The need for a more evidence-based and strategic UK approach to private capital mobilisation

Bond briefing, November 2026

Alongside many other 'traditional donor' countries, the UK has long sought to mobilise the private sector in support of global development goals. Since the February 2025 cuts to the UK's Official Development Assistance (ODA) budget, the Labour government has placed renewed focus on private finance as a key component of the UK's development offer. Under the former Minister for Development, Baroness Chapman, the UK government announced a new approach built around four shifts from 'donor to investor', 'grants to expertise', 'service delivery to system support' and 'international interventions to local leadership'. Together, these shifts put private finance and expertise at the heart of the Foreign, Commonwealth and Development Office's (FCDO) development and climate work: both in what the UK plans to deliver and how it intends to deliver it.

This paper sets out evidence on the need for a new approach to private finance and private sector engagement. It then proposes five principles to guide the UK's use of private finance and private sector engagement in development and concludes with recommendations for how the UK can practically build an approach grounded in these principles.

Since becoming prime minister, Andy Burnham, alongside incoming ministers across departments, has made a commitment to address the systems that have failed to produce a better life for ordinary people, and to consider the needs of communities that have been left behind by 40 years of neoliberalism. Next year, the UK will host a G20 within which the Finance Track is expected to dominate, and for which the UK government has identified private capital mobilisation (PCM) as a possible focus. Making meaningful changes to the way PCM is approached within this government's G20 agenda and beyond – and demonstrating a robust plan to ensure that PCM actually delivers for the people who need it most – is a historic opportunity for this government to realise the commitments it has made.

Against the backdrop of severe cuts to global aid budgets, PCM is increasingly presented as the principal answer to development and climate financing gaps. As a result, much of the UK and global development finance debate now centres on incentivising investments to attract private partners and mobilise larger sums of capital for development and climate objectives. This is despite widespread agreement that the Billions to Trillions agenda – the strategy of using billions in public finance to unlock trillions in private finance – has failed to deliver on its ambitions over the last decade.[1] The response has often been to focus on removing barriers to PCM, rather than asking in which contexts PCM has contributed to longer-term sustainable development and poverty reduction, where and why it has failed to do so and how mobilisation will meaningfully contribute to economic transformation.

It is important to address genuine investment barriers, particularly where private capital can be stretched to enter more challenging markets. However, as this briefing will show, private capital mobilised by the institutions of the UK[2] and other donor countries is unlikely to emerge at the scale anticipated to make a significant difference for the countries and sectors that most need resources. It also argues that, for much of the UK's most urgent development

[1] Gill, I., World Bank, (11 December 2024), 'For developing economies, the finance landscape has become a wasteland' [online blog, accessed November 2026], Voices, World Bank Blogs, Washington DC.

[2] In this report, UK institutions refers to British International Investment, the Foreign Commonwealth and Development Office, the Department for Energy and Climate Change, the Prosperity Fund, Mobilising Institutional Capital Through Listed Product Structures (MOBILSIT), the Department for Business Energy and Industrial Strategy, FDS Africa, the UK-India Tech Start-up Fund and the Department for Environment Food and Rual Affairs. In its push to increase PCM, the UK government frequently cites the Private Infrastructure Development Group (PIDG). However, PIDG's PCM figures are not attributable to the UK; rather they are recorded as multilateral contributions and thus not included in this analysis.

priorities such as climate change, health, education, gender equality and humanitarian work, private finance is often not the right tool for the job. The OECD's 2025 fragility assessment shows that 2 billion people live in contexts with high and extreme fragility. This equates to25% of the world's total population, but 72% of all those who live in extreme poverty – possibly rising to 92% by 2040. How private finance fits into this wider context of rising conflict, fragility and humanitarian needs currently remains unclear.

To address this, the UK needs to take a more nuanced, evidence-based and targeted approach to private finance and private sector engagement on development and climate. The focus needs to shift from the volume of finance mobilised to the quality, additionality and development impact of that finance. There is insufficient evidence that private sector development achieves its stated impacts and delivers meaningful outcomes for sustainable development.[3] Yet there is significant evidence of the harms caused by this form of development assistance.[4]

With public resources already stretched by UK aid cuts, the government must be clear-eyed and transparent about the trade-offs of using ODA to de-risk private investments. The UK should be clear about where private finance is appropriate and where public finance is indispensable in meeting global development and climate objectives. It should demonstrate, with greater specificity, that it is choosing the appropriate financing tool for each context. This would involve utilising evidence on what has worked – and what has not – to guide decisions on when to deploy private finance approaches, as well as clear ring-fencing for areas which can only be properly resourced through public funds.

If the UK wants to support PCM in partner countries, it must do more to fix the broken economic system that facilitates the outflow of capital from these countries, and it must recognise the connection between private finance-first approaches and the global debt crisis. High debt servicing is preventing governments from paying for essential social services – the same services that private finance is least likely to reach. The UK has an outsized role to play in shaping global economic policy, and the UK government must step up to champion debt reform and relief.

Bringing debt servicing costs down to a more sustainable share of government revenue could, on one modelled estimate, mean 11 million more people access clean water, 23 million more access basic sanitation, 3 million more children go to school and 250,000 new teachers are recruited.[5] This is enough to not only offset but reverse the impact of recent UK aid cuts, and produce net gains.

1. Why is a new approach to private capital mobilisation needed?

The Billions to Trillions agenda, endorsed at the Third International Conference on Financing for Development in 2015 and since promoted by the World Bank, is widely agreed to have failed.[6] Premised on the idea that ODA alone would be insufficient to fill growing development finance gaps, the ask was to use more public funding to de-risk investments and 'crowd in' (increase) private finance in developing countries. In turn, this was expected to drive growth, create jobs and support wider sustainable development and climate change goals.

However, private finance did not emerge on the vast scale anticipated, and public finance did not leverage private finance on the ratios expected. Where capital has flowed, it largely has not reached the countries most in need of

[3] United Nations 4th International Conference on Financing for Development, (2015), 'Outcome Document: Sevilla Commitment (Compromiso de Sevilla) Adopted' [webpage accessed November 2026], FFD4, Seville; Oxfam International, (25 June 2025), 'From Private Profit to Public Power: Financing Development, Not Oligarchy' [online media briefing, accessed November 2026], Oxfam, Nairobi; ActionAid International, CONCORD Europe and the European Network on Debt and Development, (2026), *Blended finance and the illusion of development*, Action Aid, Johannesburg.

[4] Oxfam, (26 June 2023), 'Private healthcare providers in developing countries get UK aid investments but are excluding, and exploiting people in poverty' [online media release, accessed November 2026], Oxfam, Oxford; Global Justice Now, (2020), *Doing more harm than good: Why CDC must reform for people and planet*, GJN, London.

[5] Bond, (2026), *Bond briefing on the UK's 2027 G20 presidency*, Bond, London.

[6] Gill, I., World Bank, (11 December 2024), 'For developing economies, the finance landscape has become a wasteland' [online blog, accessed November 2026], Voices, World Bank Blogs, Washington DC.

finance. This has resulted in concessional finance[7] being used to subsidise private sector participation in low-risk deals, instead of reaching the lowest-income and the most fragile countries.[8] Studies have raised concerns about the impact of the Billions to Trillions agenda on narrowing the developmental role of the state[9] and transferring risk onto public sector bodies and multilateral development banks (MDBs).[10]

Private finance lending has also put a huge debt burden on countries. Ultimately, countries pay out more to private creditors in debt servicing than they receive in net flows. Since 2022, private lenders have extracted over US $141bn more in debt-service payments from developing economies than they have lent. Thirty-two African countries spend more on external debt payments to private creditors, including wealthy banks and hedge funds, than they do on their health and education systems.

A credible UK approach must address the wider structural constraints on public finance, particularly unsustainable debt burdens, while applying the lessons of the past decade. This evidence should inform a vision for a more responsible and realistic role for private finance; one which recognises its limits, targets where it can add value and complements rather than diverts essential public finance. There is renewed global debate on the role and importance of both industrial policy and sovereignty, makes it critically important to better understand the opportunities and limitations foreign private creditors bring.

2. Resetting expectations for the scale of private capital mobilisation and what funding can achieve

The evidence is clear that private capital is generally mobilised in very specific geographic and sector contexts. The latest data reported to the OECD shows that the UK mobilised almost US $9.4bn in private capital through its development cooperation in the five-year period between 2020 and 2024. Much of this capital – approximately US $6.1bn – was mobilised by BII.[11][12]

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%. In 2024, BII attributed PCM in only 11 countries. PCM was heavily concentrated in lower middle-income countries (LMICs), totalling US $3.4bn from 2020 to 2024. PCM in least developed countries (LDCs) totalled approximately US $1.2bn, while PCM for upper middle-income countries (UMICs) was approximately $480m.[13]

This is not just the case for BII. Global trends show that PCM is heavily concentrated in middle-income countries (MICs). LMICs and UMICs accounted for 50% of total PCM in 2024 (latest OECD data). Only 12% of PCM was generated in LDCs, while 38% of PCM was unattributed.[14] Globally, LDCs account for a relatively small share of PCM, which is largely explained by the relative lack of financeable companies and projects in these economies. This shows that BII's trends are broadly consistent with other PCM providers, suggesting this approach is largely intractable.

[7] Concessional finance is funding provided by public institutions, development banks or philanthropic donors on more favourable terms than standard market rates.
[8] Romero, MJ. and Argueta, B., (2026), *The failed Billions to Trillions experiment: what comes next?*, European Network on Debt and Development (Eurodad), Brussels.
[9] Gabor, D., (26 March 2021), 'The Wall Street Consensus', *Development and Change*, 52: 429-459.
[10] Gill, I., World Bank, (11 December 2024), 'For developing economies, the finance landscape has become a wasteland' [online blog, accessed November 2026], Voices, World Bank Blogs, Washington DC.
[11] The FCDO accounted for approximately 28% of the total, while seven other departments and programmes accounted for the remaining 7%. By 2024, the number of UK institutions contributing to PCM had fallen to five, with BII now accounting for 75% of the total, while the FCDO accounted for 17% and MOBILSIT accounted for 6%. Given the predominant role played by BII in the overall picture of UK PCM, the UK-specific data in this section focuses solely on BII's data, which is largely representative of the UK PCM context.
[12] Publish What You Fund (2026), 'Briefing: The UK's Approach to Private Capital Mobilisation'
[13] Ibid.
[14] Ibid.

Our analysis adds to the vast body of evidence showing that many of the social sectors critical to development – e.g., social infrastructure and services, education, water supply and sanitation – receive vanishingly small amounts of private finance. BII's mobilisation in the five years between 2020 and 2024 is dominated by three sectors: communications (approximately US $1.9bn), banking and financial services (approximately US $1.5bn) and energy (US $825m). Taken together, these sectors account for 71% of BII's PCM. No other sector accounts for more than 4%. The choice of sectors is unsurprising, given that these three sectors dominate BII's portfolio of commitments; together, they represent 80% of BII's active portfolio and 83% of its 2024 commitments.[15]

Similarly, OECD data shows that five sectors account for 85% of all PCM generated globally 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 education, health and population and water supply and sanitation, account for only 6% of total PCM in that period. This shows that PCM is mobilised in sectors 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.

Setting aside the question of whether it is desirable for the private sector to be investing in social sectors, this analysis clearly demonstrates that it is not doing so at a truly significant scale in social sectors. PCM has largely proven not to be a solution for funding essential social sectors and services. This means that these sectors will continue to face funding shortfalls, given the squeeze on public budgets across many countries and the compounding challenges of debt servicing and ODA cuts.

This analysis shows that PCM (including institutional investment, see below) will not replace public finance (including ODA) to fill the UK's development and climate financing gaps. At the most optimistic end of the range, BII's PCM is projected to increase by £600m a year.[16] However, between 2023 and 2025, UK ODA has decreased by over £2bn, with further reductions planned. Even setting aside the fact that PCM is not a like-for-like replacement for traditional ODA spending, it is clear that the private capital mobilised by BII will be incapable of filling the funding gap.[17]

Donors are increasingly acknowledging the contexts in which PCM is most successful and the overall level of private capital that can realistically be mobilised. For example, BII has been clear on the need for realistic expectations around PCM, given that BII's investment approach is demand-driven and the fact there are fewer investment opportunities in lower-income countries (LICs). Private-led project origination is biased towards projects in sectors deemed commercially 'bankable', often favouring initiatives that will generate returns above developmental impact. This undermines the state's ability to direct investment toward economically transformative or high-risk sectors.[18]

This analysis demonstrates why the UK government must be more transparent and frank about the cases where private finance can add real value, and the limits of its role in countries with the most significant constraints to these flows. It also makes clear the need to reform the rules of the global financial system so that domestic resources can be mobilised to fund the sectors critical to social, economic and climate justice goals, as has been well established.[19.] Conflict, climate change and humanitarian needs are escalating. This makes public finance even more important, and likely to become more so in the coming years.

[15] Ibid.
[16] Ibid.
[17] It should be noted that BII does not see its role as providing replacement funding for the ODA programming that has been cut. Rather, we are drawing attention to a mismatch between the rhetoric and what will be possible, given the UK's wider ODA budget constraints.
[18] Mazzucato, M. and Vieira de Sá, R., (2025), *Mind the Mission, Not the Gap: Rethinking blended finance for public purpose*, The Institute for Innovation and Public Purpose at University College London, London.
[19] Oxfam International, (25 June 2025), 'From Private Profit to Public Power: Financing Development, Not Oligarchy' [online media briefing, accessed November 2026],

2.1 A long road to leveraging institutional investment

Much attention is being paid to opportunities that will better leverage institutional investment. The size of this market is vast. Within OECD countries, the institutional investment market passed US $100tn in managed assets in 2019, with the majority held in investment funds, pension funds and insurance companies. Institutional investment markets in emerging markets and developing economies (EMDE) are smaller but nonetheless significant. Combined assets of African institutional investors are greater than US $1tn, representing 40% of the continent's GDP.[20] Given the size of these markets, it is increasingly clear to see why policymakers are looking for ways to channel some of this capital towards development and climate investments.

However, experts have been clear that while more can be done to leverage institutional investors, the scale of the barriers for doing so should not be underestimated.[21] Constraints on broad reallocation are significant– regulatory and behavioural patterns limit EMDE investment, there is a mismatch between investment and appetite (ticket size and risk profile) and investment opportunity, and local capital markets remain weak. This calls for a heavy dose of realism. Institutional investors can make a contribution, but they do not represent a magic bullet. Moreover, the recipients of any potential reallocation are likely to be those that benefit from other forms of PCM; namely, large emerging markets that have established local capital markets and investment-grade assets. Ultimately, institutional investment is likely to be more of the same in this regard.

3. Why the focus should be on quality, additionality and impact, not volume

Beyond evidence that PCM will not emerge on the scale anticipated, there is much debate about the quality and effectiveness of private finance. Experts are clear that mobilising finance is not the same as delivering development impact, and that there is an urgent need to shift focus from mobilisation volumes to development outcomes.

While transparency around PCM has improved in recent years, impact data is still lacking.[22] We rely on portfolio and sector evaluations to understand impact, but investment-level ex-ante and ex-post (before and after) data remains opaque. BII reports impact at a portfolio-level across a range of indicators, including jobs supported and taxes paid by investee companies, both of which are central issues to the private sector development theory of change. In 2024, BII investees employed over 1 million people, including approximately 82,000 newly employed workers, and paid US $2.5bn in tax. However, this data is unattributed: BII does not claim the full impact, but nor does it apportion impact according to the scale or nature of its investments. This makes it difficult to draw a clear line from BII investment and PCM to specific development outcomes. In a 2023 review, the International Development Committee (IDC) similarly noted that 'in some cases, BII investments have tenuous links to development impact'.[23]

With PCM being promoted as a leading tool for financing development and climate action, there is growing awareness of the need to consider impact beyond mobilisation volumes and broad portfolio-level indicators to consider more fundamental questions about PCM's contribution. There are questions that are fundamental to assessing the impact of PCM which mobilisation volumes cannot tell us, including what these financial interventions achieve and for whom, whether they strengthen or weaken domestic institutions and markets and whether they could have happened without public intervention. The answers to these questions should not be left to portfolio evaluations or ex-post assessments; they should underpin the entire strategy for determining where, when and how to use private finance approaches and instruments. They are also fundamental to knowing whether the UK

[20] Publish What You Fund (2026), Briefing: The UK's Approach to Private Capital Mobilisation.
[21] Attridge, S., Getzel, B., Gregory, N., (2024), 'Reassessing the potential for European institutional investment in emerging markets and developing economies', ODI, London.
[22] Forster, G., (5 March 2026, 'Hype vs evidence: What do we really know about the building blocks of the future development finance landscape' [online blog, accessed November 2026], Publish What You Fund, London.
[23] International Development Committee, (June 2023), 'Investment for development: The UK's strategy towards Development Finance Institutions' [online inquiry page, accessed November 2027], UK Parliament, London.

government is spending its severely constrained ODA budget well and achieving 'value for money' for the British public and the communities ODA is meant to serve.

To establish an approach to PCM that has development impact at its core, the lessons from private finance interventions to date must be acknowledged and built on. At best, these lessons suggest there is insufficient evidence that private sector development achieves its stated impacts and delivers meaningful outcomes for sustainable development.[24,25]

3.1 Additionality

A core aspect when assessing PCM impact is additionality[26]. Additionality is fundamental because it defines the boundary between legitimate public intervention and the mere substitution of private capital. Additionality is key to preventing development finance institutions (DFIs) from 'crowding out' private investment. BII currently publishes additionality statements as part of its OECD reporting. However, these 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. BII should be transparent regarding the financial terms and conditions of its investments so that independent stakeholders can assess finance additionality against prevailing market conditions.

Without clarity on the type of development impact PCM should work to deliver, increasing focus on PCM may create the wrong incentives. There is a risk that scaling private investment may be treated as an impact in and of itself, and development institutions may be incentivised to prioritise this over more tangible development outcomes that serve communities and deliver public goods. Experience and evidence show that high mobilisation ratios are easiest to achieve in safer, more commercially attractive environments, typically in MICs or established sectors where private investors are already active. Setting unrealistic mobilisation ratios creates an incentive to back lower-risk projects that are likely to proceed anyway. This inflates mobilisation figures but weakens additionality. A narrow focus on leverage can also result in projects being rejected in the places and sectors where development impact would be greatest or climate action is most needed but mobilisation is hardest. Leverage ratios are also a poor proxy for impact. They say nothing about job quality, environmental sustainability, inclusion or long-term structural change.

3.2 Risk: weighing the trade-offs

PCM tools, such as guarantees and first-loss instruments, do not actually share risk – they transfer it. By design, public and concessional capital absorb losses first, while private investors keep the safer position and all of the upside if the deal succeeds. This means gains stay private and losses default to the public. Moreover, under such a structure, there is a high risk of mispricing. This happens when a private investor's actual exposure to loss drops substantially, but they negotiate a high-risk adjusted return benchmarked to what a commercial investor would demand for taking on emerging-market/country risk unassisted.[27] The true cost of the derisking subsidy is rarely disclosed, so it is not possible to assess whether the subsidy was actually worth it. These derisking mechanisms are

[24] United Nations 4th International Conference on Financing for Development, (2015), 'Outcome Document: Sevilla Commitment (Compromiso de Sevilla) Adopted' [webpage accessed November 2026], FFD4, Seville; Oxfam International, (25 June 2025), 'From Private Profit to Public Power: Financing Development, Not Oligarchy' [online media briefing, accessed November 2026], Oxfam, Nairobi; ActionAid International, CONCORD Europe and the European Network on Debt and Development, (2026), *Blended finance and the illusion of development*, Action Aid, Johannesburg.

[25] Oxfam, (26 June 2023), 'Private healthcare providers in developing countries get UK aid investments but are excluding, and exploiting people in poverty' [online media release, accessed November 2026], Oxfam, Oxford; Global Justice Now, (2020), *Doing more harm than good: Why CDC must reform for people and planet*, GJN, London.

[26] Additionality refers to whether an investment leads to outcomes that would not have occurred in the absence of public support.

[27] Sierra-Escalante, K., Karlin, A., Lauridsen, ML., (2018), *Blended Concessional Finance: Scaling Up Private Investment in Lower-Income Countries, EM Compass; Note 60*, International Finance Corporation, World Bank, Washington DC; United Nations Department of Economic and Social Affairs, (12 April 2021), 'UN/DESA Policy Brief #100: Effective blended finance in the era of COVID-19 recovery' [online policy brief, accessed November 2026], UN, New York.

meant to be temporary but in practice this rarely happens, leaving some deals permanently dependent on public support.

Risk transfer matters for additionality because any subsidy beyond what was needed to attract the private investor buys nothing additional, it simply raises the private investor's return at the public's expense. The UK should require the grant equivalent of every derisking instrument it backs to be disclosed. It should also apply a minimum-concessionality test so private investors' returns are repriced down to reflect the risk they actually retain rather than the unassisted market rate, and it should set clear end dates to prevent open-ended subsidy dependency.

Five principles for evidence-based, impactful private capital mobilisation

1. Make impact the guiding principle for the UK's approach to private capital mobilisation

Impact must be the priority for the UK's approach to PCM. How private finance contributes to partner countries' equality, social and climate justice goals needs to be clearly set out and reported on. Private finance institutions and programmes should not receive UK ODA money unless they can transparently demonstrate tangible development impact based on an evidence-based theory of change.

The perceived need to mobilise greater volumes of capital and remove the barriers to doing so is dominating the development finance conversation. However, mobilising capital is not the same as delivering development impact. The most important questions are what these financial interventions achieve, for whom, whether they strengthen domestic institutions and markets and whether these impacts could have happened without public intervention. The answers to these questions should not be left to portfolio evaluations or ex-post assessments; they should underpin the entire strategy on where, when and how to use private finance approaches and instruments. These questions are also fundamental to knowing whether the UK is spending its severely constrained ODA budget most effectively.

2. Improve the transparency of the UK government's use of public finance and other interventions to promote PCM

Any private investment that is part of the UK government's international development portfolio must be completely transparent. Making private development operations fully transparent is critical to ensuring that scarce ODA resources and other interventions are used in as impactful and efficient manner as possible, that activities and institutions are accountable to the UK taxpayer and local communities, and that the activities help to build resilient and sustainable markets while not crowding out private investment.

3. Bolster the role of the state as the key driver of development and structural transformation

The ways in which the UK approaches and delivers using private finance should clearly contribute to partner countries' development and climate plans. This can be done by designing investment approaches that strengthen state capability and institutions, expand policy space and bolster the role of the state as the key driver of development and structural transformation. Investment approaches should also include appropriate incentives for the FCDO staff responsible for delivering private finance activities.

A different approach will be needed in highly fragile or conflict affected settings, especially where governments are parties to conflict and where private investment is an integral part of the economy of war. In many of these contexts, it would be inappropriate to contribute to state plans or expand state capabilities without significant improvements to domestic and international accountability mechanisms.

4. Ensure UK and partner activities adhere to responsible business practices

Businesses that receive UK public finance should have a duty to take all reasonable steps to prevent human rights and environmental harm across subsidiaries, financial intermediaries and value chains. They must do so by conducting human rights and environmental due diligence (meaningfully engaging with rightsholders throughout) and remedying any harms that occur. This must be accompanied by public disclosure, independent access to justice for victims of harm, and accountability for non-compliance. Where harm occurs, the burden must be on the business to show that it took all reasonable steps to prevent it.

It should be mandatory for BII and any other public bodies providing financial and other support to businesses to conduct mandatory human rights and environmental due diligence and establish an independent accountability mechanism (IAM) so people and communities harmed by any project connected to the UK government can bring cases. The IAM should operate independently, in a transparent manner, and maintain a registry of cases. Its availability must be clearly communicated to the people and communities being supported by development activities, including before a project starts.

These recommendations are aligned with the campaign for a Business, Human Rights and Environment Act.[28]

5. Fix the global economic system

If the UK wants to support PCM in partner countries, it must do more to fix the broken economic system that facilitates the outflow of capital from these countries through high debt-servicing costs, tax loopholes and illicit financial flows. The UK has an outsized role to play in shaping global economic policy, and the UK government must step up to champion debt reform and relief, support efforts to establish an inclusive and sustainable global tax framework at the UN and introduce new measures to end global tax abuse and profit-shifting. Until there is urgent action to address the systemic drain of resources from low-income countries to high-income ones, partner countries will not be able to engage in private finance partnerships on equal footing.

Conclusion

The UK needs a more nuanced approach to PCM that better captures its potential contribution to development. Our analysis shows that PCM will not make up for decreases in the UK's ODA contributions, let alone make a significantly larger contribution to addressing development or climate financing gaps. Moreover, our evidence shows that PCM remains highly concentrated both in terms of sectors and geographies.

With this in mind, it is clear that private capital cannot represent a like-for-like replacement of traditional ODA flows. PCM is simply not going to address – and often should not be used to address – funding gaps across social sectors and in humanitarian settings and fragile and conflict-affected states (FCAS).

Public finance, more broadly, is indispensable in delivering sustainable economic transformation, providing public services and building climate resilience. As such, it should remain foundational to the UK's approach to development – alongside global financial reform – to enable domestic resource mobilisation. It is incumbent upon the UK to be transparent about the limitations of private finance for development in this regard and set out with greater clarity and specificity the geographies, sectors and communities that public and private finance are able to respectively serve.

The success of the UK's new approach to international development, and its ability to build long-term, equitable partnerships globally, depends on getting this right. Partner countries are not only looking for access to capital, but

[28] Corporate Justice Coalition, (18 June 2026), 'How does a Business, Human Rights and Environment Act work?' [online briefing, accessed November 2026], CJC, London.

also for partners who can secure quality finance that aligns with regional, national and sub-national economic transformation and climate goals.

If the UK wants to support PCM in partner countries, it must do more to fix the broken economic system that facilitates the outflow of capital from these countries and recognise the connection between private finance-first approaches and the global debt crisis. The need to service high debts is preventing governments from paying for essential social services – the same services that private finance is least likely to reach. The UK has an outsized role to play in shaping global economic policy, and the UK government must step up to champion debt reform and relief.

Bringing debt servicing costs down to a more sustainable share of government revenue could, on one modelled estimate, mean 11 million more people access clean water, 23 million more access basic sanitation, 3 million more children go to school and 250,000 new teachers are recruited.[29] This is enough to not only offset but reverse the impact of recent UK aid cuts, and produce net gains.

Recommendations

1. Set out a strategy

Set out a strategy for how private finance will be used to further social, economic and climate justice and the mechanisms it will put in place to avoid repeating the shortcomings of the past.

A public finance-first approach is essential to delivering this government's commitments, at home and abroad. Public finance is the tried-and-tested means for helping to deliver sustainable economic transformation, providing public services and building climate resilience. Limited grant-based ODA remains essential for responding to urgent needs in humanitarian and FCAS settings. The UK government must find ways to generate the new public finance needed for climate action by fairly taxing the largest polluters. This is essential for ensuring grant-based finance remains the backbone for achieving the UK's International Climate Finance commitment.

The UK government must set out with greater specificity how private finance complements this approach and how it will contribute to global development and climate objectives in the long-term. Although these elements are interconnected, a strategy should lay out the following:

1.1 The right tool for the right context: The strategy should set out how the UK government intends to use and target the private financing tools at its disposal, in which contexts and what evidence is guiding day-to-day decision-making. The government should also set out what mechanisms it has put in place to avoid repeating the shortcomings of private finance in the past.

1.2 Impact approach: Crucially, the strategy should set out the UK government's theory of change for private finance, and how it plans to approach and measure the development impact of its various financing instruments and activities. The strategy should set out a plan for regular investment-level independent assessments and the criteria for these reviews.

1.3 Strategic coherence and coordination: The strategy should set out how the UK government intends to assure strategic coherence and coordination across the UK's ODA implementing agencies and financing tools.

1.4 Commission and publish a review of PCM impact: The strategy should be informed by a review of the evidence and lessons learned in PCM to date. The review should harness evidence on where and how private finance can add value and set out with greater clarity how private finance will be targeted moving forward. A review must grapple with questions about the development impact of private finance activities which currently remain unanswered, including:

[29] Bond, (2026), *Bond briefing on the UK's 2027 G20 presidency*, Bond, London.

- What can these financial interventions achieve and for whom?
- Do private finance activities strengthen domestic institutions and build local markets?
- How can private finance activities better align with national climate and industrialisation plans?
- Could these activities have happened without public intervention?

The answers to these questions should shape UK strategy from the outset. They should also more clearly guide decision-making to ensure that scarce UK ODA is prioritised for the countries, communities and issues with the greatest need and fewest alternative sources of finance.

1.5 Assessment of the additionality of the UK's PCM activities: To help answer the questions above, a review should include an assessment of the additionality of the UK's PCM activities. Currently, the additionality of UK private development investments is disclosed through the OECD. However, this data is limited and the framework for assessing additionality is broad. More robust and transparent approaches to measuring additionality are critical steps to take to establish a PCM approach that focuses on quality and impact over leveraging targets.

In a review of the UK's approach to DFIs, the IDC recommended that the UK government look to strengthen its process for assessing additionality to ensure all future investments can be demonstrated as being additional. This recommendation has not been acted on. The continued use of limited UK ODA resources for PCM should be contingent upon the government demonstrating, and transparently reporting on, additionality.

Given the demand for concessional, grant-based finance to meet urgent climate, development, FCAS and humanitarian needs, the government should look to reallocate scarce UK ODA resources back to the areas where it cannot demonstrate additionality in its PCM activities.

1.6 Clarify the role of Growth and Investment Partnerships: The UK should dramatically enhance the transparency of the Growth and Investment Partnerships (GIPs) programme. Much of the UK's rhetoric around increasing reliance on private sector development and PCM has been communicated through the prism of GIPs (formerly British Investment Partnerships or BIPs).

However, there remains a huge amount of ambiguity regarding the role and function of these partnerships, and publicly available information on this is lacking. The absence of a central repository of information regarding GIPs, their theory of change and their impact severely curtails the ability of stakeholders, including civil society, to meaningfully engage with them. Even at the most fundamental level – of clearly documenting which countries have signed GIPs –transparency is lacking.[30]

The IDC has already called for a strategy to guide the work of BIPs (now GIPs). Despite the UK government agreeing with the recommendation, this strategy has not yet materialised. Given the scaling of GIPs, the need for clarity is now even more important to ensure strategic coherence, the effective coordination of actors within GIPs and – crucially – to set out how GIPs help deliver impact.

A strategy should outline the roles and objectives of each of the instruments and tools employed in GIPs, and the governance mechanisms needed to ensure a high level of transparency, accountability and maximum development impact. There should be greater clarity over how GIPs are resourced, and what the contribution of UK ODA would be. At a minimum, a centralised data portal that includes GIPs should be created, and this should include data on active projects that form part of these partnerships. There should be greater transparency on how GIPs contribute to the national structural transformation and climate priorities of specific partner countries, given their prominence as a tool for bilateral cooperation. These

[30] At time of writing, we understand that GIPs are currently active in South Africa, India, Pakistan, Indonesia, Uganda, Tanzania, Zambia and the Philippines, with further work under way to launch partnerships in Vietnam, Ghana, Ethiopia, Egypt, Kenya, Nigeria, Bangladesh and Brazil.

steps are critical to improving oversight of a programme that is being cited as a key element of the UK's development programming.

2. Improve transparency

2.1 Impact transparency: The UK government should mandate that all of its private development investments, including through BII, the Private Infrastructure Development Group (PIDG), MOBILIST (Mobilising Institutional Capital Through Listed Product Structures) and the FCDO, disclose ex-post results.

Private sector activities typically have much lower levels of impact transparency than their public sector counterparts. This makes it impossible to ascertain whether the use of funds is impactful and efficient. The disclosure of ex-ante impact assessments has improved in recent years, but this has not been followed by the publication of ex-post results. While this will not entirely solve the question of impact in private sector development, disclosing ex-post results would mark an important step in the right direction.

2.2 Pricing transparency: The UK government should implement pricing transparency for all private development investments by requiring its private development institutions, including BII, MOBILIST and PIDG, to disclose pricing data for their investments.

Financial additionality - the idea that public investment in private sector activities should not crowd out private investment - is a cornerstone of private development. Yet without granular pricing data, it is impossible to ascertain whether UK private development institutions are truly additional. Disclosure of pricing data, including reference rates, specific basis points, loan grace periods and amortisation periods, would go a significant way towards assuring additionality and ensuring investments are good value for money. The Brazilian Development Bank is raising the bar in this regard by publishing comprehensive pricing information for its loans, including reference prices, grace periods and amortisation periods.

2.3 Contract transparency: The UK government should enforce contract transparency for all private development investments at financial exit by requiring its private development institutions, including BII, MOBILIST and PIDG, to disclose investment contracts for all activities at the point of financial exit.

UK private development activities utilise public funds yet do not require contracts to be published. Publishing contracts would improve accountability, protect against corruption and help to ensure that UK development finance is being used effectively and efficiently. Reflecting commercial confidentiality concerns in private development, contract transparency should be mandated at the point of financial exit, when such concerns are likely to be lower. Allowances for redactions of personal information and other sensitive information could be considered.

3. Standardise environmental and social standards

3.1 Align environmental and social disclosure with leading MDB practice: Ensure UK private sector investments follow the same standards of environmental and social disclosure as leading MDBs of which the UK is a shareholder. The UK government should mandate that its private sector development institutions, including BII, PIDG and MOBILIST, publish environmental and social (E&S) documentation in line with MDB best practice.

Bilateral DFIs and private sector development institutions currently fall far behind MDBs' E&S transparency standards. In particular, BII does not publish E&S documents, such as environmental and social impact assessments and stakeholder engagement plans, for any of its investments. UK-owned institutions should follow best practices of the MDBs of which the UK is a shareholder. This would involve, at a minimum, publishing E&S documentation for all high-risk, and some medium-risk, investments. Recognising the right to information of the people and communities receiving development and humanitarian support, UK-owned institutions should ensure all relevant E&S documentation produced for investments is disclosed.

3.2 Establish and enforce an independent accountability mechanism: The UK government should mandate that BII, and any other public bodies providing financial and other support to businesses, conduct human rights and environmental due diligence and establish an independent accountability mechanism (IAM). IAMs are critical institutions that allow people and communities adversely affected by an institution's activities to seek recourse. The IAM should operate independently and transparently and maintain a registry of cases. Its availability must be clearly communicated to the people and communities receiving development and humanitarian support, including before the project starts.

BII is notable among major bilateral DFIs as lacking an IAM (the US's International Development Finance Corporation has an IAM, while France's Proparco, the Netherlands Development Finance Company and the German Investment and Development Company have a joint IAM). As such, people and communities receiving development and humanitarian support must rely on BII's internal complaints mechanism, which is not truly independent of management. Historically, BII has been involved in a number of investments that have caused significant harm, including the Feronia palm oil plantation in the Democratic Republic of Congo. Yet in each case the people and communities affected were unable to independently seek recourse for the harms caused.

To that effect, there must also be clear obligations for public bodies to take all reasonable steps to prevent harm to people, communities and the environment, including by conducting human rights and environmental due diligence. This is aligned with the campaign for a Business, Human Rights and Environment Act.

4. Champion transparency improvements for MDBs

The UK government should use the opportunity presented by its upcoming G20 presidency to require MDBs to make meaningful improvements to their transparency by: (i) disclosing granular PCM data for all investments, (ii) disclosing contracts for all project finance investments, (iii) disclosing the subsidy size and deal structuring for all blended finance investments. A timetable for each aspect should be set out.

PCM continues to dominate the strategies of MDBs and DFIs. At the same time, the new MDB joint methodology has set out an approach for calculating PCM in a manner that will likely result in larger volumes of PCM being claimed. Disclosure of project-level PCM data is critical for understanding the impact of private sector development and demonstrating what tools are most effective for mobilising private investment, and in what contexts. Yet MDBs' disclosure of PCM data is still limited to various levels of aggregation. This now contrasts with numerous bilateral DFIs, including BII, which disclose granular data through the OECD.

Transparency of investment structuring and pricing is key to effectively crowding private investment into EMDEs. Multiple initiatives are currently seeking to understand this information, but they rely on non-disclosure agreements and can only publish data in anonymised and aggregate form. Improved visibility of pricing and project finance structuring would provide market intelligence and insights into expected risks and returns for similar projects. This, in turn, would improve the targeting of private capital and support successful approaches to be replicated. Project finance contracts should not require the same levels of commercial confidentiality that may be expected for corporate finance investments.

Public and philanthropic capital are being used in blended investment structures alongside MDBs' own account capital to direct MDB investments towards higher risk activities and to mobilise private capital. However, there is insufficient transparency around the level of effective subsidy provided and the structuring of blended finance deals to understand whether these investments represent value for money, particularly in the context of scarce resources.

5. Fix the global financial system

The UK government should introduce debt justice legislation requiring private creditors operating under English law to participate fairly in sovereign debt restructurings and share losses alongside other creditors.

The government should use the UK's G20 presidency to introduce ambitious reforms to the G20 Common Framework so that debt relief is deeper, faster and more sustainable. Debt payments should be suspended while negotiations take place.

The UK should also work to reform the multilateral system to build democratic, transparent and accountable institutions that can deliver high-quality and affordable financing.

These three actions would build on the UK's historic role in championing debt relief, while updating the legal framework for a fundamentally changed global debt landscape. Reducing the debt burdens of LICs will reduce interest rates, making private capital for productive investment more affordable and sustainable. Mobilising expensive private capital at scale, when it is not spent on productive investment that contributes to job creation and economic growth — in other words, having high quantities of low-quality private capital —risks exacerbating debt distress and squeezing fiscal space.

About Bond

Bond is the UK network for organisations working in international development. Bond unites and supports a diverse network of over 330 civil society organisations from across the UK, and allies, to help eradicate global poverty, inequality and injustice. bond.org.uk