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

Bond briefing, November 2026

This briefing, from Bond in consultation with our members, sets out evidence on the need for a new and more nuanced approach to private finance and private sector engagement in international development from the UK government. It proposes five key recommendations which the government can use to improve its approach including setting out a detailed strategy for the UK's work on private capital mobilisation, the need to focus more on the impact and quality of private financing over volumes mobilised, and the importance of fixing the global economic system, which currently facilitates the outflow of capital from countries most in need of finance - often to private creditors - to make it work better for all.

Debates on private capital mobilisation in development

Since deep cuts to the UK's Official Development Assistance (ODA) budget (from 0.5% to 0.3% of gross national income) were announced in February 2025, the Labour government has placed a renewed focus on utilising ODA and other forms of public support to promote private capital flows into low- and middle-income countries (LMICs) as a key part of its international development efforts. This push to promote private capital mobilisation (PCM) is motivated by claims that it will help to make the UK's reduced ODA budget stretch further. The focus on PCM has started to reshape the UK's ODA spending.

It is true that many LMICs struggle to attract investment into their economies, and that this helps to undermine both development and poverty reduction. As a result**, finding ways to address barriers to investment and promote private capital flows into LMICs can be beneficial, particularly when it can be directed towards productive investments which contribute to economic transformation.** However, Bond and our members are **concerned that the politics has run ahead of the evidence in this area.**

A decade of evidence shows that private capital mobilised by UK development institutions and those of other donor countries is unlikely to emerge at the scale anticipated for the countries and sectors in greatest need of resources. The UK needs a much more nuanced approach to PCM that more realistically captures its potential contribution to development, the conditions required to ensure it plays this role and the countries and sectors that are less likely to benefit from this approach.

The evidence on private capital mobilisation and development

The evidence shows that when development institutions stimulate private capital flows, only very specific countries and contexts benefit.

British International Investment (BII) – the UK's development finance institution – leads UK efforts to promote PCM for development. It has received over £6bn in UK ODA to support its investments since 2015. **Between 2020 and 2024, BII mobilised US $6.1bn, nearly three quarters of which was directed to just four countries: India, Ethiopia, South Africa and Ghana.** Least developed countries (LDCs) received just US$1.2bn; less than 20% of the total.

The private capital BII mobilises mainly goes to three sectors: communications (approximately US $1.9bn), banking and financial services (approximately US $1.5bn) and energy (US $825m). Together, these sectors account for 71% of BII's PCM. **Most of BII's PCM is not being used to fund 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.

The best available data on other development agencies' PCM efforts shows these same trends are borne out globally. Lower-middle-income and upper-middle-income countries accounted for 50% of the private capital mobilised in 2024 (latest OECD data). **Only 12% of private capital was mobilised in LDCs**, while 38% was unattributed.

OECD data shows that five sectors account for 85% of all private capital mobilised between 2020 and 2023: 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 the private capital mobilised in that period.**

Despite the momentum around the PCM agenda, there has been limited focus on its impact, who benefits, and whether and under what conditions it contributes to development and poverty reduction. There is now growing awareness of the need to consider impact beyond mobilisation volumes to ask more fundamental questions about PCM's contribution. What do these financial interventions achieve and for whom? Do they strengthen or weaken domestic institutions and markets? Could they have happened without public intervention? The answers to these questions should underpin the entire strategy on where, when and how to use private finance approaches and instruments.

Implications for private capital mobilisation and the role of public finance

For the UK's most urgent development 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 remains unclear. The UK government must be more transparent and frank about the cases where private finance can add real value, and the limits of PCM's role in countries with the most significant constraints to these flows.

With public resources already stretched by UK aid cuts, the government must also 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.** 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 that 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 system that facilitates the outflow of capital from these countries as a result of high debt-servicing costs, tax loopholes and illicit financial flows. The UK has an outsized role to play in shaping global economic policy. It 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.

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 PCM as a possible focus. Making meaningful changes to the way PCM is approached within this government's G20 agenda and beyond – and having a robust plan to ensure that it actually delivers for the people who need it most – is a historic opportunity. Grasping it will enable this government to meet the commitments it has made to address the systems that are failing ordinary people.

Recommendations

1. **Set out a strategy** for how private finance will contribute to sustainable economic transformation and the mechanisms the government will establish to avoid repeating past shortcomings. This strategy must include:
    - **The right tool for the right context**: 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's impact approach**: The 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.
    - **Strategic coherence and coordination**: How the UK government intends to assure strategic coherence and coordination across the UK's ODA implementing agencies and financing tools.
    - **A commitment to commission and publish a review of the impact and additionality of the UK's PCM activities**: This review should harness evidence on where and how private finance can add value and set out with greater clarity how it will be targeted moving forward.
    - **Clarity on the role of Growth and Investment Partnerships (GIPs)**: Much of the UK's rhetoric around increasing reliance on private sector development and PCM has been communicated through the prism of the GIPs (formerly British Investment Partnerships). However, there is a huge amount of ambiguity regarding the role and function of these partnerships and a lack of publicly available information.
2. **Enhance the impact, pricing and contract transparency of PCM activities by doing the following**:
    - **Impact transparency**: The government should mandate that all of its private development investments, including through BII, the Private Infrastructure Development Group, MOBILIST and the FCDO, disclose ex-post results.
    - **Pricing transparency**: This can be achieved by requiring all of the UK's private development institutions to disclose pricing data for their investments.
    - **Contract transparency**: Enforce contract transparency for all private development investments at financial exit by requiring its private development institutions to disclose investment contracts for all activities at the point of financial exit.
3. **Standardise environmental and social standards** by ensuring that UK private sector investments follow the same standards of environmental and social disclosure as the leading multilateral development banks (MDBs) where the UK is a shareholder. The government should also establish and enforce an independent accountability mechanism.
4. **Champion improvements in MDB transparency.** The UK government should use its upcoming G20 presidency to require MDBs to make meaningful transparency improvements by: (i) disclosing granular PCM data for all investments, (ii) disclosing contracts for all project finance investments, (iii) disclosing the subsidy size and deals structuring for all blended finance investments. A timetable for each aspect should be set out.
5. **Fix the global economic 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.

See the detailed briefing for full details of the proposals outlined above, including five principles for evidence-based, impactful PCM. For more information on anything covered in this briefing, please contact Alex Farley, Policy and Advocacy Manager (Development Finance) at Bond: afarley@bond.org.uk.

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