

UK Development Finance beyond ODA

Mapping and Assessing the UK's Non-grant Development Finance

IAN MITCHELL, SAMUEL HUGHES, EDWARD WICKSTEAD

Abstract

Significant attention and analysis are given to the UK's aid budget—as measured by official development assistance (ODA)—but much less attention has been given to the other ways that the government can provide or catalyse finance to lower-income countries. This finance includes some that does not usually count at all as aid—in particular, export credits to enable overseas governments or companies to buy from UK firms, as well as guarantees that give banks the confidence to make additional loans to developing countries. The government has also placed a new emphasis on the full range of finance tools through so-called British Investment Partnerships (BIPs) in its recent (2022) development strategy, which sets a goal to “mobilise” up to £8 billion (bn) of private and public finance by the end of 2025.

This paper looks across the UK government's finance instruments, collating data on the levels of finance each contributes. We consider four main questions: What is the relative scale and importance of the new suite of instruments and institutions? What are the options that mobilise the greatest volume of finance? How are the instruments driven by, and how do they contribute to, targets, including those on climate finance? To what extent are these flows effective and going to the poorest countries?

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Center for Global Development

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Executive Summary

Significant attention and analysis are given to the UK's aid budget—as measured by official development assistance (ODA)—but much less attention has been given to the other ways that the government can provide or catalyse finance to lower-income countries. This finance includes some that does not usually count at all as aid—in particular, export credits to enable overseas governments or companies to buy from UK firms, as well as guarantees that give banks the confidence to make additional loans to developing countries. The government has also placed a new emphasis on the full range of finance tools through so-called British Investment Partnerships (BIPs) in its recent (2022) development strategy,¹ which sets a goal to “mobilise” up to £8 billion (bn) of private and public finance by the end of 2025.

This paper looks across the UK government's finance instruments, collating data on the levels of finance each contributes. We consider four main questions:

1. What is the relative scale and importance of the new suite of instruments and institutions?
2. What are the options that mobilise the greatest volume of finance?
3. How are the instruments driven by, and how do they contribute to, targets, including those on climate finance?
4. To what extent are these flows effective and going to the poorest countries?

1. Scale and Importance

Unprecedented volumes of finance mobilised

We find that in 2021, the most recent year with full data, and using established methodologies for calculating how much private finance has been catalysed by public finance, the government can plausibly claim to have “mobilised” almost £7bn of public and private finance; this is up from just over £3bn in 2018. We estimate it will reach almost £10bn in 2022. This is predominantly lending to governments and companies in developing countries that has been enabled by UK government finance. The three main contributors to this effort are British International Investment (BII, the UK's development finance institution), UK Export Finance (UKEF), and the new issuance of UK Guarantees to enable multilateral banks to increase lending (including lending for Just Energy Transition Partnerships, or JETPs). These instruments and their contributions are summarised in Table 1.

¹ FCDO (May 2022) *The UK Government's Strategy for International Development*

TABLE 1. Overview of BIP Instruments

This table provides a simplified overview of the BIP instruments. It combines official data for 2021 with estimates from various sources for mobilisation ratios, and our assessments of transparency (see Table 3) and poverty focus (see Table 6). The climate shares are a mix of out-turn and plans (see annex).

Instrument	Overview	UK Finance (£Million)		Mobilisation Ratio	ODA (£Million)	Transparency ^[A]	Poverty Focus ^[B]	Climate Finance	
		2021	Mobilised	Average	2021			Share	Reported
ODA Instruments									
BII	Ongoing ODA injections combine with profits for impact investments in companies	1,866	3,377	0.5	661	High	Med	30%	Yes
PIDG	Multi-donor organization buys equity or bonds and issues guarantees to mobilise investment	261	426	1.5	71	Med-High	High	~34%	In Part
MOBILIST	Works with financial service firms to mobilise capital and support investments into stock market listing	120	602	4.0	42	High	N/A	100%	In Part
BSIP	Offers grants and technical advice to improve recipients' infrastructure procurement and finance	0	0	2.5	~0	Med	Low-Med	~50%	TBC
Non-ODA Instruments									
Guarantees	Guarantees repayments to enable additional lending by MDBs, including JETPs	~8	727	9-25	0 ^[C]	Low	Low	100%	No
JETP	Enables countries to commit to energy transition (except guarantees)	381	381	N/A	0 ^[C]	Low	Low	100%	No
MDB Reform	Uses existing MDB balance sheets to raise capital and lend more	N/A	N/A	> 25		N/A	TBC	~30%	No
UKEF	Offers finance for developing country firms or governments to buy UK products and services	1,500	1,500	N/A	0 ^[C]	Low-Med	Low	50%	No
Totals		4,128	6,977						

Sources: CGD analysis; see Annex.

Notes:[A] Based on assessment of data we gathered, summarised in Table 3; "High" indicates historical data is available for all four main areas in the first column; and also disbursements. "Low" indicates at least three of these are not readily available as at May 2023 with other ratings (Low-Med; Med; Med-High) in between. Note that in the more comprehensive *DFI Transparency Index*, BII was ranked 12th out of 21 agencies.[B] "Med" implies country recipients have income per head in line with the FCDO bilateral spend, "low" means recipients typically have income above that level, and "high" means the focus is on LICs. These estimates are based on Section VI, Poverty Focus of BIP Elements, and on authors' judgment based on information in the profile sections (see annex). [C] These items have no immediate ODA implication, but if borrower defaults then loan repayments or write-off can be counted as ODA. MOBILIST = Mobilising Institutional Capital Through Listed Product Structures; N/A = not applicable; TBC = to be confirmed.

Guarantee of a major new tool for development

The main driver behind this step change is the government's relatively new use of guarantees. In most cases, the UK government guarantees the annual repayments of a loan to a developing country government, usually to a multilateral development bank (MDB). The government has catalysed over £5bn of extra lending to developing countries, with relatively limited risk of those guarantees being called. Guarantees are a valuable tool, taking advantage of the low risk of multilateral lending to provide large loans at little or no cost to the UK. They have enabled substantial investments, particularly in relation to addressing climate issues in partner countries, but also in enabling Ukraine to increase its borrowing quickly following Russia's invasion.

Still, we find that transparency around guarantees is lacking, with few details beyond the existence of contingent liability reporting on the amount. For example, there is no detail on benefits, terms, or risks relating to the £1bn India Green Guarantee for "clean and resilient infrastructure in sectors such as clean energy, transport and urban development." Further, if guarantees are called, the loan repayments they guarantee will incur costs and those costs will also count as ODA. This means that if, as now, the government treats ODA as a largely fixed envelope, any such calls on the guarantee would require cuts to other areas.

We recommend that:

- The government make continued use of guarantees to catalyse lending in pursuit of UK and its partners' objectives
- The government set out a regular (at least annual) publication on its liabilities and policy approach (including potential future guarantees, any limits on levels, and potential ODA impacts)
- The government also provide further details on the objectives supported within the projects supported (potentially in DevTracker)

2. Mobilising the Greatest Volumes

Generally limited ability of public finance to mobilise private finance

A significant plank of the government's strategy in the past decade has been to provide capital to development finance institutions—particularly BII (previously Commonwealth Development Corporation, or CDC) but also the multi-donor Private Infrastructure Development Group (PIDG). These capital injections are counted as ODA.

In each case, the positive returns on historical capital injections mean that, as these amounts are recycled, annual investment levels have risen. These institutions also invest alongside private and

other investment partners, increasing total investment levels further. The level of private finance mobilised varies significantly across institutions (see Table 1) with some smaller institutions or projects able to mobilise £4 in private funds for every public £1. Still, the typical level is well below these multiples: BII, for example, mobilises around 53p of private finance for every public £1.

Policymakers should avoid the mistake of expecting trillions of private finance from billions of official finance.

Much higher mobilisation ratios at the World Bank and multilateral development banks

The use of guarantees (see above) benefits from the much higher mobilisation ratios that MDBs are able to achieve. For every \$1 of funding they receive, they are able to issue bonds to the private sector and use the money from them to finance lending of around \$5, taking advantage of the bank's strong credit rating and status as a preferred creditor. This can then be lent on to developing countries or companies. However, the real cost (representing the likely cost of the risk) of the UK providing a guarantee is only a fraction of the amount guaranteed. For this reason, providing guarantee support to the MDBs offers much higher mobilisation ratios, averaging at least 9.5 (with some much higher), and well above any of the UK's ODA-funded BIP instruments.

Reform of the World Bank and other multilateral institutions could make even more use of existing resources on their balance sheets to substantially increase lending, with much of their existing capital under-used. This is a significant opportunity to lend more to low-income countries (LICs) on favourable terms, without these banks or their shareholders putting capital at any significant risk. The UK has been at the forefront of arguing for this reform, and the guarantees it has issued are in some ways a proof of concept. Although the amount these efforts might mobilise is speculative until specific reforms have been put forward, some suggest potentially more than \$500bn could be mobilised by these efforts across multilaterals (the UK holds some 4 percent of shares at the World Bank, so on that basis would be directly responsible for perhaps \$20bn). The UK's activity on guarantees (above) is proof of concept that additional lending can be made available with limited fiscal effort.

We recommend that:

- The government take note of the higher mobilisation rates at multilateral institutions and the potential for that finance to have multiples of the impact of UK-only instruments
- The government continue to push multilateral shareholders to make more efficient use of their balance sheets

3. Targets, Reporting, and Climate Finance

Distortionary and inflexible nature of financial transactions target

Our analysis finds that targets, set by HM Treasury for a certain level of spending on “financial transactions,” have been a significant driver of investments in these organisations. Financial transactions are those that involve the purchase of an asset which can later be sold, and therefore differ from one-off resource and capital spending. They do not count towards HM Treasury’s preferred measures of government spending (notably, the budget deficit) but, as they do count as ODA, HM Treasury has been keen to expand this category of investment in place of traditional grant-based ODA spend. At a time of significant fiscal challenges for the UK government following COVID-19, the Foreign, Commonwealth and Development Office (FCDO) was set a target for financial transactions of around 7 percent of its spending review allocation.

The requirement to maintain spend on financial transactions (or renegotiate the target with HM Treasury) has been a significant inhibitor in the government’s own objective to be a reliable or responsive partner. While the UK’s bilateral assistance programmes (aside from refugee spending at home) suffered steep in-year cuts of 58 percent in 2022 and further cuts in 2023, the budget on financial transactions was down just 25 percent relative to the figure set out in the spending review.

The financial transaction targets are extremely opaque—although the FCDO’s annual report refers to a target, and reports against it, there is no public source on the level of such a target (or any changes in it).

We recommend that:

- Financial transaction targets be replaced by projections based on the government’s development strategy and FCDO’s spending plans, which can be altered as necessary
- Existing targets for financial transactions over the current spending review period be published alongside plans on how those targets will be fulfilled

Scope to report greater volumes of climate finance

Nearly all of the finance elements we assess have explicit targets for supporting clean energy, providing climate finance, or both. However, the UK government has taken the principled stance of reporting only climate finance that qualifies as ODA—termed international climate finance, or ICF—to the UN and taking the same approach to its own targets (in particular on providing £11.6bn of climate finance by 2025–26). On this basis, we calculate that BIPs could account for £3.2bn, or 30 percent, of the UK’s ODA-based climate finance through 2025 (see Section V). However, there is an argument that much of the finance mobilised—particularly through guarantees and new lending

catalysed at the MDBs—meets the UN principle of climate finance being “new and additional” and could legitimately be reported to the UN. We identify at least £2.6bn in climate-related guarantees that could be considered ICF between 2021 and 2025.

The UK could also use its non-grant finance to focus its grant finance on those that need it most. For mitigation finance, grant ODA is unlikely to be the most appropriate finance tool given the higher incomes of many recipient countries and the potential returns on mitigation investment projects. This makes a case for using and reporting the non-ODA efforts made by the BIPs, and for refocusing grant ODA where it is needed and other finance is unsuitable—in particular, on funding climate adaptation and resilience but also health, nutrition, or education in the poorest countries.

We recommend that:

- The UK government review its current and potential climate finance plans and aim to focus grant resources on adaptation in the poorest countries, while using its wider finance portfolio to support both adaptation and mitigation

ODA implications

The government has committed to spend 0.5 percent of national income as ODA until fiscal circumstances allow a return to 0.7 percent, the UN target. Until last year (2022), the government treated this as a ceiling on spend. There are two potential risks to the future ODA budget identified in this report. The first is that the guarantees made by the government may be called, which could lead to unpredictable costs in-year and significant trade-offs for the ODA budget. This risk needs careful management, and transparency on guarantees (see above) would go some way towards identifying the size of this risk to the remaining ODA budget. The second risk is that potential new rules being considered at the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC) would enable countries to score the expected cost of guarantees as ODA when they are issued, meaning that the risk of guarantees would be double-counted (by counting the risk of providing the guarantee, and also the pay-outs if it is called).

We recommend that:

- The government report on the risks that future ODA expenditure may be needed for guarantees and export finance
- The government continue to count the risk of guarantees and export finance only once in ODA terms and take this position in the negotiation and implementation of any new OECD-DAC rules

4. Effectiveness of Flows at Reaching the Poorest Countries

Ability to focus more on the poorest countries

While a full assessment of effectiveness is beyond the scope of this study, a major indicator of development impact is the extent to which finance is provided to the poorest people and countries. We look at the income levels of recipients for four of the seven BIP instruments. We find that three of the instruments are less focused on the lowest-income countries than the FCDO's bilateral ODA budget. This is to some extent understandable, in that the finance is less concessional. Still, it is noteworthy that PIDG does appear able to have a greater focus on poorer countries than the FCDO's bilateral budget. It is widely accepted that development finance has the greatest impact in the lowest-income countries and that the UK government's focus on the poorest countries has [declined in recent years](#). It will be important, then, for the BIPs to play a part in the UK's development portfolio with an appropriate focus on LICs.

We recommend that:

- Each of the BIP instruments be given a goal to support the LICs, with clear expectations on its finance allocation based on countries' income level
- The government take the BIPs' general focus on middle-income countries into account in its overall ODA allocations

Risk of "tied" aid and duplicate instruments

AA further issue that has emerged in terms of effectiveness is the degree to which the BIP instruments are effectively supplied only by UK bodies and consultancies; and whether they add value to existing instruments in the international system. It is widely understood that finance that must be supplied by provider country companies or organisations ("tied" aid) leads to less effective interventions and undermines recipient capacity. The nascent British Support for Infrastructure Projects (BSIP) programme aims to support high-quality infrastructure, with part of the rationale being that UK businesses often lose out in procurement of such projects of lower quality. While there is no explicit requirement for finance to go to UK companies, it presents a risk that UK firms receive preferential treatment. Further, in terms of advancing high-quality infrastructure with the private sector, PIDG addresses similar objectives and has an established track record of mobilisation, a focus on LICs, and also partnership with other G7 countries

We recommend that:

- Ministers review whether BSIP is likely to add significant value to the UK's BIP instruments

Concluding Remarks

Overall, the UK government has significantly expanded its development finance beyond ODA. The strategic use of guarantees, export finance, and other instruments is not a substitute for grants to the poorest, but instead offers the prospect of mobilising significant lending to developing countries, which can be crucial for the pursuit of their development and climate objectives.

I. Introduction, Scope, and Key Concepts

The UK is a major provider of official development assistance (ODA) and has traditionally focused on grant-based support through its bilateral programming alongside contributions to multilateral development banks (MDBs). Still, in the last five years it has made substantially more use of bilateral non-grant development finance, and its 2022 development strategy formalised the concept of British Investment Partnerships (BIPs) alongside a commitment to mobilise up to £8 billion (bn) of UK-backed financing per year by 2025.

This report aims to map the key elements of the UK's non-grant development finance with a view to informing policymakers on how to make the most of the UK's development efforts. It looks systematically at the following list of instruments and institutions:

- British International Investment (BII, formerly Commonwealth Development Corporation, or CDC)
- British Support for Infrastructure Projects (BSIP)
- Just Energy Transition Partnerships (JETPs)
- Mobilising Institutional Capital Through Listed Product Structures (MOBILIST)
- Private Infrastructure Development Group (PIDG)
- UK Export Finance (UKEF)
- UK Guarantees

For each, we consider the available information on historical and planned finance. We look at the face value of that finance, how much is scored as ODA, whether that finance is also scored as climate finance, and finally, any available indicators of effectiveness—in particular the extent to which finance is extended in the poorest places (see the following section, Method and Transparency, for more detail on coverage and sources).

There are several other instruments identified by the Foreign, Commonwealth and Development Office (FCDO) as part of the BIP package. We assess these below, but as they have been historically relatively small, we exclude them from this analysis.

A number of concepts are used throughout this report, and here we briefly define them.

Official development assistance (ODA). This is the measure used by the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), defined as [government aid that promotes and specifically targets the economic development and welfare of developing countries](#).¹ It is now primarily measured on a "grant-equivalent" basis, recognising the lower fiscal effort in providing loans.

¹ A full background on ODA can be found at [OECD, Development Finance Standards](#) (accessed August 24, 2023).

Financial transactions. We use this term narrowly, to refer to a category of financial transactions that lead to the acquisition of an asset (loan or equity) and do not count as resource or capital spending. This category is sometimes called “policy lending” or, in relation to aid, “non-fiscal ODA.” It includes the provision (repayment) of loans and the purchase (sale) of shares. In public spending terms, lending/purchasing adds to public sector net debt but not to expenditure.² Some “expenditure” on ODA (investments at BII for example) is categorised as financial transactions and so is appealing to a finance ministry wishing to reduce government expenditure.

Face value. The nominal value of a financial investment. It does not capture the extent of any subsidy (concessionality) of that finance. For a grant the subsidy level is 100 percent, whereas loans can vary in their level of subsidy, often ranging between 12 percent and 25 percent.³

Mobilisation. In principle, this is the amount of private sector finance (face value) that has been catalysed by a public sector investment, often expressed as a ratio. In practice, it is very difficult to show that the public sector caused the private finance to flow.⁴ There are two established methods for calculating “mobilisation” consistently, one used by MDBs and the other by the OECD. These methods focus on measuring how much private finance accompanies public investment, sharing credit (and the level of risk) among the providers of the public investment.

UK Development Strategy and Finance Commitments

The UK has made several potentially overlapping policy commitments related to its development and climate finance:

1. In the UK’s latest Strategy for International Development (May 2022), the government committed to “mobilise up to £8bn of UK-backed financing a year by 2025 including from the private sector” through its BIP initiative.
 - At the G7 Hiroshima Summit (May 2023), UK Prime Minister Rishi Sunak further committed to mobilise US\$40bn by the end of 2027 via BIPs. We understand this target starts from 2022, meaning an average of \$6.67bn (£5.5bn at current exchange rates) should be mobilised every year through 2027 via BIP instruments.
2. In addition, the UK’s Spending Review 2021 (SR21, covering the period from FY2022 to FY2024) also provided “at least £2.4bn over the next three years to unlock finance for green growth.”

2 HM Treasury, *Capital and Financial Transactions* (August 2013), p. 15.

3 See, for example, *ODA Grant Equivalent Measure—Short Technical Note* (December 2019), p. 3.

4 See P. Carter, N. Van de Sijpe, and R. Calel, *The Elusive Quest for Additionality*, Working Paper 495 (Center for Global Development, September 12, 2018).

TABLE 2. FCDO Financial Transactions Plans

Financial Year	Capital spend (CDEL) FTs		ODA FTs*
	SR21 (Oct 2021)	PESA 2022 (July 2022)	Mitchell's Statement (March 2023)
FY2022	£0.4bn	£328m	£411m
FY2023	£0.9bn	£863m	£554m
FY2024	£1.2bn	£1,173m	

Source: HMT (October 2021) Autumn Budget and Spending Review 2021, Table E.5, p.188; HMT Public Expenditure Statistical Analysis (PESA) 2022, Table 1.8a; Andrew Mitchell's 30/03/2023 statement on "FCDO Programme Allocations" (UIN HCWS705)

Note: Units used reflect original source. CDEL = capital departmental expenditure limit; FTs = financial transactions.

* In principle, ODA plans are a subset of all FCDO financial plans, though in practice they represent the vast majority.

We examine progress on the first commitment in later sections. The second of these commitments originally related to a £2.4bn target for FCDO "financial transactions" over the spending review period—that is, ODA that is not expenditure, but is instead used to acquire an asset like equity or to provide a loan. This is 7 percent of the FCDO's original spending review settlement. In practice, this effectively meant investments in either BII or PIDG. However, it appears that this target may have been relaxed, with financial transactions significantly below plans in financial year 2023. Still, taking the figures in the last column of Table 2, financial transactions total £965 million (m)—some 25 percent below the profile anticipated by SR21. This was under half the reduction experienced by the UK's international bilateral budget, which fell by 58 percent in 2022 before a further fall in 2023 (from £5.8bn in 2021 to £3.7bn in 2022, reflecting £3.7bn of unanticipated in-UK refugee hosting costs).⁵

Two further commitments relate to climate finance.

- In 2019, the UK [announced](#) it "will up its ICF [international climate finance] support to at least £11.6bn over the next five years," from 2021–22 to 2025–26, doubling its ICF over the previous period (£5.8bn between 2016 and 2021).
- Alongside this, BII's latest strategy (January 2022), [said](#) that "Over 2022–[20]26, we plan to grow further, and aim to commit around £9bn of new investments over the period." It also set the [target](#) that "at least 30 percent of our total new commitments by value will be in climate finance," which it [will calculate](#) as a rolling average over the five years, 2022–2026, and expects to exceed £3bn.

⁵ Based on FCDO, *Statistics on International Development: Provisional UK Aid Spend 2022* (April 5, 2023).

Although we do not formally assess progress towards these targets, we note that at first the government expects the formal ICF commitment to be met entirely from ODA resources. We return to this subject below (Section V).

Method and Transparency

Our mapping of UK development finance beyond ODA collates the information on the face value, ODA grant equivalent, climate finance, and mobilised private finance for each of the seven BIP elements listed in the International Development Strategy (IDS). For each of these intersections, we've looked for both historical data and plans for future spending, as well as for both commitments and disbursements.

To put this together we have drawn on a range of official sources, including annual reviews, business cases, strategy documents, government announcements, UK Statistics on International Development (SID), International Aid Transparency Initiative (IATI) data, the FCDO's Annual Report and Accounts, OECD mobilisation data, and the PIDG Results Monitoring Database. Nevertheless, the availability of official information has varied. Table 3 summarises the availability of official data for the main variables of our mapping.

TABLE 3. Overview of BIP Official Data Availability

		BII	BSIP	Guarantees	JETPs	MOBILIST	PIDG	UKEF
Face Value	Historical Data	✓	✓	✓	✓	✓	✓	✓
	Future Plans	✓	✓	✓	×	✓	×	×
	Commitments	✓	✓	✓	✓	✓	✓	×
	Disbursements	✓	×	×	×	✓	×	×
ODA and Concessionality	Historical Data	✓	✓	×	×	✓	✓	✓
	Future Plans	×	✓	×	×	✓	×	×
Climate Finance	Historical Data	✓	×	×	×	✓	✓	×
	Future Targets	✓	×	×	×	✓	×	×
Private Finance Mobilisation	Historical Data	✓	×	×	×	✓	✓	×
	Future Targets	×	×	×	×	✓	×	×

There are significant gaps in official data needed to populate our mapping. Notably, disbursement data is missing for nearly all elements except BII and MOBILIST. Because of this, the majority of our mapping refers to commitments (note, however, that this is what the £8bn 2025 target refers to). Future spending plans, even in face value commitment terms, are missing for several BIP elements (such as PIDG and JETPs). Future ODA plans are available only for relatively smaller-value aid programmes (BSIP and MOBILIST).

On climate finance, historical data is available for BII, MOBILIST, and PIDG, but only BII and MOBILIST have an explicit climate finance target going into the future. For mobilisation, only MOBILIST has an explicit future target, but historical data is available for BII and PIDG.

Ideally, the government would set out its future spending plans for all stakeholders—particularly recipients—to be able to plan and coordinate fully. Unfortunately, the recent volatility in the UK’s development finance approach has made this impossible. However, notwithstanding a need to improve the reliability of the UK’s future development efforts, there are a number of transparency issues on past and present effort that stand out in this analysis:

- **Guarantees.** As we will see below, the UK government has committed to guarantees of more than £4bn in recent years, with almost £2bn of guarantees to Ukraine and a further agreement for \$3bn over the next three years. However, there is very little detail on what these agreements relate to, no consolidated source of information on the UK’s contingent liabilities, no detail on how the risk is calculated (though recent estimates do at least include an expected cost), and no assessment of how guarantees that are called could affect future ODA budgets. Further, we recommend that guarantees be added to DevTracker/IATI.
- **Climate finance.** Although the UK publishes an annual report on its ICF results, it is unclear what the actual amount of finance being reported on is. Formal reporting to the UN through biennial reports means significant lags, and it is unclear why the government does not publish a regular consolidated analysis of how all of its international finance aligns with the Paris agreement and what volume it provides as climate finance, both formally under the ICF and more broadly.
- **Financial transactions.** As we note above, the FCDO has had a spending review target on financial transactions (acknowledged in FCDO annual reports), but this appears to be included with coded language in the spending review document itself, and it remains unclear whether such a target still exists. These transactions place significant restrictions on FCDO’s spending options, and reporting should be much clearer.
- **Export finance.** The government publishes some data on which countries are insured with export finance. Still, it does not routinely summarise this data in public nor identify how much goes to developing countries or regions. This information would be a valuable resource.

- **BII and SID.** The twice-annual update of SID provides a valuable resource on development spending. However, it makes no mention of BII—despite that institution being one of the largest development finance institutions (DFIs) globally and accounting for a significant proportion of the UK’s development finance effort. We propose that annual capitalizations be added in a similar way that EU contributions are acknowledged and that a section on (assets and) liabilities that captures changes in BII’s balance sheet be included.

Despite these gaps in (especially) official forward-looking data, we have nevertheless been able to populate our mapping through a range of unofficial estimates, assumptions, and extrapolations. In this way, we’ve been able to produce an estimate of the scale and composition of BIPs up to 2025 (the year of the £8bn target).

Assessment of the BIPs’ Mobilisation of Private Finance

A central aim of the BIPs is to mobilise private finance. The idea is that the commitment of public finance enables private investors to increase their commitment, increasing the overall finance for development. The OECD and MDBs have each developed a method for assessing how providers of public finance can assess the volume of private finance “mobilised.” These are not uncontroversial—it’s difficult, perhaps impossible, to prove that the private finance would not have flowed in the absence of public finance. However, the two methods ensure there are at least consistent assumptions made about mobilisation, and that, for example, several governments co-funding a project cannot all claim they “mobilised” all of the finance of the other actors.

Where possible we use institutions’ own estimates of mobilised private finance using the OECD method.

II. Analysis of Total Development Finance Trends

This section looks at the seven BIP elements and analyses the face value of commitments over time.

Overview of Historical Trends

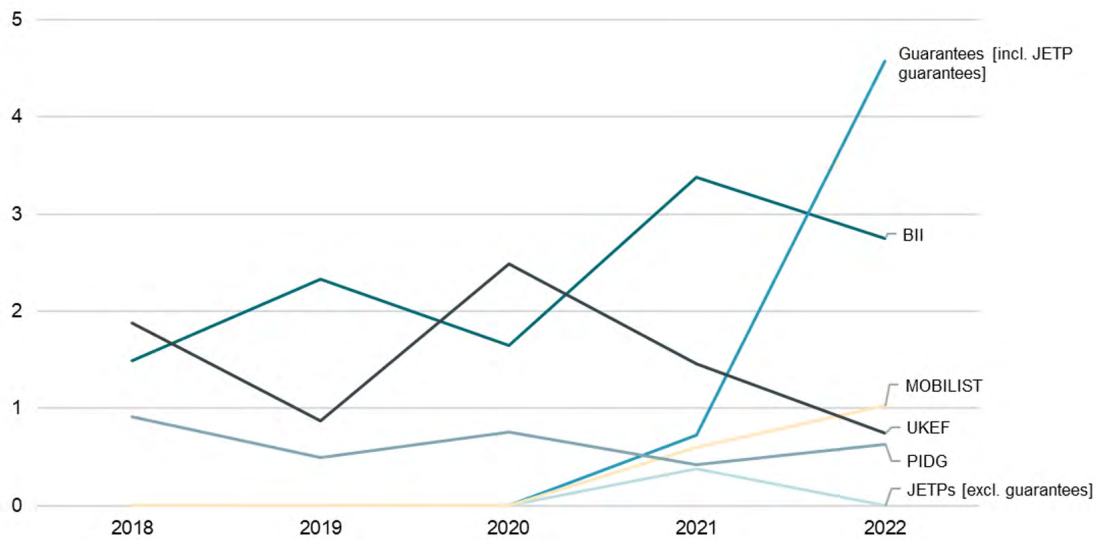
Figure 1 shows the total value of BIPs—including the face value of both UK commitments and mobilised private finance—broken down by the elements listed in the IDS.

We can see that the face value of UKEF to developing countries (excluding China and Türkiye) was relatively variable over the period, though it increased substantially in 2020 as demand peaked during COVID-19. Another new development was the contribution of MOBILIST. BII also saw its total finance mobilised (i.e. BII commitments plus private finance mobilised) increase from £1.5bn in 2018

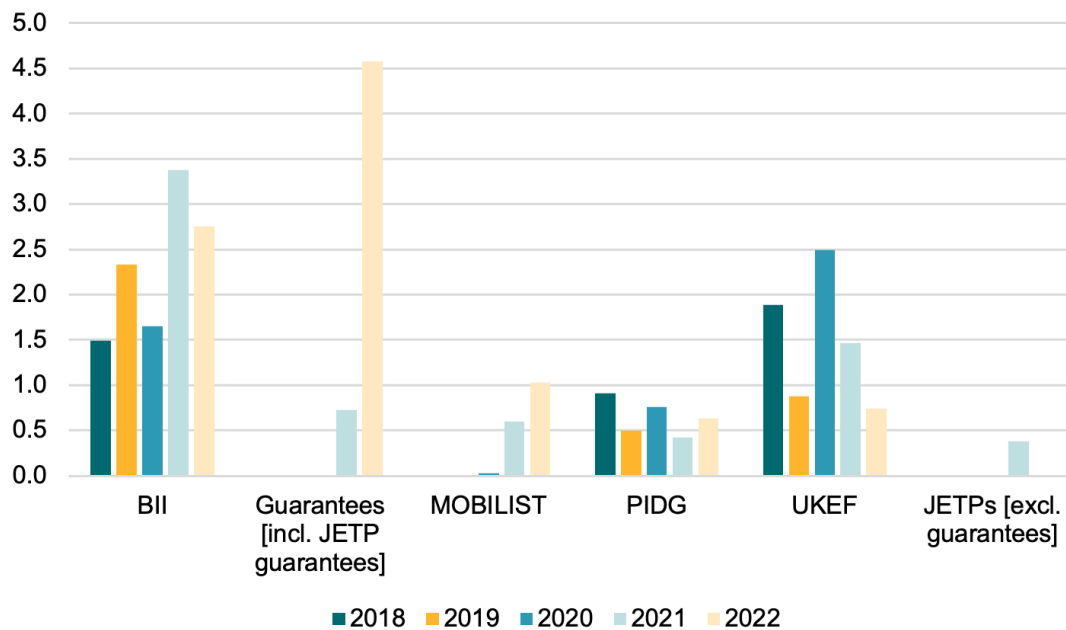
to £3.4bn in 2021 and £2.8bn in 2022. Finally, and most significantly, the use of guarantees has risen very dramatically—the UK’s first guarantee.

In 2021, the last year for which we have full official data, the UK mobilised almost £7bn of finance.

FIGURE 1. Trends in Total Finance Mobilised of Main BIP Elements (Nominal £M)



B. Comparison by instrument



Source: CGD analysis; see Annex.

Note: Total finance mobilised includes the face value of UK commitments plus mobilised private finance. To avoid double-counting, the BIP element for UK guarantees includes those guarantees which are part of JETPs, and the JETPs element excludes those parts which are guarantees. Where actual historical data is unavailable, estimates are used—i.e., for BII and PIDG in 2022, and for MOBILIST in 2021 and 2022.

Outlook through 2025

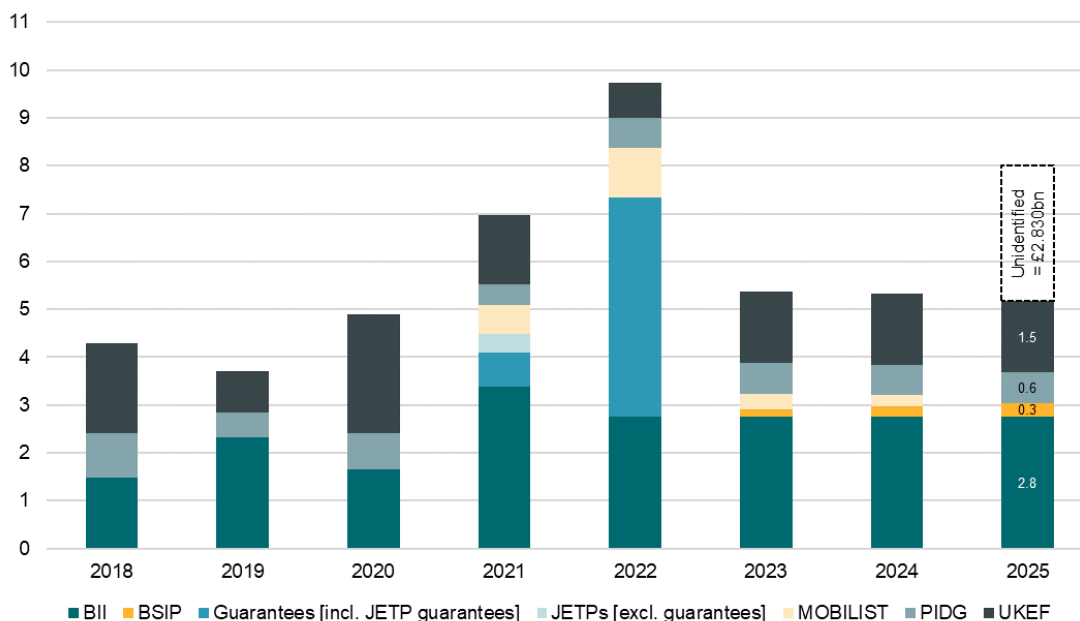
In Figure 2, we combine the historical data with our estimates of future flows. As explained in the previous section, these necessarily reflect a combination of official plans, extrapolations, or other estimates; the details of each are given in the relevant sections).

In 2025, the year of the £8bn BIP target, we can identify £3.63bn of face value commitments for four of the seven BIP elements listed in the IDS. This includes contributions through BII, BSIP, PIDG, and UKEF—but not through guarantees, JETPs, and MOBILIST.

Using these institutions’ own estimates of mobilisation (see below), we estimate this might mobilise a further £1.54bn of private finance, which is at an aggregate ratio of 100:43—that is, about 43p of private finance mobilised for each £1 committed by the UK. Note though that we do find variability in mobilisation ratios across elements: from 100:0 for UKEF (due to a lack of data) to 100:53 for BII, 100:100 for some guarantees, 100:152 for PIDG, 100:250 for BSIP, and 100:400 for MOBILIST.

These sum to £5.17bn of identifiable BIPs in 2025, of which the majority is contributed by BII (£2.75bn, 53 percent of identifiable BIPs), followed by UKEF (£1.49bn, 29 percent), PIDG (£0.64bn, 12 percent), and BSIP (£0.29bn, 6 percent). Hence, if we assume the £8bn target will be met in 2025, this leaves up to £2.83bn of BIPs coming from currently unidentified sources—the equivalent of another BII.

FIGURE 2. BIP Total Finance Mobilised, by Element (Nominal £Bn)



Source: CGD analysis; see Annex.

Note: BIP total finance mobilised includes the face value of UK commitments plus mobilised private finance. To avoid double-counting, the BIP element for UK Guarantees includes those guarantees which are a part of JETPs, and the JETPs element excludes those parts which are guarantees.

Notably, this figure for 2025 doesn't include any contribution from UK Guarantees or JETPs (as plans aren't available that far forward)—but in 2021 and 2022 these elements added a significant amount of finance (including mobilised). For instance, in 2022, £4.6bn was agreed to or committed and mobilised through guarantees, taking the estimated BIP total to £9.7bn—which already far exceeds the £8bn target for 2025. If this amount were committed annually going forward, it would be more than sufficient to fill the £2.83bn gap of unidentifiable BIPs in 2025 and ensure the £8bn commitment is met.

III. Policy Developments

New Tools: Guarantees, JETPs, MOBILIST, BSIP

Although BII, UKEF, and PIDG are well established and have long been used by the government, the BIP umbrella also covers a number of newer instruments. These include guarantees of MDB sovereign loans, JETPs, and two FCDO programmes: MOBILIST and BSIP.

Guarantees of multilateral sovereign loans are a relatively new form of financing, with the Swedish International Development Cooperation Agency (Sida) having provided the [first such guarantee](#) to the Asian Development Bank (ADB) in 2016. The UK's IDS commitment to use this mechanism to “unlock \$3bn of climate finance” has been achieved through two guarantees. The India Green Guarantee, agreed in November 2021 and [announced at COP26](#), covers \$1bn of World Bank loans to India to support “clean and resilient infrastructure in sectors such as clean energy, transport and urban development.” The later [Room to Run Sovereign guarantee](#), finalised with the African Development Bank (AfDB) in October 2022, is for a total value of \$2bn; of this, private insurance companies are covering a \$400m first-loss tranche and the FCDO is guaranteeing the remaining \$1.6bn on a second-loss basis.

This latter guarantee crosses over with another of the new developments: JETPs, a funding model designed to help countries in their transition to clean energy in a way that also addresses the social implications of such a transition. At least \$300m of the Room to Run Sovereign guarantee forms part of the UK's financing offer for South Africa's JETP, alongside a second guarantee facility for a further \$1bn (yet to be finalised), \$500m of commercial loans, and \$24m of grants and technical assistance, for a total value of \$1,824m. The UK has also [agreed](#) to a \$1bn guarantee to the World Bank as part of the Indonesia JETP (though further details have not been disclosed), and though it has also played a role in [establishing](#) a JETP with Vietnam, its contribution is yet to be announced.

MOBILIST is a relatively smaller programme that aims to support the mobilisation of institutional capital to investment products that help deliver the UN Sustainable Development Goals and facilitate the climate transition. Though its total funding (at £156m over the programme life) is small compared to that of other BIPs, a majority of this is in the form of financial transactions, which

are expected to be recycled into new products twice during the programme for an effective total of £435m, with a target private capital leverage ratio of 1:4. MOBILIST has thus far invested in two products: £24.5m in the Thomas Lloyd Energy Impact Trust (TLEI), which attracted £63m in private capital, and \$7m in the Climate Energy Access Resilience (CLEAR) Fund alongside a \$43m anchor investment by InfraCo Africa.

BSIP is a £500m FCDO ODA programme which aims to support predominantly low-income and lower-middle-income country governments procure and finance development-focused infrastructure. It comprises both an £80m Technical Assistance Facility for project preparation, design, and procurement and a £400m Concessional Finance Facility, providing grants to alleviate fiscal and non-concessional borrowing constraints. Part of its rationale is to generate secondary benefits for UK firms through lifting procurement standards (see box 2 in its business case [here](#)). This is expected to be committed over 5 years, but with disbursements over a longer period of 15+ years. After delays related to COVID-19 and the aid cuts, the BSIP programme's last annual review, in 2022, confirmed it was still in the procurement phase but anticipated a supplier would be contracted by the end of the year.

Other Elements of UK Development Finance beyond ODA

This BIP mapping has focused on the seven elements listed in the IDS. But it should be noted that the FCDO has also highlighted for us several other elements in the BIP finance toolkit beyond those in the IDS. (Note that, alongside the elements of the BIP finance toolkit mapped here, there is also a BIP expertise and research toolkit, covering UK Centres of Expertise and research programmes). These include the following:

- Financial Sector Deepening Africa (FSDA)
- Global Innovation Fund (GIF)
- Transforming Energy Access (TEA)
- Mobilising Finance for Forests (MFF)
- ASEAN (Association of Southeast Asian Nations) Catalytic Green Finance Facility (ACGF)

Historically, these elements have not contributed significant amounts, and currently available plans do not identify substantial annualised commitments. However, inclusion of these additional BIP elements would contribute to filling the £2.83bn gap in 2025.

The financial significance of these additional BIP elements not listed in the IDS is overviewed in Table 4. Programme budgets and duration are available for five of these elements (excluding EMCAF) via DevTracker, making it possible to estimate their average annual budgets (although in reality their budgets will not be committed or disbursed evenly over time). All five of these projects were active in 2022 and 2023, and their annual average budgets sum to about £84m. The amounts could be greater

for our time period if the programme budget is front-loaded, as it was with BSIP (see below). Still, overall, few of these elements are as significant as the main strands, and so for this report we focus on only the BIP elements listed in the IDS.

TABLE 4. Scale of Additional BIP Elements Not Listed in IDS

Element	Programme Budget	Duration	Annual Average
FSDA	£460m	2017–2030	~£35m
GIF	£51m	2013–2023	~£5m
TEA	£225m	2016–2027	~£20m
MFF	£150m	2021–2036	~£10m
ACGF	£110m	2022–2029	~£14m
Total			~£84m

Source: DevTracker.

Note: The toolkit also includes EMCAF, though we have no data on historical spend.

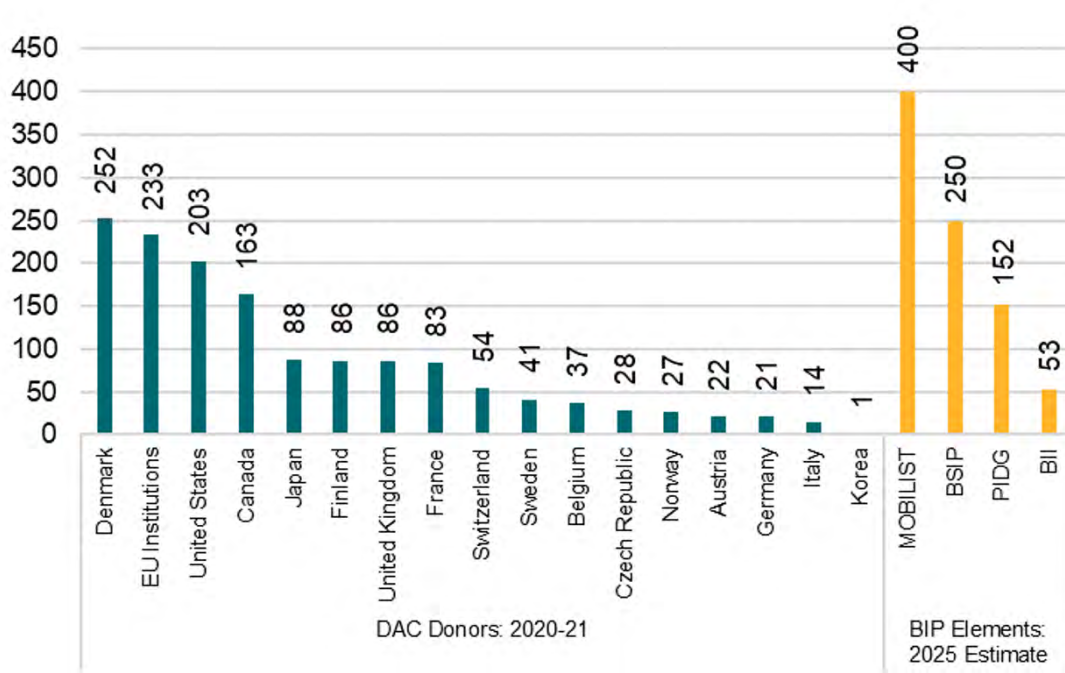
Assessment of Levels of Mobilised Private Finance

Two international standards exist for measuring and collecting data on mobilised private finance. The OECD and the MDBs/DFIs have developed two different methodologies to measure the mobilisation of private finance. Of the BIP elements covered in this mapping, BII and PIDG report their mobilised private finance using the OECD method, and BII also reports using the MDB method.

The OECD **measures** the **amount** of additional private finance mobilised across bilateral and multilateral providers by leveraging mechanism, with a distinct **methodology** used for each instrument. This covers guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies, credit lines, simple co-financing arrangements, and project finance schemes. Where multiple providers support the same instrument mobilising private finance, it is attributed on a pro rata basis. MDBs and DFIs have their own **method** to measure private investment mobilisation, though the latest comprehensive data is available only for 2019. This measures direct and indirect mobilisation: the former includes only the private finance provided due to the active and direct involvement of an MDB, whereas the latter includes all private finance connected to an activity also funded by an MDB.

Figure 3 contextualises the mobilisation ratios (i.e., dollar amount of private finance mobilised per \$100 provided) estimated for each BIP element (and assumed to hold in 2025) through comparison to the ratios achieved by DAC donors in the latest data available (2020–21). PIDG and BII, the most significant BIP elements, have mobilisation ratios that put them in the middle of the pack, while BSIP and MOBILIST are on the high end. MOBILIST and BSIP are relatively small-value programmes, though, and it is plausible that the higher mobilisation ratios used for them are not uncommon at the programme level but are averaged out when aggregated with other initiatives (as is the case for the DAC donors' mobilisation ratios, and for BII and PIDG).

FIGURE 3. Private Finance Mobilisation Ratio (Dollars Mobilised per \$100 Provided): Comparison between 2025 Estimate for BIP Elements and DAC Donors in 2020–21



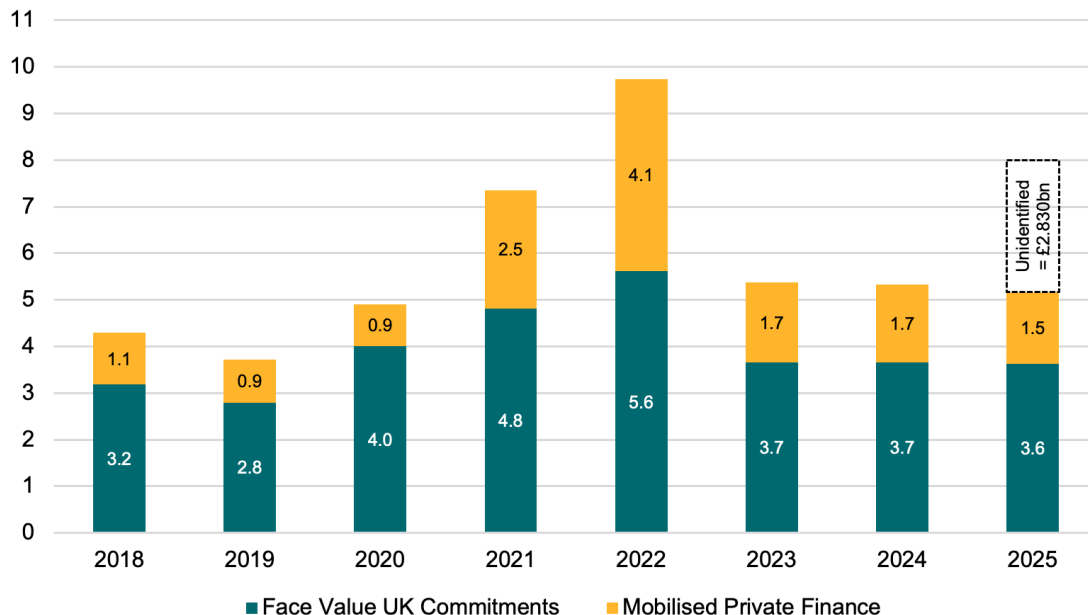
Source: OECD mobilisation and Creditor Reporting System data for DAC donors in 2020–21; CGD estimates for BIP elements in 2025.

Note: Mobilisation ratios for DAC donors in 2020–21 are calculated as the ratio of (a) nominal ODA and Other Official Flows (OOF) gross disbursements flagged as using a private sector instrument and providing financial additionality to (b) total nominal mobilised private finance excluding that given via guarantees (as guarantees are not included in (a)). Different data sources are used for (a) and (b), and incomplete reporting to either will bias results. Data for the two most recent years is averaged to smooth results—but the average does not cover more years due to recent significant changes in reporting practices. As an outlier, Spain is not presented. Mobilisation ratios for the BIP elements in 2025 are estimated by CGD, based on historical ratios for BII and PIDG (OECD method), the BSIP Business Case, and a MOBILIST Press Release (see BIP profiles in the annex for details).

Figure 4 provides a breakdown of the BIP total over time by the face value of UK commitments and the amount of private finance mobilised. As explained above, in 2025 these amount to £3.63bn of UK commitments and £1.54bn of mobilised private finance, at an aggregate ratio of 100:43. However, this aggregate ratio was higher in 2022, at 100:73, due to the influence of large guarantees mobilising private finance at a ratio of 100:100.⁶ If the £2.8bn of unidentified BIPs in 2025 are composed of similar guarantees, we should expect the aggregate mobilisation ratio to be higher.

6 Derived from 1:1 ratio of public to private mobilisation agreed as part of JETP agreements. See Section II, Mobilising the Greatest Volumes, for further discussion on mobilisation ratios from guarantees.

FIGURE 4. BIP Total by UK Commitments and Mobilised Private Finance (Nominal £Bn)



Source: CGD analysis; see Annex.

IV. Mobilisation from Multilateral Reform and Special Drawing Rights

Besides the BIP elements covered here, and those not within the scope of this paper, two other non-BIP initiatives may also be considered as potentially significant sources of UK development finance beyond ODA: mobilisation via reform of MDB balance sheets, and recycling of Special Drawing Rights (SDRs).

Mobilisation Potential of Multilateral Reform

MDBs, including the World Bank, determine how much they can lend to developing countries based on their own balance sheets. A bank needs to have sufficient resources to cover any losses on its lending. There is currently an effort to encourage the World Bank and others to lend more using their existing resources. The UK has been supportive of this agenda. Here we consider additional lending agreed upon recently, but also potentially more significant increases.

At the 2023 Spring Meetings (April 12, 2023), outgoing World Bank Group President David Malpass gave a [statement](#), saying in part, “Our member countries endorsed measures that can add up to \$50bn of IBRD [International Bank for Reconstruction and Development] lending capacity over the next 10 years.” This is equivalent to adding about \$5bn of additional IBRD lending per year through

2033.⁷ Based on the UK's 4.02 percent share of [subscriptions to IBRD](#), the UK can claim to have mobilised some additional ~£160m (\$201m) for each \$5bn added to annual IBRD lending, and \$1.6bn if additional annual lending reaches \$50bn.

Since then, new World Bank Group President Ajay Banga has unveiled plans to boost lending by a further \$36bn over the next decade (total MDB finance was around \$160bn in 2021). Of this amount, \$30bn involves allowing shareholders to guarantee loans if countries cannot repay them (in a similar way to how the UK has used guarantees, described above), which the World Bank suggests would allow it, over a 10-year period, to generate \$6 in new lending for every \$1 in guarantees.⁸ If the UK provides further guarantees, it will be able to claim credit for mobilisation of a portion of the \$30bn target.

There is the potential to mobilise substantially more lending. Some estimates suggest that as much as \$500bn to \$1 trillion in investment capacity could be generated by reforming capital adequacy frameworks.⁹ If these efforts were successful the UK could claim a share of the credit. The suggestion is that this would be ongoing lending—as such, if the UK share of the lower figure was 3 percent¹⁰ that would imply a mobilised amount of \$15bn per year.

Special Drawing Rights

SDRs are issued by the International Monetary Fund (IMF) to its members. They are an asset-backed by the IMF and its members—that can be used by countries to increase their borrowing. The UK was one of a number of countries to commit to “recycle” part of its 2021 allocation of SDRs for developing countries.

The UK has also committed to recycle 20 percent of the SDRs it received in the 2021 General Allocation, [comparable](#) to the commitments of most of its G7 peers¹¹ (as of May 3, 2023)—though

7 Note that in the ONE Campaign's [interactive tool](#) on IBRD's balance sheet, an 18 percent equity-to-loan (E/L) ratio adds \$51bn of lending capacity. If ONE's tool is accurate, this suggests the measures endorsed by member countries include a reduction in the IBRD E/L ratio to around 18 percent. UK International Development Minister Andrew Mitchell also provided a figure similar to the ~\$5bn of additional annual IBRD lending implied by Malpass' statement. In Mitchell's [speech](#) (April 27, 2023) on the future of UK international development, he said: “At the World Bank meetings, I approved changes to the capital adequacy reserve ratios. A reduction in the IBRD requirement limit from 20 percent to 19 percent, just 1 percent, releases for lending an additional \$4bn each and every year.” ONE's [interactive tool](#) on IBRD's balance sheet estimates that this hypothetical reduction would yield an additional \$13bn of lending capacity (i.e., \$36bn - \$23bn, since ONE estimates that a 20 percent E/L ratio adds \$23bn of lending capacity and a 19 percent E/L ratio adds \$36bn). If ONE's tool is accurate, Mitchell is therefore assuming that this will be lent out in just over three years to arrive at a \$4bn annualised figure.

8 A. Shalal, [World Bank Chief Banga Unveils New Plans to Boost Lending 'Firepower'](#), Reuters (July 18, 2023).

9 Annex D. Terms of Reference, in *Boosting MDBs' Investing Capacity: An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks* (G20 Independent Panel for Review of Multilateral Development Banks, 2022), p. 81.

10 The UK's share of the largest multilateral, the IBRD, is 4 percent, but its shares at AfDB, ADB, and IDB are, respectively, around 1.7, 1, and 1 percent.

11 For example, Canada (18 percent), Germany (20 percent), Italy (20 percent), and the United States (19 percent).

less than those of France (40 percent) and Japan (40 percent). The UK has pledged to recycle SDR 4bn, currently equivalent to \$5.40bn, or £4.32bn.¹² Of this amount, SDR 1.5bn (~\$2.0bn, or ~£1.62bn) has been committed to the IMF's Poverty Reduction and Growth Trust (PRGT), which provides concessional loans to low-income countries, and SDR 2.5bn (~\$3.4bn, or ~£2.70bn) to its Resilience and Sustainability Trust, which provides affordable long-term financing to LICs and vulnerable middle-income countries.

In terms of commitments, then, the UK has mobilised £4.32bn over 2022 and 2023. If it commits to further SDR recycling, it will mobilise some £2.16bn per 10 percentage points of its 2021 SDR allocation. In terms of disbursement, however, as of June 2023, only Barbados, Costa Rica, and Rwanda have received recycled SDRs.¹³

A further opportunity to mobilise finance is to allocate SDRs to the AfDB or other MDBs. The AfDB proposes to use SDRs to issue bonds, bought by the private sector, which could raise two to four times the value of the allocated SDRs to lend to African countries. If the UK committed a further 10 percentage points of its SDR allocation to the AfDB, this could plausibly mobilise £4.3bn–£8.6bn.

The UK has historically counted its contributions to the PRGT as ODA—it recorded **£1.6bn in such aid over 2015–2020**. However, the OECD-DAC has clarified that because SDR recycling involves no fiscal effort, it should not be scored as ODA.¹⁴

In summary, the UK has mobilised substantial funds through SDRs, though it is unclear whether it will do so on an ongoing basis. MDB reform could mobilise significant new funding in the timeframe of the strategy, and the UK's share may be significant.

V. Implications for ODA and Climate Finance

ODA Implications

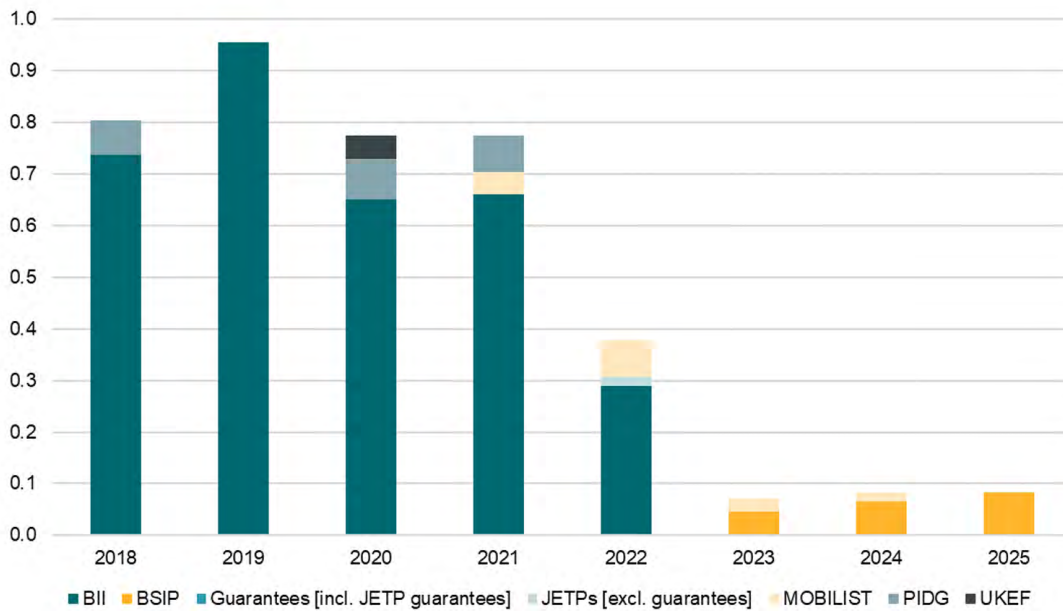
Figure 5 sums up how BIPs have been counted as ODA in past years, based on available data, and what we expect could be counted in the future, based on known commitments. Importantly, we do not have forward plans on ODA spend via BII and PIDG, though the former has been the most significant component of BIP ODA in previous years. In the absence of information, no ODA is shown for these

12 Using the May 3, 2023, exchange rates of 0.740895:1 SDR:USD (SDRs to US dollars), and 0.926563:1 SDR:GBP (SDRs to British pounds sterling). Note that ONE's SDR pledges tracker (as of May 3, 2023) uses an older exchange rate, and hence reports a different USD value for the UK (\$5.47bn). Note also that UK International Development Minister Andrew Mitchell provided a slightly different USD figure, of \$5.3bn, in his speech (April 27, 2023) on the future of UK international development—most likely due to the SDR:USD exchange rate used.

13 See K. Sebany, G. Joel-Osoba, and L. Picci, Special Drawing Rights, ONE (accessed July 25, 2023).

14 See *Update on Outstanding Issues Related to the Annex 2 List Of ODA-Eligible International Organisations and Single Table—IMF Resilience and Sustainability Trust* (DAC Working Party on Development Finance Statistics, May 10, 2023), p. 4.

FIGURE 5. BIP ODA Commitments by Element (Nominal £Bn)



Source: CGD analysis; see Annex.

Note: Figure includes only known ODA commitments. It can be expected that BII and PIDG will receive ODA in the years 2023–2025, but no information is yet publicly available on this.

elements in future years—though it should be expected that they will receive ODA. Hence, for future years only estimates can be made for the relatively small-value BSIP and MOBILIST programmes. As UKEF is predominantly non-ODA (besides the 2020 cancellation of Sudan’s debt held by UKEF), this element can be expected to use no ODA in future years—and unless the UK begins to count guarantees as ODA in the year they are committed, these can also be expected to use no ODA in future years unless they are called. If the guarantees are called due to default, payments by FCDO may be spread out over several years. In the last year for which we have reasonably comprehensive data, 2021, the ODA associated with the BIPs came to £0.77bn.

Contingent liability notifications for both the [India Green Guarantee](#) and the [Room to Run Sovereign guarantee](#) state that “FCDO would only pay official development assistance if a default occurs”—and in the case of the AfDB guarantee, if first loss cover is exhausted. We confirmed that this approach—counting ODA only in the case of default—is the method the government is using. However, according to [Max Ndiaye](#), manager of syndication and co-financing at AfDB, FCDO did subsidise the cost of the risk transfer—and subsidies like these on similar guarantees have been counted as ODA by Sida in the past. For ODA, it would seem appropriate either to count the subsidy of the risk fee as ODA when it is paid, or to count any payout due to default as ODA at the time when it is paid—but counting both would be double-counting the fiscal effort.

Climate Finance Implications

What is international climate finance?

In 2009, at COP15 in Copenhagen, developed countries committed to a collective goal of mobilising \$100bn per year by 2020. This commitment was formalised at COP16 the following year in Cancún, and in 2015 at COP21 in Paris, the target was extended to 2025. There is no internationally recognised definition for what constitutes climate finance—this question is expected to be addressed as part of the deliberations on the New Collective Quantified Goal on climate finance, the successor to the \$100bn target.

The UK defines ICF as ODA from the UK to support developing countries to respond to climate change, covering both adaptation and mitigation.

What are the UK commitments on ICF?

The UK committed to spend £5.8bn of ICF between 2016 and 2021; the government has confirmed it met this target. In 2019, the UK made a further commitment to double the amount of climate finance it provided over the following five years (ICF phase 3), totalling £11.6bn between 2021–22 and 2025–26. Of this £11.6bn total, at least £3bn is ring-fenced for “climate change solutions that protect and restore nature and biodiversity,” and up to £1bn will be for the Ayrton Fund.

The government has [confirmed](#) that it expects its £11.6bn ICF commitment to be met entirely from ODA.

Some BIP elements have also defined their own targets for climate finance provision, though the way this climate finance will be integrated into UK ICF calculations is uncertain.

- BII’s 2022–2026 strategy [highlights](#) “a target of 30 per cent of [...] new commitments qualifying as climate finance”, the target being a floor and measured as a rolling average. We understand that BII’s climate finance commitments count fully towards the ICF commitment and their amount will depend on the climate share of actual projects.
- The IDS included a [commitment](#) to “unlock an additional \$3bn of climate finance” through the use of guarantees to the World Bank and AfDB. Our understanding is that, unless these guarantees are called and ODA is charged, none of this will count towards the UK’s ICF total.

How does the UK track and report ICF?

The UK does not provide a specific figure for total spending of ODA on climate change projects, including in the annual [UK climate finance results reports](#). Climate is instead treated as a “cross-cutting theme in the OECD sector codes.” In its reporting of ODA to the OECD, which is separate from its reporting of climate finance, the UK does tag projects using principal and meeting significant Rio markers.

We do have access to data submitted in biennial reports to the United Nations Framework Convention on Climate Change (UNFCCC), though these have a significant lag period; the UK [Fifth Biennial Report](#) registered climate finance provision in 2019 and 2020 of £1,184m and £1,329m, respectively.

How is ICF being counted across the BIPs?

Given there is no breakdown of ICF spend, it is difficult to know for certain how much each of the BIPs contributes to the total. For that reason, we must rely on reporting by the individual BIP elements.

The [2022 UK International Climate Finance Results](#) report lists all programmes that have reported ICF results since 2011–12. The only BIPs that are included in this list are the CDC (now BII) Programme of Support in Africa and South Asia (2015–2023), the second phase of DFID’s support to PIDG, and MOBILIST. It is unclear whether the other BIPs contribute to ICF, and if so how.

Even among the three BIPs listed above, there are difficulties in estimating the total ICF spending. To take BII as an example, its latest annual report (2021) showed that 26 percent (£479m) of all its new commitments were for climate finance. It is not clear if these commitments are eligible to count towards UK ICF targets given that all ICF is ODA but only capital increases are countable as ODA for BII. It is notable that BII does not generally refer to ICF, though it does explicitly say in [evidence to the International Development Committee of Parliament \(IDC\)](#) that its target is to have “30 percent of all new investments dedicated [as] international climate finance.” No coefficient or method is given for calculating ICF from the climate finance commitments, if they differ in any way. Furthermore, because it is difficult to project how much ODA BII might receive in the future, it is also difficult to project future ICF volumes.

Another issue with estimating ICF, including projections into the future, is that reflows of climate finance are counted as negative ODA. MOBILIST, which is listed as 100 percent ICF-eligible and primarily uses financial transactions (counting reflows as negative ODA), can be used to illustrate the issue. All MOBILIST financial transactions are expected to be recycled, and it is unclear whether the programme’s ICF will yo-yo as reflows of ODA accumulate before reinvestment—or indeed what will happen at the close of the programme.

How much does this ICF add up to? What proportion of total UK ICF does this represent?

In light of the difficulties highlighted above, to estimate ICF provision by the BIP elements we have taken the climate eligibility of commitments at face value for those BIP elements that specifically mention ICF in official documentation and/or were listed as having previously contributed to ICF totals. This includes MOBILIST, BII, and PIDG. Given the uncertainty around what is counted, we approximate lower and upper bounds for BII and PIDG: we calculate a lower bound for ICF contributions by applying these institutions' climate coefficients (30 percent based on the IDC submission target and 34 percent based on financially closed projects between 2017 and 2021) to their extrapolated ODA budgets, and we calculate an upper bound by applying these same coefficients to their projected commitments.

We estimate that this could result in ICF contributions of between £0.75bn and £3.2bn over the course of the ICF 3 reporting period. This would represent between 6 and 28 percent of the £11.6bn ICF commitment.

Non-ODA climate finance

Our analysis has highlighted that the UK is mobilising significant sums of finance for climate purposes that it is not reporting as “ICF” due to the principle that all ICF must be ODA.

Table 5 summarises, for each BIP element, the amount of finance that will have a climate objective from 2021 to 2025.

The contribution of these elements—particularly guarantees and JETPs—increases the amount of climate finance to just over £7bn across the period, equivalent to over 60 percent of the ICF (ODA) commitment.

At least part of this is legitimately “new and additional” finance—in particular, the guarantee element is separate from ODA, and historically new. The recent IDS also describes this as “climate finance,” and it seems the UK could report this to the UNFCCC, even if it maintained its ICF commitments in ODA. Furthermore, there is also an argument that much of the private finance mobilised meets the UN criteria of being “new and additional” and could also legitimately be reported.

TABLE 5. Climate Finance Claimed by BIP Elements

BIP	Measure / Projection	2021	2022	2023	2024	2025	Total
Non-ODA							
Guarantees (Incl. JETP Guarantees)	Commitments[A]	\$1,000m	\$2,600m				\$3,600m
	Climate %	100%	100%				100%
	Climate £	£727m	£1,890m				£2,617m
JETPs (Excl. Guarantees)	Commitments[B]	\$524m		\$333m	\$333m	\$333m	\$1,524m
	Climate %	100%	100%	100%	100%	100%	100%
	Climate £	£381m	£m	£242m	£242m	£242m	£1,108m
ODA-funded							
BSIP	Commitments			£47m	£65m	£82m	£195m
	Climate % ^[C]			50%	50%	50%	50%
	Climate £			£23m	£33m	£41m	£97m
PIDG	Commitments	\$358m	\$347m	\$347m	\$347m	\$347m	\$1,746m
	Climate %	54%	34%	34%	34%	34%	38%
	Climate £	£141m	£86m	£86m	£86m	£86m	£484m
BII	Commitments	£1,866m	£1,800m	£1,800m	£1,800m	£1,800m	£9,066m
	Climate %	26%	30%	30%	30%	30%	29%
	Climate £	£485m	£540m	£540m	£540m	£540m	£2,645m
MOBILIST	Commitments	£42m	£71m	£25m	£18m		£157m
	Climate % ^[D]	100%	100%	100%	100%		100%
	Climate £	£12m	£43m	£22m	£15m		£93m
Total	Climate £	£1,746m	£2,559m	£914m	£916m	£909m	£7,044m

Sources: CGD analysis; see Annex.

Notes: A GBP:USD (British pounds sterling to US dollars) conversion rate of 0.73 is used for all years. Italics are CGD projections. UKEF is excluded as we have confirmed its investments in climate projects are not counted in the UK government's calculations of ICF. JETPs are excluded as there is a large degree of crossover with the guarantees. Mixed reporting of financial and calendar years is also likely to be a source of error.

[A] Notification of the India Green Guarantee was given to Parliament in 2021, though this has yet to appear in the FCDO Annual Report and Accounts. Its value of \$1bn is assigned to 2021.

[B] The second guarantee facility for the South Africa JETP has yet to be agreed to by the UK, but according to the South Africa Implementation Plan is due to cover \$1bn worth of lending. As this has not yet been agreed but is expected to materialise, the \$1bn has been distributed evenly over the period 2023–2025. The value of the UK contribution to the Vietnam JETP, as well as its structure, has yet to be agreed or announced and has therefore been excluded, though it is plausible that this will be worth approximately \$1bn and materialise before the end of 2025.

[C] BSIP climate proportion of 50 percent is based on the total programme budget assigned to the sector "energy generation, renewable sources—multiple technologies."

[D] Original MOBILIST funding is 30 percent ICF-eligible, but the additional Engine Room funding is 100 percent ICF-eligible, and therefore climate £ does not equal commitments.

VI. Poverty Focus of BIP Elements

A full analysis of the cost-effectiveness and development impact of BIPs lies beyond this paper. However, it is widely appreciated that projects and investments which benefit the poorest have an exponentially greater impact on human welfare. Hence, spending in the poorest countries is a useful though simple indicator of the quality of finance. In this section we use three measures to assess the degree of poverty focus in the geographic allocations of BIP elements.

We primarily measure the poverty focus of BIP allocations by looking at the average income level of each BIP element's recipients. More specifically, we calculate the weighted average of recipient-country income based on the real GNI per capita of recipient countries (or regions) and weighted by the finance provided to each. Two other proxies of poverty focus are also used: the share of finance allocated to LICs, and the share allocated to Africa (the region of the world with the **lowest average income** and the **highest rate** of extreme poverty, and where the **majority** of people living in extreme poverty reside). Of these three metrics, average recipient income provides the most reliable measure of the poverty focus, as the LIC and Africa shares miss significant differences in allocation within and outside these groups.

Historical data is available to calculate these metrics for BII, PIDG, and UKEF.¹⁵ For each of these BIP elements, Table 6 presents the 2017–2021 annual average of the three poverty focus measures used. As a benchmark for comparison, the poverty focus of FCDO and non-FCDO bilateral ODA allocation is also given for 2021 (the latest year available; note, though, that the poverty focus of both of these instruments has **deteriorated** over the past decade) alongside the average income of countries in the World Bank's LIC and LMIC groups in 2021.

In terms of average recipient income, PIDG displays a relatively strong poverty focus, with an annual average of \$4,900 between 2017 and 2021 (lower than the \$5,200 benchmark for the FCDO's bilateral aid allocation in 2021). BII is slightly less focused on the poorest than is FCDO's portfolio, with an average recipient income of \$6,100, but somewhat more pro-poor than spending by other government departments (i.e., non-FCDO spending). However, UKEF's average recipient income of \$10,800 reveals a relatively low poverty focus, as it is more than double the level of PIDG and the FCDO benchmark, and higher even than the non-FCDO benchmark of \$9,600. UKEF is predominantly demand-led and so has less control on its country allocation, although it can and does shape this with the local effect of its in-country offices.

15 These metrics are not calculated for UK development finance provided through JETPs and guarantees, as so far these have focused on a small number of countries. These recipients have tended to be middle-income, such as South Africa (an upper-middle-income country), Indonesia (lower-middle-income), Vietnam (lower-middle-income), and India (lower-middle-income). However, the AfDB Room to Run Sovereign guarantee is expected to unlock finance for LICs across Africa.

TABLE 6. Poverty Focus of BIP Elements

BIP Element	Average Recipient Income (2017 USD, PPP)^[A]	LIC Share (% Total)^[B]	Africa Share (% Total)^[A]
BIP elements (2017-21 annual average)			
BII ^[C]	\$6.1k	12%	56% ^[B]
PIDG ^[D]	\$4.9k	36%	72% ^[F]
UKEF ^[E]	\$10.8k	17%	48% ^[F]
UK ODA Benchmarks (2021)			
FCDO ^[G]	\$5.2k ^[H]	58% ^[I]	52% ^[J]
Non-FCDO ^[G]	\$9.6k ^[H]	23% ^[I]	44% ^[J]
WB Income Group Benchmarks (2021)			
LIC average	\$1.9k	n/a	n/a
LMIC average	\$6.8k	n/a	n/a

Notes:

[A] Of country- and region-specific spend

[B] Of country-specific spend (using the World Bank's income classifications)

[C] i.e. BII investments [excl. intermediated investment]

[D] i.e. Financially closed PIDG projects

[E] i.e. UKEF to ODA-eligible countries

[F] To Sub-Saharan Africa (using the World Bank's regional classifications)

[G] i.e. FCDO / Non-FCDO bilateral ODA

[H] See: Hughes & Mitchel (2023) p.3

[I] To LDCs and other LICs; see: Final 2021 SID, p.32 / Excel Table 7

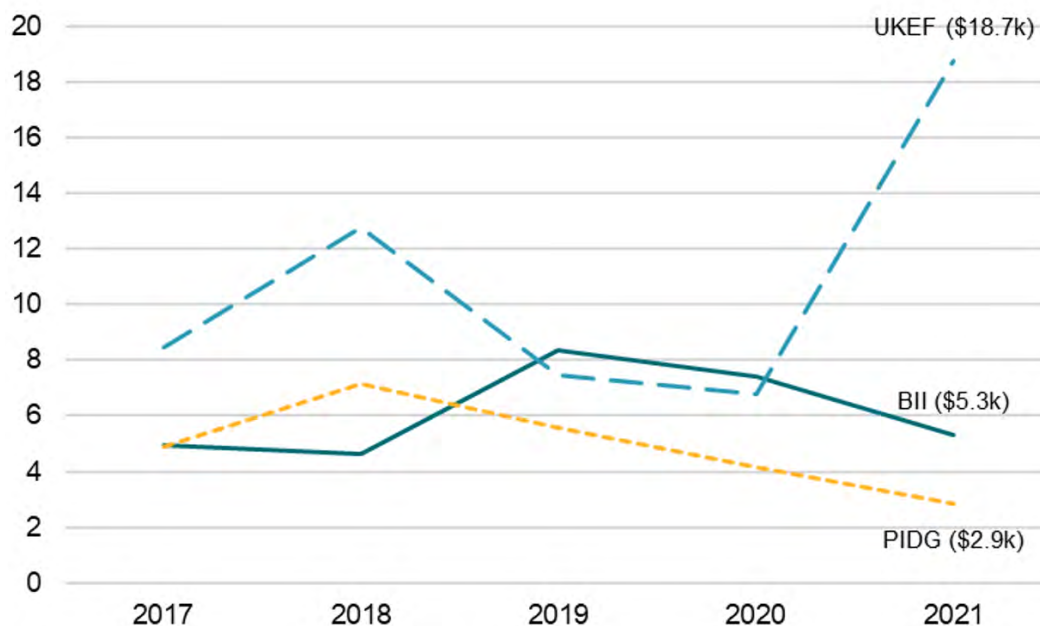
[J] See: Final 2021 SID, p.33 / Excel Table 5

Sources: CGD analysis using: BII investment data, PIDG Results Monitoring Database, UKEF business supported; World Bank World Development Indicators; World Bank classifications; Hughes & Mitchell (2023); UK Final 2021 Statistics on International Development

The other proxies used to measure poverty focus also show that, of the three BIP elements, PIDG is the most pro-poor in the allocation of its finance, with the highest shares allocated to LICs and Africa. These measures can be misleading, however. For instance, UKEF has a higher LIC share than BII, and a similar Africa share—despite a much higher average recipient income measure.

The average recipient income for PIDG has also consistently fallen since 2018 (whereas it has risen for overall UK ODA following the 2021 cuts). In contrast, UKEF shows a wide variability in its year-to-year performance, with its average recipient income peaking at \$18.7k in 2021. In its best years, however (e.g., 2019–20), UKEF's allocation has been more pro-poor than BII's.

**FIGURE 6. Average Recipient Income by BIP Element
(2017 \$K, Purchasing Power Parity), 2017–2021**



Sources: CGD analysis using BII investment data, PIDG Results Monitoring Database, UKEF business supported, and World Bank World Development Indicators.

Note: Refers to the country- and recipient-specific spend of (a) BII investments (excluding intermediated investment), (b) financially closed PIDG projects, and (c) UKEF to ODA-eligible countries.

Looking forward, BII’s latest strategy covering the period 2022–2026 offers some insight into how its poverty focus might evolve. BII has introduced a new **impact score** to guide its portfolio allocation between 2022 and 2026, and this score **rewards** investments made in a subset of 23 of the poorest and most fragile African and South Asian countries. This could maintain or increase BII’s poverty focus if incentives are greater than those affecting its previous framework. However, BII is also **expanding** its operations into Indo-Pacific countries, and perhaps into the Caribbean, particularly through the provision of climate finance. As these regions are **relatively richer** than Africa and South Asia (where BII investments are currently **focused**), and as BII also aims for climate finance to compose at least 30 percent of its new investments (climate finance, particularly mitigation finance, tends to be spent more in middle-income countries, though see below for a discussion of BII’s recent climate finance allocations), this expansion could reduce the poverty focus of BII’s portfolio. It is unclear which of these effects will dominate, and thus whether BII’s poverty focus will rise or fall.

We can also anchor our expectations for the potential future poverty focus of another BIP element, the BSIP programme, even though it will just begin committing funds in FY2023. The BSIP Business Case outlines an illustrative portfolio that suggests a poverty focus similar to that of BII (assuming actual allocations resemble the illustrative portfolio).¹⁶ Still, business cases can suffer from optimism bias, and the trend in UK aid allocation has been towards less-poor countries, so we judge the risks to imply a less pro-poor focus than that of BII, which is reflected in Table 1.

Finally, it is noteworthy that PIDG's and BII's recent climate finance does not appear to have a lower poverty focus than their other spend. In fact, between 2017 and 2021, the geographic allocation of PIDG's financially closed projects is somewhat more pro-poor for its climate finance,¹⁷ with an average recipient income of \$4,300, than for its whole portfolio (\$4,900). And in 2021, BII's climate finance,¹⁸ with an average recipient income of \$5,500, was only slightly less poverty-focused than all of its investments combined (\$5,300).

16 In the BSIP Business Case, 18 LICs and lower-middle-income countries were identified to form an illustrative portfolio (Developing Markets Infrastructure Programme (DMIP), Business Case (December 2019), Table 1, p. 15; Annex 1, pp. 63–66; please note that BSIP was formerly known as DMIP). And though this portfolio is only indicative, it can guide our expectations for the potential poverty focus of BSIP's actual allocations (expected to begin in FY2023). This illustrative portfolio does not provide a breakdown of allocations across the 18 countries but, assuming each receives an equal share, yields an average recipient GNI per capita of \$5.1k, with 22 percent to LICs and 61 percent to Africa. However, it might be more likely that each country receives a share proportional to its population, and on this assumption BSIP's poverty focus worsens on each metric: its average recipient GNI per capita would be \$6.1k, with 13 percent allocated to LICs and 42 percent to Africa.

17 Projects classified as either Tier 1 or Tier 2 for either mitigation of or adaptation to climate change in PIDG's Results Monitoring Database.

18 Direct investment commitments that either fully or partially qualify using the MDB and the International Development Finance Club's Common Principles climate finance methodology. See BII Annual Review (2021), p. 29.

Table 7. Overview of BIP Instruments

This table provides a simplified overview of the BIP instruments. It combines official data for 2021 with estimates from various sources for mobilisation ratios, our assessment of transparency (see Table 3), and poverty focus (Figure 6). The climate shares are a mix of out-turn and plans (see annex).

Instrument	Overview	UK Finance (£m)		Mob. Ratio	ODA (£m)	Transparency***	Poverty focus**	Climate Finance	
		2021	Mobilised	Average	2021			Share	Reported
BII	Ongoing ODA injections combine with profits for impact investments in companies	1,866	3,377	0.5	661	High	Med	30%	Yes
PIDG	Multi-donor org buying equity or bonds, and issuing guarantees to mobilise investment	261	426	1.5	71	Med-High	High	~34%	Part
MOBILIST	Works with financial service firms to mobilise capital and support investments to stock market listing	120	602	4.0	42	High	N/A	100%	Part
BSIP	Grants and technical advice to improve recipients' infrastructure procurement and finance	0	0	2.5	~0	Med	Low-Med	~50%	TBC
Non-ODA instruments									
Guarantees	Guaranteeing repayments to enable additional lending by multilateral development banks (MDBs) including JETPs	~8	727	9-25	0*	Low	Low	100%	No
JETP	Enabling countries to commit to energy transition (except guarantees)	381	381	N/A	0*	Low	Low	100%	No
MDB reform	Using existing MDB balance sheets to raise capital and lend more	-	-	>25		N/A	TBC	~30%	No
UKEF	Finance for developing country firms/ govts to buy UK products/ services	1,500	1,500	N/A	0*	Low-Med	Low	50%	No
Key figs		4,128	6,977						

*These items have no immediate ODA implication but if borrower defaults then loan repayments/ write off can be counted as ODA

** Med implies country recipients have income per head in line with the FCDO bi-lateral spend; low means recipients typically have income above that level; and high refers to where the focus is on lower income countries. These estimates are based on the poverty focus section; and on authors judgment of the profile sections.

*** Based on assessment of data we gathered, summarised in figure 2; though in the more comprehensive DFI Transparency Index; BII was ranked 12th out of 21 agencies.

Annex. Details on the Seven BIP Elements

British Support for Infrastructure Projects (BSIP)

Summary

BSIP provides grants and technical advice to recipients to improve the procurement of development-focused infrastructure, potentially supporting UK businesses to deliver that work. There are no explicit spending or mobilisation goals, nor climate finance commitments, though it may contribute on each. Progress has been slower than envisioned in the Business Case, but ODA can be expected to increase to ~£50m in 2023 and to over £150m by 2027.

Narrative description of development finance initiative

The FCDO's BSIP programme (formerly known as the Developing Markets Infrastructure Programme, or DMIP, and before that called the Viability Gap Concessional Infrastructure Programme) aims to support predominantly low- and lower-middle-income country governments to procure and finance development-focused infrastructure. It comprises both a Technical Assistance Facility (for project preparation, design, and procurement) and a Concessional Finance Facility (providing grants to alleviate fiscal and non-concessional borrowing constraints). The UK's latest Strategy for International Development listed BSIP as one of the core elements of its new BIPs initiative¹⁹ but didn't provide any explicit financial targets for it. The programme aims to "level the playing field for high-quality firms to provide value-for-money infrastructure development in developing countries, the Programme will be open to infrastructure development projects with significant socio-economic benefits which are delivered by contractors from any country" (p27, business case, link [here](#)) and highlights secondary benefits seen by UK business from a focus on higher quality procurement. It states that UK aid will remain un-tied but there is a risk that a procurement system supported by UK technical assistance results in an implicit preference for UK contractors. Indeed, it's unclear why a bilateral approach is the most appropriate (and whether the multi-donor PIDG meets similar objectives); or whether infrastructure procurement is the UK's comparative advantage.

The BSIP annual review dated March 6, 2022, confirmed that the programme was still in the procurement phase at the time of publication, following delays related to COVID-19 and cuts to the ODA budget in 2020 and 2021. It was anticipated that a supplier would be contracted by the end of 2022. And as a "design and implement programme," BSIP's detailed programme design will be finalised once this supplier is appointed.²⁰

¹⁹ FCDO, The UK Government's Strategy for International Development (May 2022), p. 8.

²⁰ BSIP Annual Review (March 2022), p. 2.

BSIP Overview

		2019	2020	2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Face Value	Commitments					£46.9m	£65.4m	£82.3m	£138.6m	£166.8m
	Disbursements									
ODA (Grant Equivalent)	Commitments					£46.9m	£65.4m	£82.3m	£138.6m	£166.8m
	Disbursements	£72k		£11k						
Climate (%)						50%	50%	50%	50%	50%
Private (Ratio)						1:2.5	1:2.5	1:2.5	1:2.5	1:2.5
BIP Total	Commitments					£164.2m	£228.9m	£288.0m	£485.1m	£583.9m
	Disbursements									

Notes: It is unclear how commitments will translate into disbursements (the former made over 5 years, and the latter over 15+ years). FY2025–FY2027 commitments apply the relative distribution from the Business Case spend profile (21 percent for year 3, 36 percent for year 4, and 43 percent for year 5) to the remaining absolute budget (£387.7m = £500m - £46.9m - £65.4m). The climate finance share is indicative and subject to revision as BSIP commits and disburses funds. The ratio for private finance mobilised should be applied only to the Concessional Finance Facility (80 percent of the total) and represents an upper bound for finance provided to the subset of countries subject to non-concessional borrowing limits.

Scale of finance

Face value. The total programme value of BSIP is up to £500m.²¹ Of this, up to £400m is allocated to the Concessional Finance Facility, £80m to the Technical Assistance Facility,²² and the remainder represents administrative costs.²³ This is expected to be committed over 5 years, but with disbursements over a longer period of 15+ years.²⁴

A spend profile was provided in the 2019 Business Case covering the five-year commitment period: £16.1m in year 1, £20.7m in year 2, £98.3m in year 3, £165.6m in year 4, £199.3m in year 5.²⁵ (Due to delays, year 1 will likely now be FY2023 rather than FY2021). Once committed, grants will be disbursed over the lifespans of the medium- and long-term loans supported: likely between 5 and 18 years.²⁶

DevTracker (using IATI data last updated on June 30, 2022) reports budgets for BSIP of £46,924,901 in FY2023 and £65,400,000 in FY2024—though it is unclear whether these represent planned commitments or disbursements.

21 DMIP Business Case (December 2019), p. 1.

22 DMIP Business Case (December 2019), p. 32.

23 DMIP Business Case (December 2019), p. 35.

24 DMIP Business Case (December 2019), p. 1.

25 DMIP Business Case (December 2019), p. 52.

26 DMIP Business Case (December 2019), p. 52.

ODA eligibility and concessionally. The financial instrument used for the Concessional Finance Facility will be “wholly ODA-eligible grants,” and the Technical Assistance Facility is also ODA-eligible.²⁷ Up to 2021, just £82,150 of ODA has been disbursed for the appraisal and design of BSIP (including under its previous titles).²⁸

Climate finance. DevTracker (using IATI data last updated on June 30, 2022) currently shows that 50 percent of BSIP’s total programme budget is assigned to the sector “energy generation, renewable sources—multiple technologies.”²⁹ Therefore, it may be tentatively inferred that 50 percent of BSIP represents climate finance, though the true share will alter as the programme commits and disburses funds. Note that in addition to this, BSIP “will support governments to integrate climate considerations into supported infrastructure projects.”³⁰

Mobilised private finance. BSIP will mobilise private finance by providing grants to alleviate fiscal and non-concessional borrowing constraints, though it does not have an explicit mobilisation target. However, some BSIP recipient countries are expected to be subjected to non-concessional borrowing limits, which sets an upper bound on the potential ratio of BSIP grants to mobilised private finance. For the BSIP Business Case, 18 countries were identified to form an illustrative portfolio.³¹ And of these 18, finance to 6 countries is required to meet a minimum level of concessionality under the IMF’s debt limits policy: typically financing packages as a whole require a grant element of at least 35 percent.³² Given the typical range of infrastructure transactions BSIP is expected to support, to achieve a 35 percent grant element, the ratio of BSIP grants to additional loan financing cannot exceed between 1:1.5 and 1:2.5.³³ Furthermore, not all of this additional loan financing is necessarily mobilised private finance, as the wider financing packages are also expected to include loans from multilaterals and export credit agencies.³⁴ However, this upper bound to the ratio of BSIP grants to mobilised private finance (1:2.5) does not apply in countries not subject to non-concessional borrowing limits, which comprise the majority of BSIP’s illustrative portfolio (i.e., 12 of 18 countries).

27 DMIP Business Case (December 2019), p. 27.

28 The data underlying the Final 2021 UK SID includes an ODA spend of £10,901 in 2021 for “appraisal and design costs for the Developing Markets Infrastructure Programme” (Activity Identifier: 300885-103) and £71,249 in 2019 for “appraisal and design costs for the Viability Gap—Concessional Infrastructure Facility” (Activity Identifier: 300885-103).

29 The same sectoral composition is found for ODA disbursements under the programme’s former titles in the data underlying the Final 2021 UK SID (Activity Identifier: 300885-103).

30 DMIP Business Case (December 2019), p. 18.

31 DMIP Business Case (December 2019), Annex 1, pp. 63–66.

32 DMIP Business Case (December 2019), p. 25.

33 DMIP Business Case (December 2019), p. 32.

34 DMIP Business Case (December 2019), p. 22.

Private Infrastructure Development Group (PIDG)

Summary

PIDG is a multi-donor organisation seeking to mobilise investment in LICs through buying equity or bonds, and issuing guarantees. PIDG annual commitments attributable to the UK are worth around \$350m per year (and the UK provides an average of £50m per year of ODA as multi-bi contributions). PIDG mobilises around 1.5 times that amount (OECD method). Around a third of this is climate finance, of projects that are renewables, suggesting the UK could claim ~\$300m per year as mobilised climate finance ($(\$347m + (\$347m * 1.52)) * 34\% = \$297m$). PIDG does also fund fossil fuel projects. PIDG's allocations look pro-poor (> 50 percent least-developed countries).

Narrative description of development finance initiative

PIDG is a multi-donor organisation providing technical assistance and finance to encourage private infrastructure investment in LICs and fragile states.

PIDG Overview

		2017	2018	2019	2020	2021	2022	2023	2024	2025
Face Value (UK Attributed)	Commitments	\$344.1m	\$313.3m	\$338.7m	\$380.0m	\$358.4m	\$346.9m	\$346.9m	\$346.9m	\$346.9m
	Disbursements									
ODA (Grant Equivalent)	Core	£61.5m	£11.5m	-£16.9m	-£6.5m	£0				
	Multi-bi	£5.0m	£57.1m	£16.5m	£85.4m	£70.6m				
Climate (%)		46%	38%	25%	9%	54%	34%	34%	34%	34%
Private (Ratio)		100:179	100:289	100:89	100:156	100:63	100:152	100:152	100:152	100:152
BIP Total	Commitments					\$584.2	\$874.2m	\$874.2m	\$874.2m	\$874.2m
	Disbursements									

Note: The share of PIDG's total owner funding provided by the UK in 2021 (70.7 percent) has been applied to annual commitments to calculate the amount attributable to the UK. Because plans for PIDG annual commitments or UK ODA-eligible contributions are unavailable, the average of the last five years for which data is available (2017–2021) has been extrapolated, or these data points have been assumed to remain zero.

Scale of finance

Face value. Over the last five years for which data is available (2017–2021), on average PIDG annually committed \$490.8m (\$507.1m in 2021,³⁵ \$537.6m in 2020,³⁶ \$479.2m in 2019,³⁷ \$443.3m in 2018,³⁸ and \$486.9m in 2017³⁹). And as of 2021, the UK had provided 70.7 percent of PIDG’s total owner funding.⁴⁰ Therefore, \$346.9m of PIDG’s 2017–2021 annual average commitment may be attributed to the UK. Without further information available on PIDG’s plans, this is extrapolated.

ODA eligibility and concessionality. The UK SID shows that the country’s last year of significant core multilateral contributions to PIDG was in 2017 (£61m). These subsequently fell to £12m in 2018, turned negative in 2019 (-£17m) and 2020 (-£6m), and stood at zero in the latest 2021 data. However, the UK’s multi-bi (i.e. earmarked) contributions through PIDG are higher, averaging £46.9m across the last five years for which data is available (£70.6m in 2021, £85.4m in 2020, £16.5m in 2019, £57.1m in 2018, £5.0m in 2017).⁴¹ Forward plans are not available, and therefore the 2017–2021 multi-bi average might simply be extrapolated, and core contributions assumed to remain zero.

Climate finance. PIDG reports its projects with tags much akin to the Rio markers (i.e., for principal or significant mitigation or adaptation objectives) in its [Results Monitoring Database](#). This has averaged 34 percent for financially closed projects over the most recent five years for which data is available (2017–2021) and doesn’t show any systematic trend (the average for 2004–2021 as a whole was much the same: 33 percent), though it varies a lot year-to-year (e.g., from 9 percent to 54 percent between 2020 and 2021). In parallel to this, renewables comprised 86 percent of PIDG energy commitments in 2021 (and 64 percent from 2002 to 2021).⁴² In 2021, 55.9 percent of PIDG commitments were in the energy sector,⁴³ meaning that 48 percent of its total commitments were allocated to renewables in that year.

Mobilised private finance. The [OECD method](#) puts mobilised private finance at 100:152 (over 2017 through 2021).⁴⁴ But PIDG also reports its own estimates in its [Results Monitoring Database](#), which are generally higher: for instance, its ratio for all financially closed projects between 2004 and 2021 was predicted to be 100:419 but estimated by PIDG to be actually 100:204.

35 PIDG 2021 Annual Review, p. 70.

36 PIDG 2020 Annual Review, p. 61.

37 PIDG 2019 Annual Review, p. 54.

38 PIDG 2018 Annual Review, p. 74.

39 PIDG 2017 Annual Review, p. 22.

40 PIDG 2021 Annual Review, p. 88.

41 See Table A8 of the additional tables for the final 2021 SID, 2019 SID, and 2017 SID.

42 PIDG, 2021 Annual Review, p. 73.

43 PIDG, 2021 Annual Review, p. 70.

44 Calculated as the ratio between PIDG’s total mobilised private finance (for all sectors, recipients, and leveraging mechanisms using OECD data) to PIDG’s commitments (sourced from its Annual Reviews), averaged over the five-year period 2017–21.

British International Investment (BII)

Summary

BII invests in companies in LICs, particularly through buying equity, with the aim of achieving returns and social and environmental impact. BII is expecting to increase its commitments from an average of £1.3bn per year to almost £1.9bn per year from 2022. BII has seen a substantial capitalisation with ODA over the past decade and is now among the largest private development finance institutions. It has received some 4 percent of the ODA budget on average and may do so going forward. BII has reported substantial sums as climate finance, which the UK includes in its reporting to the UN.

Narrative description of development finance initiative

BII (formerly CDC) is the UK's development finance institution, providing impact-focused investment to create more productive, sustainable, and inclusive economies in Africa, Asia, and the Caribbean. To this end, BII's Growth portfolio contains the majority of its investments, while its Catalyst portfolio accepts a higher level of risk. These are supplemented by BII Plus, its technical assistance and support facility.

BII Overview

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Face Value	Commitments	£1,047m	£1,060m	£1,657m	£1,221m	£1,866m	£1.8bn (£1.5bn– –£2bn)	£1.8bn (£1.5bn– –£2bn)	£1.8bn (£1.5bn– –£2bn)	£1.8bn (£1.5bn– –£2bn)	£1.8bn (£1.5bn– –£2bn)
	Disbursements	\$745m	\$1,201m	\$1.2bn	\$1,503m	\$1.7bn					
ODA (Grant Equivalent)	FCDO Capital AME	£395.0m	£736.0m	£955.0m	£650.0m	£660.7m	£289.5m				
Climate (%)		32%	18%	14%	7%	26%	30%	30%	30%	30%	30%
Private (Ratio)		100:50	100:41	100:41	100:35	100:81	100:53	100:53	100:53	100:53	100:53
BIP Total	Commitments						£2,754m (£2,295m– £3,060m)	£2,754m (£2,295m– £3,060m)	£2,754m (£2,295m– £3,060m)	£2,754m (£2,295m– £3,060m)	£2,754m (£2,295m– £3,060m)
	Disbursements										

Notes: "FCDO capital AME" refers to fiscal years. BII 2022–2026 commitments are dependent on adequate capitalisation. AME = annually managed expenditure.

Scale of finance

Face value. BII aims to commit around £9bn of new investments over the new strategy period (2022–2026),⁴⁵ subject to adequate capitalisation.⁴⁶ BII will not set annual volume targets for these new commitments, which would average at £1.8bn per year, but does provide a range by saying it “will invest between £1.5bn and £2bn per year.” This compares to £1,866m of new commitments in 2021, and an average of £1,370.2m between 2017 and 2021.⁴⁷ Hence while the new five-year strategy period represents a scale-up from the last, annual commitments are not set to change much from the level they have already reached in 2021. BII disbursement data is only reported for its Growth portfolio in its annual reviews, and is often rounded to the nearest \$100m.⁴⁸

ODA eligibility and concessionality. Since 2015, capital flows from the UK government to CDC/BII are counted as ODA (i.e., not outflows),⁴⁹ but these are not clearly reported in the SID.⁵⁰ However, from the FCDO accounts we know that what FCDO reports as capital annually managed expenditure (AME) is money that goes to BII, and thus we can obtain information on historical flows up through FY2021. From the latest FCDO accounts we see that £289.5m is listed for BII as capital AME in FY2022 (Section 2.1). This is significantly lower than in previous years: for instance, the equivalent figure was £660.7m in FY2021. We do not have ODA plans for BII (AME is not reported in SR21), though historically, annual capital increases to BII, as a share of total ODA, have not exceeded 6.6 percent since 2015, and averaged 4 percent.⁵¹ However, BII ODA flows do relate to the SR21 commitment to spend £2.4bn over the following three years “to unlock finance for green growth”⁵²—that is, up to £800m a year between FY2022 and FY2024.

Climate finance. Under its new strategy for the period 2022–2026, BII has set “a target for 30 percent of our new commitments over the next five years to be in climate finance, which we expect to total over £3bn.”⁵³ This target is a floor⁵⁴ and will be measured as a rolling average.⁵⁵ This is an increase from BII’s climate finance share of total commitments of 26 percent in 2021, and 7 percent in 2020.⁵⁶

45 BII, *Productive, Sustainable, and Inclusive Investment: 2022–26 Technical Strategy* (January 2022), p. 43.

46 *Ibid.*, p. 21.

47 BII Annual Review 2021, p. 9.

48 Total disbursements for BII’s Growth portfolio must be inferred from its reporting of share and amount of these which went to either high-priority sectors or the countries classified as having the most difficult investment environment (e.g., BII reports that it disbursed \$1.2bn to high-priority sectors in 2021, equivalent to 69 percent of total disbursements, meaning total disbursements were \$1.7bn (= \$1.2bn / 69 percent, rounded to the nearest \$100m). See BII Annual Review 2021, p. 37; CDC Group plc Annual Review 2020, p. 34; CDC Group plc Annual Review 2019, p. 52; CDC Group plc Annual Review 2018, p. 30; CDC Group plc Annual Review 2017, p. 28.

49 See the 2015 SID, Annex A.

50 See Table A2 of the additional tables for the final 2021 SID, which shows no CDC ODA through bilateral or multilateral channels since 2015.

51 *IDC’s Investment for Development Inquiry—Submission by BII, the UK’s Development Finance Institution* (BII0075), p. 6.

52 HM Treasury, *Autumn Budget and Spending Review 2021: A Stronger Economy for the British People* (October 2021), p. 79, para. 2.158.

53 BII, *Productive, Sustainable and Inclusive Investment: 2022–26 Strategy Summary* (January 2022), p. 7.

54 *Ibid.*, p. 4.

55 *Ibid.*, p. 14.

56 BII Annual Review 2021, p. 23.

However, looking back over a longer period it can be seen that a climate finance share of 30 percent is a return to 2017 levels.⁵⁷ Related to these metrics, in 2021, 37 percent of the total power generated and distributed by BII's investments was from renewable sources, up from 29 percent in 2020.⁵⁸

Mobilised private finance. BII reports its private sector capital mobilised using both the OECD and MDB methods. These two methods allow a robustness check on this estimate, and provide an upper and lower estimate—though in practice the two methods yield similar results for BII. Across the period 2017–2021, both the BII and MDB methods yield a ratio of 100:53 for BII commitments to private sector capital mobilised (and both reached a high in 2021, due to significant investments such as the Global Partnership for Ethiopia and Ayana Renewable Power: 100:81 by the OECD method, and 100:82 by the MDB method).⁵⁹

The Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) programme

Summary

MOBILIST works with financial service providers to help mobilise capital and to support/catalyse investment products to initial public offering (IPO). There are no explicit spending or mobilisation goals nor climate finance commitments. The programme has total ODA value of £156m, with the highest annual budget of £71m in 2022–23. MOBILIST is due to end in March 2026.

Narrative description of development finance initiative

MOBILIST aims to support/catalyse up to five investment products, taking them to IPO on either the London Stock Exchange or on local market exchanges. A **funding boost** in November 2021, referred to as the Engine Room, provides funding for a series of new competitive processes to widen the range of investible projects identified.

57 The climate finance share of BII's annual commitments for years 2017–2019 are inferred from the figures provided in CDC Group plc Annual Review 2019, p. 18.

58 BII Annual Review 2021, p. 37.

59 Ibid., p. 38.

MOBILIST Overview

	2020–21	2021–22	2022–23	2023–24	2024–25
Face Value (£m)	£0.58m	£42.39m	£71.4m	£24.93m	£17.9m
Non-fiscal CDEL MOBILIST		£39m	£37m		
Non-fiscal CDEL Engine Room			£30m	£20m	£13m
RDEL MOBILIST	£0.58m	£1.49m	£2.0m	£2.2m	£2.4m
RDEL Engine Room			£1.0m	£1.0m	£1.0m
R-CDEL MOBILIST		£0.9m	£1.4m	£1.53m	£1.50m
Climate Finance	100% (original funding 30% eligible)				
Expected Leverage Ratio	1:4 (business case target is 1:2)				

CDEL = capital departmental expenditure limit; RDEL = resource departmental expenditure limits; R-CDEL = research CDEL.

Scale of finance

Face value. FCDO has thus far invested in two products: the TLEI, with seed capital of £24.5m, and the CLEAR Fund, with \$7m. TLEI is listed on the London Stock Exchange, but the CLEAR Fund is yet to be listed: once it reaches “sufficient maturity and growth,” it plans to list on “a major stock exchange.” A total of £156m has been allocated to the programme, of which £139m is non-fiscal capital departmental expenditure limit (CDEL).⁶⁰ All financial transactions (non-fiscal CDEL) is expected to be “recycled into increasingly sophisticated climate mobilisation products every 2–3 years” twice over the course of the programme.⁶¹ This means that the effective face-value commitments from this programme are likely to be close to three times larger than those provided in the table above—approximately £435m over the course of the programme.

ODA eligibility and concessionality. According to the business case, “the entire investment and associated routine management fees that are charged as part of that investment will score as ODA,” and any monetary reflows will be counted as negative ODA.⁶² FCDO expects the duration of its investments to be less than five years, after which it will seek a managed exit.⁶³ MOBILIST “has a preference not to deploy capital in a concessional form, but rather to offer investment capital [...] on commercial terms,” but it “do[es] not exclude the possibility of deploying concessional capital.”⁶⁴

Climate finance. Of the original funding, 30 percent is “ICF-eligible,” compared to 100 percent of the additional funding—this increase being a “core strategic change” of the Engine Room funding

60 Addendum to MOBILIST Business Case (March 2022)

61 Ibid., para. 26.

62 MOBILIST Business Case and Summary (March 2020), para. 203.

63 Ibid., p. 46.

64 Ibid., para. 72.

extension.⁶⁵ This implies that £92.83m direct ICF will be provided by the project over its lifetime. Per year, we can expect ICF of £12.42m in 2021–22, £43.12m in 2022–23, £22.12m in 2023–24, and £15.17m in 2024–25.⁶⁶ According to IATI data, there is £110m worth of budget tagged as ICF linked to the MOBILIST programme—£72m attributed to TLEI, £4m attributed to the CLEAR Fund, and £34m linked to the International Climate Finance Investment Fund as yet unallocated to MOBILIST projects. It is unclear how monetary reflows (negative ODA) will count against UK ICF provision.

Mobilised private finance. FCDO’s investment of £24.5m in TLEI attracted £63m in private capital for a total of £87.6m, giving a leverage ratio of 10:26.⁶⁷ However, a MOBILIST press release suggests a leverage ratio of 1:4 based on anticipated market capitalisation of £113.8m.⁶⁸ The \$7m investment in the CLEAR Fund accompanies a \$43m anchor investment from InfraCo Africa,⁶⁹ the African development arm of PIDG, implying a third-party mobilisation ratio of 10:61 (though PIDG is in part FCDO-funded, so there may be some double-counting here.) In the addendum to the business case, it is noted that a leverage ratio of 1:4 would be expected based on previous performance, but that the mobilisation potential is “well in excess of this range” if the MOBILIST Engine Room delivers on its ambitions.⁷⁰

UK Guarantees

Summary

UK Guarantees are used to guarantee that an LIC government borrower repays its loan to a (multilateral) bank thus lowering the risk and cost of the loan, and enabling the project to access the borrowing supports. The UK has issued guarantees for the first time and agreed to or committed around \$3.6bn (~£2.6bn) over the past two years, and these can potentially mobilise multiples of this amount as multilaterals use them to raise further finance. Guarantees have also been used as a mechanism to provide support to Ukraine and to finance JETPs. If guarantees are “called,” the government may report the outstanding payments it covers as ODA. Still, the expected (i.e., risk-adjusted) costs—or “fair value”—are low relative to amounts mobilised: the value of the guarantee is some 9.5 times the fair value⁷¹ and could enable further lending beyond the guarantee amount. Aside from Ukraine’s guarantees, all have a climate objective (including \$2.3bn which relate to the JETPs—see next section—and have a shorter timeframe) but are not currently reported as climate finance.

65 Addendum to MOBILIST Business Case (March 2022), para. 24.

66 Ibid.

67 MOBILIST Annual Review (February 2022), p. 6 (OI3), p. 7 (IOI1).

68 <https://mobilistglobal.com/news-views-events/mobilist-catalyses-successful-thomaslloyd-energy-impact-trust-plc-ipo/>.

69 <https://www.esi-africa.com/business-and-markets/infraeco-invests-43m-into-climate-energy-access-and-resilience/>.

70 Addendum to MOBILIST Business Case (March 2022), para. 31.

71 This is based on the fair value of £478m reported in the FCDO annual report 2022/23 against the outstanding guarantees reported there of £4,524m. Contingent liabilities reported in the budget 2023 suggest FCDO took on £2.2bn of exposure for an expected cost of £85m.

Current proposals at the OECD could mean more of the costs of guarantees are counted as ODA upon issuance.

Narrative description of development finance initiative

UK Guarantees will be used to help “unlock an additional \$3bn of climate finance” from the World Bank and AfDB. This programme is operational and arrangements for both guarantees have been finalised; the India Green Guarantee (World Bank) will be used for projects in India that address climate change, and the AfDB guarantee frees up headroom for new lending, in particular for climate finance.

UK Guarantees Overview

Guarantee	Face Value (\$M)	Agreement Date	Expected Duration	Expected Losses
India Green Guarantee (WB)	1,000	Nov-21	25 years	
Room to Run Sovereign guarantee (AfDB)	1,600	Oct-22	15 years	
Plus private sector guarantee	400	Oct-22	15 years	
Ukraine	1,680	Various	-	
1st guarantee (WB)	500	Jun-22	25 years	
2nd guarantee (EBRD)	~56	Oct-22	5 years	
3rd guarantee (WB)	~552	Oct-22	18 years	
4th guarantee (WB)	500	Mar-23	29 years	

WB = World Bank; EBRD = European Bank for Reconstruction and Development.

Scale of finance

Face value. As part of the commitment made in the IDS, the UK has agreed to guarantee a total of \$2.6bn worth of MDB sovereign loan portfolios, mobilising \$3bn—\$1.6bn to the AfDB as part of the Room to Run Sovereign guarantee, accompanying \$400m from private investors and expected to last up to 15 years, and \$1bn to the World Bank as part of the India Green Guarantee, which is expected to last up to 25 years.

Guarantees have also been used extensively to support Ukraine. According to the [FCDO Annual Report and Accounts 2022–23](#), the outstanding amount (including interest) on these two guarantees is worth almost £2bn. At the June 2023 Ukraine Recovery Conference in London, the UK agreed to guarantee a further \$3bn, which, accounting for interest payments, will create a contingent liability of £5.4bn.

Going forward, it seems likely that the UK will enter into similar agreements with other development banks, though this is limited by the appetite for cross-portfolio risk—of which a large share is currently being “used up” by guarantees for Ukraine. The UK is [in talks](#) with the ADB regarding

IF-CAP, the ADB's Innovative Finance Facility for Climate in Asia and the Pacific, which aims to leverage these guarantees at “\$1 in, \$5 out” to provide climate finance across the region. Similarly, the World Bank *expects* that each \$1 provided as a guarantee increases its lending by \$5. In its latest annual report,⁷² the FCDO suggests that the total value of guarantees is £4,524m, with a fair value (expected cost) of £478m, a ratio of 9.5:1.

ODA eligibility and concessionality. These guarantees are contingent liabilities which sit on the FCDO balance sheet. They are eligible to count as ODA in the event of defaults. Other agencies— notably Sida—count administration and risk costs as ODA (see below). In particular, the FCDO would expect to receive a fee for providing the guarantee, and any subsidy of that fee Sida has counted as ODA. FCDO has confirmed that ODA will be counted only in the event of default, consistent with the contingent liability notifications to Parliament, and that this payment would be made over several years. This means future ODA budgets will need to cover any repayments guaranteed if the borrower is unable to make them.

It is not clear whether the FCDO expects these liabilities to crystallise, as their international financial institution (IFI) liabilities are not currently itemised in the Annual Report and Accounts, and it is not clear whether the \$2.6bn is included in the contingent liabilities in respect of contributions due to IFIs (£2.3bn), of which a majority are expected to crystallise, or in the remote contingent liabilities in respect of callable capital on investments in IFIs, which are not expected to crystallise (£14.8bn).⁷³ We expect the details to be included in the forthcoming annual report, due to be published by the Contingent Liability Central Capability before the end of 2023, according to the Autumn Statement 2022.⁷⁴

Climate finance. Both guarantees unlock finance for projects with climate objectives. The full \$2bn AfDB guarantee is explicitly climate finance with at least half to be focused on projects addressing “African countries’ adaptation and resilience to climate change.”⁷⁵ The India Green Guarantee covers lending to India from the World Bank to support “clean and resilient infrastructure in sectors such as clean energy, transport and urban development.”⁷⁶ What is unclear is how much of this climate finance will count as UK ICF, given that all UK ICF is ODA, and these guarantees count as ODA only in the event of a payout.

Mobilised private finance. Private finance totals \$400m in the Room to Run Sovereign guarantee, which compares with FCDO’s guarantee of \$1.6bn. However, the bigger effect on mobilisation is that,

72 FCDO Annual Report and Accounts 2022–23.

73 FCDO Annual Report and Accounts 2021–22, pp. 75, 168.

74 HM Treasury, Box 4.B: Improving the Management of Contingent Liabilities, *Autumn Statement 2022* (November 2022).

75 <https://committees.parliament.uk/publications/22170/documents/164471/default/>.

76 <https://www.thehindu.com/news/international/cop26-uk-launches-india-green-guarantee-commits-new-funds-for-evs-in-india/article37289162.ece#:~:text=The%20green%20guarantee%20financing%20will,energy%2C%20transport%20and%20urban%20development.>

with an additional \$2bn of risk capital, the AfDB should be able to extend additional loans of perhaps three times this level (see above point on multilateral leverage).

Further notes

Does anyone else provide guarantees like this? To increase capital utilization efficiency, MDBs use a range of risk-sharing and risk-shifting techniques, primarily with respect to lending to the private sector—these are often in the form of co-financing or syndication arrangements. The guarantees (along with securitisations and structured reinsurance transactions—see *Making Blended Finance Work for Sustainable Development* (Box 1)—are a type of risk transfer mechanism.

Sida has used guarantee mechanisms for a number of years, with a directly comparable arrangement with the ADB being finalised in 2016. Sida guaranteed \$155m of ADB sovereign loans, allowing the multilateral to increase its lending capacity by “an estimated \$500m over [2016–2026].” A later synthetic guarantee was issued by Sida to the Inter-American Development Bank (IDB) covering \$100m of sovereign exposure in the IDB’s portfolio; this allowed the bank to expand lending by \$300m.⁷⁷ The guarantee to the ADB was the first instance of a risk transfer arrangement being applied to a sovereign loan portfolio of an MDB.⁷⁸

The Department for International Development did provide three other guarantees for IBRD loans from 2017 to 2019, though these were smaller in scale and largely came as part of G7 initiatives. According to the FCDO’s Annual Report and Accounts, the three guarantees for *Iraq* (2017), *Egypt* (2018), and *Jordan* (two tranches, in 2019 and 2020) now have amounts outstanding of £382m, £228m, and £252m, respectively.

In general, the cost of MDB risk transfer is an obstacle to the greater use of guarantees—at least to commercial partners. Official guarantors can subsidise (or absorb) the risk transfer (guarantee) fee that the MDB needs to pay. The guarantee fee, taking the Sida approach as indicative, is calculated based on the risk, estimated externally as an expected loss. Part of the guarantee fee can be subsidised by grants, which in Sida’s case are counted as ODA. Sida’s latest [guarantee portfolio](#) (covering all guarantees, not just the ADB and IDB guarantees) shows that at the end of 2021 they had a total agreed guarantee amount of SEK (Swedish krona) 10.3bn (\$1bn), at a cost of SEK 475m (\$46m) of ODA in the way of subsidies of fees and administrative costs. Since 2015, SEK 106m (\$10m) worth of claims were paid out on defaulted loans.

Figure 3.2 of the IDB working paper *Risk Transfer for Multilateral Development Banks* summarises the structure of these sovereign guarantee instruments: when any “arrears are eventually repaid to the MDB, the payment received is refunded to the guarantor.” Therefore, we can assume that the subsidies on fees and administrative costs are the only ODA outlay related to these transactions.

77 <https://www.iadb.org/en/news/idb-and-government-sweden-launch-innovative-portfolio-guarantee-guatemala>.

78 <https://www.adb.org/sites/default/files/institutional-document/200796/sida-sovereign-portfolio-risk-transfer.pdf>.

AfDB's Manager of Syndication and Co-Financing, Max Ndiaye, confirmed to ODI that FCDO has provided subsidies for the Room to Run Sovereign guarantee—and it's plausible that subsidies were paid on the India Green Guarantee as well. Sida has paid between 3.5 and 4.6 percent of the total agreed portfolio as ODA between 2017 and 2022 (though this covers non-sovereign loans too); assuming the UK pays an approximately equal portion as subsidies, these guarantees would incur ODA costs of between £76.6m and £101.2m. This lines up well with the expected loss of £85m outlined in the Spring Budget 2023.⁷⁹

New OECD-DAC rules for private sector instruments. The DAC has been negotiating an update on new rules for reporting private sector instruments: of relevance here, rules on loans and credit guarantees.⁸⁰ In particular, while guarantees are not currently recorded as ODA unless called, the DAC Working Party on Development Finance Statistics sees this as an “anomaly in the DAC statistics and proposes recording the donor effort in issuing credit guarantees on a grant equivalent basis” as part of its *Private Sector Instruments: Treatment of Credit Guarantees* proposal.⁸¹ Although the working group calls this an anomaly, it would result in the double-counting of risk, as guarantees would score as ODA when issued based on their risk, and again if they were called. This is in line with the DAC's approach to loans, which score as ODA on a grant equivalent basis when issued, and as a write-off when countries default.

The current treatment in ODA is as follows: “Effort in providing guarantees on loans extended by MDBs and other multilateral organisations is not reported as ODA when such guarantees are issued. When called, payouts to multilateral organisations on such guarantees continue being treated according to existing directives on multilateral grants and capital subscriptions.”⁸² This treatment uses code 12100 and is the sum of multilateral ODA grant disbursements, including recoveries, and capital subscriptions.⁸³

Just Energy Transition Partnerships (JETPs)

Summary

The UK has thus far entered into three JETPs, with South Africa, Indonesia, and Vietnam. The UK commitment to the South Africa JETP is valued at \$1.8bn, including a \$1.3bn guarantee to the AfDB and \$500m of commercial loans. For the Indonesia JETP, the UK has agreed to a \$1bn guarantee to the World Bank. No details have been released about the Vietnam JETP, and further agreements for JETPs with India and Senegal are being worked towards. As with the above guarantees, the expected cost is very low relative to the face value of the guarantee, and the guarantee itself may enable the

79 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142902/Web_accessible_Budget_2023.pdf, p. 27.

80 https://www.eurodad.org/new_psi_rules_oda_oecd_dac.

81 [https://one.oecd.org/document/DCD/DAC/STAT\(2022\)50/REV1/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2022)50/REV1/en/pdf)

82 [https://one.oecd.org/document/DCD/DAC/STAT\(2022\)50/REV1/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2022)50/REV1/en/pdf), para. 13.

83 *Ibid.*, para. 243.

multilateral to mobilise further finance. For the two most recent JETPs, the value of the guarantee is 25 times the government’s (risk-adjusted) expected cost of paying out.

Narrative description of development finance initiative

JETPs are a relatively new financing cooperation mechanism, which aims to help a number of coal-dependent emerging economies to make a just energy transition that (a) supports the countries’ own defined pathways to move away from coal dependence and (b) does so in a way that addresses the associated socio-economic implications. JETPs have been agreed for South Africa (\$1.8bn of UK commitments), Indonesia (\$1bn), and Vietnam, and agreements with India and Senegal are being worked towards. The JETPs are less about the additional money, and more to do with increasing and facilitating coordination.

JETPs Overview

Guarantee	Face Value (\$M)	Agreement Date	Expected Duration	Expected Losses
South Africa JETP, of which:	1,824	Nov-21	5 years	
Guarantee	1,300	Nov-21	-	
Commercial loans	500	Nov-21	-	
Grants	24	Nov-21	-	
Indonesia JETP	1,000	Nov-22	3–5 years	
Vietnam JETP	-	Dec-22	3–5 years	

Face value. The UK has thus far committed \$2.8bn under JETPs. For the South Africa JETP, this totals \$1,824m, comprising \$1.3bn of guarantees, \$500m in commercial loans, and \$24m in grants and technical assistance.⁸⁴ The UK has also agreed to a \$1bn guarantee to the World Bank as part of the Indonesia JETP, though details of other support are yet to be announced.⁸⁵ The UK contribution to the Vietnam JETP has yet to be announced—and will be “enabled by the adoption of the Viet Nam JETP Resource Mobilisation Plan (JETP-RMP).”⁸⁶ Based on other JETPs, we can expect this to be in the range of \$1bn.

In the Spring Budget 2023, it was noted that two FCDO contingent liabilities arose from guarantee facilities linked to JETPs.⁸⁷ These total £2,200m exposure in the reasonable worst case, with a lifetime expected loss of £85m. That is, for an expected cost of £85m, the UK is able to mobilise 25 times that

84 <https://ukcop26.org/12-month-update-on-progress-in-advancing-the-just-energy-transition-partnership-jetp/>.

85 <https://www.gov.uk/government/news/indonesia-just-energy-transition-partnership-launched-at-g20>.

86 <https://www.gov.uk/government/publications/vietnams-just-energy-transition-partnership-political-declaration/political-declaration-on-establishing-the-just-energy-transition-partnership-with-viet-nam>.

87 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142902/Web_accessible_Budget_2023.pdf, p. 27.

amount in lending. It is unclear how the total figure of £2.2bn is reached, though it could be reached if the \$1.6bn AfDB Room to Run Sovereign guarantee were included. According to the South Africa JETP Implementation Plan, \$300m of the \$1.3bn total is part of the Room to Run Sovereign guarantee to the AfDB, with a second facility guaranteeing an additional \$1bn.⁸⁸ We understand that this second guarantee facility is under development by the AfDB, based on the India Green Guarantee. All told, there is at least \$300m of crossover between the JETPs and UK Guarantees, though it seems likely there are further crossovers with BII and PIDG.

Climate finance. JETPs are specifically designed to allow the mobilisation of large volumes of climate finance for climate-related projects. Details are yet to be finalised, but we do have information that the initial International Partners Group (IPG) funding for the South Africa JETP will be used for “decommissioning and repurposing coal plants,” “accelerating renewable energy investment,” and taking “energy efficiency measures,” among others.⁸⁹

Mobilised private finance. The South Africa JETP has a first-phase deal to mobilise \$8.5bn of public financing from the IPG. The investment plan⁹⁰ outlines a need for \$98bn over the next three to five years, which, if met, would imply a maximum mobilisation ratio of just over 1:10. The Indonesia deal aims to mobilise \$20bn, of which half will be mobilised by the public sector and half will be mobilised from the private sector by the Glasgow Financial Alliance for Net Zero (GFANZ). Similar to the Indonesia deal, the Vietnam JETP aims to raise an initial \$15.5bn over the next three to five years, with a 50/50 split between public and private finance.

UK Export Finance (UKEF)

Summary

The UK has steadily increased the level of its export finance to developing countries with the FY2021 figure of nearly £1.5bn, up around 80 percent over the nominal value in 2018 (there was a spike in FY2020, reflecting support during the pandemic). Its support is demand-led but has market limits and also depends on the geographic location of its network of international export finance executives (IEFEs). When debts are written off, the amount can be counted as ODA, and this has meant relatively large amounts of ODA reported in some years, even where initial insurance was relatively low. UKEF is increasing support to ESG (environmental, social, and justice) projects and expects new business to be 50 percent in the clean growth sector.

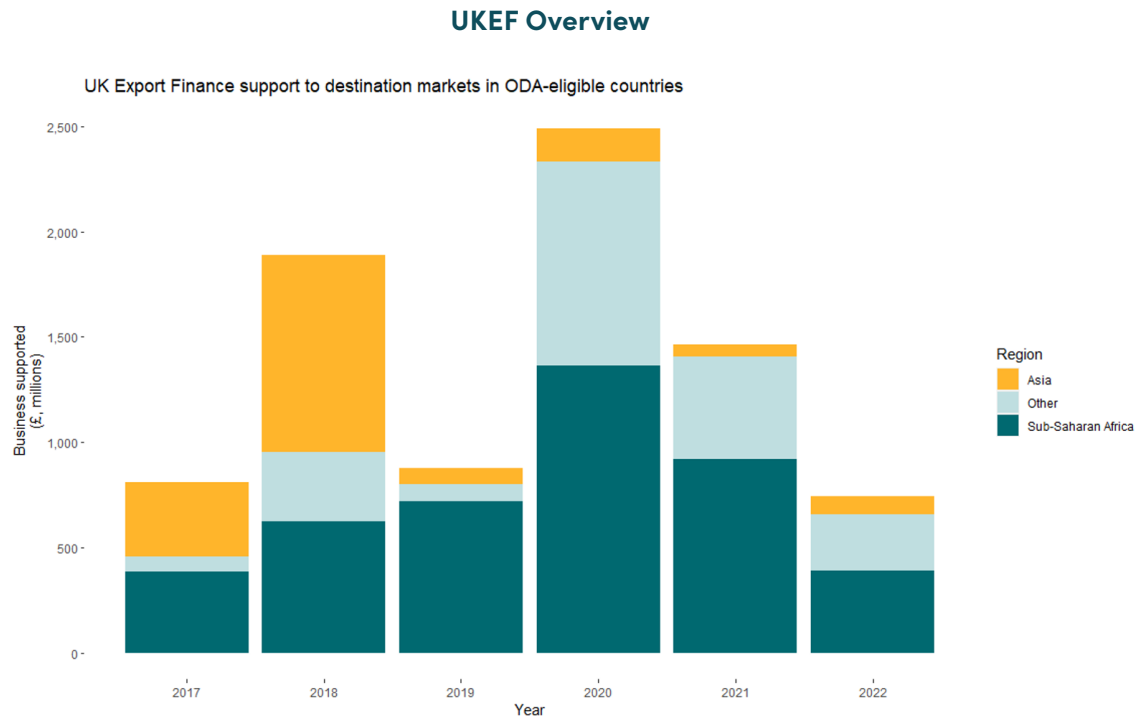
⁸⁸ <https://www.thepresidency.gov.za/content/south-africa%27s-just-energy-transition-investment-plan-jet-ip-2023-2027>, p. 132.

⁸⁹ Ibid.

⁹⁰ Ibid.

Narrative description of development finance initiative

UKEF, operating as the Export Credits Guarantee Department, is the UK's export credit agency. It helps UK companies win export contracts by providing financing to their buyers, helps them fulfil export contracts by supporting working capital loans and contract bonds, and provides insurance against buyer default.



Scale of finance

Face value. In 2021–22, UKEF issued “£7.4bn (£8.8bn before reinsurance) in support to all exporters.”⁹¹ Of this, according to the [list of businesses supported](#), £3.1bn was support to ODA-eligible destination markets. FCDO excludes Türkiye and China from this calculation, bringing the support to ODA-eligible countries to £1.46bn, well up from the equivalent figure of £0.81bn in 2018. Support to ODA-eligible countries excluding Türkiye and China has averaged £1.5bn per year for the last five years. Details for many projects are not disclosed for reasons of commercial confidentiality.

UKEF is continuing to expand its presence in developing countries, mediated in part through its [IEFE network](#)—representatives of UKEF based in-country. UKEF has plans to increase the number of IEFES

91 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1086994/UK_Export_Finance_Annual_Report_and_Accounts_2021_to_2022.pdf, page 15.

to 25 by the end of 2023; the most recent new appointments were to [South Korea](#) and [Brazil](#) in March and April of 2023. Locations are determined by a combination of commercial opportunity and other factors, but development objectives are also explicitly considered.

ODA eligibility and concessionality. UKEF is non-ODA.⁹² The 2021 SID does show that UKEF accounted for £2.89m (“other bilateral”) in 2017 (0.05 percent ODA), £44.39m (“other bilateral”) in 2020 (0.65 percent ODA), and £0 in 2021.⁹³ The large figure in 2020 was as a result of Somalia reaching decision point under the Heavily Indebted Poor Countries (HIPC) Initiative—in this case, UKEF implemented the debt treatment via the UK/Somalia Debt Agreement No. 3 on December 21, 2020. The UK had also announced it would [cancel](#) Sudan’s bilateral debt—which is [held by UKEF](#)—of which £580m would be included in the 2022 ODA budget. However, the debt cancellation was [suspended](#) as a result of the 2021 coup d’état.

UKEF’s total amount at risk was £39.5bn in 2021–22. If the share of that amount that relates to ODA-eligible countries is the same as above, at 42 percent (it may be higher, given higher risk in lower-income settings), this would imply a potential maximum ODA liability of at least £16.6bn.

Climate finance. UKEF recently added “sustainability” to its mission statement and published its climate change strategy in September 2021, which suggests 50 percent of the current business pipeline is in the clean growth sector.⁹⁴ However, this is not reported as UK ICF for the \$100bn global climate finance target—though export credits are [legitimate climate finance](#), they are not ODA, which is a precondition for being counted as UK ICF. There has been a material increase in support for sustainable projects across UKEF’s entire portfolio, increasing from £2.4bn in 2020 to £3.6bn in 2021.

Mobilised private finance. The value of UKEF identified above represents the private business supported. The size of the UK’s finance is smaller than this amount, and the cost of that insurance is smaller still—we have not yet been able to identify these figures and assess the mobilisation ratio. Although not directly relevant to the value of finance mobilised, we note that, in 2021–22 (and for the previous five years, not outlined here), 76 of 545 businesses were supported through a “private market assist”—meaning UKEF engagement had a “material contribution” to a UK export receiving support from the private sector.

92 <https://committees.parliament.uk/publications/22816/documents/167647/default/>.

93 Statistics on International Development: final UK aid spend 2021; Table 10

94 UK Export Finance Climate Change Strategy 2021.