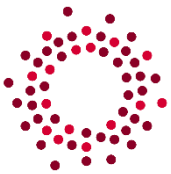
Briefing - The UK's Approach to Private Capital Mobilisation



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Acronyms

AfDB - African Development Bank
BI - business integrity
BII - British International Investment
BIP - British Investment Partnerships
DFI - development finance institution
DFID - Department for International Development
EDFI - European Development Finance Institution Association
EMDEs - emerging markets and developing economies
ESG - environmental, social and governance
FCDO - Foreign, Commonwealth and Development Office
FDI - foreign direct investment
GIP - Growth and Investment Partnerships
GNI - gross national income
ICPFs - insurance companies and pension funds
IEG - Independent Expert Group
IFC - International Finance Corporation
IFD - Impact Fund Denmark
LDCs - least developed countries
LICs – lowincome countries
LMICs - lower middle income countries
LSE - London Stock Exchange
MDB - multilateral development bank
MOBILIST - Mobilising Institutional Capital Through Listed Product Structures
ODA - official development assistance
OECD - Organisation for Economic Cooperation and Development
OECD DAC - Organisation for Economic Cooperation and Development Development Assistance Committee
PCC - private capital catalysation
PCM - private capital mobilisation
PIDG - Private Infrastructure Development Group
PSIs - private sector instruments
SDGs - sustainable development goals
SPVs - special purpose vehicles
TA - technical assistance
UMICs - upper middle income countries
UNEP - United Nations Environment Programme

1. Introduction

As official development assistance (ODA) levels drop in many donor countries, governments are looking for ways to make up for shortfalls in development and climate financing. Finance gaps in achieving the sustainable development goals (SDGs) and in climate finance are well established. In effect, we are at a point where the provision of public (or official) finance is declining, while needs are larger than ever. It is within this context that donor governments are increasingly looking to, and relying on, the private sector to increase financing. However, private investment has not flowed to emerging markets and developing economies (EMDEs) in the volumes required to achieve the SDGs or tackle the climate crisis. This is where private capital mobilisation (PCM) plays an important role. PCM - the act of using public capital to incentivise private investment - is expected to support increased private investment in EMDEs. Reliance on the private sector, and on PCM, is now firmly embedded in development narratives; the Sevilla Commitment of the Fourth International Conference on Financing for Development states:

> *Private business activity, investment and innovation are major drivers of and can play a catalytic role for sustainable development, inclusive economic growth, digital transitions and decent job creation... Robust action is needed to strengthen the enabling environment at all levels for long-term quality investment in sustainable development and to ensure that additional private resources are mobilized at scale and speed for developing countries.*[1]

The UK Government has closely followed each of the above trends. The UK's commitment to spend 0.7% of gross national income (GNI) on ODA has been dismantled, first to 0.5%, and then further cut by the current government to 0.3% to support increased defence spending. At the same time, growth of in-country ODA spend, in particular for refugee costs, has further limited the amount of ODA available to spend overseas. In response, the UK Government has expanded its support and commitment to increasing private development, and PCM in particular. The UK's former development minister Baroness Jenny Chapman repeatedly framed the evolution of UK development assistance as a transition away from "paternalism" towards "partnership" in which private sector development will play a more prominent role.[2]

In 2022, the UK Government announced the creation of British Investment Partnerships (BIP), an initiative intended to boost PCM, mobilising up to £8 billion by 2025.[3] BIP has since been rebranded as Growth and Investment Partnerships (GIP), and recently announced a "Growth and Investment Partnership Plus" with the Philippines.[4] Comprehensive information on the GIP is lacking, yet in the periodic announcements of new partnerships, PCM has remained a constant central element.[5]

Despite the increasing rhetoric, both globally and in the UK, about the role of private capital in development, the reality raises important questions. First, there are serious doubts surrounding

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[1] https://docs.un.org/en/A/RES/79/323
[2] https://www.theguardian.com/politics/2025/may/17/diminished-uk-aid-budget-is-new-normal-says-development-minister
[3] https://www.gov.uk/government/publications/uk-governments-strategy-for-international-development/the-uk-governments-strategy-for-international-development
[4] https://www.gov.uk/government/news/uk-philippines-launch-gip-to-drive-investment-and-growth#
[5] See for example, https://www.gov.uk/government/news/boost-for-british-business-as-new-partnership-breaks-down-barriers-to-infrastructure-delivery-in-south-africa#

the feasibility of significantly increasing private investment for development.[6] Second, there are legitimate concerns regarding the desirability of focussing on PCM in certain contexts, particularly if it implies redirecting scarce public resources towards PCM. In short, at best there is insufficient evidence that private sector development achieves its stated impacts, while at worst there exists significant evidence of harms caused by this form of development assistance. Finally, there is a risk that an increasing focus on PCM may create the wrong incentives, where scaling private investment is treated as an impact in and of itself, and development institutions are incentivised to prioritise this over other more tangible development outcomes. The transparency of impact is generally low across private sector investments, limiting what can be discerned about whether the UK Government's focus on PCM is creating positive development impact. There exists a significant body of literature concerning the negative effects of some private sector development activities, while other literature presents an opposing view. Absent project-level impact data, this report largely relies on ex-ante analysis when discussing impact.

This briefing report is intended to support UK civil society in shaping policy positions towards the UK Government's goal of increasing private sector development through PCM. It seeks to unpack both the logic behind PCM, and the main methods used to mobilise private capital. In doing so, it highlights key issues and contradictions surrounding additionality, impact, and mobilisation volumes and ratios. The report also seeks to understand the current trends in PCM, both on a global scale and with specific reference to the UK, drawing on these to suggest a series of recommendations for ensuring the pursuit of PCM is effective and accountable. The principal lens of analysis when discussing PCM is the volume of private investment caused by UK Government institutions. As noted above, volume does not guarantee positive development impacts. However, given the UK Government's stated aim to increase PCM, it is an important metric to assess success. It remains possible for the UK Government to be successful in increasing PCM, without attendant development impacts.

The report does not take a position on whether or not the UK government should be pursuing private sector development and PCM generally. While it presents a theory of change for private sector development and PCM, this is not intended as a defence of either but rather an attempt to ground current trends in the concepts that inform and influence them. Furthermore, the report limits itself to an assessment of PCM as it is defined methodologically by the Organisation for Economic Cooperation and Development Development Assistance Committee (OECD DAC) and the MDB Task Force on Mobilization (hereafter MDB Task Force). These definitions are narrow - they do not include other structural issues such as debt relief, tax reform, or policy changes - that may cause increases in private investment. While these issues are important, and the UK Government must certainly address them, they fall outside the remit of this report. PCM, particularly as it is defined by the OECD DAC, is an accounting measure for the flow of private capital to EMDEs attributable to specific governments or institutions. As such, it is important that when the UK Government talks of increasing PCM, its actions are directly attributable to increases in private investment.

[6] https://odi.org/en/publications/blended-finance-in-the-poorest-countries-the-need-for-a-better-approach/

The rest of the report is structured as follows. Chapter Two discusses the theory of change for private sector development and PCM, before presenting the main aspects of PCM through the lens of the main methodologies used in its calculation and attribution. Chapter Three situates PCM within the global development landscape, highlighting its relationship with ODA and assessing where it is most likely to occur. Chapter Four focuses on PCM within the UK context, with a principal focus on British International Investment as the primary driver of UK PCM. Finally, Chapter Five presents a series of recommendations for improving the UK's approach to private sector development and PCM.

2. Private Sector Development and Private Capital Mobilisation

Private sector development is increasingly seen as a key element in the development agenda. Yet, in many contexts private capital is either unwilling or unable to invest in activities with a positive development impact, thus requiring incentivisation from the public sector. This, in short, is the role of private capital mobilisation (PCM). This chapter unpacks the theory of change in support of private sector development and presents the main features and approaches to PCM. In doing so, it also seeks to question whether PCM is an end in itself, and highlights the critical role that additionality and impact should play in all private sector development interventions.

2.1 Why do Governments Pursue Private Sector Development and Private Capital Mobilisation?

> *"No country has escaped poverty without a strong private sector creating jobs, providing services and generating much-needed tax receipts. All 193 member states of the United Nations, including all 54 African countries, endorse this approach."*[7]

> *"The private sector is an indispensable force for sustainable development - it sparks the innovation, improves the productivity and economic efficiency, and creates the jobs and growth needed to end extreme poverty and boost shared prosperity."*[8]

The above quotes are from British International Investment (BII) in response to a critical report published by Global Justice Now, and the 2015 International Finance Corporation (IFC) annual report, respectively.[9] The quotes neatly encapsulate the theory of change that informs the promotion of private sector development and, in turn, PCM. This section of the report seeks to unpack some elements of that theory of change to better understand why private sector development and PCM are currently being looked to as answers to development's most pressing issues.

[7] https://www.theguardian.com/politics/2020/feb/15/cdc-commonwealth-development-accused-wastefulness-scerecy-poverty
[8] https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-ar15-section-2-private-sector-impact.pdf
[9] https://www.globaljustice.org.uk/wp-content/uploads/2020/02/web_gjn_-_doing_more_harm_than_good_cdc_-_feb_2020_2.pdf

Much of the logic of private sector development rests on the assumption that the public sector either cannot, or should not seek to, address all development issues. The Growth Report by the Commission on Growth and Development (2008) placed economic growth at the centre of the fight against poverty. The report argued that governments play a key role in ensuring the conditions for economic growth are in place, and that "no country has sustained rapid growth without also keeping up impressive rates of public investment—in infrastructure, education, and health."[10] Yet the report goes on to argue that "markets are a necessary part of the economic structure in order to achieve and sustain growth."[11] In effect, the report sees governments as key to creating an enabling environment in which a private sector can flourish, in turn driving growth and reducing poverty.

A report from the Private Sector Development Institutions Roundtable (2011) identified a number of key areas that private sector development is critical to addressing including "growth, jobs, poverty reduction, service delivery, food security, climate change mitigation, environmental sustainability, and contributions to taxes."[12] The report argues that over 90% of jobs in developing countries are in the private sector, while growth is both reliant on the private sector and central to poverty reduction. Simultaneously, the private sector, and the employment it creates, generates most government tax receipts.

It is important to note that these ideas do not constitute an uncritical promotion of "trickle down economics" in which improvements in the economic conditions of the wealthy will in turn improve the economic conditions of the poor. Indeed, the Commission for Growth explicitly notes that inequality commonly occurs in the early stages of growth and that "Governments should seek to contain this inequality, the Commission believes, at the bottom and top ends of the income spectrum."[13] This is quite evidently not in keeping with the minimalist state envisioned in early neoliberal thinking. Rather, these theories locate private sector development within a broader development agenda, operating neither despite, nor in place of public intervention. Indeed, the OECD argues that "the scale and complexity of today's sustainable development challenges require a multi-stakeholder approach that draws on contributions from all parts of society – government, the private sector and civil society."[14]

These arguments have grown louder as the world has faced up to the significant gaps between financing and needs for achieving the sustainable development goals and tackling climate change. The OECD predicts that the annual development financing gap could grow to $6.4 trillion by 2030.[15] Meanwhile, the United Nations Environment Programme (UNEP) predicts that developing nations will need $310 billion annually between 2025 and 2035 to adapt to climate

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[10] https://openknowledge.worldbank.org/server/api/core/bitstreams/df194a38-cb6f-5553-8fd8-e48a8a7c9574/content
[11] https://openknowledge.worldbank.org/server/api/core/bitstreams/df194a38-cb6f-5553-8fd8-e48a8a7c9574/content
[12] https://www.adb.org/sites/default/files/publication/29108/ifi-development-private-sector.pdf
[13] https://openknowledge.worldbank.org/server/api/core/bitstreams/df194a38-cb6f-5553-8fd8-e48a8a7c9574/conten
[14] https://www.oecd.org/content/dam/oecd/en/publications/reports/2016/11/private-sector-engagement-for-sustainable-development_g1g73072/9789264266889-en.pdf
[15] https://www.oecd.org/en/publications/global-outlook-on-financing-for-sustainable-development-2025_753d5368-en.html

change.[16] At the same time, in 2025 ODA fell by 23.1% to $173 billion, the largest fall ever recorded.[17] Within this context, the Independent Expert Group (IEG) of the G20 argues that:

> *MDBs should work systematically with the private sector to increase private financing by an additional $500 billion by 2030 including by increasing total private capital mobilization from $60 billion to $240 billion, and making concerted efforts to catalyze a significant volume of additional private finance.*

Private sector development and PCM have thus become central features of the development picture, positioned as an antidote to declining public spending and as a driver of growth and poverty reduction.

2.2 How is Private Capital Mobilised?

Given its increasingly prominent role in development, it is notable that there is not an unanimously agreed definition of private capital mobilisation (PCM). A recent Itad report notes that "Mobilisation is a widely used term in development finance, covering a wide range of activities. However, there is often a lack of precise terminology, which makes it difficult to compare mobilisation activities, measure amounts mobilised or learn lessons across organisations."[18]

Robinson and Tahir (2023) argue that "a commercial investment is a case of mobilisation if it would not have happened but for the activity of a DFI", while also noting that existing methodologies for calculating PCM rates are "too narrow".[19] This is a useful starting point, although clearly limited to the activities of development finance institutions (DFIs). Expanding on this, at its most basic, PCM is the use of public (or "official") capital to encourage private investment in specific activities. These activities are typically either activities expected to have a development impact, activities that are classed as climate finance, or both. Public capital used to mobilise private capital may be concessional (subsidised) or provided on market terms (on the same terms as would be provided by private investors).

While treated differently by the prevailing accounting methodologies and definitions (discussed in more detail below), the concept of PCM essentially rests on the assumption that private investment would not have occurred without public investment. This may be due to the direct involvement of the public investor in seeking private co-investors, or it may be due to what is often termed the "halo effect" of public investment, which is the positive market signal given by the presence of public capital. Halo effects may occur due to a perception that public investors perform strict due diligence processes and have high environmental and social requirements.

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[16] https://www.carbonbrief.org/un-report-five-charts-which-explain-the-gap-in-finance-for-climate-adaptation/

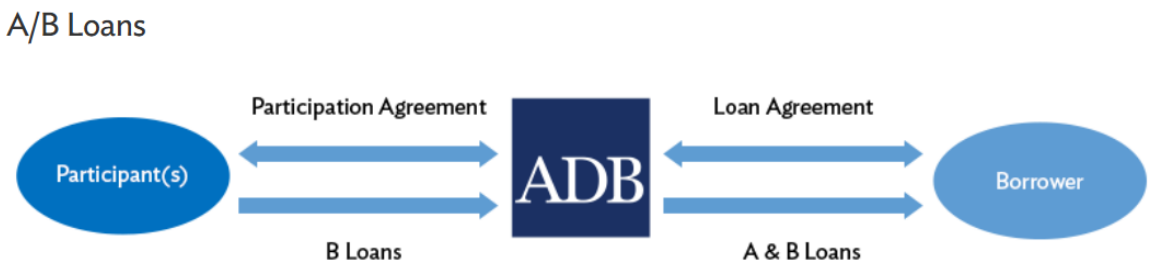
[17] https://www.oecd.org/en/data/insights/data-explainers/2026/04/a-historic-decline-in-foreign-aid-preliminary-2025-oda-data.html

[18] N. Gregory and M. Grubert (2024). 'Private Capital Mobilisation: Concepts and Definitions.' Brighton: Itad. https://assets.bii.co.uk/wp-content/uploads/2024/10/14131132/Private-Capital-Mobilisation-Concepts-and-Definitions.-ITAD-2024.pdf

[19] M. Robinson and W. Tahir (2023). 'Understanding Mobilisation.' London: BII. https://assets.bii.co.uk/wp-content/uploads/2023/03/13125506/Understanding_Mobilisation.pdf

To illustrate the ways in which PCM can occur, a series of illustrative examples are given below. Note that without the application of an accounting methodology (see more below), these examples do not attribute the private capital that is mobilised to a particular public institution. Further, the list is non-exhaustive. In the case of the MDB approach, the types of instruments that can be mobilising are essentially open ended, while the OECD DAC approach includes 8 main instruments.

- **Debt co-investment:** when a public institution such as a multilateral development bank (MDB) or DFI lends money to a client, and a private investor participates in the loan, this is considered to be a case of mobilisation. This commonly occurs through syndicated loans, and particularly in the form of A/B loans. A ***syndicated loan*** is a loan that includes a number of lenders (the syndicate) to a single borrower, with the loan typically arranged by one institution (the mandated lead arranger). An ***A/B loan*** is a form of syndicated loan commonly used by MDBs and DFIs in which the MDB or DFI arranges a loan structure for a client, retaining the A portion of the loan, and transferring the B portion to private investors. As holder of the A portion, the MDB or DFI remains the lender of record for the entire loan, which confers stronger chances of repayment and higher standards for environment, social, and governance (ESG) issues.



[20]

- **Equity investments:** when a public institution makes an equity investment in a company or vehicle (including private equity funds, special purpose vehicles etc), private investment into the same company or vehicle is considered to have been mobilised by the public investment. Equity investments may either be direct investments (investments purchasing a share of a specific company) or intermediated (purchasing a share of a collective investment vehicle such as a private equity fund) for on lending to sub-investees.

- **Guarantees:** public institutions may derisk private investment using guarantees. Guarantees are the principal form of risk sharing used to mobilise private capital. When a guarantee is issued, it protects the private investor from non-repayment (either wholly or up to a certain value), in return for a fee. By protecting the private lender, the provider

[20] https://www.adb.org/what-we-do/private-sector-financing/loan-syndications

of the guarantee reduces the credit risk, which may make a deal viable. By creating the conditions for private lending, the public investor has mobilised private capital.

- **Risk-sharing:** public institutions may use other forms of risk sharing to encourage private investment. These may include taking ***subordinated/junior loan*** positions alongside private investors that take senior positions. Subordinated/junior loans are lower in the repayment schedule than senior and hence riskier. Conversely, a senior loan is less risky. As such, the public institution encourages private investment by absorbing additional credit risk. These types of tools, alongside guarantees, are classified as ***blended finance***.

- **Technical assistance/advisory:** public institutions can mobilise private investment by providing technical assistance or advisory services. These services are often provided to the ultimate recipient of private investment. For example, a public institution may provide the technical assistance necessary for a corporation to issue a bond to raise funds. Private investment in the subsequent bond would be considered to have been mobilised by the technical assistance.

PCM has risen in prominence at least in part as a response to the perceived shortcomings - whether in terms of volume or achievement - of traditional ODA and public sector development. Governments and multilateral institutions have increasingly turned to the private sector to offset the financing gaps created by constrained public purses and shrinking ODA budgets. Yet, there has arguably been insufficient attention paid to whether PCM is the appropriate tool to achieve this goal. PCM should be evaluated in relation to two other key concepts - additionality and impact. If investments are not additional, or do not deliver development impact, then the value of PCM is greatly diminished. In short, PCM should not be treated as a goal in and of itself but should be used to channel private investment where it would not otherwise go and to deliver development impact. These ideas are explored in more detail below.

2.2.1 Additionality

Additionality refers to whether an investment leads to outcomes that would not have occurred in the absence of public support. In a narrow sense, additionality exists when a project would not proceed at all without DFI involvement. In a broader and more widely accepted sense, it also includes cases where a project would have gone ahead but is improved in ways that enhance development outcomes. The concept of additionality is fundamental because it defines the boundary between legitimate public intervention and the mere substitution of private capital. In other words, additionality prevents the “crowding out” of private investment.

Additionality can be understood across several interrelated dimensions. Financial additionality refers to the provision of capital on terms or in contexts where private finance is unavailable, such as in high-risk markets or through longer tenors. Non-financial, or value additionality,

captures the ways in which DFIs improve project quality through actions such as strengthening environmental and social standards or corporate governance. In practice, these categories often overlap, and a single investment may generate multiple forms of additionality simultaneously.[21]

To determine additionality requires comparison with a counterfactual scenario - what the market would have delivered on its own. Despite its importance, additionality is difficult to measure rigorously because the counterfactual cannot be directly observed.[22] Quantitative approaches are often limited by selection bias and the demand-driven nature of investment decisions, meaning that most assessments rely on qualitative judgment and ex ante reasoning.[23] This creates risks of over-claiming and weak accountability. As a result, the literature increasingly emphasises process-based approaches to ensuring additionality. These include rigorous upfront screening of whether private finance is available, targeting interventions toward clear market failures, and using market-based tests such as competitive pricing to avoid crowding out.[24]

2.2.2 Impact

Development impact is often higher in low-income countries than in middle-income countries because the baseline level of capital, services, and institutional capacity is much lower, so the same investment generates larger marginal gains. In poorer contexts, firms and households face binding constraints including limited access to finance. An investment that expands credit, builds infrastructure, or supports a new enterprise can therefore unlock activity that would not otherwise occur. By contrast, in middle-income countries, many of these constraints are less severe or already partially addressed by private markets, meaning that a similar intervention is more likely to substitute for existing activity rather than create genuinely new outcomes.

A second reason relates to additionality and market gaps. In low-income countries, private investors are often absent due to high perceived risks, weak information, or small market size. This increases the likelihood of strong financial additionality as the public investment is doing something the market would not do. It also enhances catalytic effects: a single investment can demonstrate viability and crowd in future capital, helping to build entire markets. In middle-income settings, by contrast, deeper financial systems and more active private sectors mean that many viable projects could proceed without development finance. As a result, the incremental impact attributable to public intervention is often smaller, and the risk of crowding out private actors is higher.

[21] https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2025/04/Making-Additionality-Count-Assessing-Disclosure-in-Private-Sector-Instrument-Reporting.pdf
[22] https://www.cgdev.org/sites/default/files/Moss-Kenny-DFI-Additionality-Full.pdf
[23] https://www.cgdev.org/sites/default/files/elusive-quest-additionality.pdf
[24] https://impactfrontiers.org/wp-content/uploads/2023/02/Impact-Frontiers-BII-Case-Study.pdf

2.2.3 Bringing Private Capital Mobilisation, Additionality, and Impact Together

Focusing too heavily on private capital mobilisation, especially simple "leverage ratios" (how many private dollars are brought in per public dollar), can distort what DFIs are actually trying to achieve. High mobilisation ratios are easiest to achieve in safer, more commercially attractive environments, typically in middle-income countries or established sectors where private investors are already active. This creates an incentive to back lower-risk projects that would likely proceed anyway, inflating mobilisation figures but weakening additionality. In such cases, DFIs risk substituting public capital for private finance rather than addressing genuine market failures, undermining the core rationale for their existence.

A narrow emphasis on leverage can also bias project selection away from the places and sectors where development impact is greatest but mobilisation is hardest. Investments in low-income or fragile economies, or projects without a proven track record, often require more concessionality and may not attract large volumes of private co-investment. Yet these are precisely the situations where DFIs can have the strongest development impact by enabling projects that would not otherwise happen, improving standards, or building new markets. If staff are incentivised primarily on mobilisation metrics, they may avoid these harder but more impactful opportunities, leading to a misallocation of scarce public resources.

Moreover, leverage ratios are a poor proxy for impact. Mobilising large sums of private capital does not guarantee meaningful development outcomes; it says little about job quality, environmental sustainability, inclusion, or long-term structural change. Without a focus on development additionality, DFIs may support projects with high financial returns but limited social value, or even risk crowding out local firms and investors.

For the reasons sketched out above, DFIs and MDBs should arguably treat mobilisation as a means rather than an end. It remains important; crowding in private investment is part of their mandate, but it should be pursued in ways that are consistent with strong additionality and clear development impact. This implies more balanced performance frameworks, better ex-ante assessment of market gaps, and greater transparency of the impact of mobilised private capital.

2.3 Measuring Private Capital Mobilisation

Private capital is mobilised in many ways, at different scales, and at different times in the investment cycle. When classifying what counts as PCM, much attention has been paid to the prevailing methodologies - the OECD DAC approach and the MDB approach - for calculating PCM volumes and attributing responsibility to public investment. Until recently, the principal focus of both approaches was at the level of individual transactions, and often at the point of public investment. In effect, most of the private investment counted as PCM was simultaneous co-investment. More recently, there has been increasing focus on other forms of PCM, including across the investment timeframe (including pre-investment) and mobilisation at scale involving attracting private investment into pooled or multiple assets. This section discusses the main approaches to counting and attributing PCM, including ongoing reforms to these approaches, and considers other ways in which it may occur.

2.3.1 Counting and Attributing PCM: OECD DAC and MDB Approaches

What counts as PCM, and what does not, has largely been shaped by the methodologies that are used to calculate PCM amounts and attribute it to public investment. Over the last decade, two main methodologies have developed in parallel - the OECD DAC approach and the MDB approach. While these methodologies have broad similarities and have been shown to largely count the activities as PCM (while attributing them differently), they also contain important differences that are sketched here.

2.3.2 The OECD DAC Approach

The OECD DAC approach is notable as the broadest global standard for measuring and attributing PCM, being used by a range of institutions including DAC donors, bilateral DFIs and MDBs. The approach is based on specific methodologies for "leveraging mechanisms" (investment instruments that cause PCM) and has evolved and expanded over time.[25] Currently, the approach covers eight main leveraging mechanisms - guarantees, syndicated loans, shares in collective investment vehicles (CIVs), direct investment in companies and special purpose vehicles (SPVs), credit lines, simple cofinancing, project finance schemes, and technical assistance.

There are arguably two key features of the OECD DAC approach. First, the approach contains an assumption that public investments in the private sector will contain "additionality" (discussed in more detail below), and as such, any subsequent private investment in the activity will have been caused by the public investment. An example of this assumption can be seen for syndicated loans: "The implicit assumption is that the private investor would not have provided the loan without the official sector involvement as an arranger or as a participant".[26] The result of this approach is that all private investment in activities involving public investment is classified as PCM. The second key feature relates to how the OECD DAC approach attributes PCM among public investors. The approach recognises that investments are compiled of a capital stack in which different investors have different levels of credit risk (the risk of non-repayment). The OECD DAC approach attributes PCM according to the risk taken by each public investor. While it varies by mechanism, the approach may be broadly summarised as attributing 50% of the PCM generated equally among the public investors in the riskiest tranche of the investment, and the remaining 50% between all public investors on a pro rata basis (according to size of investment).

The OECD promotes transparency of PCM data and has improved disclosure over time. Historically, there has been a varied level of disclosure achieved by the OECD DAC approach, with PCM data for donor bilateral agencies more commonly disclosed than that for bilateral DFI private sector instruments (PSIs) and MDBs. The OECD recently launched a new PCM

[25] OECD (2025). 'Handbook on Measuring and Reporting on Mobilised Private Finance in OECD DAC Statistics.' Paris: OECD. https://one.oecd.org/document/DCD/DAC/STAT(2025)25/REV1/en/pdf
[26] OECD (2025). 'Handbook on Measuring and Reporting on Mobilised Private Finance in OECD DAC Statistics.' Paris: OECD. https://one.oecd.org/document/DCD/DAC/STAT(2025)25/REV1/en/pdf

dashboard and dataset that contains improved data for numerous bilateral DFIs, although MDB data is still largely only available in aggregate form.[27] At the point of writing, the most recent disclosures in the OECD dashboard relate to 2024.

2.3.3 The MDB approach

The MDB approach to calculating and attributing PCM - formally the MDB Methodology for Private Investment Mobilization[28] - was developed by a group of MDBs and is managed by the MDB Task Force.[29] The MDB Task Force collects and discloses the PCM data for at least 27 institutions including global and regional MDBs and European DFIs (as the European Development Finance Institution Association (EDFI)) on an annual basis. Given its coverage, and the prominence of these institutions in mobilising private capital, it represents the second preeminent approach to calculating and attributing PCM, alongside the OECD DAC approach.

The MDB approach varies significantly from the OECD DAC approach in several ways. The approach functions more as a general principle for calculating and attributing PCM. Rather than having specific methodologies for different leveraging mechanisms, the approach presents a broad conceptualisation of the mobilisation process that can be applied to various public investments. The MDB approach makes a distinction between two types of PCM - private direct mobilisation and private indirect mobilisation. This distinction is based upon the role of the public investor - for PCM to be considered direct, the public investor must have an active and direct role (typically evidenced by contracts or payment of fees) in arranging the private finance. In instances of co-investment where the public investor does not have an active and direct role, the PCM is considered to be indirect. The MDB approach also uses a different method of attribution in cases where there are multiple public investors. In instances where a MDB or DFI can claim private direct mobilisation, 100% of the PCM is attributable to that institution, while none is attributable to other public investors. If no MDB or DFI takes an active and direct role, PCM is classified as public indirect mobilisation and is attributed on a pro rata basis to all MDBs or DFIs involved. Importantly, the MDB approach does not consider other forms of public investment (such as blended finance provided by bilateral government agencies) to be mobilising and does not attribute any PCM to them.

The MDB Task Force on Mobilization publishes an annual joint report that presents PCM data for the member institutions.[30] However, on balance the MDB approach is less transparent than the OECD DAC approach. The joint reports contain only aggregate figures with a variety of aggregate levels including disaggregating between direct and indirect mobilisation, aggregating for

[27] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html
[28] https://documents1.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf
[29] https://www.ifc.org/content/dam/ifc/doc/mgrt/201908-mdb-joint-report-on-mobilization-2018.pdf
[30] While the report is annual - in that each edition covers a calendar year - publication has frequently been delayed.

infrastructure, and country income levels. No disaggregate data is disclosed in the joint reports. At the point of writing, the most recent disclosures through the joint report are for 2024.[31]

2.3.4 Broader Private Capital Mobilisation

As discussed above, what has been considered to be PCM has generally been shaped by the OECD DAC and MDB methodologies. However, in recent years there has been new thinking on the issue that has reframed the concept. Robinson and Tahir (2023) proposed ten different "mobilisation pathways" that occur at different points in the investment cycle (at investment, while invested, and at exit), and at different levels (institutional level, transaction level, and sub-investee level) (see Figure 1, below).[32] Of these pathways, only three would currently be included under the OECD DAC and MDB approaches (numbers 4, 5 and 7).

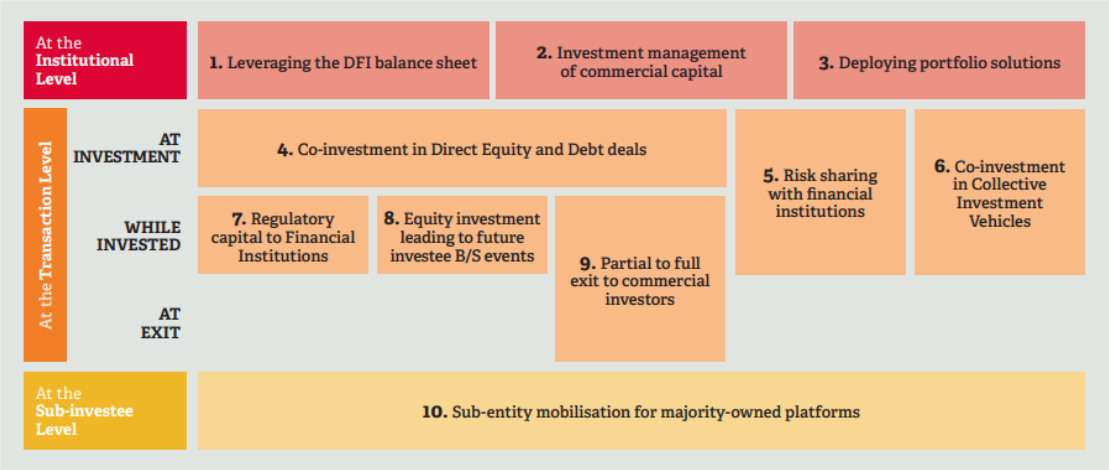


Figure 1: Robinson and Tahir Conceptualisation of Mobilisation Pathways

[33]

Publish What You Fund (2024) developed a series of recommendations to expand the measurement of PCM and disclosure of PCM data.[34] The recommendations included expanding measurement to capture PCM at different timeframes (before investment and after investment), and at scale (at the level of the DFI/MDB balance sheet, and involving multiple assets) (see Figure 2, below). The proposal recommended creating two new "baskets" of mobilisation:

[31] https://www.ifc.org/content/dam/ifc/doc/2026/2024-joint-report-mobilization-of-private-finance-by-mdbs-dfis.pdf
[32] M. Robinson and W. Tahir (2023). 'Understanding Mobilisation.' London: BII. https://assets.bii.co.uk/wp-content/uploads/2023/03/13125506/Understanding_Mobilisation.pdf
[33] M. Robinson and W. Tahir (2023). 'Understanding Mobilisation.' London: BII. https://assets.bii.co.uk/wp-content/uploads/2023/03/13125506/Understanding_Mobilisation.pdf
[34] https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2024/10/What-Works.pdf

- **Balance sheet mobilisation** - PCM occurring at the level of the institution through fund generation. This typically occurs when DFIs or MDBs issue bonds that may be purchased by private institutional investors, but can also occur through the sale of institutional equity or hybrid capital to private investors.
- **Secondary private capital mobilisation** - PCM occurring when a DFI or MDB transfers risk from its own balance sheet to private investment. This can occur through the sale of assets (equity exits), or through post-investment insurance and securitisations. Secondary PCM can involve multiple assets in single transactions. This type of mobilisation is in line with DFI/MDB business models changing from an "originate to hold" model to an "originate to share" model. This refers to a change from holding assets for extended periods of time, to originating investments and "selling" them to the private sector to speed up the recycling of investable capital while incorporating the private sector into new markets.

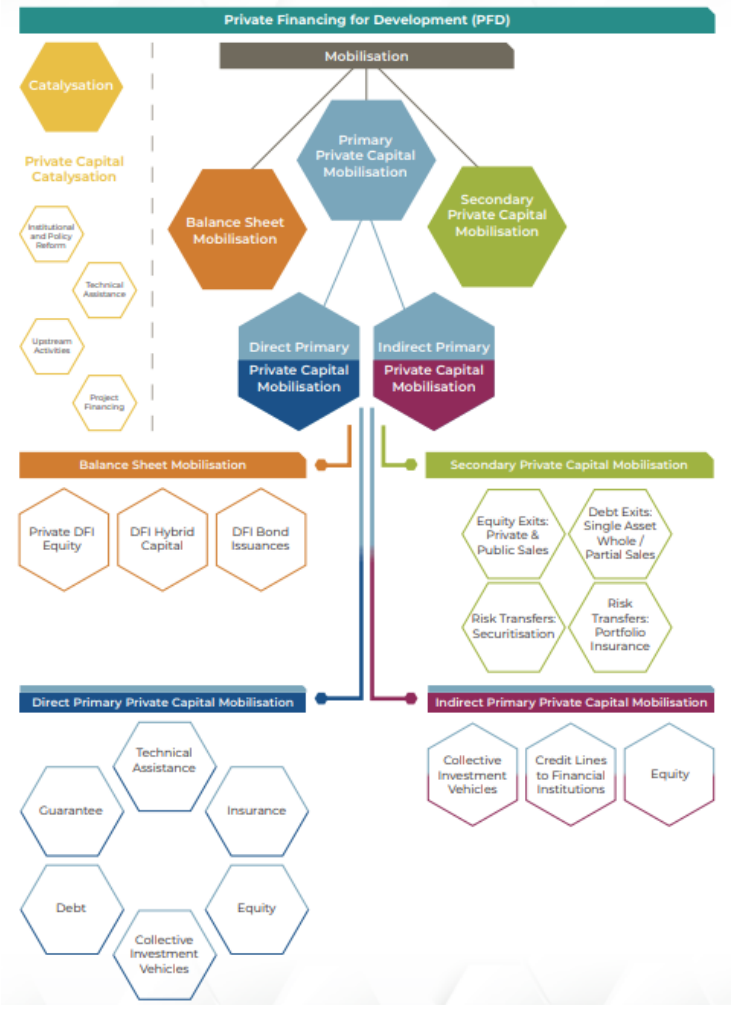


Figure 2: Publish What You Fund Conceptualisation of Baskets of Mobilisation[35]

[35] https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2024/10/What-Works.pdf

Publish What You Fund's model creates a separate category of private sector activity for private capital catalysation. A section of the report below discusses this concept in more detail.

2.3.5 Reform of Private Capital Mobilisation Approaches

Considering the debates outlined above, both the OECD and MDB Task Force have been undertaking reforms of their approaches to measuring and attributing PCM. The OECD is currently running data pilots on "second-level flows mobilised through equity and debt fund shares" (PCM occurring at the level of sub-investees), portfolio mobilisation (risk transfer and investment exits), and generation (bond issuance, equity and hybrid capital).[36] The MDB Task Force is understood to be pursuing similar efforts although little information is currently publicly available.

2.4 Private Capital Catalysation

The concept of private capital catalysation (PCC) has grown in significance alongside PCM. At times, and as discussed in a prior section, the two issues have been conflated. However, most emerging thinking on the subject treats it as a connected but separate concept that requires its own treatment. The OECD, MDB Task Force, and the World Bank have each developed, or are developing, definitions for PCC and methodologies for its measurement.[37] In each of these cases, the work falls under the same auspices as PCM, although will be maintained as a separate indicator or metric. As with PCM, there will likely be some variation in these definitions and methodologies, although some central features of the concept will likely be consistent.

The broad difference between PCM and PCC relates to whether or not the private investment is connected to the investment made by public or official capital. PCM includes the private investment that has invested alongside public capital, in addition to later investment in the same asset. PCC, on the other hand, includes private investment that is not immediately connected to the investment of public capital. In other words, the private investment considered to be PCC occurs downstream from (after) the public investment.

While PCM is linked to specific investments, and overwhelmingly involves investment in the private sector, PCC occurs from a different, potentially broader range of activities. Financing for policy changes, such as through the World Bank's Development Policy Financing (DPF), may be directed towards the public sector yet include reforms that are expected to increase future private investment, which in such instances would be considered to be PCC. Technical assistance (TA) may also contribute to PCC when the TA provided is not directly linked to the private investment (in which case it would be considered PCM).

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[36] https://webfs.oecd.org/oda/DataCollection/Resources/Guidance%20for%20PILOTS%20on%20mobilisation.pdf

[37] The World Bank uses the term "private capital enabled" which is synonymous with private capital catalysation. The methodology note for the World Bank approach can be found here: https://wbgscorecardcdn.worldbank.org/scorecard-methodology/2025/indicator/CSC_RES_PRIV_CAP_ENAB/15.2.[RESULTS]_PCE.pdf

There are several reasons why PCM and PCC should not be conflated, and why respective data should not be aggregated. First, there is a significant risk of double counting, since PCM and PCC occur at different timeframes and may occur because of each other. For instance, if a MDB was to finance a policy reform that altered capital market regulations in a country to allow new corporate bond issuances, private investment in subsequent bond issuances would be classified as PCC. If a bilateral DFI subsequently provided technical assistance to a client and acted as an anchor investor in a bond issuance, private investment in that issuance would be considered PCM. In effect, the MDB would be responsible for catalysing the private investment, while the bilateral DFI would be responsible for mobilising the private investment. Both claims are valid, yet the private investment only occurred once, and hence the catalysation and mobilisation claims must be treated discretely and not aggregated.

Second, PCC generally has weaker causal links between public and private investment. Indeed, most of the initiatives that are currently developing approaches to defining and measuring PCC (including the OECD DAC approach and MDB approach) acknowledge a degree of estimation that is necessary, while there is likely to be an emphasis on ex-ante calculation with limited ex-post verification.

3. Private Capital Mobilisation and Official Development Assistance

The growing emphasis on private sector development and PCM must be understood in light of trends in ODA spending. This chapter seeks to highlight the key trends that are shaping ODA spending and to locate the contribution that PCM makes to development. Drawing on OECD data, it discusses the places where PCM works, strictly through the lens of achieved volumes.

3.1 ODA Spending Overview

ODA budgets are being squeezed globally. Preliminary data for 2025 indicates ODA spend from DAC countries totalled $174.3 billion. This marked a contraction of 23.1% on 2024 totals of $215.6 billion.[38] The vast majority of this decline (over 95%) was accounted for by cuts in the ODA budgets of Germany, the United States, the United Kingdom, Japan and France. This marks the second consecutive year of decreasing ODA levels following a fall of 4.5% in 2024.

ODA from all official providers totalled $248.9 billion in 2024 (including non-DAC donors). Of this, $69.1 billion was allocated to least developed countries (LDCs) and other low income countries (LICs) (see Figure 3, below). This represents approximately 28% of the total spend. However, $85.1 billion of the total was unallocated. Of the allocated portion, approximately 42% went to LDCs and LICs.

[38] https://www.oecd.org/en/data/insights/data-explainers/2026/04/a-historic-decline-in-foreign-aid-preliminary-2025-oda-data.html

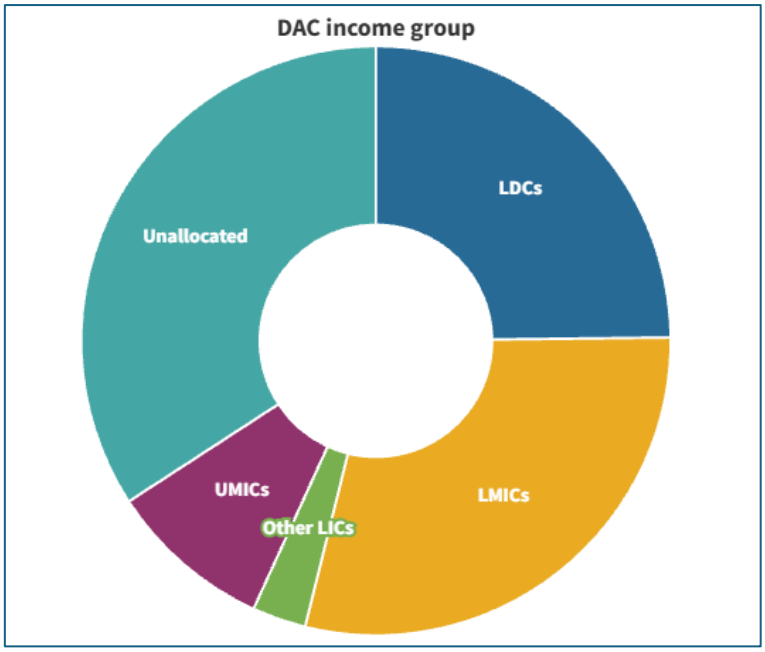


Figure 3: OECD DAC ODA flows by Country Income Group

The largest flows of ODA in 2024 were to bilateral development programmes, followed by multilateral ODA, in-donor refugee costs, humanitarian aid, and net debt relief grants.

3.2 Private Sector Instruments

Private sector instruments (PSIs) totalled $12.8 billion in 2024.[39] PSIs are accounted for as ODA on a grant equivalent basis, meaning approximately $4 billion in ODA was directed through this channel, representing 1.9% of total ODA spending.[40] While this represents an uptick on 2022-2023 levels, it remains below the peak of 2019-2021 where the share varied from 2.3% to 2.5% of total ODA spending. This suggests that rhetoric on increasing emphasis on private sector development is not being matched by significant increases in PSIs as a tool for development spending.

3.3 Global Trends in Private Capital Mobilisation

OECD data indicates that PCM levels have grown relatively consistently, rising from $17.2 billion in 2012 to $75.1 billion in 2024 (see Figure 4, below).[41] The majority of this growth has been driven by MDBs that account for 71% of total PCM in 2024. Bilateral providers (including

[39] The OECD defines PSIs as following: "Private sector instruments (PSI) are official resources provided to or through private sector entities to promote economic development in partner countries. They include loans, guarantees, equity investments, mezzanine finance instruments, and reimbursable grants." (https://www.oecd.org/en/data/dashboards/private-sector-instruments-in-development-finance.html)

[40] https://www.oecd.org/en/data/insights/data-explainers/2025/12/final-oecd-statistics-on-oda-and-other-development-finance-flows-in-2024-key-figures-and-trends.html

[41] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html

bilateral DFIs) account for 24% while other multilateral institutions such as climate funds account for 5%.[42]

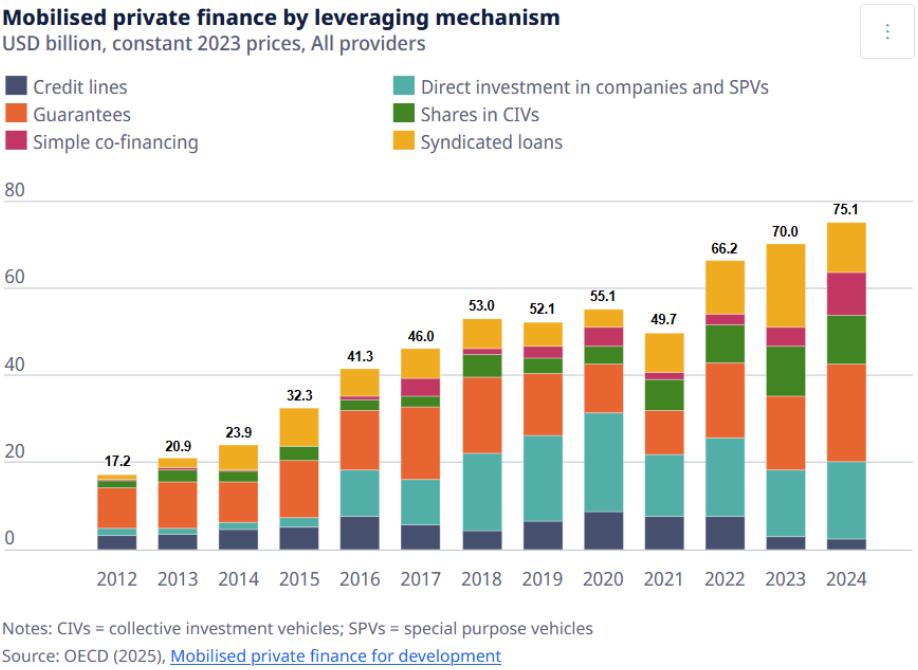


Figure 4: OECD Data on Total PCM per Year

PCM remains heavily concentrated in middle income countries. As a whole, lower middle income countries (LMICs) and upper middle income countries (UMICs) accounted for 50% of total PCM in 2024. Only 12% of PCM was generated in least developed countries (LDCs), while 38% of PCM was unattributed. Of the top 20 recipient countries of PCM, only Mozambique and Ethiopia are LDCs (see Figure 5, below). This is significant as it indicates a marked difference to the provision of ODA; PCM is less than half as likely to be generated in LDCs than ODA is to be spent. This is not surprising - PCM relies on the existence of investable projects and companies of which there are fewer in LDCs. If LDCs are where development assistance is most needed, PCM appears ill-suited to address that need.

[42] https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/tracking-private-finance-mobilisation_96d38324/8d414cdb-en.pdf

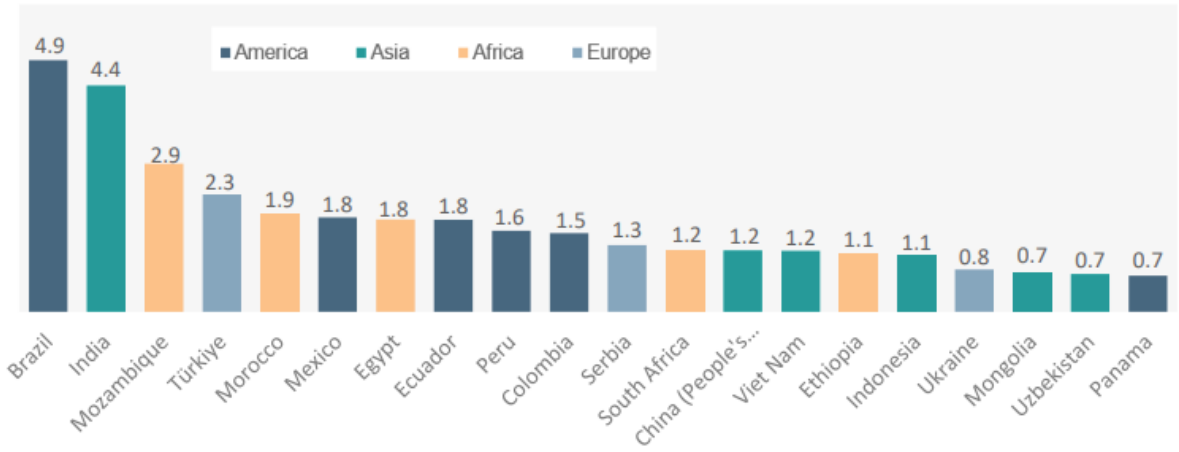


Figure 5: Top Twenty PCM Recipients 2024 (OECD)

PCM is also heavily concentrated in certain sectors. According to OECD data, five sectors accounted for 85% of all PCM generated from 2020 to 2023. The largest sectors generating PCM were banking and business services (40%), industry, mining and construction (18%), energy (13%), transport and storage (9%) and communications (5%). Social infrastructure and services including the health and population, water supply and sanitation, education, and other social sectors, accounted for only 6% of total PCM in the period. Again, while not necessarily surprising, this strongly indicates that PCM works in particular sectors - those with established private sector presence and large bankable projects and companies - while being ill-suited for social sectors that remain critical to broader development objectives.

Overall, the data above demonstrates that the overwhelming majority of PCM occurs in very specific contexts. In middle income countries, and certain sectors - including financial services and physical infrastructure - PCM makes a significant contribution to overall development financing flows. However, LDCs and social sectors remain underserved by PCM, reflecting weak market development and the lack of private sector penetration. This is not necessarily a problem - rather, it is evidence that PCM is appropriate in particular contexts but not others.

4. The UK's Approach to Private Capital Mobilisation

As the UK increases focus on private sector development and PCM, it is necessary to understand its track record. This chapter assesses the ways in which the UK has generated PCM with a focus on the most significant institutions. It then discusses the reach of PCM, focusing on BII, before discussing the impact of BII's investments that generate significant levels of PCM.

4.1 UK Private Capital Mobilisation - Rhetoric and Action

The UK has made clear its commitment to private sector development and PCM in recent years. From launching the British Investment Partnerships (BIPs) programme in 2022, through launching the Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) programme, to lauding the role of the UK financial sector in meeting the SDGs, there have been a series of clear indications that the UK Government is increasingly turning to PCM to meet development needs.[43] In January, former Development Minister Chapman again raised the prospect of increasing work on public markets and PCM during an evidence session on the future of UK aid and development assistance.[44] That the UK has turned up the rhetoric on PCM is barely in question. However, there exist real questions about whether, to date, the rhetoric has been matched by action to increase PCM - at least that is attributable to the UK Government - and whether this rhetoric is indeed feasible.

The UK reports PCM to the OECD on an annual basis, with the most recent available data relating to 2024.[45] This resource gives valuable insight into the ways in which UK institutions mobilise private capital. In the five-year period 2020 to 2024, the UK mobilised almost $9.4 billion (see Figure 6, below). Much of this capital - approximately $6.1 billion, or 65% of the total was mobilised by BII. The Foreign, Commonwealth and Development Office (FCDO) (and the Department for International Development (DFID) in 2020) accounted for approximately 28% of the total, while seven other government departments and programmes accounted for the remaining 7% of the total, of which no individual institution accounted for more than 2% (see Figure 7, below).[46]

Institution	Total Mobilisation 2020-2024 ($US mn)
British International Investment (BII)	6099.80
Foreign, Commonwealth and Development Office (FCDO)	2627.84
Department of Energy and Climate Change	181.78
Prosperity Fund	150.54
Mobilising Institutional Capital Through Listed Product Structures (MOBILIST)	120.81
Department for Business, Energy and Industrial Strategy	107.73
FSD Africa (FSDA)	42.94
UK-India Tech Start-up Fund	27.03
Department for Environment Food and Rural Affairs (DEFRA)	18.74
Grand Total	**9377.22**

Figure 6: UK PCM by Institution 2020-2024

[43] https://www.gov.uk/government/news/new-partnerships-with-financial-sector-to-unlock-growth-in-uk-and-overseas

[44] https://committees.parliament.uk/oralevidence/17055/pdf/

[45] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html

[46] All charts in this chapter are produced using OECD data (https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html)

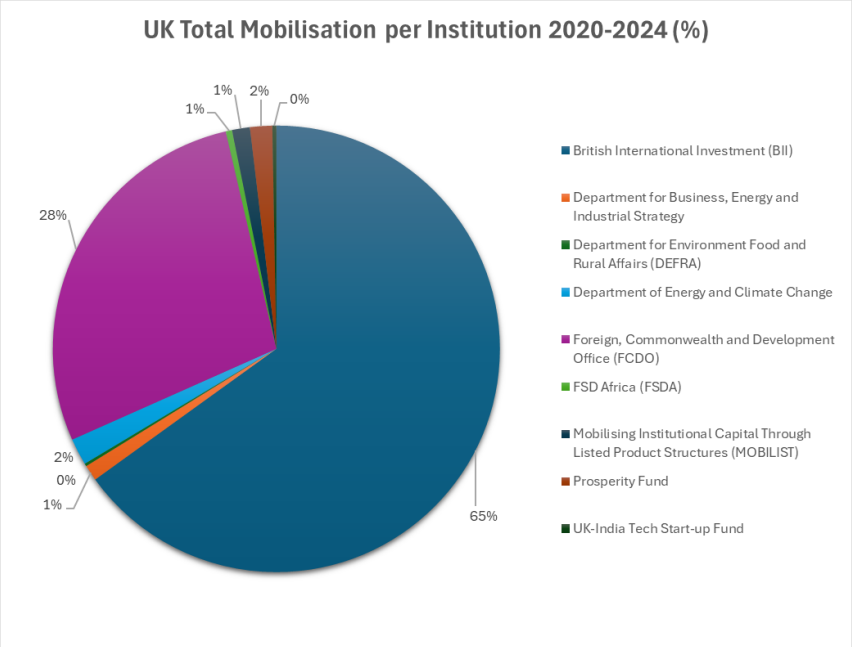


Figure 7: UK PCM by Institution 2020-2024 (%)

By 2024, the number of UK institutions contributing to PCM had fallen to five, with BII now accounting for 75% of the total, while FCDO accounted for 17%, MOBILIST accounted for 6%, and FSD Africa and the UK-India Tech Start-Up Fund accounted for 1% each (see Figure 8, below). It should be noted that while the UK Government has frequently cited the Private Infrastructure Development Group (PIDG) in its push to increase mobilisation, PIDG's PCM figures are not attributable to the UK, and are rather recorded as multilateral contributions. Nonetheless, PIDG's mobilisation volumes are significant, ranging from $321 million in 2021 to over $1.6 billion in 2024 (See Figure 13, below). With this data in mind, the rest of this section briefly profiles the most significant PCM generating institutions in 2024.

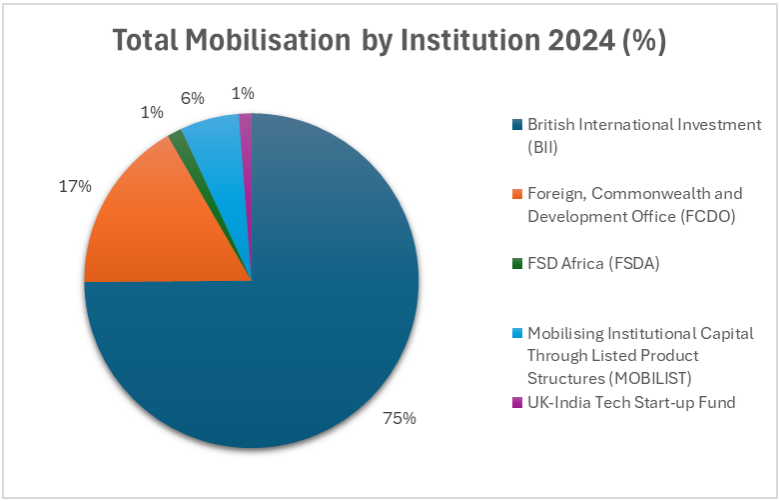


Figure 8: UK PCM by Institution 2024 (%)

4.1.1 British International Investment

British International Investment (BII) is the UK's DFI. Founded in 1948 as the Colonial Development Corporation, it has subsequently been rebranded numerous times as the Commonwealth Development Corporation (1963), CDC Group (1999), and eventually BII (2021). Over time its mandate has evolved from an initial focus on agriculture and infrastructure in the UK's colonial lands, through functioning as a fund-of-funds (investing exclusively in private equity funds), to its current incarnation as a DFI.[47] BII is wholly government-owned and funded entirely through capital contributions from FCDO that are counted towards the UK's ODA budget. Since the recommencement of capital injections in 2015, BII has been capitalised with £5.7 billion, accounting for approximately 4% of UK ODA spend in that period.[48]

BII makes the largest contribution annually to the UK's PCM. PCM rates peaked at approximately $1.84 billion in 2021 before falling in subsequent years. In 2024 BII's PCM was recorded by the OECD as approximately $1.58 billion (see Figure 9, below).[49] In 2024, BII mobilised private capital mainly through direct investment in companies and special purpose vehicles (SPVs) - mobilising approximately $735 million through direct equity investments and approximately £352 million through direct debt investments in 2024. Investments in collective investment vehicles - predominantly private equity funds - mobilised a further £460 million, while guarantees and insurance, and syndicated loans, mobilised approximately £30 million and £5 million respectively (see Figure 10, below).

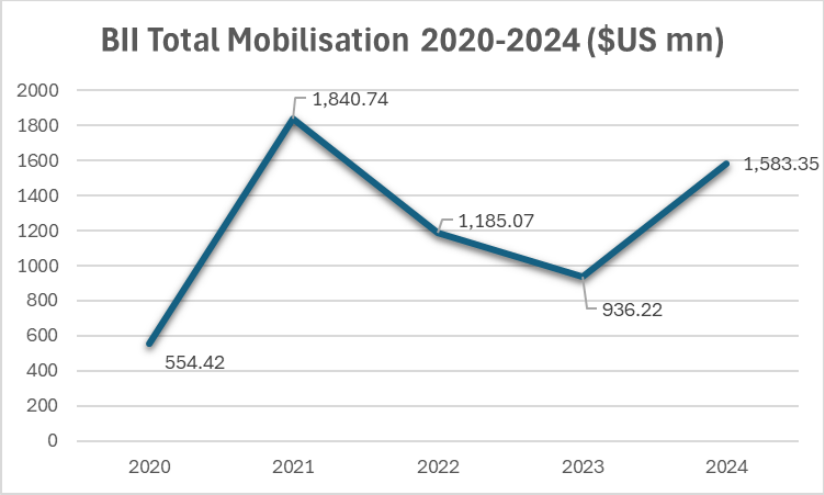


Figure 9: BII Annual PCM 2020-2024

[47] For a thorough outline of BII's evolving mandate see Bond's briefing paper: https://www.bond.org.uk/wp-content/uploads/2025/09/Bond_BII_Brief1_FINAL.pdf

[48] https://www.bond.org.uk/wp-content/uploads/2025/09/Bond_BII_Brief1_FINAL.pdf

[49] OECD data differs marginally from BII's own PCM disclosures (https://www.bii.co.uk/en/our-impact/key-data/) for reasons that are unclear.

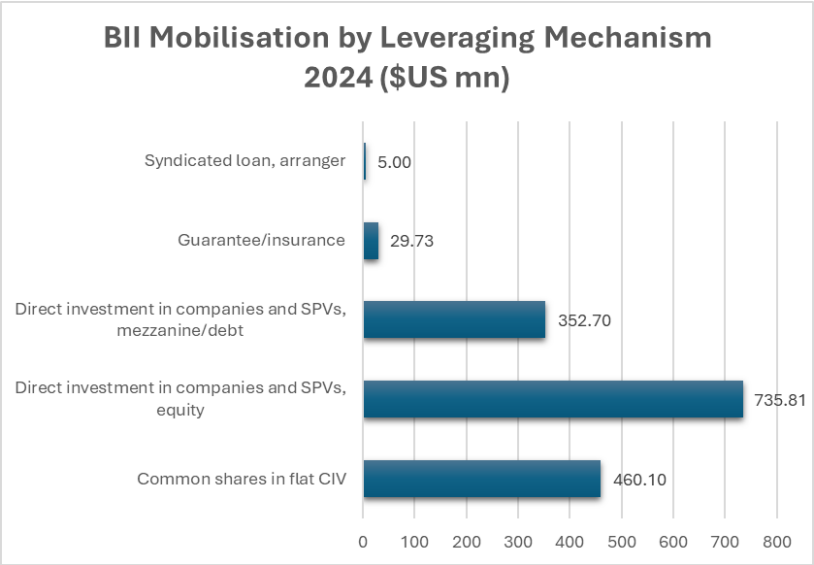


Figure 10: BII PCM by Leveraging Mechanism 2024

In recent years BII has pursued a diversified PCM strategy that stands out among bilateral DFIs. One prominent strand of this strategy has been to adopt an origination role in which BII directly founds companies, as opposed to investing in existing companies. Notable examples include Ayana Holdings (later called South Asian Renewables Limited), a renewable energy company active in India, that has mobilised $172 million and $326 million in 2019 and 2021 respectively.[50] An Itad report noted that "Ayana has mobilised private capital at both platform level ($2.3 billion equity from Indian funds) and sub-project level ($1.7 billion long-term debt from Indian commercial banks)."[51] BII has pursued similar strategies with Gridworks Development Partners LLP (power transmission and distribution), Globeleq (energy infrastructure), and Medaccess (health), among others.[52] This strategy has arguably allowed BII to address specific development needs, while also building companies that have the potential to generate PCM in the future.

[50] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html
[51] Gregory and Alarcón. (2025). 'Opportunities for DFIs to Scale Private Capital Mobilisation: Structures and Tools.' Brighton: Itad. https://assets.bii.co.uk/wp-content/uploads/2025/10/10104741/Opportunities-for-DFIs-to-Scale-Private-Capital-Mobilisation.pdf
[52] https://media.odi.org/documents/DFI_sponsorship_of_new_platforms_and_ventures_why_and_how.pdf

British International Investment's New Strategy

BII launched its new five-year strategy in April 2026. The strategy features PCM prominently, with a target of mobilising £6 - 7.5 billion of private investment across 5 years, using the OECD approach to calculate PCM rates. While the OECD approach does not make a distinction between direct and indirect PCM, the BII strategy states that "at least £3 billion is expected to come from investments where we play an active role in mobilising the private capital."

While the headline figure of £6-7.5 billion sounds significant, it could be argued that this is a fairly conservative target. Expected BII own-account commitments for the same period are £7-8 billion. This implies a possible mobilisation ratio range of £1:£0.75 (where every £1 of BII commitment mobilises £0.75 from the private sector) to £1:£1.07 (where every £1 of BII commitment mobilises £1.07 from the private sector). These mobilisation ratios are higher than historic rates for the sector, but lower than those targeted by other institutions more recently.

Some of this may be explained by another target within the BII strategy to invest at least 25% of its core portfolio in "frontier markets" (LDCs). As Chapter 3 and Chapter 4 of this report has shown, LDCs are difficult markets in which to generate PCM. It may be expected that leverage ratios will be lower for investments in these markets and this will adversely affect the whole-portfolio leverage ratio.

OECD data for the five-year period from 2020-2024 attributes PCM of approximately $6.1 billion to BII, roughly equivalent to £4.5 billion. This implies an increase in total mobilisation in the new strategy period of between 33.33% and 66.66% which is not insignificant. However, the 2020-2024 timeframe was negatively affected by the Covid-19 crisis, with significant drops in PCM in 2022 and 2023 that are replicable across many institutions.

While they may be justifiable, these targets raise serious questions about the current UK government rhetoric around reorienting ODA towards private sector development, and filling financing gaps with PCM. At the most optimistic end of the range, PCM is projected to increase by approximately £600 million a year. Between 2023 and 2025, UK ODA is projected to have decreased by over £2 billion, with further reductions planned. It is quite clear that even when setting aside the fact that PCM is not a like-for-like replacement for traditional ODA spending, there is not an expectation that PCM created by BII will be capable of filling the gap.

It should be reiterated here that BII does not see its role as one of replacing cut ODA programming. Yet, this remains an example of UK government messaging not matching the reality in the very institutions they champion to offset ODA cuts.

4.1.2 Foreign, Commonwealth and Development Office

The Foreign, Commonwealth and Development Office (FCDO) was formed in 2020 through a merger of the Foreign and Commonwealth Office and DFID. Since the merger, FCDO has been the primary spender of UK ODA, accounting for 67% of total ODA spend in 2024, and leads the UK's development agenda.[53] FCDO has consistently been the UK's second largest contributor to PCM. PCM from FCDO peaked in 2022 at approximately $1.3 billion, although that year was an outlier, with other years from 2020 to 2024 ranging from approximately $112 million to $677 million (see Figure 11, below). The large majority of FCDO's PCM in 2024 was caused through co-financing agreements (see Figure 12, below).

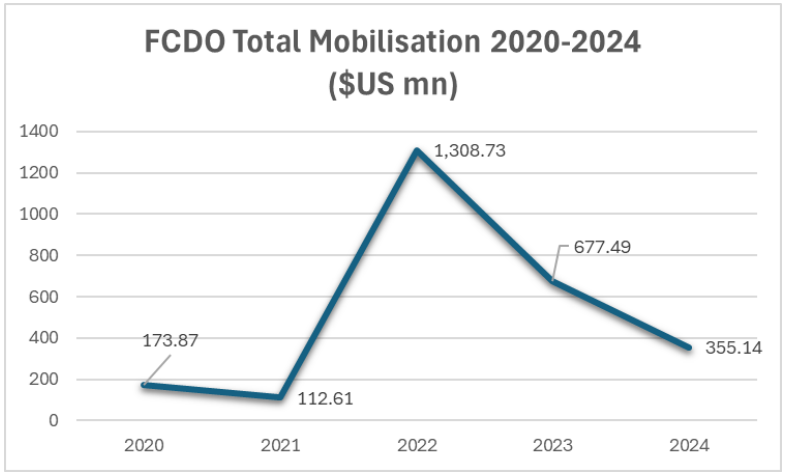


Figure 11: FCDO PCM by Year 2020-2024

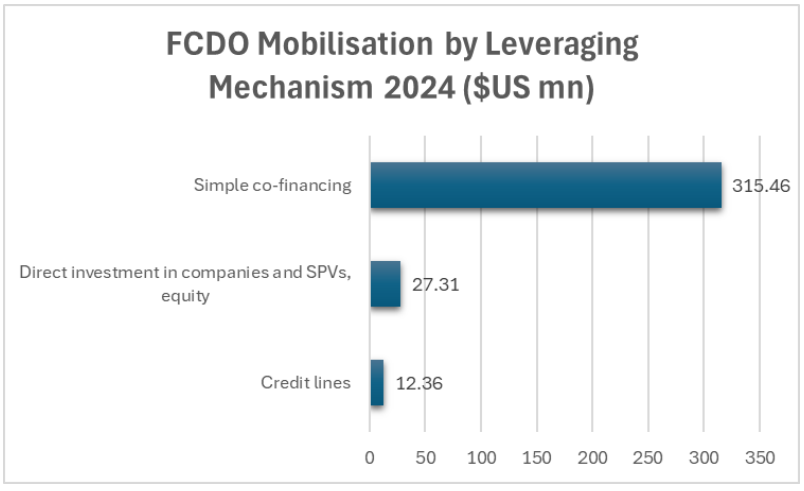


Figure 12: FCDO PCM by Leveraging Mechanism 2024

[53] https://www.gov.uk/government/statistics/statistics-on-international-development-provisional-uk-oda-spend-2024/statistics-on-international-development-provisional-uk-oda-spend-2024#total-uk-oda-by-contributor-and-delivery-mechanism

4.1.3 Mobilising Institutional Capital Through Listed Product Structures

Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) is a UK government programme managed by FCDO. Launched in 2021, the programme supports companies to list products on public markets (exchanges) to raise capital. This is a notable departure from the majority of PCM that occurs in the private (i.e. not traded on exchanges) finance space. To date, MOBILIST has only reported PCM for three activities, all in 2024, and totalling approximately $121 million. These activities were all leveraged with equity investments. As the OECD DAC methodology for counting PCM has been expanded to include technical assistance, it is possible that MOBILIST will be able to claim additional PCM in future reporting.

MOBILIST sees the creation of demonstration effects, in which supporting clients to create listed products causes additional listings by other private companies, as a key element of its impact.[54] However, demonstration effects are not captured under the OECD DAC or MDB approaches to PCM and may be better considered an aspect of private capital catalysation.

4.1.4 Private Infrastructure Development Group

The Private Infrastructure Development Group (PIDG) is a multilateral group of companies that is part-owned by the UK, alongside five other countries. PIDG finances early-stage infrastructure projects, often taking significant risk to mobilise the private sector. As noted above, as a multilateral institution, PCM generated by PIDG is not attributable to the UK. However, the UK sees PIDG as an important element of its overall mobilisation strategy. Following a Covid-period decline in PCM rates, PIDG has seen an uptick in its PCM rates, totalling approximately $712 million in 2023 and peaking at approximately $1.6 billion in 2024 (see Figure 13, below).

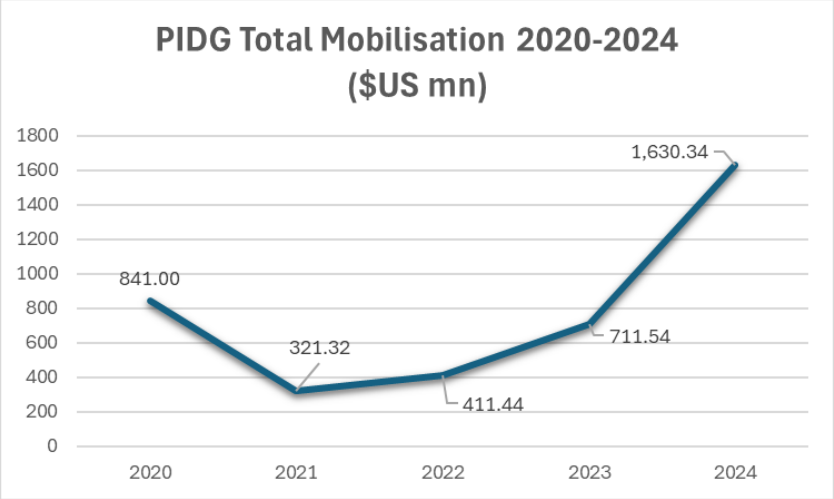


Figure 13: PIDG PCM by Year 2020-2024

[54] https://www.mobilistglobal.com/wp-content/uploads/2023/11/MOBILIST-Research-Report_Development-Finance-Through-Public-Markets_November-2023.pdf

Within the UK context, PIDG is notable for the significant share of PCM that is generated through guarantees (see Figure 14, below). This is not surprising as PIDG has a subsidiary company, GuarantCo, that specialises in the provision of guarantees for infrastructure in Africa and Asia.[55] Guarantees protect investors from non-repayment and have been shown to be a particularly powerful leveraging mechanism for PCM, often mobilising 5-6 times the amount of private capital of other mechanisms.[56]

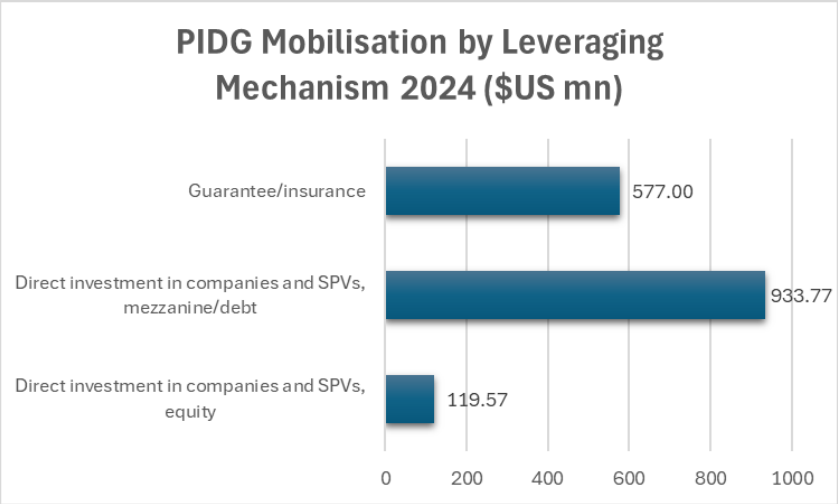


Figure 14: PIDG PCM by Leveraging Mechanism 2024

4.2 UK Private Capital Mobilisation - What and Where?

The above section has discussed the PCM attributed to the UK and its institutions. However, mobilising capital is only part of the picture. It is also important to understand what activities the UK is mobilising capital for, and who it may be expected to impact. With a focus on key sectors and geographies, this section attempts to answer these questions. Given the predominant role played by BII in the overall picture of UK PCM, this section focuses solely on its data, which is largely representative of the UK PCM context.

BII's mobilisation in the five years from 2020-2024 is dominated by three sectors - communications (approximately $1.9 billion), banking and financial services (approximately $1.5 billion), and energy ($825 million) (see Figure 15, below). Taken together, these three sectors account for 71% of BII's PCM. No other individual sector accounts for more than 4% of the total (see Figure 16, below). This should not come as a surprise - the same three sectors dominate BII's portfolio of commitments, representing a total of 80% of the active portfolio and 83% of BII's 2024 commitments.[57]

[55] https://guarantco.com/about-guarantco/
[56] https://www.mobilistglobal.com/wp-content/uploads/2024/02/MOBILIST_Research-Note_Guarantees.pdf
[57] https://www.bii.co.uk/en/our-impact/key-data/

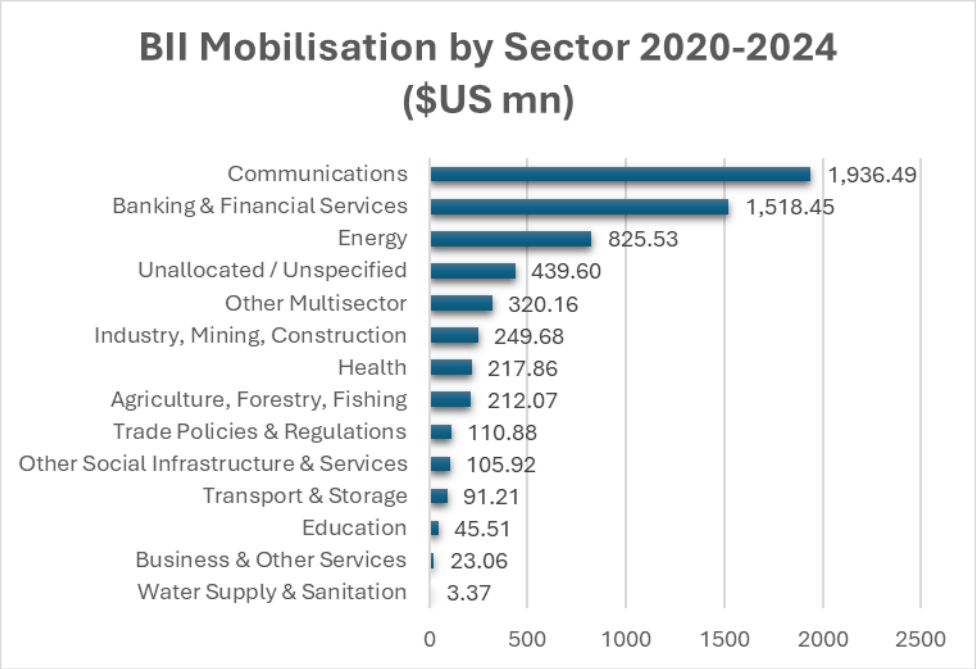


Figure 15: BII PCM by Sector 2020-2024

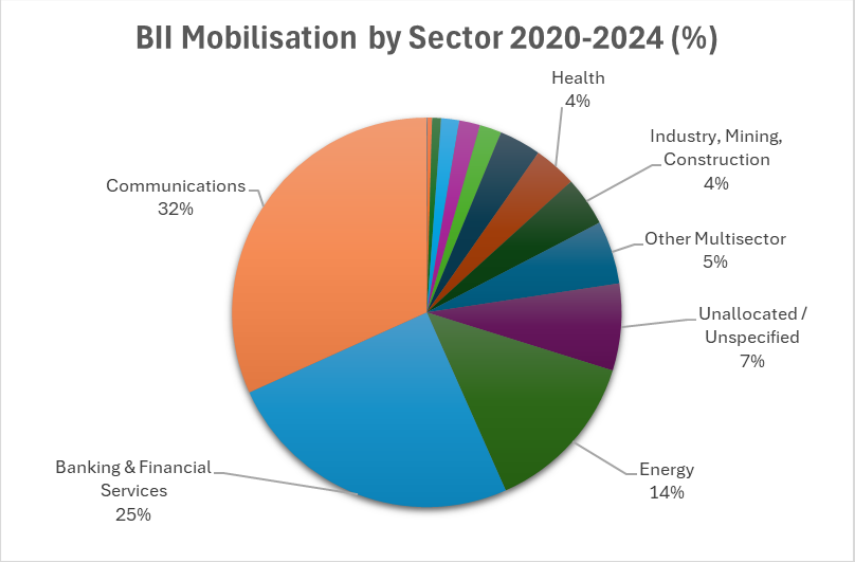


Figure 16: BII PCM by Sector 2020-2024 (%)

The geography of BII's PCM is similarly concentrated. From 2020 to 2024, four countries - India, Ethiopia, South Africa, and Ghana - made up 73% of BII's total PCM. No other country accounted for more than 3% (see Figure 17, below). In 2024, BII attributed PCM in only eleven countries (see Figure 18, below). BII's PCM is noteworthy for the country income levels of the recipients. PCM is heavily concentrated in lower middle income countries (LMICs), totalling $3.4 billion from 2020-2024. PCM in least developed countries (LDCs) totalled approximately $1.2 billion in the same period while PCM in upper middle income countries (UMICs) totalled approximately $480 million (see Figure 19, below). This is notable in the manner that it differs

from global averages, where UMICs receive significantly more PCM than LDCs. This can largely be explained by BII's particular mandate regarding investment in Africa and South Asia.

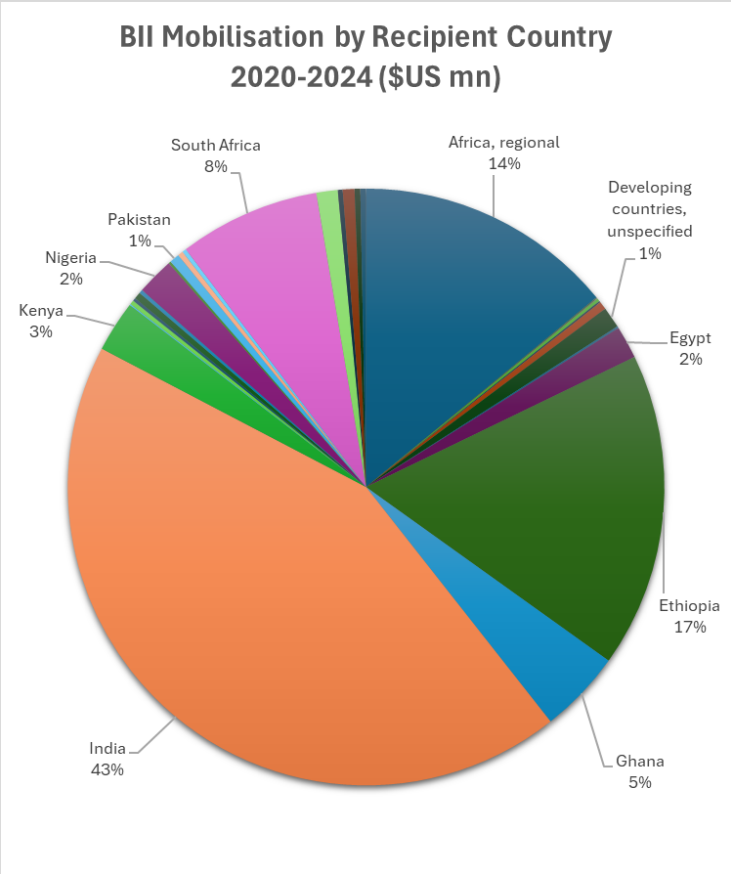


Figure 17: BII PCM by Country 2020-2024 (%)

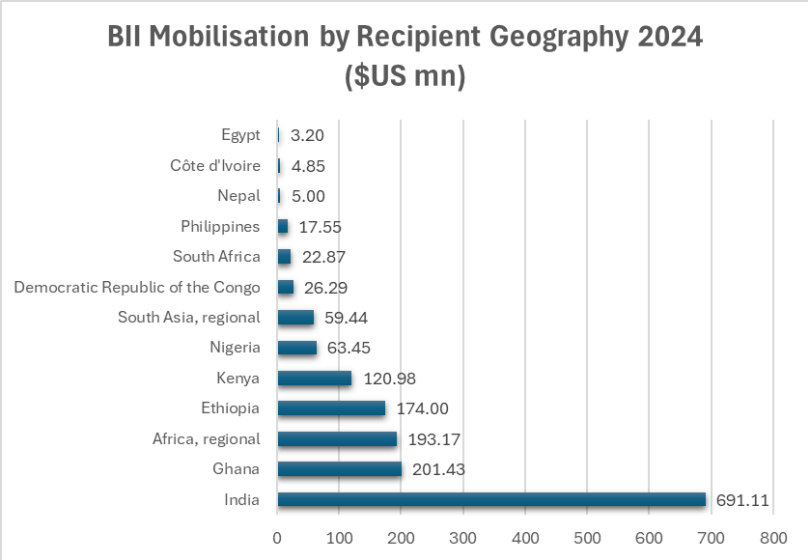


Figure 18: BII PCM by Recipient Geography 2024

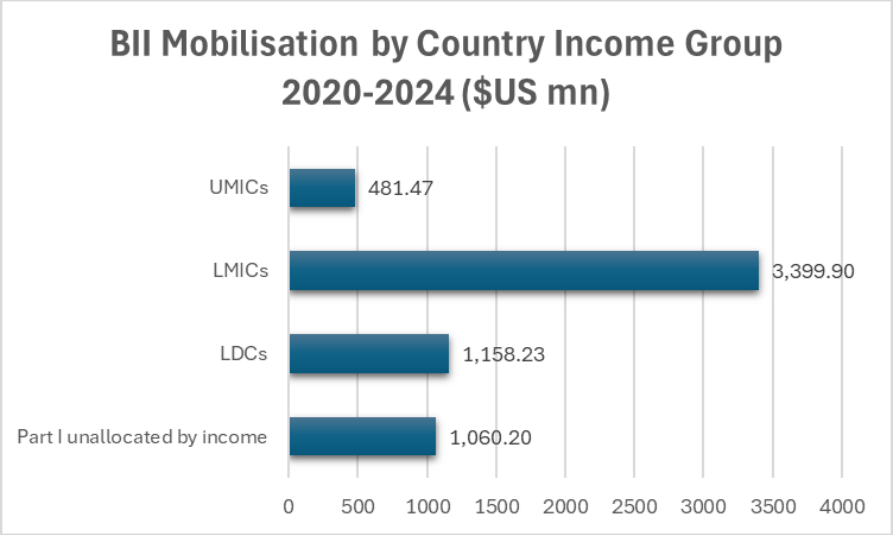


Figure 19: BII PCM by Country Income Group 2020-2024

The concentration of BII's PCM both in terms of sectors and geographies is important. The data supports the notion that PCM is effective (in terms of volume) in middle income countries and specific sectors including energy, infrastructure, and communications. Arguably, the most important thing this shows is what is missing. LDCs account for a relatively small share of PCM, which is largely explainable by the relative lack of financeable companies and projects in these economies. Nonetheless, this characteristic is consistent across PCM providers, suggesting it is largely intractable. Many "social" sectors - social infrastructure and services, education, water supply and sanitation - receive vanishingly small amounts. Setting aside the question of whether it is desirable for the private sector to be investing in these sectors, it demonstrates clearly that it is not doing so at a truly significant scale. This casts serious doubt on the ability of PCM to make up for shortfalls in ODA and in domestic government spending. Doubling down on PCM risks excluding the economies and sectors that arguably most need finance.

4.3 UK Private Capital Mobilisation - Impact

Once we know how the UK mobilises private capital, where, and in what industries, the final part of the picture is to understand what impact this PCM has. By drawing on previous evaluations and existing data on investments, this section seeks to shed light on the impact of BII's PCM. As with the prior section, we focus on BII as the primary driver of UK PCM. While noting that BII has significantly improved its impact prediction approach in recent years, the level of impact transparency is still lacking. This places significant limitations on this report's ability to assess impact.

BII reports impacts at a portfolio level across a range of indicators, including jobs supported and taxes paid by investee companies: both central issues to the private sector development theory

of change. In 2024, BII investees employed over one million people, of whom approximately 82,000 were newly employed. 76% of the employees were male. BII investee companies paid $2.5 billion in tax in 2024.[58] It is important to note that this data is unattributed - in effect, BII is not claiming the whole of these impacts, but does not attempt to apportion impact according to the scale of its investments. Impact attribution is challenging and lacks a universally accepted approach.[59] This makes it difficult to draw a direct line from BII investment and PCM to specific impact contributions. Moreover, there is a risk that it may create perverse incentives where relatively small investments in large investees create the impression of large impacts, when in fact the opposite is true.

BII has commissioned evaluations of its PCM in the renewable energy sector and through private equity funds. The renewable energy sector evaluation found that BII's investments were additional and contained strong demonstration effects for the sector, while improving environmental, social and governance (ESG) and business integrity (BI) outcomes.[60] The private equity fund evaluation emphasised similar issues, with a focus on the role that BII played in attracting private investment into the four funds that were studied.[61] While admittedly not their key focus, the evaluations make little mention of impact beyond mobilisation and the effects on ESG and BI.

The rest of this section looks in more detail at three individual investments that were particularly large contributors to BII's PCM figures in 2024. As with all BII investments, available data is limited to ex-ante assessments. While one might not expect ex-post data for such recent investments, the available data is better for these investments than historic ones made when BII's impact approach was less advanced.

4.3.1 Helios Towers PLC[62]

Helios Towers is a major UK-based company that builds, owns, and operates mobile telecommunications towers across Africa. The company is listed on the London Stock Exchange (LSE) and is included in the FTSE 250 Index. BII is a long-time investor in Helios Towers, having indirectly invested in the company via Helios Investment Partners in 2010.[63] BII's 2024 investment was as an anchor investment in Helios Towers' $850 million bond issuance on the LSE. BII invested $30 million alongside other public investors including IFC and the German DFI DEG. BII's attributed PCM in 2024 was $200 million.[64]

BII's Impact Dashboard states that the primary impacts of the investment are the "continued operations of telecom assets (mobile network operators and tower infrastructure) and growth capital expenditure to expand network and operations." Expected beneficiaries are consumers

[58] https://www.bii.co.uk/en/our-impact/key-data/
[59] https://www.bii.co.uk/en/news-insight/research/attribution-not-contribution/
[60] https://assets.bii.co.uk/wp-content/uploads/2024/03/19095126/Analysis-of-mobiliation-in-BII-renewable-energy-investments.pdf
[61] https://assets.bii.co.uk/wp-content/uploads/2024/03/19095026/Analysis-of-mobilisation-in-four-BII-backed-funds.pdf
[62] https://www.bii.co.uk/en/our-impact/investment/helios-towers-plc-investment-01/
[63] https://www.bii.co.uk/en/our-impact/fund/helios-investors-ii-investment-01/
[64] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html

in Helios Towers' countries of operation where 4G mobile penetration is lower than regional averages.[65] The company is expected to add 20 million new subscribers as a result of the investment.

BII sees its additionality due to its role as an anchor investor in a bond issued for an emerging market product, arguing that bond investors are largely unfamiliar with such products. The bond was ultimately three times oversubscribed.[66] This could be interpreted as evidence of the successful role that BII played in encouraging private investment in the bond. However, this is hard to verify. It could be the case that demand for the bond would have been high regardless of BII investment, in which case, there would be little to no additionality and hence impact would be negligible. Given the significant size and track record of Helios Towers, it is impossible to disregard this scenario. Given the fact that the bond was used to refinance existing debt, it would appear that Helios Towers was already capable of raising significant capital.

4.3.2 Global Partnership for Ethiopia B.V. [67]

The Global Partnership for Ethiopia is a consortium company comprised of BII, Safaricom, Vodafone, Vodacom and Sumitomo that entered the mobile phone market in Ethiopia in 2021. BII made an equity investment of approximately $12 million in 2024. In total, the foreign direct investment (FDI) in Ethiopia for the licence fee was $850 million, and is expected to catalyse $8 billion further investment, making it the largest FDI transaction in Ethiopia's history.[68] BII's PCM in 2024 through the Global Partnership for Ethiopia was approximately $154 million.[69]

BII's Impact Dashboard states that the investment will improve mobile coverage in the country, with a shallow economic effect on all citizens. The investment is part of the liberalisation of Ethiopia's communications market and is expected to result in tens of millions of new customers by 2032. The investment is also notable for ending a monopoly in the Ethiopian telecommunications market, reducing data costs significantly.

BII's additionality comes from the fact that it was willing to make an equity investment - a type of investment that is long term and relatively high risk. It states that there was not sufficient commercial appetite for such an investment from the private sector. Overall, this investment is emblematic of BII's recent mobilisation approach - investing in a familiar sector and market and creating a consortium alongside private companies.

[65] https://www.bii.co.uk/en/news-insight/news/helios-towers-public-listed-bond-co-anchored-by-bii-mobilises-private-capital-of-over-700m-to-support-africas-digital-transformation/
[66] https://www.heliostowers.com/media/plsnfjh0/helios-towers-bond-pricing-23-05-2024.pdf
[67] https://www.bii.co.uk/en/our-impact/investment/global-partnership-for-ethiopia-b-v-investment-04/
[68] https://www.aa.com.tr/en/africa/global-consortium-wins-ethiopias-telecom-license-for-850m/2251286
[69] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html

4.3.3 Altum Credo Home Finance Pvt Ltd[70]

Altum Credo Home Finance is a housing finance company focused on the affordable housing market in India. BII made an equity investment of approximately $4 million in Altum Credo in 2024. This was followed by an equity investment of approximately $20 million in 2025. PCM generated in 2024 was recorded as approximately $128.5 million.[71]

BII's impact dashboard states that the primary impact of its investment is to increase home ownership and construction, with a focus on lower income households and a predominance of female applicants for finance. It also expects to generate significant employment as Altum Credo expands its operations base. However, BII notes that the financial additionality of its investment "is limited given commercial interest and ticket size".[72] This is notable as the presence of financial additionality is largely fundamental to impact claims made by BII. If BII's finance was not legitimately necessary in the overall investment package, it is fair to question whether the PCM generated, or the impacts achieved, are indeed attributable to BII.

5. Private Capital Mobilisation and Institutional Investment

The large majority of current PCM involves the mobilisation of retail investors - private equity funds, commercial banks, and other similar institutions - alongside capital from project sponsors and other sources such as family offices. Less capital is mobilised from institutional investors such as pension funds, insurance companies, and sovereign wealth funds. This is incongruous given the enormous amount of assets held by these companies. The 35 largest insurance companies and pension funds (ICPFs) in the EU managed €6.9 trillion in assets in 2022 yet deployed only €252 billion in EMDEs.[73] The size of the institutional investment market has recently made it a key focus of intensified mobilisation efforts. This section of the report provides an overview of some key innovations in mobilising institutional investment, and reviews recent literature concerning the opportunities and constraints in increasing institutional investment PCM.

5.1 The Institutional Investment Market

Institutional investors cover a range of institutions that own or manage large quantities of assets. Broadly, these may be split into two classes - asset owners such as insurance companies, pension funds, and sovereign wealth funds, and asset managers such as investment funds. While asset owners hold assets directly, asset managers pool capital from other investors (including asset owners) and manage assets on their behalf. When considering the mobilisation of institutional investors, it is also worth distinguishing between institutional investors located in developed economies and those located within EMDEs. The size and scope

[70] https://www.bii.co.uk/en/our-impact/investment/altum-credo-home-finance-pvt-ltd-investment-01/
[71] https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html
[72] https://www.bii.co.uk/en/our-impact/investment/altum-credo-home-finance-pvt-ltd-investment-02/
[73] https://media.odi.org/documents/Working_paper_-_trillions_or_billions-full_text_23.05.pdf

of each of these classes of institutional investor has implications for how they may be mobilised.

The size of the institutional investment market is vast. Within OECD countries, the institutional investment market passed $100 trillion in managed assets in 2019, with the majority held by investment funds, pension funds, and insurance companies.[74] This contrasts with total ODA flows from DAC countries of $214 billion in 2024.[75] Domestic (EMDE) markets are smaller but nonetheless significant. Combined assets of African institutional investors are greater than $1 trillion, representing 40% of the continent's 2024 GDP.[76] Given the size of these markets, the marginalisation of ODA, and the increase in development and climate finance gaps, it is clear to see why policy makers are increasingly looking for ways to channel some of this capital towards development and climate finance investments.

Institutional investors in developed economies hold relatively diversified assets, covering bonds, equities, cash and deposits, collective investment schemes, and other assets. The precise composition varies according to the type of institutional investor and the market they operate in.[77] For example, pension funds invest more heavily in bonds reflecting their long-term investment strategies. While most institutional investors predominantly invest domestically, some have larger international portfolios due to relatively small domestic capital markets. On average, African institutional investors more heavily invest in government securities, reflecting poorly developed local capital markets. Yet, this investment pattern further undermines the development of local capital markets.[78]

5.2 Constraints in Increasing Institutional Investment PCM

Given the size of the institutional investor market, it is perhaps unsurprising that the development community is placing increased emphasis on its potential to help close development and climate finance gaps. However, there are several significant constraints that limit the potential of this type of PCM.

Regulations governing how some institutional investors invest, and what they can invest in, form potentially the biggest barrier to mobilising institutional investment at the scale required to close financing gaps. Institutional investors have a fiduciary duty to best serve their beneficiaries (such as pension holders or insurance policy holders) that may make investment in risky markets challenging. A recent study by ODI found that regulations particularly limited

[74] https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/07/mobilising-institutional-investors-for-financing-sustainable-development-in-developing-countries_a1b1e9a2/6a92704f-en.pdf
[75] https://www.oecd.org/en/data/insights/data-explainers/2025/12/final-oecd-statistics-on-oda-and-other-development-finance-flows-in-2024-key-figures-and-trends.html
[76] https://assets.bii.co.uk/wp-content/uploads/2026/05/12120525/How-DFI-Private-Capital-Mobilisation-Can-Support-Local-Capital-Market-Development-in-Africa.pdf
[77] https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/07/mobilising-institutional-investors-for-financing-sustainable-development-in-developing-countries_a1b1e9a2/6a92704f-en.pdf
[78] https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/africa-capital-markets-report-2025_a973e07d/7d26e1d3-en.pdf

investment choices of insurance companies, while pension funds appeared to be more constrained by behavioural choices.[79]

There arguably also exists a mismatch between the desired investment size of institutional investors and available investment opportunities in EMDEs. While DFIs often make investments that have larger ticket sizes than those made by local retail investors and other institutions such as private equity funds, these investments are still significantly smaller than the types of investments made by large institutional investors. This challenge is not insurmountable - numerous initiatives have shown the potential of pooling DFI assets to market to institutional investors (see profile of SDG Investment Fund below) - but is significant. It is unrealistic to expect institutional investors to co-invest alongside DFIs and other public institutions in the manner of retail investors. Another underappreciated way of allowing institutional investors to funnel capital to development activities is through investment in DFIs themselves. DFIs may issue bonds that can be purchased by institutional investors as a way of raising capital. The Centre for Development Finance Studies argues that "if 70% of an institution's balance sheet is funded through debt sourced from capital markets, there should be no argument that it has successfully mobilised private sector funds".[80] With respect to the UK context, Sam Attridge argues that the UK Government should consider leveraging BII's balance sheet to finance its debt lending in its lowest risk (Growth) portfolio. This would allow BII to expand lending, while retaining ODA capitalisations for higher risk activities including equity investments and investments through its Catalyst and Kinetic portfolios.[81]

In the case of mobilising domestic institutional investors in EMDEs, the principal constraint arguably lies in poorly developed local capital markets. While Africa has 29 stock exchanges, only seven have reached "critical mass" while four - South Africa, Morocco, Nigeria, and Egypt - dominate the overall market.[82] As such, in most countries there are limited opportunities for institutional investors to purchase equities domestically. The picture is similar for local corporate bond markets, with only a handful of countries offering significant investment opportunities. Again, solutions to these barriers exist - both through supporting corporate bond issuances through technical assistance and anchor equity investments, and supporting countries in reforming local capital market regulations.

5.3 Examples of Institutional Investment PCM

Despite the barriers outlined above, there is an increasing number of initiatives and activities that have been successful in mobilising institutional capital. This section highlights some significant cases.

[79] https://media.odi.org/documents/Working_paper_-_trillions_or_billions-full_text_23.05.pdf
[80] https://www.thecdfs.org/wp-content/uploads/TheCDFSShortRead_Mobilisation_10052023.pdf
[81] https://www.cgdev.org/publication/biis-problem-isnt-ambition-its-capital-and-heres-how-fix-it
[82] https://assets.bii.co.uk/wp-content/uploads/2026/05/12120525/How-DFI-Private-Capital-Mobilisation-Can-Support-Local-Capital-Market-Development-in-Africa.pdf

- **Room2Run and Room to Run Sovereign:** The African Development Bank (AfDB) has pioneered risk transfers to mobilise institutional investment. In 2018 the AfDB Room2Run used a synthetic securitisation to transfer $1 billion to investors including global asset manager Mariner, with a guarantee provided by the European Commission's European Fund for Sustainable Development.[83] In 2022, AfDB conducted a risk transfer with four London insurers ($400 million) and FCDO ($1.6 billion).[84] In each case, a combination of pooled assets from an MDB and risk capital from a public institution (European Commission and FCDO respectively) mobilised institutional investment. The effect of each risk transfer was to increase lending headroom on AfDB's balance sheets.

- **SDG Investment Fund:** The Danish DFI Impact Fund Denmark (IFD) (previously called IFU) launched the SDG Investment Fund in 2018. The fund pools IFD capital alongside capital from four Danish pension funds for use in development investments.[85] The SDG Investment Fund is an example of creating a management structure to manage institutional capital across multiple investments. In effect, the fund offers necessary scale to institutional investors in the form of the fund itself, while investing in smaller ticket sizes.

- **Infracredit:** Infracredit is a Nigerian local currency guarantee agency founded by the Private Infrastructure Development Group (PIDG) of which the UK government is a shareholder. Founded in 2017, Infracredit is designed to mobilise Nigerian institutional investors offering access to infrastructure investments. The company has been invested in by two Nigerian pension funds, representing a significant success in supporting development of the local capital market through the creation of a new asset class. PIDG exited investment in Infracredit in 2026.[86]

In sum, the scale of the institutional investment market is truly significant, and even a modest reallocation of the assets it manages towards development and climate objectives would make a meaningful contribution to global goals. Having said that, the constraints on broad reallocation are significant - regulatory and behavioural patterns limit EMDE investment, there exists a mismatch between investment appetite (ticket size and risk profile) and investment opportunity, and local capital markets remain weak. With all this in mind, a heavy dose of realism is required. Institutional investors can make a significant contribution to development financing, but they do not represent a magic bullet. Indeed, research by ODI estimates that European insurance companies and pension funds could allocate up to $120 billion annually within five years. This is meaningful, but it clearly does not close financing gaps on its own. Moreover, the likely recipients of that reallocation are much the same as other forms of PCM -

[83] https://www.afdb.org/en/news-and-events/african-development-bank-mariner-investment-group-and-africa50-price-landmark-1-billion-impact-securitization-18494
[84] https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-united-kingdom-and-london-market-insurers-enter-new-risk-transfer-partnership-climate-action-55664
[85] https://um.dk/media/i5hklrcy/02-sdg-investment-fund.pdf
[86] https://infracredit.ng/about-us/

large emerging markets with established local capital markets and investment grade assets.[87] Ultimately, institutional investment PCM is likely to be "more of the same" in this regard.

6. Recommendations for Reforming the UK's Approach to Private Capital Mobilisation

This chapter brings together the analysis of the previous chapters to develop a series of recommendations for reforming the UK's approach to PCM, and allowing greater understanding, scrutiny, and accountability for civil society. It argues that there is necessity in reframing the narrative around the potential of PCM to address financing shortfalls, particularly with reference to declining ODA contributions. Moreover, transparency of PCM remains a concern, particularly in relation to its impacts and additionality.

6.1 Reframe the narrative

The first recommendation that this report makes is that the UK government reframes the narrative around the role of private sector development and PCM to better capture its potential contribution to development. Analysis in this report has demonstrated that PCM is unlikely to grow at a rate that will make up for decreases in the UK's ODA contributions, let alone make a significantly larger contribution to addressing SDG and climate financing gaps. At a time when FCDO contributions to BII are decreasing, and projected BII commitments are largely stagnating, it is unrealistic to expect PCM to grow substantially.

Moreover, the evidence in this report demonstrates clearly that PCM remains highly concentrated both in terms of sectors and geographies. PCM rates are highest in financial sectors and physical infrastructure - including communications infrastructure. Levels of PCM are exceptionally low in social infrastructure and services, including health, education, and water and sanitation. Geographically, PCM is concentrated in middle income countries that have relatively well-developed capital markets, while LDCs receive approximately 12% of PCM from all donors. The UK performs slightly better in this regard - owing to its specific mandate, BII generates approximately 17% of its PCM in LDCs.

With the above in mind, it becomes clear that increasing PCM cannot represent a like-for-like replacement for traditional ODA flows. PCM is simply not going to address funding gaps in humanitarian or social development in the manner of grant-based financing. It is incumbent on the UK Government to be transparent about the potential costs of relying on private sector development in this regard.

[87] https://media.odi.org/documents/Working_paper_-_trillions_or_billions-full_text_23.05.pdf

6.2 Improve transparency of the GIPs Ecosystem

Much of the rhetoric around the increasing reliance on private sector development and PCM has been communicated through the prism of the Growth and Investment Partnerships. However, there remains a huge amount of ambiguity regarding the role and function of these partnerships. The lack of a central repository of information regarding GIPs, their theory of change, and their impacts severely curtails the ability of stakeholders, including UK civil society, to meaningfully engage with them. Even at the most fundamental level of clearly documenting which countries have signed GIPs, transparency is lacking.

The UK Government should dramatically enhance the transparency of the GIPs programme. At a minimum, a centralised data portal including GIPs partnerships should be created, including data on all active projects that form part of the partnerships. These steps are critical to improve oversight of a programme that is being frequently cited as a key element of the UK's development programming.

6.3 Improve transparency of PCM, Impact, and Additionality

The transparency of the UK's PCM has improved in recent years. The OECD is now able to disclose relatively comprehensive data regarding UK PCM at the project level. This is to be welcomed. However, there remains a lack of transparency around the impacts of much of this PCM, not least in relation to BII investments. While ex-ante impact reporting by BII has significantly improved in recent years - marked by the launch of the impact dashboard and associated impact scores - there remains inadequate transparency of ex-post impact. The recent strategic shift towards better understanding of market-level impacts is justified but must be accompanied by much greater transparency on results and impacts achieved.

The UK reports on the additionality of its private sector instruments through OECD reporting. However, additionality statements are frequently vague and often impossible to verify. At a minimum, BII should make public the additionality screening that forms part of each investment decision. Ideally, BII should be transparent regarding the financial terms and conditions of its investments to allow independent stakeholders to assess financial additionality in light of prevailing market conditions.

6.4 Exercise Caution Around Leverage Ratios

An increased focus on PCM naturally lends itself to setting targets in the form of leverage ratios. While these ratios can be a useful point of analysis, such as in reviewing BII's new strategy, they arguably become problematic when used as general targets. As discussed above, PCM works well (in terms of volume delivered) in very specific contexts. While investment in these contexts may be justified, it should not form the whole of the UK's development offering or its work in private sector development. As BII is asked to increasingly shift operations towards LDCs it should be expected that PCM leveraging is lower in these markets than in middle income countries. This is not a sign of failure.

Additionally, when leverage ratios become targets, the risk of perverse incentives increases. The ability to claim PCM should not be treated as a goal in and of itself, absent of additionality and impact. A situation in which investment is targeted primarily in terms of returning high PCM figures risks forsaking development impacts. If leverage ratios are to be used for targets, these should be specific to their contexts. One approach would be to disaggregate PCM leverage ratio targets to the respective Growth, Catalyst and Kinetic portfolios of BII.

6.5 Use the appropriate tools for the appropriate context

Overall, the UK Government should reaffirm its commitment to using the appropriate development tools in the appropriate contexts. Where there is a demand and potential supply for private investment yet market failures inhibit it, pursuing PCM may be advisable. But all available evidence suggests that this approach is not generalisable across the UK's development activities. Grant financing and multilateral contributions remain critical to the development ecosystem and should remain a key component of the UK's approach. Ultimately, the UK must seek to return to ODA spending at 0.7% of GNI at the earliest possible opportunity and do so using the tools and expertise that are most impactful.

6.6 Leverage British International Investment's Balance Sheet

The UK Government should consider leveraging a portion of BII's balance sheet to finance its lower risk debt activities. At a point when ODA cuts are affecting all sectors of UK development, it seems inappropriate that scarce ODA resources should be used to finance relatively low risk debt investments. Allowing BII to leverage its balance sheet to raise capital could simultaneously reduce ODA capitalisation requirements, while mobilising private institutional investors. Moreover, by leveraging only the lower risk elements of BII's portfolio, it would allow BII to retain its current business model including a significant risk appetite and work in frontier markets.