepening of local capital markets. Central banks, for example, could receive TA to develop regulatory frameworks for cross-currency swaps (Horrocks et al., 2025[23]). TA can also support regulators and industry bodies to develop the skills and market infrastructure to strengthen payment systems, and clearing and settlement mechanisms. This can facilitate the efficient trading and settlement of local currency-denominated assets (Fink, Lankes and Sacchetto, 2023[24]).

The Regional Energy Efficiency Programme (REEP), led by the European Bank for Reconstruction and Development (EBRD), is a clear example of how catalytic TA can mobilise domestic financial actors, deepen local financial markets and work towards broader climate adaptation objectives. Through a combination of policy dialogue, technical assistance and blended financing, coupled with the development and utilisation of an investment framework titled the Western Balkans Investment Framework, REEP has helped local financial institutions in the Western Balkans integrate higher energy efficiency standards into their lending practices (OECD, 2022[25]). By working directly with local partner banks, the program has familiarised domestic financial actors with performance-based financing models, accelerating investment in sustainable construction and building maintenance. This initiative highlights how targeted catalytic TA can strengthen financial institutions, build local market expertise, and mobilize domestic finance for critical development priorities like climate adaptation.

3.3. Explore and understand the impact of TA on both mobilisation and catalysation through more evidence and case studies

Consultations stressed the need to expand the evidence base of TA, especially through case studies that promote learning, help better understand the mobilisation and catalysation effects of TA, and help organisations align their theories of change.

Promoting learning and knowledge exchange

Expanding the evidence base can have numerous advantages for learning and duplication, enabling development finance actors to leverage each other's comparative advantage more effectively. The Ukraine crop receipts programme, for example, has already laid the ground for replication in other countries in Eastern Europe, Asia and Latin America (Box 1.2).

Showcasing examples in this way can inspire other development actors to follow similar steps, collaborate on similar projects or avoid pitfalls. Sharing data and best practices transparently can also help avoid duplication (Convergence, 2023[5]). In these ways, the sharing of case studies can help donors use *more* macro-level catalytic TA, and do so *effectively*. In this context, the DAC WP-STAT Secretariat is planning to support increased use of mobilisation data, including through more use of stories (WP-STAT, 2024[26]).

Understanding the mobilisation and catalysation effects of TA

Case studies can help better understand the mobilisation and catalysation effects of TA. As such, they can help better differentiate between the two, and therefore better quantify and account for different efforts. Indeed, the case studies provided to the WP-STAT as part of its data pilot programme were instrumental in developing the assessment of different types of TA activities (WP-STAT, 2023[1]).

Aligning theories of change

Theories of change can help identify the rationale behind the TA and move from inputs (provided by development actors) to desired outcomes. A number of different organisations consulted are developing their own internal theories of change. It will be important for these theories of change to align.

Moreover, theories of change help underscore the importance of qualitative methods in the mobilisation space. As mentioned, the emphasis on quantitative accounting can lead to less attention for more systemic approaches like macro-level catalytic TA. Yet qualitative indicators are valuable, and the development of more evidence, case studies and theories of change on TA can complement the more traditional focus on quantitative methods, and also highlight the value of macro-level catalytic TA.

3.4. Co-ordinate how donors – and others in the development finance ecosystem – approach TA and account for it

There is a critical need for enhanced co-ordination in how donors and development actors approach TA, in particular at the macro level. This can lead to more macro-level catalytic TA and greater standardisation; better alignment of priorities among development actors; more clarity around measurement and accounting of TA and more data transparency.

More macro-level catalytic TA and higher standardisation

Greater harmonisation and co-ordination add to the quantity of effective macro-level catalytic TA initiatives. At the same time, they allow for a higher level of standardisation in accurately accounting for such initiatives. Indeed, as part of efforts to support providers' reporting capacities, the DAC WP-STAT Secretariat is developing a handbook on the reporting of private finance mobilised. In addition to the handbook and upon request, the secretariat also plans to offer providers tailored capacity building sessions on mobilisation reporting (WP-STAT, 2024[26]).

Better alignment of priorities

Aligning and mapping different development actors' activities is critical to ensure development efforts support one another instead of working at cross-purposes. To that end, development actors must align on priorities and leverage their respective comparative advantages. This will allow them to facilitate knowledge sharing and promote best practice cases to share strategies and lessons learnt. The Africa Resilience Investment Accelerator, for example, brings together DFIs on issues that could benefit from collective action. Ultimately, it aims to engage investment readiness of transition states in Africa (ARIA, 2024[27]).

More data transparency for standardised reporting

Measuring and accounting for TA needs greater clarity. Development actors, where possible, should collaborate in making data readily available within internal systems for more regular and standardised reporting. This, in turn, would build further transparency.

A key part of the DAC WP-STAT 2025 workplan relates to greater collaboration with MDBs on data transparency and methods for measuring the mobilisation of private finance. In particular, MDBs are working on a joint approach to accounting for both the direct and indirect impact of public interventions on the mobilisation of private finance. This makes it timely to align methods to prevent divergent approaches (WP-STAT, 2024[26]). More harmonisation between MDBs, DFIs and donors

Donors can help MDBs and DFIs pursue harmonisation, finding common ground for future alignment and bridging any quantitative discrepancies between methodologies. In April 2024, for example, the World Bank Group introduced a new indicator: private capital enabled (PCE) (World Bank Group, 2024[28]). The methodology behind this new indicator needs to align with how others – including the OECD – measure and account for the more indirect, or catalytic, mobilisation of private capital. Indeed, in the mobilisation space, different actors (e.g. the OECD & MDBs) use diverse accounting methods. Thus, the area of catalysation provides a unique opportunity to align and harmonise from the onset. If strategically and effectively co-ordinated, these initiatives will help maximise development impact with a more efficient use of resources. The aforementioned ongoing efforts of the MDB – OECD DAC Working Group on harmonising methodologies are therefore particularly relevant and timely.

3.5. Recognise benefits of macro-level catalytic TA and integrate it into broader development finance mobilisation

Macro-level catalytic TA needs greater recognition and integration into broader development finance mobilisation efforts. Such an approach can ensure that financial resource interventions are matched by sustainable, long-term capacity building initiatives. Properly deployed, macro-level catalytic TA can build local capacity to address gaps in the value chain and unlock additional investment through more systematic use of blended finance. In so doing, it strengthens local staff capacities; creates an enabling environment for regulatory reforms; and drives long-term private sector development.

Building local capacity to address market gaps

Incorporating macro-level catalytic TA into broader development finance strategies can magnify the impact of these investments by ensuring that local actors can manage and scale projects sustainably. This integration, in turn, ensures that deployment of financial resources is met with corresponding improvements in local capacity, governance effectiveness and broader market resilience.

In the East African aquaculture sector, for example, Gatsby Africa provides integrated direct financing with specialised technical assistance to upstream firms aimed at addressing critical gaps in the value chain.

This strategy serves as a demonstration model to encourage other actors to enter the market, and also stimulates broader sectoral growth by resolving upstream bottlenecks (BII & Gatsby Africa, 2022[15]). By de-risking the overall market, Gatsby Africa has helped companies such as Victory Farms (a fish farm on Lake Victoria) secure significant equity and debt capital from impact investors. In so doing, it showcases the effectiveness of combining co-ordinated development finance interventions with macro-level catalytic TA efforts (BII & Gatsby Africa, 2022[15]).

Unlocking additional capital through the systematic use of blended finance

Blended finance often focuses on leveraging public and concessional capital to attract private investment. As such, it may fall short without technical assistance to make the broader macro-level investment environment conducive for private sector development. Consequently, efforts should focus on how to deliver financial support that can directly unlock additional capital beyond just traditional grant schemes and challenge funds. It should aim to be systemic and sequenced cohesively.

FMO’s Dutch Fund for Climate and Development (DFCD), for example, provides systematic, layered blended finance coupled with macro-level catalytic TA to strengthen the enabling environment. At the origination stage of the project, DFCD provides grants so that partnering non-governmental organisations, including World Wildlife Fund (WWF) and Netherlands Development Organisation (SNV), can hire the necessary financial expertise to develop business cases. They subsequently use blended financing at the piloting and scaling stages to mobilise private sector investment (DFCD, 2024[29]).

In terms of macro-level catalytic TA, FMO and external consultants also provide financial expertise and investor perspective to WWF and SNV. This, in turn, leverages local presence to provide the TA (BII & Gatsby Africa, 2022[15]). At the time of writing, 18 projects were in the origination/development phase. Nine projects were targeted for the piloting and scaling investment stage over the next two years.

4. Conclusion

Technical Assistance will remain fundamental both for directly mobilising private finance and for creating a sound environment that catalyses investments. In recent years, the mobilisation of private finance has received more attention and progressed significantly; there is now a need to better understand and advance its catalysation. This paper serves as a starting point by highlighting the critical need to: i) channel more macro-level catalytic TA that supports the broader enabling environment; and ii) ensure that mobilisation effects can be quantified more effectively.

Project-level TA will remain fundamental in the mobilisation of private finance, but TA that targets the macro-level enabling environment can help ensure that mobilisation efforts systemically reach the needed scale. While official reporting methodology does not recognise macro-level catalytic TA interventions as mobilisers of private capital, they need to be at the heart of mobilisation efforts by development actors. To that end, they must be scaled but also better understood and integrated into broader development finance efforts (including with blended finance).

Macro-level catalytic TA interventions aim to build the technical capacity of official sector authorities and promote structural legal/regulatory reforms. As such, they are vital in creating an attractive investment environment within developing countries. They will ultimately determine the success of follow-up mobilisation efforts.

Yet scaling and accounting for macro-level catalytic TA interventions in an effective manner face numerous barriers. These include the interdependence of project-specific and macro-level catalytic TA, the long-term implementation horizons of the latter and the risk of double counting. To address these issues, this paper presents policy recommendations for development actors to scale the mobilisation of private finance via macro-level catalytic TA:

- Strengthening collaboration between donors and DFIs is crucial to ensuring that macro-level catalytic TA complements other development finance tools.
- Identifying and scaling macro-level catalytic TA in contexts where it can play a particularly strong role is key.
- Expanding the evidence base through case studies and increased data transparency is essential for improving the impact and effectiveness of TA interventions.
- Improving the co-ordination and accounting of TA will be critical to scaling its use and transparency moving forward.
- Integrating macro-level catalytic TA into broader development efforts requires combining it with blended finance strategies to drive long term market development.

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