

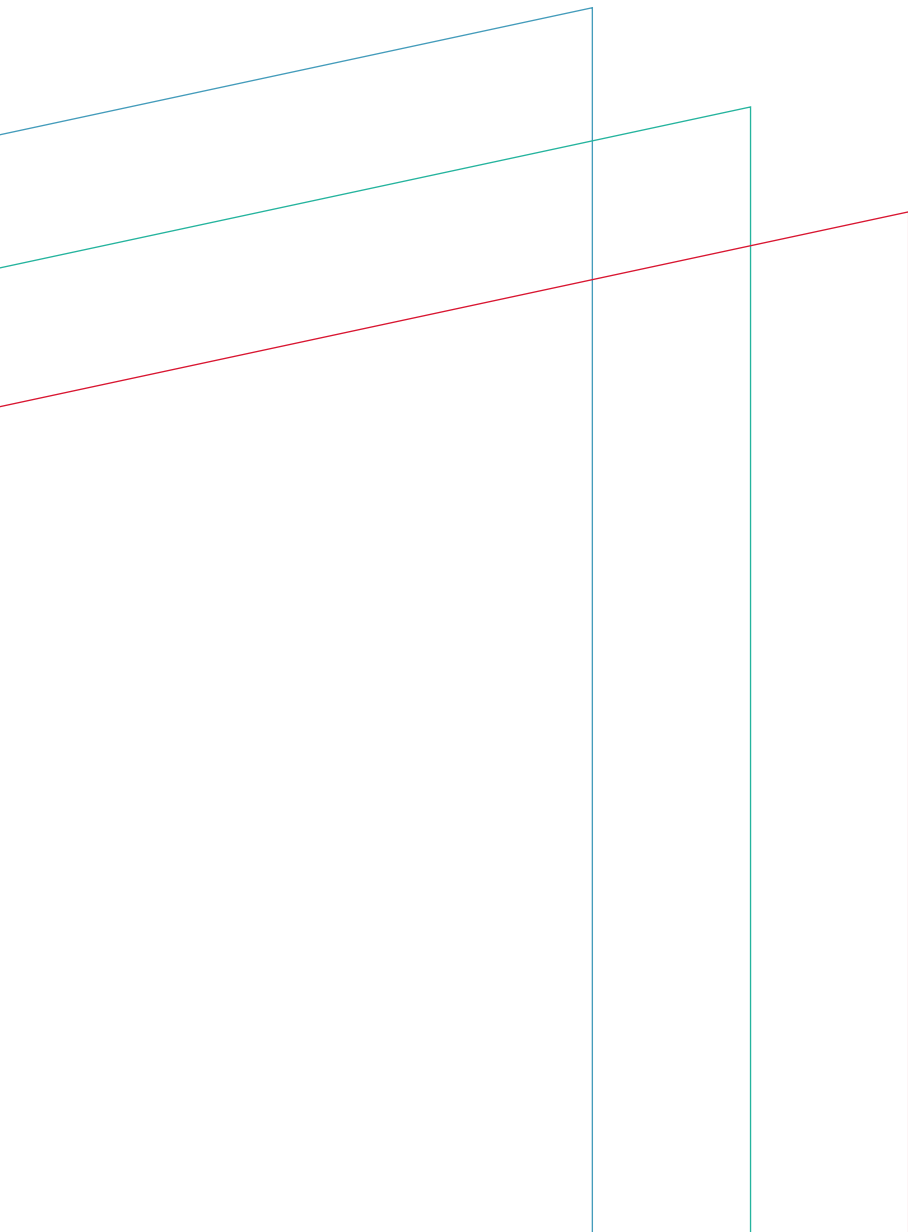


NEW
ECONOMICS
FOUNDATION

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE
OF PUBLIC AND PRIVATE
INFRASTRUCTURE PROVISION

WRITTEN BY: THEO HARRIS
AND MAIKE SCHMIDT



CONTENTS

EXECUTIVE SUMMARY	2
THE PRIVATE FINANCE MYTH	2
AN ALTERNATIVE APPROACH TO DELIVER INFRASTRUCTURE IN SOCIETY'S BEST INTERESTS	3
1. INTRODUCTION	5
1.1 THE NEED FOR INFRASTRUCTURE INVESTMENT	5
1.2 THE CURRENT POLICY APPROACH	6
1.3 THE PRIVATE FINANCE MYTH	8
1.4 SOCIALISING RISKS AND PRIVATISING PROFITS	10
2. THE COSTS AND BENEFITS OF PUBLIC AND PRIVATE INFRASTRUCTURE DELIVERY	12
2.1 WHAT THE PRIVATE FINANCE MYTH MISSES	12
2.2 A FINANCIAL COMPARISON OF DELIVERY MODELS	13
2.3 NON-FINANCIAL CONSIDERATIONS	14
3. THE TRACK RECORD OF PRIVATE INFRASTRUCTURE DELIVERY	16
3.1 FINANCIAL TRACK RECORD: COST EFFICIENCY AND CONSUMER PRICES	16
3.2 NON-FINANCIAL TRACK RECORD: EMPLOYMENT AND SERVICE PROVISION	17
3.3 EXPLAINING THE TRACK RECORD	18
3.4 THE SCALE AND SPEED OF INFRASTRUCTURE DELIVERY	20
3.5 A TALE OF TWO SECTORS: CASE STUDIES OF SUCCESS AND FAILURE	20
4. DESIGNING AN INFRASTRUCTURE STRATEGY FOR THE BEST SOCIETAL OUTCOMES	23
4.1 EVIDENCE-BASED, SECTOR-BY-SECTOR ASSESSMENT	23
4.2 CONSISTENT LONG-TERM STRATEGY AND STRONG STATE CAPABILITY	24
4.3 CONFIDENT REGULATION AND CONDITIONALITIES	24
4.4 WELL-DESIGNED FISCAL POLICY TO ALLOW BENEFICIAL PUBLIC INVESTMENT	25
4.5 IMPROVED MACROECONOMIC COORDINATION TO BRING DOWN FINANCING COSTS	26
5. CONCLUSION	28
ENDNOTES	28

EXECUTIVE SUMMARY

The EU and the UK need to build and upgrade a massive amount of infrastructure following decades marked by underinvestment. To give a sense of the scale of investment required, European Investment Bank (EIB) estimates suggest an annual economic infrastructure investment shortfall of around €366bn per year (2.9% of GDP)¹ for the EU. In the UK, an estimate from consultancy EY suggests that, under the current fiscal outlook, there will be a funding shortfall of over £40bn a year on average from 2024 to 2040 compared to the total number of proposed infrastructure projects.²

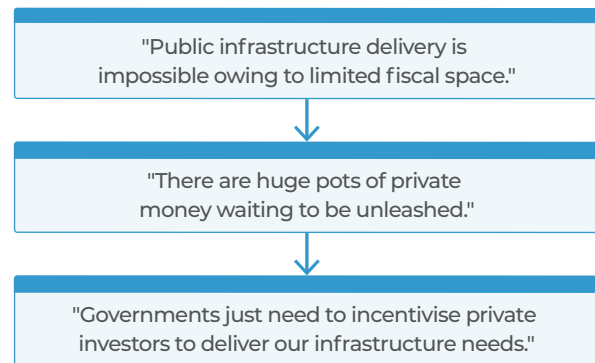
While this should prompt a ramp-up of public investment, policymakers are predominantly placing their hopes in private finance to fill the investment gap. Across the political spectrum, European politicians are turning to derisking, deregulation, and subsidies to incentivise private actors to build infrastructure on our behalf.

Yet the last four decades of private infrastructure provision have shown that private delivery is often a worse option when judged on a range of factors. There is no empirical evidence to suggest that privately owned infrastructure is systematically more cost-efficient. It has often performed poorly on social and environmental outcomes, charging high bills and distributing profits to shareholders while underinvesting in service provision. A high capital cost, misaligned incentives, uncompetitive markets, and weak regulation have combined to deliver outcomes often worse than the publicly delivered alternative. Furthermore, the pace of privately financed infrastructure build-out has so far been dramatically below what is required to meet societal and environmental needs, resulting in decades of under-delivery.

THE PRIVATE FINANCE MYTH

The belief that private finance should be the primary solution for delivering infrastructure is guided by a deceptive narrative, which we term the “private finance myth”. The private finance myth asserts that, owing to the public sector’s perceived fiscal constraints, the best option is for governments to entice private actors to finance as much infrastructure as possible (figure 1). An uncritical adoption of this myth has led policymakers to jettison the notion of a large state-led infrastructure drive, believing that mobilising private finance alone will be sufficient.

FIGURE 1: THE PRIVATE FINANCE MYTH



The problem with the private finance myth is that it promotes the assumption that private finance should be the default option, without considering the comparative benefits of public and alternative models. This evades the fact that private finance does not come for free. Private infrastructure investors typically demand high rates of return, often extracted from consumer bills or government subsidies.

Meanwhile, the private finance myth presents all forms of public investment as a burdensome cost on the taxpayer, erasing the fact that direct public investment in infrastructure could bring substantial benefits to the public finances, in the form of direct revenues, indirect economic multipliers, and the prevention of costly future crises.

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

A perceived lack of fiscal space is a key driver trapping politicians in the private finance myth. The EU and the UK are constrained by fiscal rules and political discourses that fail to recognise the long-term fiscal benefits of public infrastructure investment and the long-term hidden costs of private or blended alternatives. Outdated macroeconomic frameworks lead to a disjointed approach to inflation management that raises government borrowing costs and undermines private investment.

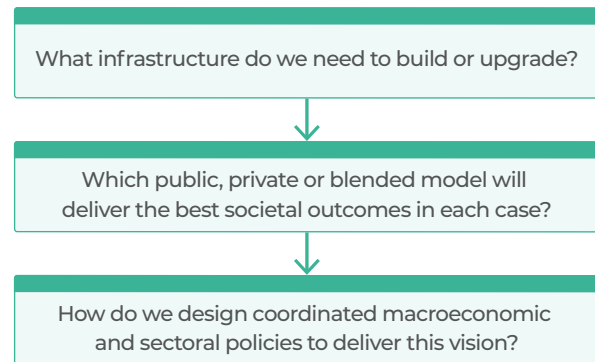
In the absence of reform to fiscal frameworks and monetary policy regimes, policymakers will continually be pushed into relying on private finance for infrastructure delivery. Private finance will be preferred even when it represents a higher aggregate cost to society, causes social and environmental harm, and fails to materialise at a sufficient scale and speed to meet societal needs.

AN ALTERNATIVE APPROACH TO DELIVER INFRASTRUCTURE IN SOCIETY'S BEST INTERESTS

Rather than mindlessly following the assertions of the private finance myth, governments should apply a systematic approach to determining where and when public or private delivery better serves the societal interest. We propose a simple three-step framework for designing a macroeconomic

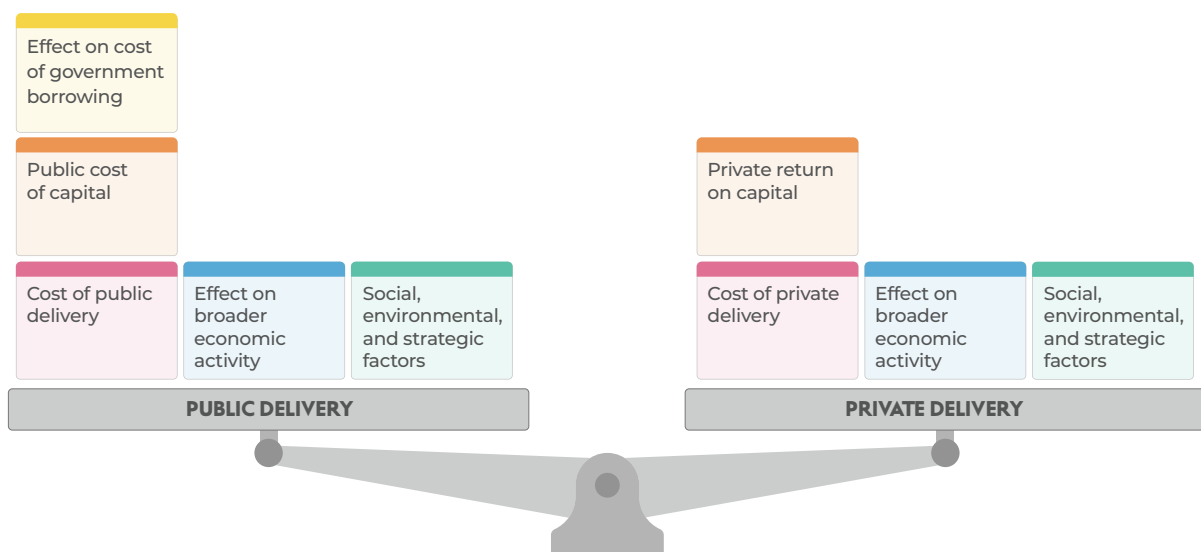
policy agenda that can truly deliver the infrastructure we need, under the most beneficial ownership structures (figure 2).

FIGURE 2: AN EVIDENCE-BASED INFRASTRUCTURE STRATEGY



When assessing which infrastructure models will deliver the best societal outcomes, policymakers must consider the full range of pros and cons rather than focusing singly on avoiding immediate fiscal outflows. This includes assessing the impact on billpayers as well as taxpayers and examining financing costs (including any wider effect on general government borrowing costs) alongside delivery costs. Finally, policymakers must transparently weigh up the full range of social, environmental, and strategic factors that influence which infrastructure delivery models best serve the societal interest (figure 3).

FIGURE 3: WEIGHING UP THE PROS AND CONS OF PUBLIC OR PRIVATE INFRASTRUCTURE DELIVERY



THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

In all, this report recommends that governments:

1. Conduct evidence-based, sector-by-sector assessments of when and where public, private, or blended infrastructure models better serve the public interests, assessing the full risks and opportunities of each.
2. Develop coherent long-term infrastructure strategies that reflect this analysis, providing consistency and coordination between all infrastructure actors – and build the state capability to implement these strategies.
3. Design confident regulation and conditionalities to maximise the positive societal return of infrastructure investment, rather than assuming by default that these levers are damaging to investor appetite.
4. Design fiscal policy to accommodate public infrastructure investment where this is shown to be in the long-term public interest.
5. Improve macroeconomic coordination to bring down financing costs for both public and private infrastructure investment, through modernising inflation-control frameworks and empowering state-owned financial institutions.

In the context of policymakers' current anxiety about the stagnation of European living standards, an ill-informed over-reliance on private finance and the neglect of direct public investment will exacerbate rather than reverse economic underperformance. Only by adopting a balanced framework that recognises the full societal costs and benefits of public and private delivery will governments be able to deliver the fast and fair green transition that represents our societies' only path to a sustainable and prosperous future.

1. INTRODUCTION

1.1 THE NEED FOR INFRASTRUCTURE INVESTMENT

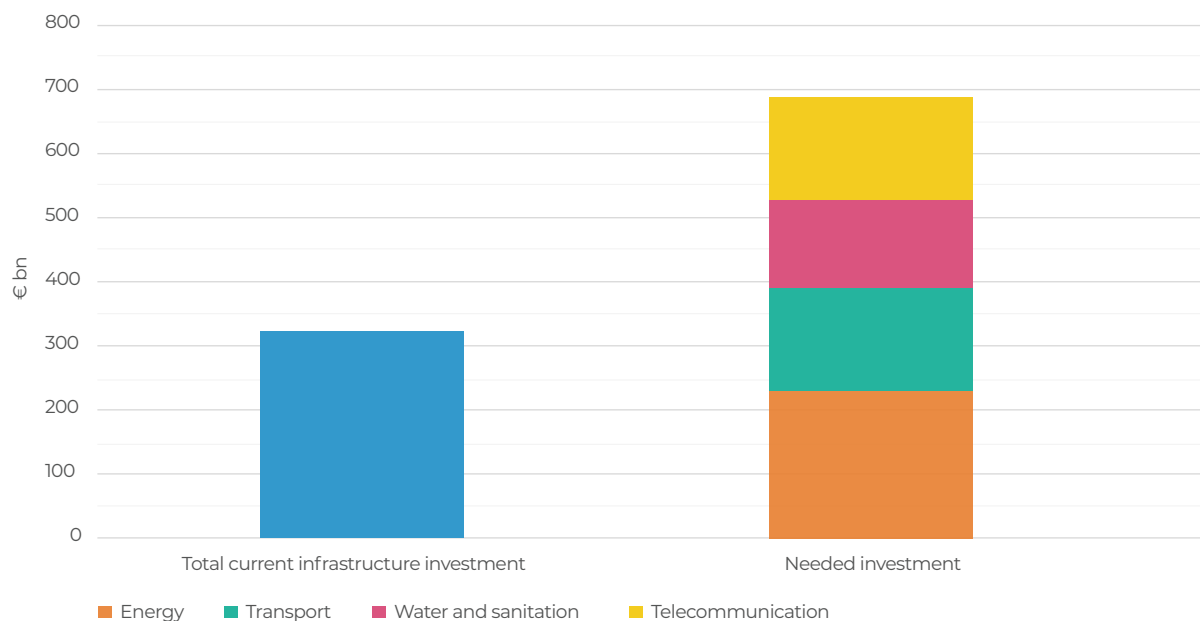
Infrastructure, as we use it here, refers to the physical assets, structures, facilities, systems, and networks that provide or support essential public services. Infrastructure encompasses a variety of economic and social facilities such as utilities, transport and communications networks, and educational, health, and community facilities. Although non-physical infrastructure, like a country’s legal system, is equally vital for society, we focus on physical infrastructure because building and upgrading it requires significant upfront capital investment. As such, this report contributes to the debate around who can and should finance this expenditure.

The need for significant investment in new and upgraded infrastructure is now widely recognised across the political spectrum in the EU and the UK.^{3,4} Recent high-profile failures, like the 2024 collapse of the Carola Bridge in Dresden⁵ and the

fatal train crash on the Thessaloniki-Athens line in 2023,⁶ have dramatically illustrated the fragile state of infrastructure in Europe: a result of decades of underinvestment.

Estimates of infrastructure spending and the investment gap in the EU are scarce and vary significantly, depending on the definitions and assumptions applied. The recent Draghi report estimates that to digitalise and decarbonise the economy while increasing the EU’s defence capacity, a minimum additional investment of €750bn to €800bn is needed annually, corresponding to 4.4–4.7% of EU gross domestic product (GDP) in 2023.⁷ In 2016, the European Investment Bank (EIB) estimated annual investment needs for four key infrastructure sectors alone to be around 4.7% of GDP – or €688bn – for energy (€230bn), transport (€160bn), water and sanitation (€138bn), and telecommunication (€160bn).⁸ In addition, the European Commission estimates the annual investment need for social infrastructure, such as healthcare, education, and affordable housing, to be around €192bn.⁹ However, total infrastructure investment amounted to just 1.8% of GDP across the EU in 2023.¹⁰ This is less than half of the EIB’s estimated needs in just the four sectors named, as illustrated in figure 4.

FIGURE 4: TOTAL EU INFRASTRUCTURE INVESTMENT IN 2023 AND EIB ESTIMATES OF ANNUAL INFRASTRUCTURE INVESTMENT NEEDS IN FOUR KEY SECTORS



Source: EIB^{11,12}

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

In the UK, the National Infrastructure Commission estimates that current annual average investment in transport, digital, energy, flood risk, and waste infrastructure is around £55bn, and states that this will need to increase to between £70 and £80bn per year by the 2030s.¹³ An estimate by consultancy EY focusing on the public element of infrastructure investment suggests that, under the current fiscal outlook, there will be a funding shortfall of at least £700bn from 2024 to 2040 compared to the total number of proposed projects.¹⁴

Although the exact amount of annual infrastructure investment required is the subject of debate, the message is clear: massive sums of investment will be needed, and current levels aren't meeting that demand.

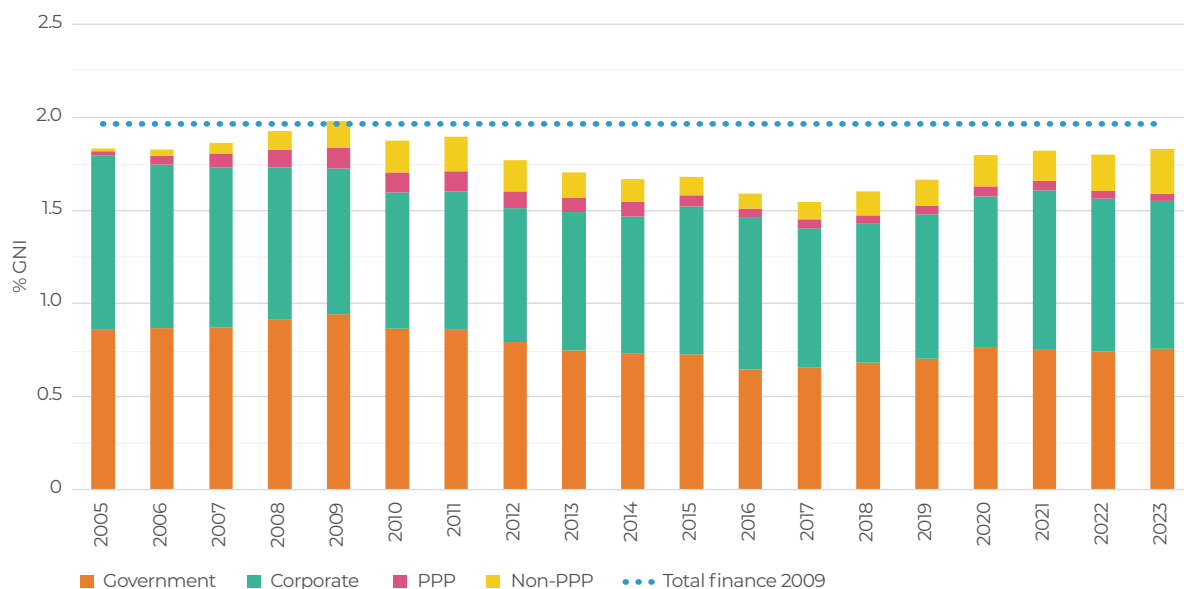
1.2 THE CURRENT POLICY APPROACH

Caught between restrictive fiscal rules, high interest rates, bond market pressures, and the political difficulty of raising taxes, and burdened with the inheritance of the privatisation era, policymakers in the EU and the UK have turned to mobilising private finance as their primary hope for meeting urgent infrastructure investment needs.

Mario Draghi's influential report on European competitiveness identified a lack of investment as central to the EU's stagnating productivity levels, citing the eye-catching additional investment need of €750–800bn per year for the EU to meet its objectives.¹⁵ Crucially, the report recognised a significant role for both private and public sector investment in meeting this gap, stating, "The private sector will not be able to bear the lion's share of financing investment without public sector support." Yet policymakers seem to have selectively focused on the need to increase private investment, showing little appetite for an accompanying ramp-up of state investment.

To some extent, the EU has demonstrated an increased focus on the need for public sector infrastructure investment, particularly in the initiatives launched in response to the Covid-19 pandemic and Russia's invasion of Ukraine. The 2021 Recovery and Resilience Facility (RRF) and the 2022 REPowerEU plan have so far provided over €366.71bn of grants and loans to member states,¹⁶ a significant proportion of which is being put towards infrastructure projects. Yet at an aggregate level, the EU has not witnessed a transformative increase in public infrastructure investment, as illustrated in figure 5, with levels remaining at less than half of the EIB's estimated requirements and below 2009 levels.

FIGURE 5: INFRASTRUCTURE FINANCE IN THE EUROPEAN UNION (% GDP), BY TYPE FROM 2005 TO 2023



Note: The data is based on EIB calculations, applying the methodology of Wagenvoort et al.¹⁷ Non-PPP: private infrastructure projects financed through special purpose vehicles that are not structured as public-private partnerships (PPPs).

Source: EIB.¹⁸

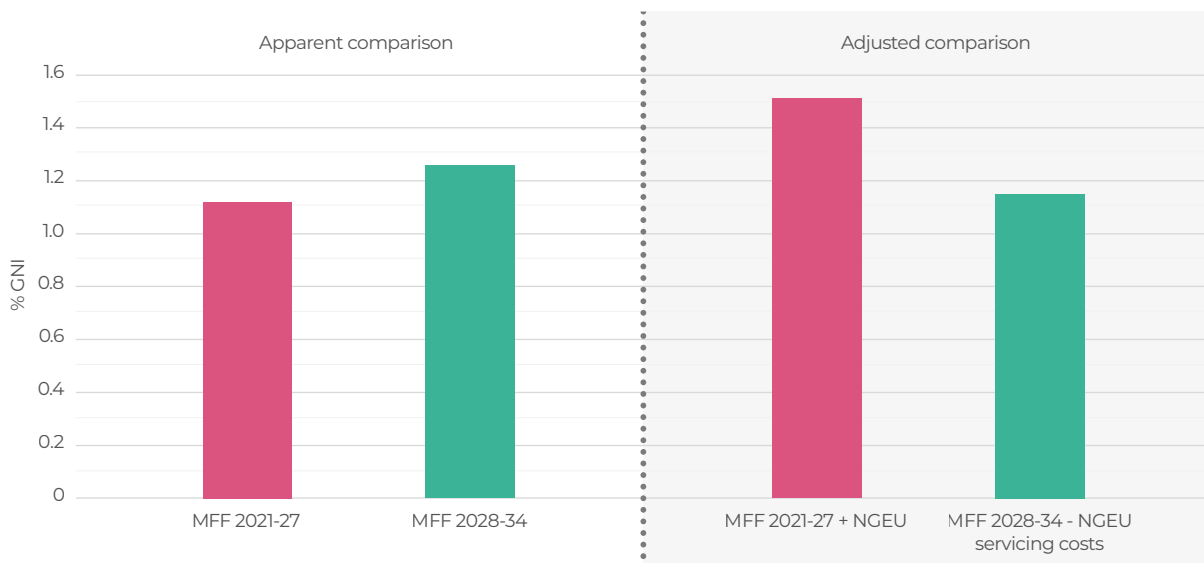
THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

The proposed multiannual financial framework (EU budget) for 2028–34 is likely to further reduce EU spending as a proportion of gross national income (GNI). As an analysis from the Jacques Delors Centre shows (figure 6), when including NextGenerationEU (NGEU) funds in the current budget (around 0.25% of GNI), and acknowledging

that 0.11% of EU GNI is earmarked to servicing the pandemic-era debt in the coming budget, the overall budget will shrink from 1.51% of GNI to 1.15% of GNI.¹⁹ These estimates do not account for upcoming negotiations between member states, which will likely decrease the budget further.

FIGURE 6: COMPARISON OF THE PROPOSED (2028–34) AND CURRENT (2021–27) EU BUDGET (MFF) IN % OF GNI (2020/2025)



Note: The Multiannual Financial Framework (MFF) is the EU's long-term budgetary plan, setting a maximum level of spending for each expenditure category. The current (2021–27) budget was accompanied by additional grants from NextGenerationEU (NGEU), the recovery instrument the EU set up in response to the Covid-19 pandemic. The fund will be phased out at the end of 2026, with the next MFF needing to cover around €25bn annually in pandemic-era debt repayments.

Source: Jacques Delors Centre.²⁰

In the absence of a significant sustained increase in direct public investment, the current EU Commission's economic strategy relies on mobilising private finance, as illustrated in the Competitiveness Compass strategy.²¹ A keystone of the EU's plan is the Savings and Investment Union, a plan to harmonise and deepen the EU's private capital markets. However, a recent report by Finance Watch revealed that, even with a fully developed Savings and Investment Union, private finance could only cover around a third of the EU's transition investment needs.²² Alongside capital markets reforms, the Commission is reducing regulations in the hope that this will boost private investment. For example, the flagship Omnibus package includes reducing corporate sustainability reporting requirements, exempting over 80% of companies from the Corporate Sustainability Reporting Directive.²³ These companies are no longer required to regularly assess and report

their social and environmental impact and risks. As such, an unwillingness to increase public investment is placing social and environmental protections at risk. Meanwhile, the EU plans to use a limited quantity of public funds to encourage public-private partnerships (PPPs), such as via the guarantees issued under the €26bn InvestEU guarantee scheme.²⁴

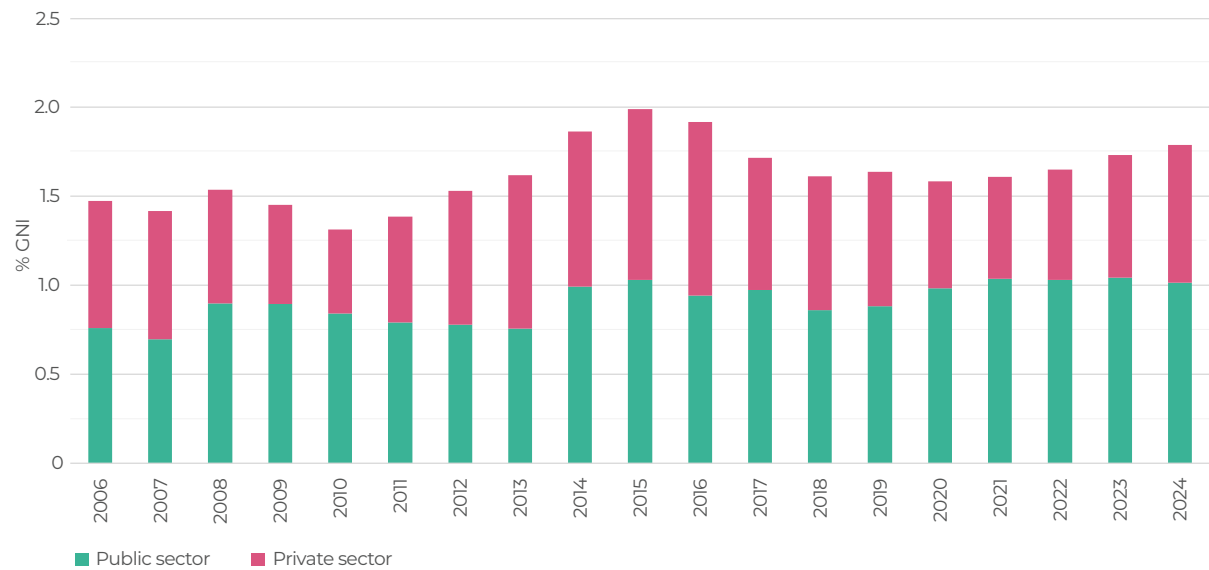
A similar policy approach is taking shape in the UK, where plans to increase infrastructure delivery also contain a major emphasis on private finance. In terms of recent investment figures, data from the Office for National Statistics (ONS) illustrate a similar trajectory to the EU, with total infrastructure investment in 2024 amounting to 1.8% of GDP, below mid-2010s levels, as illustrated in figure 7.^{a,25}

^a NEF analysis of ONS figures.

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

FIGURE 7: UK INFRASTRUCTURE INVESTMENT OF PUBLIC AND PRIVATE SECTORS, IN % OF GDP FROM 2006 TO 2024



Source: ONS.²⁶

While the new government’s 10-year infrastructure strategy lays out a role for direct public investment, total departmental capital spending – excluding funds for blended finance – is only set to grow at 2.6% per year in real terms from 2023 (before the current government came to power) to 2029.^{b,27} While a significant increase compared to prior policy, this does not represent a step-change in infrastructure investment levels, plans for which rely heavily on private investment. To this end, the government has set an additional £40.1bn of public funds over the 2024–29 period for “financial transactions”, where public institutions such as the National Wealth Fund and Great British Energy provide blended finance for projects to leverage private investment.²⁸ The infrastructure strategy also emphasises increasing private investment via encouraging large institutional investors, such as pension funds, to invest in UK infrastructure and reforming regulations to improve investment conditions.^{29,30} In general, similarly to the EU, the UK government has emphasised “cutting red tape”, and placed pressure on regulators to loosen regulations across the board, prompting criticism for increasing financial and environmental risks.^{31,32}

1.3 THE PRIVATE FINANCE MYTH

Mainstream political-economic discourse is dominated by the perception that limited fiscal capacity (how much money the government can spend) renders a major increase in direct public infrastructure investment impossible.^c This has left politicians, even on the centre-left of the political spectrum, beholden to an infrastructure delivery strategy predicated largely on private finance. A core part of what justifies this approach is a simplistic but misleading narrative framing, which we refer to as the “private finance myth”.

The private finance myth encourages governments to deliver infrastructure through private financing and ownership, or under blended finance arrangements where public funds are used to improve risk-adjusted returns for private investors. Under this framing, the state is encouraged to limit its role to removing regulatory barriers and providing subsidies, grants, loans, and guarantees to make sure that returns are sufficiently high for private financiers to invest. Accordingly, the private finance myth sees little need for the direct public ownership of infrastructure.

^b NEF analysis of HM Treasury Spending Review data.

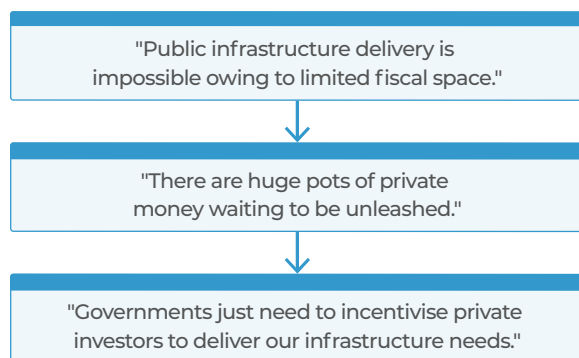
^c See the final chapter for a discussion of how current fiscal frameworks do not sufficiently account for the benefits of public investment or the risks of underinvestment, with practical recommendations to allow for increased public investment.

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

The problem with the private finance myth (figure 8) is not that it says private finance has a role to play in infrastructure investment, which is undoubtedly true. The problem is that it promotes the assumption that private finance should be the default option, with little need for case-by-case scrutiny. This exaggerated narrative has come to dominate the policy solutions put forward by politicians, government bodies, and even many NGOs.

FIGURE 8: THE PRIVATE FINANCE MYTH



Foundational to the private finance myth is the notion that public money is a scarce resource and shouldn't be wasted where private finance could do the job. The narrative asserts that direct public financing and ownership of infrastructure will strain the public finances and, hence, are bad for taxpayers. This inaccurate assertion makes the rest of the argument seem reasonable: If all public investment is a burden on taxpayers, all private investment might seem attractive by comparison. Such a framing is exemplified in the EU finance ministers' statement on the competitiveness of the European economy in November 2024:

"We acknowledge the significant financing needs associated with the green and digital transitions, new defence priorities and R&D. At a time when public finances have been affected by multiple crises and gradual and sustained fiscal consolidation is needed, the necessary investment should come primarily from private sources."³³

This statement creates an unexamined link between the fact that public finances are strained and the conclusion that private financing will necessarily be a better solution. The same sentiment can be found in the arguments made by Rhian-Mari Thomas, head of the Green Finance Institute, a UK environmental group that fosters collaboration between the financial sector and government. The following extract is from an interview with *The Guardian* in August 2024, titled "The woman who told Labour it didn't need to spend £28bn on green investment":

"The party should not have even considered using that much taxpayer cash, Thomas argued. Instead, it should engage with private investors who were already keen to pour money into big green projects."³⁴

On the one hand, the private sector indeed has large financial capacity. Certainly, there are pension funds, insurance companies, and foreign sovereign wealth funds^d in charge of large quantities of money, and banks with vast credit-creation power. It would no doubt be a positive thing if these investors played a significant role in investing in companies and projects that help our economies to prosper and become more sustainable and resilient.

But the damaging part of this imagery is the implicit assertion that, because there are large amounts of private money out there, it will necessarily be cheaper and better for society if infrastructure is privately rather than publicly financed. This is simply not true. The existence of large pools of private savings is not in itself sufficient to determine whether public or private delivery of a given infrastructure project is a better option. As we develop in chapter 2, this question can only be answered through a detailed comparison of project revenues, delivery costs, financing costs, macroeconomic effects, and broader social, environmental, and strategic factor. The large-scale effort to increase infrastructure investment requires **both** mobilising private investment and a large-scale ramp-up in public funding, with sector-by-sector choices guided by a complete assessment of the costs **and** benefits of each model.

^d While not technically belonging to the private sector, sovereign wealth funds acting abroad have a similar profile to private institutional investors as they operate without a specific mandate towards the citizens of other countries and often invest via the same private sector asset managers as private institutional actors.

1.4 SOCIALISING RISKS AND PRIVATISING PROFITS

The private finance myth holds that the public sector's role in infrastructure investment should primarily take the form of derisking. Derisking refers to the public sector using government policy and money, for example, via guarantees or regulation, to adjust the risks and returns of private investors to channel private finance into desirable areas. Without government intervention, many of the infrastructure projects needed by society do not have a sufficient risk-adjusted profitability to be attractive to private investors.

In infrastructure, a prime example of derisking is the use of PPPs, which can render otherwise unsuitable infrastructure projects investible for private capital. Private investors commit to financing public services, such as hospitals or renewable energy plants, while the state takes on parts of the risks associated with the project. The state thus legally commits to compensating private investors for risks attached to infrastructure assets. Other examples of derisking can include contracts for difference (CFDs),^e subordinated debt,^f equity co-investments,^g or providing financial insurance against future government policy changes, such as nationalisation or climate regulation.

In the UK, private finance initiatives (PFIs), a type of PPP, particularly prevalent in the 1990s and 2000s, are used for infrastructure funding. In these projects, the private sector provides the construction and maintenance of infrastructure, which the public sector then repays in instalments over a long period. Despite their comparatively higher interest rates, PFIs are deemed attractive as they are accounted for differently on public balance sheets than up-front government borrowing. In practice, however, the schemes are widely viewed as a disaster in both the quality of the infrastructure provided and the impact on public finances.³⁵ For example, a 2018 report by

the National Audit Office found that taxpayers had faced billions of pounds in additional costs through PFIs without any clear benefit.³⁶

Derisking instruments can sometimes be successful in using a small amount of public money to leverage private money for investment in priority sectors. An example is the European Commission's Zero Emission Urban Bus System programme,³⁷ which provided funds to test the feasibility of fully electric buses, enabling their rollout in European cities.³⁸ Similarly, the use of CFDs to remove price-risk from renewable energy projects has often been cited as a successful example of climate policy (though the disadvantage of locking consumers into paying fixed long-term rates for renewable energy is also becoming apparent).^{39,40} However, in many cases, derisking is applied more in the private than the public interest,⁴¹ without careful consideration of where they are beneficial or needed. A report by the European Court of Auditors (ECA) for example found that nearly a third of the projects financed under the Infrastructure and Innovation Window by the European Fund for Strategic Investments would have been undertaken without support.⁴²

It is particularly wasteful to implement derisking policies without attaching meaningful conditions to the financial support. For example, private partners could be required to provide high-quality jobs or meet environmental standards. As former Italian prime minister Enrico Letta points out in his recent report for the EU Commission,⁴³ such conditionalities are currently largely absent from EU policy; public money is being used to guarantee profits for private financiers without any commitments being extracted in return. Derisking can become a case of socialising the risks and privatising the profits. If projects succeed, private investors earn high returns; if they fail, public guarantees absorb the losses.⁴⁴

^e CFDs are often used by states in promoting renewable energy projects. Here the producer is guaranteed a stable price (strike price) for the electricity produced and compensated if the market price goes below this level. Conversely, if the market price is above the strike price, the producer pays back the difference. CFDs have often been tied to consumer bills rather than general state spending, in which case they should not be thought of as a subsidy, but rather a fixed-term price contract between producer and consumer, negotiated by the state.

^f The state lends money and agrees to be repaid after other lenders. This makes the latter's investment safer, as they have priority in the event of default.

^g The state invests alongside private investors and takes on a share of ownership. This signals the government's confidence in the project, helping to attract other private investment.

BOX 1: THE CASTOR UNDERGROUND GAS STORAGE PROJECT IN SPAIN

The Castor underground gas storage plant in Spain illustrates derisking gone wrong, here in the form of a public guarantee. Closed in 2013 after causing hundreds of earthquakes, the project sparked protests, yet its contract guaranteed the builder compensation even in the case of negligence. The Spanish government authorised a €1.35bn payout to the company, Escal UGS, initially to be recovered through consumers' gas bills – a decision later struck down by the Constitutional Court.⁴⁵ Another example is Metronet, a private company responsible for maintaining and upgrading parts of the London Underground. Although the company was funded by the government through PPP contracts, it failed to deliver due to poor corporate governance. As the Secretary of State had given assurances to Metronet's lenders, the Department for Transport had to pay them £1.7bn in grants. Additionally, the company's failure led to an estimated direct loss to the taxpayer of between £170m and £410m.⁴⁶ These cases show how derisking can turn private investment failures into long-term public liabilities, leaving households to shoulder environmental, social, and financial costs.

Guided by the ideology of the private finance myth, policymakers assume private investment is inherently the best option and turn to derisking as a default tool. This reduces the possibility of considering where it might be more beneficial for the public sector to own infrastructure outright, particularly where this could generate valuable revenue streams. The desperation to attract private finance often leads to failure to apply conditionalities that secure positive social and environmental outcomes. States thus risk privatising infrastructure that would be better off under public ownership or providing carrots to the private sector without putting any meaningful sticks in place, such as strong regulations with penalties for non-compliance.

2. THE COSTS AND BENEFITS OF PUBLIC AND PRIVATE INFRASTRUCTURE DELIVERY

In this chapter, we identify some of the key blind spots promoted by the private finance myth, before laying out a simplified framework for thinking through when and why public or private delivery will really be a better financial option for taxpayers and billpayers. After that, we consider the broader non-financial pros and cons of public and private delivery, including environmental, social, and strategic considerations.

For both taxpayers and billpayers, we demonstrate that there is no one-size-fits-all answer to the question of whether public or private provision of infrastructure is a better choice overall. Rather, the balance between risks and opportunities varies with the specificities of different projects, sectors, and timescales, underlining the importance of taking a holistic and evidence-based approach.

2.1 WHAT THE PRIVATE FINANCE MYTH MISSES

A major blind spot promoted by the private finance myth is a failure to compare the financial returns required for public or private infrastructure costs to meet their cost of capital and profitability targets. Given that government borrowing costs in the EU and UK currently range between 3% and 5% for a 30-year bond, while most private infrastructure funds target at least 10% return on capital (and many achieve far higher), public funding is often a cheaper form of project equity finance than

private finance, even after adjusting for the risk of losses.^{h, 47,48} Likewise, lenders who provide debt financing for private infrastructure projects generally charge a significant margin above the interest rate at which the public sector could access the same financing. This means that the consumer bills or government subsidies and grants that provide revenue for private infrastructure projects pay for additional interest costs and profit margins, even when the public sector might have delivered the same project with lower overall financing costs.

Related to financing costs is the effect that private infrastructure ownership can have on bills for households and companies. In reality, allowing private infrastructure companies to charge higher bills is one of the main ways in which states can make projects sufficiently profitable to meet the private investor's returns targets. This can be seen in the UK government's decision to raise the price of electricity offered to private companies in the auctions for renewable energy contracts, to secure sufficient capacity to meet grid decarbonisation targets.⁴⁹ Similarly, in Germany, under the Renewable Energy Sources Act, above-market prices were guaranteed to renewable energy producers via feed-in tariffs, which were initially added as a surcharge to consumer bills.⁵⁰ In cases where direct public ownership could deliver infrastructure at a lower cost, paying for private infrastructure investment via consumer bills should be an acute political worry, given the impact of high bills on the cost of living and industrial competitiveness. As we cover in chapter 3, evidence suggests that private delivery is often associated with higher consumer bills.

Meanwhile, the fact that infrastructure ownership can provide a long-term source of income for the public is often overlooked. As is evident in the private sector, many infrastructure projects, such as renewable energy projects, can be profitable for the owner. This raises questions about why the state would incentivise private investment and ownership (often by providing taxpayer money) and then lose out on a long-term source of income, while the private sector receives the benefits.

^h Government bond yield data from Barrons, accessed 28 November 2025. <https://www.barrons.com/market-data/bonds>. "Return on capital" used here to refer to gross IRR. Source: Auerback, A. (2017). *A new arrow in the quiver: Investment-level benchmarks for private investment performance measurement*. Cambridge Associates. <https://www.cambridgeassociates.com/insight/private-investment-performance-measurement>; Bacon, L., Toczyłowski, A., Benham, F. (2020). *Infrastructure. Meketa Investment Group*. <https://meketa.com/wp-content/uploads/2020/05/Infrastructure.pdf>

BOX 2: THE REMUNICIPALISATION OF HAMBURG’S ELECTRICITY GRID

The remunicipalisation of Hamburg’s electricity grid, which was finalised in 2020 following a 2013 referendum, shows the benefits of public infrastructure ownership. Contrary to labour union fears, this occurred without any job losses. At the same time, despite the need for large-scale investment to modernise the grid, the city generated an income of €1.48bn and a profit of around €109m in 2024.⁵¹ An additional benefit is that remunicipalisation has facilitated the more effective implementation of the energy transition, as stated by Hamburg’s environmental authority.⁵² This shows that public ownership can provide a long-term source of income while better accounting for societal and environmental needs.

2.2 A FINANCIAL COMPARISON OF DELIVERY MODELS

Infrastructure can be financed and owned either by the public sector, private actors, or a mixture of the two (known as blended finance).ⁱ As we have alluded to, the ultimate financial impact on taxpayers and billpayers depends on six main factors:

- **Project delivery costs** – How much does it cost for the public or private sector to deliver a given project? (Also known as cost efficiency.)
- **Project revenue stream** – How much revenue does the project generate? Larger revenues benefit the project owner but could come through charging higher bills to billpayers or government procurers.
- **Economic effects** – What effects does the project have on the surrounding economy as a whole? Well-designed infrastructure projects can raise economic activity and tax revenues, through the “fiscal multiplier effect”.^j When badly managed, they can also result in negative social and environmental impacts, for which the taxpayer may ultimately be liable.
- **Financing costs** – What is the cost of capital for the project? This refers to the rate of return owed to the lenders and investors who provide the up-front money to pay for the project. This

consideration should also include any marginal increase on general borrowing costs caused by the extra borrowing (eg if extra public borrowing marginally pushes up rates on overall government debt).

- **Subsidies and guarantees** – What grants, tax breaks, guarantees, and hidden costs does the state have to provide to make projects viable?
- **The cost of regulation** – How much will it cost to maintain a regulatory regime to define and supervise the rules governing infrastructure delivery under a given model?

The interplay of these factors determines the net financial outcomes of a project. At the centre of this question, public delivery costs and financing costs must be compared against private delivery costs and financing costs. Since private investor returns are usually much higher than public borrowing costs, private delivery is only cheaper overall if private delivery costs are much lower.

If the positive financial returns of a project (profits, multiplier effects) outweigh the costs of borrowing (both the direct interest costs and any marginal increase in general borrowing costs), then direct public provision is beneficial for taxpayers. Meanwhile, private provision is only financially beneficial for taxpayers if the public sector could not have delivered the same project profitably. Even then, if public subsidies are required for a

ⁱ Infrastructure can also be owned wholly or partly by non-profits, co-ops, and community groups – often with significant benefit to local communities. However, for this financial comparison, we concentrate on governmental and private sector actors.

^j The effect that a specific increase in government spending (fiscal policy) can have on GDP. If, for example, the government spends money to build a new railway line, this would employ many workers and buy goods from many firms, who would then spend their income out into the economy around them. Moreover, the new railway line might enable more people to commute to better jobs, further increasing economic activity in the region. Increased economic activity leads to a higher tax revenue for governments, meaning that a high fiscal multiplier can balance out the cost of the public sector borrowing money to pay for certain projects.

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

private project, these must be less than the net costs of simply delivering the project publicly.

The best financial option for infrastructure delivery will therefore vary by project and sector. Yet the fact that infrastructure projects can generate significant profitable revenues for the public sector, or that private financing costs are generally higher than public financing costs, is often ignored in political discourse and decision-making.

2.3 NON-FINANCIAL CONSIDERATIONS

Besides the direct financial costs and benefits of a given project, broader social, environmental, and strategic factors may also contribute to the best overall decision. Such factors can justifiably lead policymakers to choose delivery models that are not the cheapest in terms of immediate financial costs, in preference for a broader understanding of long-term economic and social benefit.

Many infrastructure sectors (such as water, healthcare, and energy) are essential human needs which societies may choose for political, legal, or philosophical reasons to own publicly and deliver free or at low cost. At NEF, we argue for a “universal basic services” approach to providing for society’s needs, premised on a universal right to life’s essentials.⁵³ While a universal basic services approach can include private providers, these must be bound by public interest obligations, including a minimum quality of service provision, and deliver fair pay and conditions for service workers. In this regard, the comparative extent to which public or private providers can serve the local interest and create high-quality jobs is a vital factor to balance alongside direct financial costs when designing an infrastructure strategy. NEF research into extractive and socially harmful practices in the UK’s private care sector provides a powerful example of why it may be inherently damaging to have certain services managed by for-profit interests.⁵⁴ Moreover, as we explore in chapter 3, privatisation has often been associated with a decrease in the quality and number of jobs provided.

It is vital to consider the comparative social and environmental outcomes of public or private provision, particularly in areas where one sector has a poor track record. For example, where private water companies have a bad track record on pollution and service delivery (see section 3.5) the comparative environmental and social benefits of public delivery weigh heavily in the case for public ownership (whether under central, municipal, or community governance). Short of this, improved provision would require a more robust regulatory framework that isn’t prone to capture by private industry – which evidence suggests is difficult to achieve.^{55,56}

The involvement of local communities in the ownership and governance of the infrastructure assets that affect them is also important for boosting democratic participation and ensuring local benefits.⁵⁷ This could range from community-owned renewable energy projects where the local community has full ownership and control, to simply granting local representatives board seats on infrastructure projects, giving communities a say in governance decisions regardless of ownership. Governments could even provide financial derisking support to community projects in the form of “public-commons partnerships”, just as they do for PPPs.⁵⁸ Ultimately, encouraging community ownership and governance should be an important factor for deciding the best financing and delivery models for different infrastructure sectors and projects.

Where there are strong benefits to central coordination, there may be an argument for public ownership that transcends the immediate cost implications. For example, central public ownership of the national electricity grid could make it cheaper and faster to prioritise and connect new renewable energy, battery storage, and factories onto the grid.⁵⁹ These distributed technologies will likely be developed by the private sector, but the public sector is better placed to enable the build-out and allocation of grid capacity. Public ownership can also grant governments greater strategic control over supply chains and procurement policies, which can contribute to nurturing an industrial cluster as part of a broader industrial strategy.⁶⁰ Therefore, a long-term coordinated industrial strategy may well present a strong case for public ownership

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

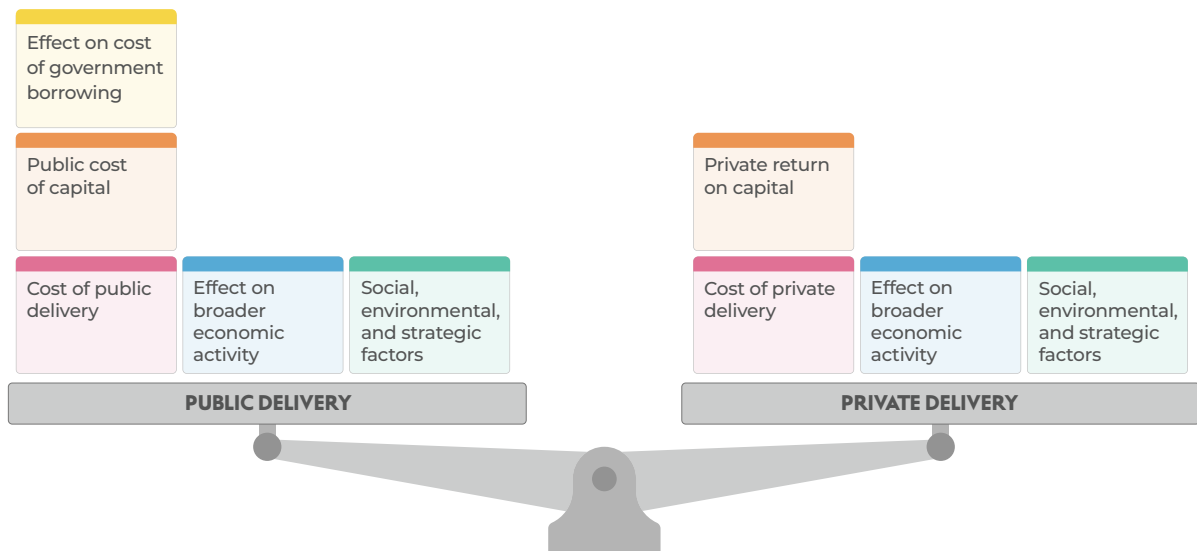
of certain assets, as a consideration that must be weighed alongside the direct financial comparison of private or public ownership.

Other strategic reasons to prefer having certain infrastructure sectors in public ownership can include national security concerns or improved resilience against economic shocks. Consider the UK government's recent decision to temporarily nationalise British Steel, which was justified partially in terms of securing defence and industrial supply chains to maintain strategic

autonomy and resilience, despite being projected to run at a significant loss to the taxpayer, at least in the short term.^{61,62} The early identification of strategically vital industries may prevent costly interventions like this.

Combining these non-financial factors – social, environmental, and strategic – with the financial considerations discussed, the simple schematic in figure 9 provides a basic decision-making framework for weighing up the pros and cons of public or private infrastructure delivery.

FIGURE 9: WEIGHING UP THE PROS AND CONS OF PUBLIC OR PRIVATE INFRASTRUCTURE DELIVERY



3. THE TRACK RECORD OF PRIVATE INFRASTRUCTURE DELIVERY

Policymakers' assumptions about the superiority of private infrastructure delivery rely on the conviction that this will improve public finances and that the private sector is more efficient in the construction and maintenance of infrastructure projects. It is believed that competitive pressures and the profit orientation of firms lead to increased cost efficiency, better jobs, improved service provision, and reduced prices for consumers.⁶³ However, as shown in chapter 2, any efficiency gains would need to be substantial to offset the higher financing costs typically associated with private delivery. The empirical record suggests that such gains are far from guaranteed. Rather than demonstrating structural superiority, outcomes vary significantly across sectors and institutional contexts. This calls for a case-by-case assessment of ownership models, grounded in a critical assessment of sectoral characteristics and the application of appropriate regulatory guardrails.

3.1 FINANCIAL TRACK RECORD: COST EFFICIENCY AND CONSUMER PRICES

3.1.1 Cost efficiency

Empirical evidence does not support the claim that private infrastructure delivery is systematically more cost efficient. A review by the Danish Institute AKF covering 80 studies across water, waste, electricity, transport, and social sectors found "no systemic difference in terms of economic effects" between public and private provision.⁶⁴ Similar findings emerge in sector- and country-specific research.⁶⁵ An academic study analysing global evidence on waste and water services finds no systematic relationship between cost savings and private production.⁶⁶ Likewise, an empirical analysis of all industries

across European countries between 1980 and 2009 found no evidence of improved performance following privatisation.⁶⁷

One reason is that the cost of finance for the private sector is often comparatively higher.⁶⁸ The private sector would thus have to operate much more efficiently on the delivery side to compensate for these financing costs. There is no conclusive evidence that this is the case. On the contrary, a global study by the International Monetary Fund (IMF) on public-private partnerships (PPPs) concludes that financing costs for private borrowing are comparatively higher than sovereign borrowing, and that it "cannot be taken for granted that PPPs are more efficient than public investment and government supply of services" to offset this gap.⁶⁹ Similarly, the European Court of Auditors (ECA) found that seven out of nine audited EU PPPs experienced significant delays, with additional costs of €1.5bn falling to the public.⁷⁰ The overall bad performance led it to recommend against expanding PPPs until effective implementation could be ensured.

3.1.2 Consumer prices

Similar results relate to consumer prices, where there is no conclusive evidence that private infrastructure delivery and operation lead to relatively better prices. In some cases, prices have fallen following liberalisation and private entry. A European Central Bank (ECB) study of the European telecommunication sector finds that prices declined on average after privatisation, which the ECB has attributed to competitive pressures and technological advancements.⁷¹ Likewise, a recent study suggests that the entry of the private operator Italo on the Venice–Turin railway route led to reductions in certain ticket categories offered by the public provider Trenitalia.⁷²

However, this is far from a systematic result. In recent years, a range of academic studies have demonstrated that there is no consistent evidence to support the claim that private enterprises are inherently more efficient than the public sector. Rather, outcomes vary greatly across different sectors, with regulatory frameworks and the degree of competition being just as significant as ownership per se.^{73,74} In sectors where competition is limited or regulation is lacking, privatisation can

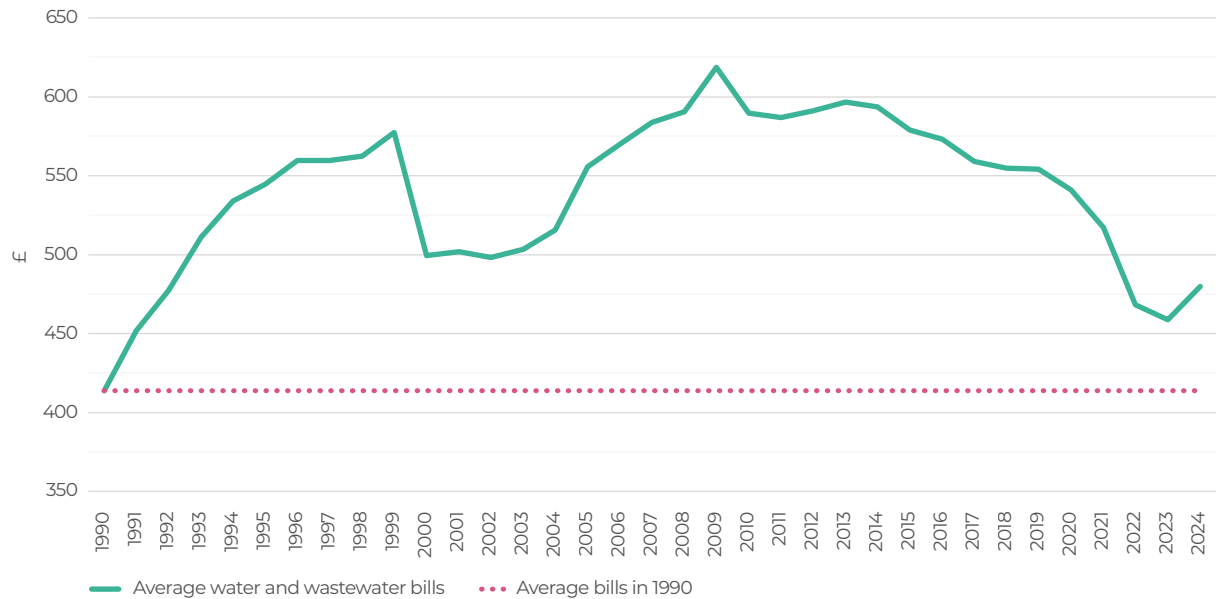
THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

drive up prices. A study of residential electricity prices across 15 European countries between 1978 and 2006 found that private ownership was associated with higher residential electricity prices.⁷⁵ Similarly, as can be seen in figure

10, in the UK water sector, average water and wastewater bills rose significantly in real terms after privatisation in 1989, peaking at 49% above pre-privatisation levels in 2010 and remaining substantially higher (16%) today.

FIGURE 10: AVERAGE WATER AND WASTEWATER BILLS IN ENGLAND AND WALES, IN REAL TERMS (2024 PRICES) USING THE RETAIL PRICE INDEX (RPI), FROM 1990 TO 2024



Note: The dotted line represents the average water and wastewater bill in 1990 in real terms.

Source: UKWater⁷⁶ and ONS.⁷⁷

3.2 NON-FINANCIAL TRACK RECORD: EMPLOYMENT AND SERVICE PROVISION

3.2.1 Employment

Research on labour market outcomes indicates that efficiency gains, where observed, have often been achieved through labour cost compression rather than improved productivity. The European-Commission-funded PIQUE project, which examined six public service sectors across six European countries, concludes that privatisation and liberalisation largely had negative effects on labour conditions.⁷⁸ These included job losses, increased precarious employment, wage reductions, and intensified workloads. In the EU15 electricity sector, 31% of jobs were lost between 1995 and 2004 during liberalisation, contrasting sharply with earlier Commission estimates that nearly one million jobs would be created from the liberalisation of the network industry.⁷⁹

Recent research further suggests that public ownership is associated with better labour outcomes. A 2023 IMF study finds that public-sector workers earn, on average, around 10% more than comparable private-sector workers.⁸⁰ This premium is even higher for women and low-skilled workers, highlighting the importance of public-sector employment for marginalised groups. A study analysing 22 European countries in 2015 confirms these findings, reporting that, apart from a pay premium, public-sector workers in Europe enjoy better job security and work-life balance than their private-sector counterparts.⁸¹ Evidence from Germany and Austria shows that remunicipalisation has often improved labour conditions, particularly in sectors characterised by poor working conditions and temporary contracts.⁸² Public ownership is often supported by labour unions, as reflected in initiatives such as the Right2Water⁸³ European Citizens' Initiative.⁸⁴

3.2.2 Service provision

Cost reductions under privatisation have also been associated with declining service provision, sometimes with detrimental consequences. A report by Corporate Europe Observatory finds that the privatisation of the healthcare system across Europe has led to profit-oriented “cherry-picking” of lower-risk and higher-paying patients over higher-risk and lower-income patients.⁸⁵ Moreover, they find that the commercialisation of the elderly care and health care sector led to worse preparation for the Covid-19 pandemic.

Cherry-picking can also be observed in other sectors. In telecommunications, rural areas are generally less profitable for private companies, as they are less densely populated, contributing to a persistent rural–urban digital divide.

⁸⁶ This can exacerbate existing economic disparities, for example, due to reduced access to online education, telemedicine, and remote work opportunities.

Furthermore, profits are often not reinvested or used for the benefit of consumers or taxpayers but are rather captured by shareholders, asset managers, and highly paid executives. A report by Common Wealth on the UK’s major electricity distribution network operators (DNOs) and gas distribution networks (GDNs) found that, amid the cost-of-living crisis, companies were able to exploit their natural monopolies, paying dividends totalling £3.6bn for DNOs and £2.4bn for GDNs from 2017 to 2021. Meanwhile, the effective tax rates on these companies were significantly lower than those on the average UK company.⁸⁷ Similarly, a report by Reclaiming Our Regional Economies found that private care providers in three English regions had made profits totalling more than £250m between 2021 and 2024. During this period, company directors earned up to 60 times more than the average wage, while frontline care workers were often paid below the living wage.⁸⁸ This illustrates the tension between profit maximisation and universal service objectives in essential infrastructure sectors.

3.3 EXPLAINING THE TRACK RECORD

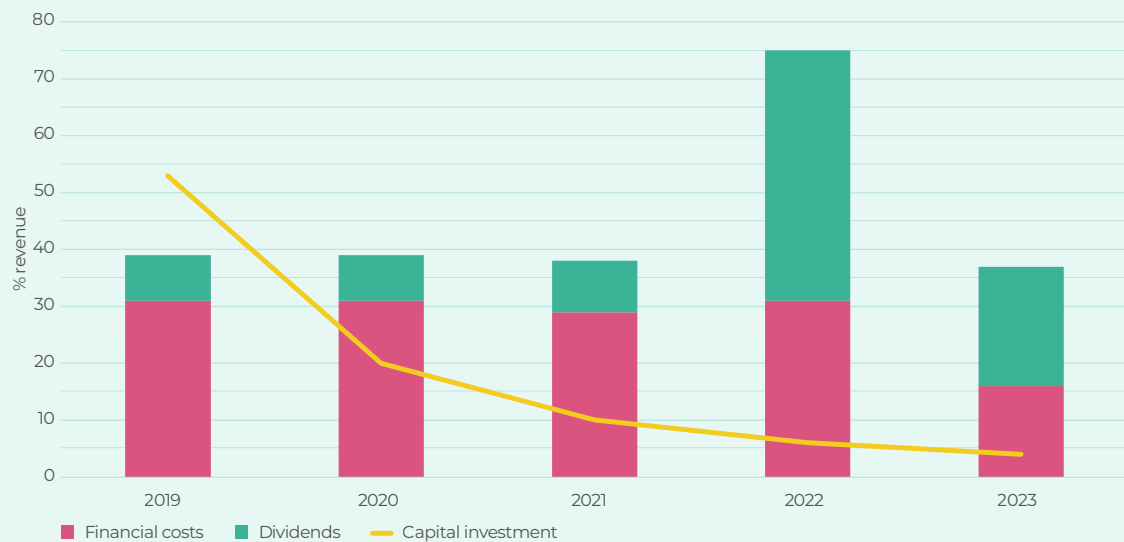
The varied outcomes of private infrastructure delivery can broadly be explained by four structural factors.

1. The cost of capital differs substantially. Governments borrow at lower rates, while private operators must compensate for higher financing costs. The empirical evidence does not show consistent efficiency gains sufficient to offset this premium.
2. Incentive structures differ. Private firms operate under profit incentives, often with the need to deliver shareholder returns, which can encourage dividend extraction, cost cutting, and short-term decision-making. Public authorities, by contrast, must typically pursue broader social objectives, such as income redistribution and public health. These different mandates shape investment behaviour and service outcomes.
3. Market structure matters. Many infrastructure sectors, like water and electricity networks, are natural monopolies, meaning that having one single network is the cheapest or only option. True competition is almost impossible to achieve, making it easy for firms to exploit their monopoly power by charging higher bills or investing insufficiently in services.
4. Effective regulation is essential. When incentive and market structures diverge from society’s best interests, effective government regulation needs to be put in place. Regulation can protect employment and environmental standards while ensuring good service provision through sufficient capital investment. Particularly in sectors where competition is limited, extremely strong regulatory oversight is required to prevent private operators from increasing prices while underinvesting in services. The cost of maintaining this regulatory capacity must also be factored into the overall societal cost of private infrastructure delivery.

BOX 3: THE BRITISH RAIL SYSTEM

The British rail system illustrates these points. Since its break-up and sale in the mid-1990s, the network has become a complex patchwork of private and public operators underpinned by large public subsidies. In 2024, government support to the rail industry reached £12.5bn, yet service quality and investment have lagged. As research by Common Wealth⁸⁹ shows, private rolling stock companies on average distributed around one-third of their revenue to shareholders between 2022 and 2023, while simultaneously decreasing capital investment (Figure 11), and thus investment in the provision of the service. Meanwhile, British passengers pay some of the highest fares in Europe, over three times higher than in France. And the overall cost of privatisation (ie the system-wide operating costs compared to a hypothetical counterfactual scenario of continued public ownership) has been estimated at £79bn between 1997 and 2020.⁹⁰ Thus, far from providing better services, the privatised rail model has channelled public money into private returns, leaving both passengers and taxpayers paying more for less.

FIGURE 11: UK ROLLING STOCK COMPANIES’ DIVIDEND AND FINANCE PAYMENTS TO RELATED PARTIES AND CAPITAL EXPENDITURE, AS A PROPORTION OF REVENUE, FROM 2019 TO 2023



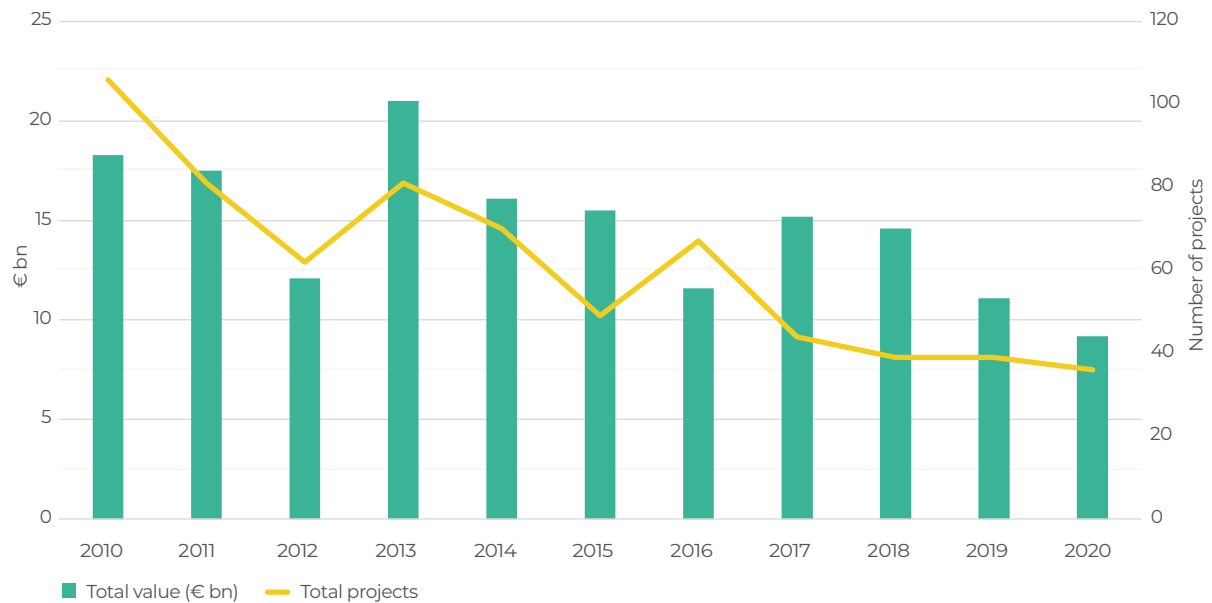
Note: Select line items taken from three rolling stock companies: Angel Trains Limited, Eversholt Rail Leasing Limited, Porterbrook Leasing Company Limited. Together, these three companies made up 76% of the rolling stock market in 2019.

Source: Common Wealth.⁹¹

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

FIGURE 12: EUROPEAN PUBLIC-PRIVATE PARTNERSHIP MARKET BY VALUE AND NUMBER OF PROJECTS, FROM 2010 TO 2020



Source: EIB.⁹²

3.4 THE SCALE AND SPEED OF INFRASTRUCTURE DELIVERY

The urgency of the green and social transitions means that both public and private finance will be necessary to deliver the scale of investment required. Long-running efforts to crowd-in private investment have failed to close Europe's green investment deficit,⁹³ which was estimated to be around €406bn (2.6% of GDP) in 2024.⁹⁴ In sharp contrast to the scale of need, PPPs in Europe in 2020 amounted to €9bn (figure 12). Despite this astonishing mismatch, PPPs continue to be at the centre of mainstream political discourse on how to increase green and infrastructure investment, as can be seen in the call for more PPPs in Enrico Letta's recent report.⁹⁵ Over-reliance on private finance leaves time-bound climate targets exposed to fluctuations in global investment conditions, as illustrated by the failed UK offshore wind auction in 2023.⁹⁶

At the same time, public planning capacity alone may be insufficient to deliver complex, capital-intensive projects at speed. This is particularly true in capital-intensive and technologically complex sectors such as renewable energy and electricity grids, where private sector know-how is necessary. Public authorities can also be a blockage to private finance spurring the renewable energy transition.

For example, the Italian regions of Sardegna and Lazio effectively put in place moratoriums on solar and wind projects.^{97,98} Similarly, until recently, Poland enforced excessive distance rules for onshore wind, which made it impossible to build wind farms on 99.7% of Polish land.⁹⁹ This also highlights the case for a consistent long-term strategy, as we set out in chapter 4.

Ultimately, large infrastructure projects carry large risks regardless of who delivers them. There will always be differences in the balance of incentives, benefits, and risks between public and private delivery, which will vary by sector, project, and national context. Policymakers must take a clear-eyed approach to assessing these benefits and risks, rather than following a predetermined ideological framework like the private finance myth. Once appropriate financing and delivery mechanisms have been identified, policymakers must then ensure the right conditions for infrastructure projects to be a success, which we will come to in chapter 4.

3.5 A TALE OF TWO SECTORS: CASE STUDIES OF SUCCESS AND FAILURE

The contrasting experiences of Denmark's wind energy sector and England's water system illustrate

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

how governance, regulation, and ownership structures shape the outcomes of private infrastructure delivery. Both cases highlight the conditions under which private investment can support or undermine public goals.

Wind energy in Denmark: top-down coordination with bottom-up participation

The Danish onshore wind energy sector is an example of how private finance can be successfully integrated into infrastructure development. Today, wind power supplies over half of Denmark's electricity needs, and the country has become a global leader in the manufacture of wind technology.¹⁰⁰ This success was not driven by rapid market liberalisation or privatisation, but by a carefully sequenced approach combining top-down planning and strong regulation with bottom-up civic participation, as well as the innovation and expertise of the private sector.

Top-down planning and regulation

Following the 1973 oil crisis, Denmark launched a series of national energy plans setting clear, measurable targets for renewable energy capacity, emissions reduction, and technology development.¹⁰¹ The government used a mix of carrots and sticks, such as, (1) capital grants for early installations, gradually phased out as costs fell; (2) guaranteed grid access and feed-in tariffs from 1993, fixing prices relative to retail electricity rates rather than production costs; and (3) energy taxes, introduced in the 1980s, making renewables competitive while funding R&D and technological innovation.¹⁰² Crucially, Denmark combined support measures with strict conditionalities, such as requiring utilities to set a "fair price" at 85% of the retail electricity rate or including local ownership, constant policy evaluation, and dedicated administrative capacity through the Danish Energy Agency.¹⁰³

Bottom-up civic participation

Policy design actively encouraged local ownership and citizen participation. From the 1980s onward, tax incentives and, later, the 1993 feed-in tariff scheme, enabled communities and cooperatives to invest in wind farms. The 2008 Co-ownership Scheme required developers to offer at least 20% of shares in new wind projects to residents, ensuring financial benefits stayed in the community.¹⁰⁴ Moreover, planning processes required municipal involvement and public hearings, ensuring

transparency and broad-based legitimacy. By 2014, over half of Denmark's wind capacity was community-owned, creating high levels of public acceptance for the energy transition.¹⁰⁵

Water in England: lack of regulation and foreign/ private ownership

England is the only country in Europe to have fully privatised its water sector, with nine regional monopolies created in 1989 under Margaret Thatcher's government. The promise was that private firms would deliver efficiency, investment, competition, and environmental improvements.¹⁰⁶ Over three decades later, the evidence shows the opposite: chronic underinvestment, rising costs for households, environmental degradation, and growing water poverty.¹⁰⁷

Weak regulation and planning

The privatisation of England's water sector in 1989 was shaped by policies and regulations that prioritised company profitability over long-term public interest. The Thatcher government cleared £4.9bn in debt, provided a £1.5bn cash injection to improve the company's balance sheet and make investment more attractive, and sold the firms at a discount. Meanwhile, Ofwat, the new regulator, focused narrowly on price caps rather than investment or environmental performance.¹⁰⁸ Its formula compared companies against each other but failed to prevent opaque corporate structures, excessive dividend payouts, and shareholder loans at inflated rates. Parliamentary reports¹⁰⁹ later found Ofwat repeatedly overestimated financing costs, handing firms windfall gains through unnecessarily high bills, while weak enforcement and a "revolving door"¹¹⁰ between regulator and industry further undermined oversight. Successive governments encouraged Ofwat to keep bills low while scaling back scrutiny, leaving companies free to underinvest in infrastructure, pay out large dividends, and allow sewage pollution to rise sharply.¹¹¹

Institutional investors and foreign ownership

Today, over 70% of English water companies are owned by foreign investment funds and banks.¹¹² These investors treat water utilities as financial assets, extracting revenue through dividends and debt financing. Between 1989 and 2023, shareholder payouts reached £77.6bn, while capital investment stagnated, meaning higher household bills paid for shareholder returns rather than

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

physical infrastructure improvements. United Utilities alone paid £454m in dividends in one year, 25% of its revenue, while South East Water spent more on dividends and debt interest than on upgrading infrastructure during periods of drought and rationing.¹¹³

The results are stark: household water bills had risen to over 360% by 2023 since privatisation, over twice the rate of inflation,¹¹⁴ while 20% of households now experience water poverty.¹¹⁵ Raw sewage discharges rose by 129% in 2023 alone,¹¹⁶ and drought-related rationing hit multiple regions due to chronic underinvestment in reservoirs and leakage reduction.¹¹⁷ England's experience shows that without strong public planning and regulation, private monopoly ownership leads to higher costs, more environmental harm, and poorer service quality.

Lessons

Successful delivery of public services by the private sector will therefore require:

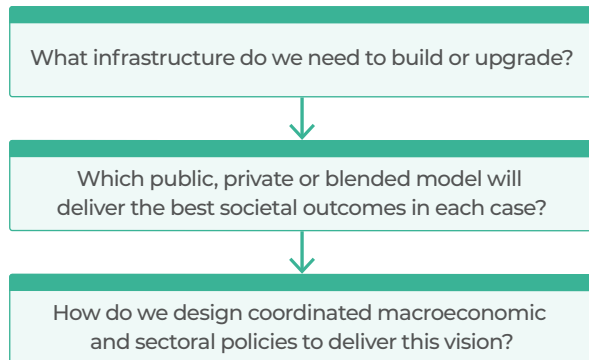
- A critical prior assessment of whether a sector's core features make it appropriate to be in private hands.
- Robust public planning and oversight to set targets, enforce standards, and prevent abuses.
- Clear regulation and conditionalities for private finance, including investment requirements and limits on shareholder payouts.
- Local ownership and participation to align infrastructure delivery with social and environmental needs and strengthen democratic buy-in and self-determination
- Due diligence on private investors to guard against bad actors with misaligned incentives, who are more likely to exploit assets or pose a security risk.

Without these elements, privatisation risks delivering financial returns for investors while eroding public value for citizens.

4. DESIGNING AN INFRASTRUCTURE STRATEGY FOR THE BEST SOCIETAL OUTCOMES

A coherent approach to delivering the infrastructure a society needs should flow from answering the following three questions:

FIGURE 13: AN EVIDENCE-BASED INFRASTRUCTURE STRATEGY



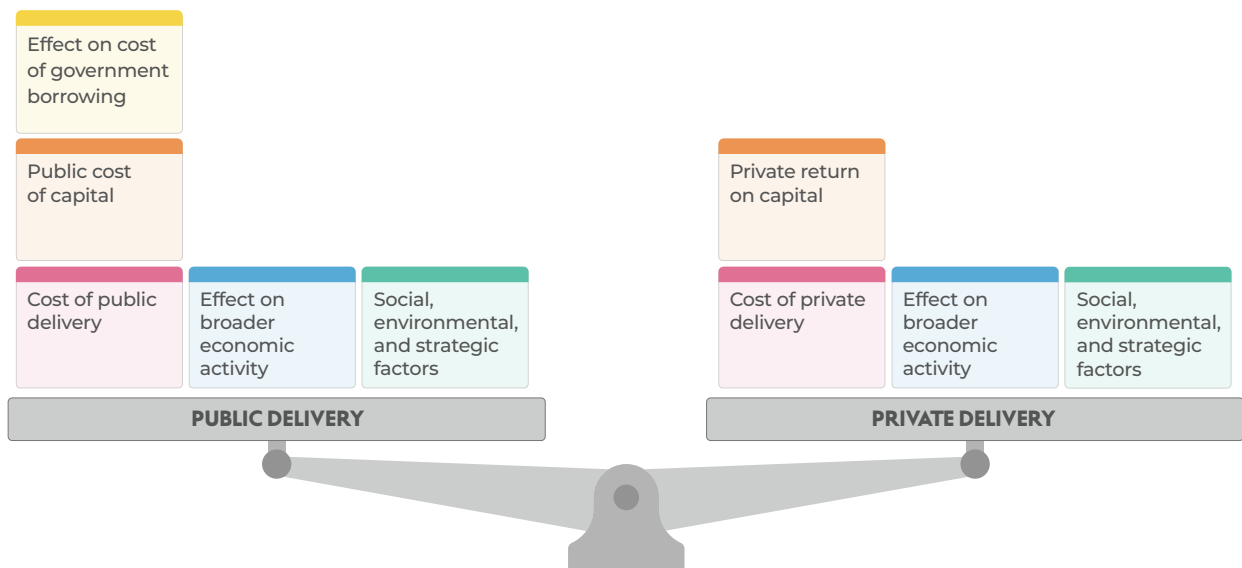
In this section, we call for policymakers to conduct their own evidence-based assessments of alternative financing and delivery models and then offer recommendations for how to develop these assessments into successful infrastructure strategies.

4.1 EVIDENCE-BASED, SECTOR-BY-SECTOR ASSESSMENT

After building an understanding of what new or upgraded infrastructure is needed, the next step any government must take is to conduct a comprehensive assessment of when and where public, private, or blended infrastructure models are likely to provide the greatest benefit to society (figure 14). The assessment should consider the full range of direct and indirect financial risks and rewards to both taxpayers and billpayers, as well as the social, environmental, and strategic factors we have discussed.

This may seem like an obvious recommendation. Yet shockingly, many governments are following infrastructure plans with an emphasis on private finance without having assessed whether this is better value for money than public provision. This was illustrated by the UK’s Committee of Public Accounts enquiry into the government’s use of private finance for infrastructure. The committee found that “there have been no assessments of

FIGURE 14: WEIGHING UP THE PROS AND CONS OF PUBLIC OR PRIVATE INFRASTRUCTURE DELIVERY



THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

the merits of private financing models relative to public procurement” and that the Treasury “did not consider the cost of government borrowing to be relevant when making financing decisions on PFI [private finance initiative] deals”.¹¹⁸ In other words, to quote prime minister Keir Starmer, the UK government has decided that “private finance is how we rebuild our country” without having assessed whether this is a better option than public delivery, and ignoring that the government’s borrowing costs are lower than the private sector’s.¹¹⁹ This is apparent in the government’s Independent Water Commission, which, while it made 88 recommendations to improve the regulation of the private water system,¹²⁰ was ex ante instructed not to consider the possibility of public ownership.¹²¹

Before unconsciously following the assertions of the private finance myth, governments should make evidence-based assessments at a sectoral and strategic level of which financing models best serve the long-term societal interest. This strategic assessment is upstream from, and fundamentally different to, the role that routine cost-benefit analyses currently play in infrastructure policy. While government departments routinely conduct cost-benefit analyses of planned projects, these analyses typically relate to a go/no-go decision for a given project, or compare alternative private and blended models, rather than comparing private against public options. Moreover, since they tend to focus on a granular level on particular projects or sub-sectors, routine cost-benefit exercises are generally not able to assess or influence the delivery strategy for a sector as a whole.

4.2 CONSISTENT LONG-TERM STRATEGY AND STRONG STATE CAPABILITY

To maximise the benefits of public or private provision, infrastructure investment needs to be embedded within a clear and consistent long-term public strategy. As NEF outlined in our report on green industrial strategy,¹²² governments must set specific objectives and targets, with ongoing tracking and re-evaluation. These should include social and environmental metrics. Goals that target the number and quality of jobs, for example, can help negate the risk that private delivery can

worsen employment conditions.

This public strategy must be coherent, consistent, and credible. Investors, whether institutional funds, small developers, or cooperatives, commit capital based on expectations about future policy. If the policy environment shifts unpredictably, the risk premium rises, and financing costs increase, potentially causing investors to withdraw.¹²³ Stability, on the other hand, not only lowers financing costs but also encourages the participation of smaller actors, such as municipalities and cooperatives, which are comparatively less able to absorb sudden shocks than large asset managers. In the EIB Municipality Survey, 79% of the 1,002 reporting municipalities noted regulatory uncertainty as an obstacle to the implementation of infrastructure investment.¹²⁴ A well-structured and consistent strategy can also strengthen a country’s broader industrial policy, as illustrated by Denmark’s wind energy sector, which helped it become a global frontrunner in the export of wind energy technology and expertise.

Crucially, a consistent strategy with strong follow-through requires state capacity and capability at both the national and local levels. This means that public bodies must acquire the resources needed to deliver or manage an infrastructure project (capacity), as well as the knowledge required to deploy these resources (capability).¹²⁵ Without this, there is an increased risk of public funds being misallocated or infrastructure projects being mismanaged. For instance, the European Court of Auditors (ECA) concluded that insufficient administrative capacity had contributed to the delayed absorption of the EU’s Recovery and Resilience Facility funds, which are intended to provide grants and loans to EU member states for investments in economic resilience and sustainability.¹²⁶

4.3 CONFIDENT REGULATION AND CONDITIONALITIES

Strong, independent regulation is essential to ensure that private investors align with public goals. This requires ongoing oversight rather than one-off checks and the establishment of dedicated public bodies with the expertise and

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

legal authority to oversee infrastructure projects. For instance, energy regulators should not only set technical standards, but also ensure fair pricing, protect smaller market participants, and prevent anti-competitive behaviour. Transparency is a critical part of regulation. Public access to data on ownership structures, subsidy recipients, and performance metrics enables citizens and civil society groups to hold companies and governments to account. Together, regulation and transparency ensure that public and private capital are spent in the public interest.

Any public support, whether in the form of subsidies, loan guarantees, or tax incentives, should be subject to robust economic, environmental, and social conditionalities. These could include binding greenhouse gas reduction targets, material efficiency requirements, and local job creation commitments. For example, the European Trade Union Confederation calls for social conditions to be attached to all public funding to promote quality jobs and ensure sustainable industrial development.¹²⁷ Furthermore, regulators must be empowered to penalise non-compliance, for example by imposing fines or revoking licences for companies that fail to meet environmental or social obligations.

Companies receiving public support must be held to account not only for meeting agreed targets but also for how they use their profits. Without clear conditionalities, subsidies risk fuelling shareholder payouts rather than productive investment. Restrictions on dividends, stock buybacks, and excessive executive pay during periods of public support are essential to prevent extractive behaviour and redirect resources into production, innovation, and workforce development. Firms that fail to meet such targets should have their public support withdrawn.

4.4 WELL-DESIGNED FISCAL POLICY TO ALLOW BENEFICIAL PUBLIC INVESTMENT

While it is wise to plan carefully for long-term fiscal sustainability (ie healthy public finances), our fiscal frameworks currently take insufficient account of the benefits of public investment and the risks of underinvestment. This creates a

structural bias away from public infrastructure investment and towards strategies dominated by private finance, even when this will lead to worse economic, social, and environmental outcomes. Reforming fiscal policy frameworks and the discourse surrounding them is a prerequisite for allowing decisions to be made over infrastructure financing and ownership that genuinely serve society's best interests.

Real fiscal space can be thought of as the degree of capacity that governments have for additional spending to be financed by borrowing, without leading to unsustainably high interest payments or causing inflation. On top of real fiscal space, many governments have fiscal rules, which place a politically determined limit on how much they can borrow over a given period. The UK has a set of fiscal rules decided by the chancellor (finance minister), and countries in the EU have debt-reduction rules set centrally by the EU, as well as often their own domestic rules.^{128,129}

First, without any changes to their fiscal rules, European countries could already afford to carry out more publicly owned infrastructure projects than currently planned. For projects which generate revenue, if the profits exceed the interest rate on the debt, then this would actually set public debt on a downwards trajectory after an initial increase, which is perfectly compatible with the UK's current fiscal rules for example. Another crucial factor relating to fiscal rule compatibility is to make sure that cost projections adequately factor in the positive effects of infrastructure on economic activity. As we described earlier, the fiscal multiplier effects of public borrowing and spending are crucial determinants of whether public finance of infrastructure will be beneficial to taxpayers. Current methods of forecasting used by fiscal authorities systematically underestimate the benefits of public investment in infrastructure, meaning that the wrong decisions are being taken in the name of fiscal responsibility.^{130,131} In our *Forecasting a Better Future* report, we offer a detailed critique of current methods and propose an alternative "buckets" method that gives a more granular and holistic estimate of the multiplier effect of investments.¹³² It is also vital that comparisons are made to the appropriate counterfactual scenario – forecasts must also account for

the costs of not building sufficient infrastructure.¹³³ It might seem expensive to build flood-defence infrastructure now, but the outcomes for taxpayers will be much worse if we neglect to build it and then have to pay for huge flooding damages in the future.¹³⁴

Even after making these adjustments, poorly designed fiscal rules will still be an obstacle to making decisions that are in the taxpayers' long-term interests. Fiscal rules are set to short timescales, applying arbitrary targets to arbitrary measures of government borrowing and debt.^{135,136} For example, the UK's fiscal rules set maximum targets of five years or shorter. Given that many infrastructure projects take longer than this to build, and last for several decades, these rules are fundamentally misaligned with infrastructure decisions in the best long-term interests of citizens. Another feature of poorly designed fiscal frameworks is that they create warped incentives for infrastructure projects to be delivered via blended finance structures that sidestep fiscal rules while ultimately costing taxpayers more than direct public delivery. A typical example of this was the UK's disastrous PFI scheme, discussed earlier, which encouraged local government bodies to engage in off-balance-sheet borrowing from private deliverers to build schools, hospitals and roads. PFI financing came at a far higher cost to the taxpayer than direct public delivery, while infrastructure outcomes were extremely poor.^{137,138}

At NEF, we recommend that fiscal rules be replaced by a system of "fiscal referees", wherein a panel of experts judges whether a government's fiscal plans are sustainable and beneficial, with transparency over the qualitative judgments and differences of opinion inherent to such a complex topic.¹³⁹ Short of this, fiscal rules should at the very least be adjusted to account for longer time horizons, with greater justification for the benefits of long-term investment, more accurate multiplier estimates for infrastructure investments, and all of this compared to scenarios in which the impacts of underinvestment are properly estimated. Crucially, this would create fiscal space by properly taking taxpayer benefits into account, giving the state more scope to make meaningful investments.

4.5 IMPROVED MACROECONOMIC COORDINATION TO BRING DOWN FINANCING COSTS

The headline interest rate set by central banks is one of the key determinants of borrowing costs for governments and the private sector. At NEF, we criticise the current system for controlling inflation as being a blunt and simplistic framework, which has not only failed in its primary objective of keeping inflation close to target, but is also unnecessarily damaging the economy, preventing investment and pushing people into unemployment.¹⁴⁰ Similar critiques are emerging from a variety of academic institutions and think tanks, which are calling for inflation-targeting frameworks to be reformed so that governments and central banks can coordinate to manage inflation without unnecessarily damaging investment levels through high interest rates.^{141,142} The current system reinforces states' over-reliance on private infrastructure investment, as "monetary dominance" (the prevailing paradigm of central banking) effectively limits public spending and imposes austerity.¹⁴³

A more coordinated macroeconomic framework would enable countries to better control inflation while having lower interest rates. This would reduce the cost of borrowing for investing in infrastructure, both for governments and the private sector, meaning the green transition and general upgrading of infrastructure would be cheaper both for taxpayers and billpayers. Without such a change, there is a risk that protracted high interest rates will make infrastructure investment much more expensive, either leading to projects being cancelled or consumer bills being hiked to compensate.

Second, central banks could introduce targeted refinancing programmes to reduce interest rates specifically for investments in green infrastructure.^{144,145} Our previous research estimates that a 2.5% decrease in interest rates for clean energy investments in the UK could reduce energy bills by £1.9bn per year (£24 per household) by 2030.

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

Finally, macroeconomic coordination must be used to empower state-owned financial institutions. Also known as “policy banks” or “national development banks”, state-owned financial institutions can lend and invest in projects throughout the economy, often alongside the private sector. As they are owned by the state, they can be mandated to target their investment towards specific purposes, such as supporting the green transition or regional economic growth, or lending with a focus on small and medium enterprises (SMEs), agriculture, high-tech sectors, or export companies. Examples include the EU-wide EIB, Germany’s KfW, France’s BPIFrance, and the UK’s National Wealth Fund. At NEF, we argue that policy banks should not be limited to derisking private projects, but instead should take a proactive approach to guiding sectoral investment (whether privately or publicly owned) while ensuring a fair risk-reward balance and positive social and environmental outcomes.¹⁴⁶ Overall, well-designed policy banks with the power to borrow their own funds, and with central bank support, are an essential part of 21st-century macroeconomic management to achieve industrial and environmental goals with maximum benefit to the taxpayer.^{147,148}

5. CONCLUSION

The idea that private finance is necessarily the best way to fund infrastructure investment is a myth. It risks locking societies into costlier, less equitable, and less sustainable development pathways. Both theory and the historical track record demonstrate that public finance and ownership can often deliver greater value for taxpayers, billpayers, and society.

Far from rehashing old arguments about the benefits and disadvantages of public and private infrastructure delivery, this report is an urgent cry to policymakers and policy influencers not to be taken in by simplistic narratives. Rather than advocating for one model of infrastructure financing and ownership, we call for a discerning approach that remains steadfast to logic and evidence when deciding what is in the public interest.

Better decision-making requires properly integrating long-term financial and non-financial outcomes into political discourse and technocratic assessment processes. Policymakers must recognise the strengths and weaknesses of both public and private infrastructure delivery, apply rigorous case-by-case and economy-wide analysis, and prioritise the long-term interests of society. This is in sharp contrast to the current tendency to prioritise private investment returns by default, over taxpayers, billpayers, and delivery outcomes. Private finance will remain an important part of the picture. But it must be guided by a robust public strategy, fair risk-sharing, and strong conditionalities to ensure it serves societal goals rather than simply extracting value from public assets.

A more balanced approach will only be made possible through reform to the fiscal and monetary frameworks, which are currently limiting states' ability to deliver societally beneficial infrastructure. A modernised approach to fiscal and monetary policy is needed to untether politicians from the misconceptions of the private finance myth and return publicly delivered infrastructure build-out to the table as a viable option.

ENDNOTES

- 1 European Investment Bank. (2016). Restoring EU competitiveness. https://www.eib.org/files/efs/restoring_eu_competitiveness_en.pdf
- 2 Persson, M., Ghanbari, S., & Lewis, C. (2024). *Mind the (investment) gap – Funding and delivering capital projects amidst fiscal constraints*. Ernst & Young LLP. <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-uk/services/strategy-transactions/documents/ey-parthenon-mind-the-investment-gap-27-sep-2024.pdf>
- 3 Draghi, M. (2025). *The future of European competitiveness: A competitiveness strategy for Europe*. Publications Office of the European Union. https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4cf152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf
- 4 HM Treasury. (2025). UK infrastructure: A 10 year strategy. https://assets.publishing.service.gov.uk/media/6853c5db99b009dcdcb73649/UK_Infrastructure_A_10_Year_Strategy_Web_Accessible.pdf
- 5 Dom, E. A. (2024). *Major bridge partially collapses into river in German city of Dresden*. Euronews. <https://www.euronews.com/my-europe/2024/09/12/major-bridge-partially-collapses-into-river-in-dresden>
- 6 Koutantou, A., & Kambas, M. (2024). *Greece train disaster exposes rail network neglect*. Reuters. <https://www.reuters.com/world/europe/greece-train-disaster-exposes-rail-network-neglect-2023-03-06/>.
- 7 Draghi, M. (2025). *The future of European competitiveness: A competitiveness strategy for Europe*. Publications Office of the European Union. https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4cf152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf
- 8 European Investment Bank. (2016). *Restoring EU competitiveness*. https://www.eib.org/files/efs/restoring_eu_competitiveness_en.pdf
- 9 European Commission. (2020). *Identifying Europe's recovery needs*. Publications Office of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0098&from=EN>
- 10 European Investment Bank. (2025). *Investment report 2024/2025: Innovation, integration and simplification in Europe*. https://www.eib.org/attachments/lucalli/20240354_investment_report_2024_en.pdf
- 11 European Investment Bank. (2016). *Restoring EU competitiveness*. https://www.eib.org/files/efs/restoring_eu_competitiveness_en.pdf
- 12 European Investment Bank. (2025). *Investment report 2024/2025: Innovation, integration and simplification in Europe*. https://www.eib.org/attachments/lucalli/20240354_investment_report_2024_en.pdf
- 13 National Infrastructure Commission. (2023). *The Second National Infrastructure Assessment*. <https://webarchive.nationalarchives.gov.uk/ukgwa/20250327100337/https://nic.org.uk/studies-reports/national-infrastructure-assessment/second-nia/>
- 14 Persson, M., Ghanbari, S., & Lewis, C. (2024). *Mind the (investment) gap – Funding and delivering capital projects amidst fiscal constraints*. Ernst & Young LLP. <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-uk/services/strategy-transactions/documents/ey-parthenon-mind-the-investment-gap-27-sep-2024.pdf>
- 15 Draghi, M. (2025). *The future of European competitiveness: A competitiveness strategy for Europe*. Publications Office of the European Union. https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4cf152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf
- 16 European Commission. (2025). *Recovery and Resiliency Scoreboard – Disbursements*. https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/disbursements.html.
- 17 Wagenvoort, R., de Nicola, C., & Kappeler, A. (2010). Infrastructure finance in Europe: Composition, evolution and crisis impact. *EIP Papers*, 15(1), 16–39. https://www.eib.org/files/efs/eibpapers/eibpapers_2010_v15_n01_en.pdf
- 18 European Investment Bank. (2025). *Investment report 2024/2025*. https://www.eib.org/files/publications/20240354_investment_report_2024_en.pdf
- 19 Hansum, R., Lindner, J., Redeker, N., & Rubio, E. (2025). *Ripe for reform – What's in the EU budget proposal and what should come next*. Jaques Delors Centre. <https://www.delorscentre.eu/en/publications/detail/publication/ripe-for-reform-whats-in-the-eu-budget-proposal>
- 20 Hansum, R., Lindner, J., Redeker, N., & Rubio, E. (2025). *Ripe for reform – What's in the EU budget proposal and what should come next*. Jaques Delors Centre. <https://www.delorscentre.eu/en/publications/detail/publication/ripe-for-reform-whats-in-the-eu-budget-proposal>
- 21 European Commission. (2025). *A competitiveness compass for the EU*. https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en?filename=Communication_1.pdf
- 22 Philipponnat, T. (2024). *Europe's coming investment crisis*. Finance Watch. <https://www.finance-watch.org/wp-content/uploads/2024/07/Europes-coming-investment-crisis.pdf>
- 23 European Commission. (2025). *Proposal for a directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements (COM/2025/80 final)*. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0080>.
- 24 European Union. (2021). Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017. *Official Journal of the European Union*. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0523&qid=1617090511360>.
- 25 Office for National Statistics. (2025). *Infrastructure statistics – experimental*. [July 2025 release]. <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/developingnewmeasuresofinfrastructureinvestment/july2025#glossary>
- 26 Office for National Statistics. (2025). *Infrastructure in the UK, investment and net stocks: July 2025*. <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/developingnewmeasuresofinfrastructureinvestment/july2025#glossary>
- 27 HM Treasury. (2025). *Spending review 2025*. <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html#departmental-settlements>
- 28 HM Treasury. (2025). *Spending review 2025*. <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html#departmental-settlements>

THE PRIVATE FINANCE MYTH

TOWARDS A BETTER BALANCE OF PUBLIC AND PRIVATE INFRASTRUCTURE PROVISION

- 29 HM Treasury. (2025). *UK infrastructure: A 10 year strategy*. https://assets.publishing.service.gov.uk/media/6853c5db99b009dcdcb73649/UK_Infrastructure_A_10_Year_Strategy_Web_Accessible.pdf
- 30 Reeves, R. (2024). *Mansion House 2024 speech [Speech]*. GOV.UK. <https://www.gov.uk/government/speeches/mansion-house-2024-speech>
- 31 HM Treasury. (2025). *Radical action plan to cut red tape and kickstart growth*. <https://www.gov.uk/government/news/radical-action-plan-to-cut-red-tape-and-kickstart-growth>
- 32 Roche, M., Clay, P., Rose, E., Snell, W., & Sangha, A. (2025). *Fair rules, fair growth*. Fairness Foundation. <https://files.fairnessfoundation.com/fair-rules-fair-growth.pdf>
- 33 Council of the European Union. (2024). *Competitiveness of the European economy - Statement of the Eurogroup in inclusive format*. <https://www.consilium.europa.eu/en/press/press-releases/2024/11/04/competitiveness-of-the-european-economy-statement-of-the-eurogroup-in-inclusive-format/>
- 34 Makortoff, R. M. (2024, August 27). 'I was frustrated': The woman who told Labour it didn't need to spend £28bn on green investment. *The Guardian*. <https://www.theguardian.com/business/article/2024/aug/27/i-was-frustrated-the-woman-who-told-labour-it-didnt-need-to-spend-28bn-on-green-investment>
- 35 Plimmer, G. (2023). 'Toxic' relationships, shouting and lawsuits: The bitter end to Britain's PFI experiment'. *Financial Times*. <https://www.ft.com/content/63d52b95-245b-4c85-8232-b86a054bf777>
- 36 National Audit Office. (2018). *PFI and PF2*. <https://www.nao.org.uk/reports/pfi-and-pf2/>
- 37 ZeEUS. (2016). *ZeEUS eBus Report. Zero Emission Urban Bus System*. <https://zeeus.eu/uploads/publications/documents/zeeus-ebus-report-internet.pdf>
- 38 Corazza, M. V., Guida, U., Musso, A., & Tozzi, M. (2015). A European vision for more environmentally friendly buses. *Transportation Research*, 45, 48–63. <https://www.sciencedirect.com/science/article/abs/pii/S1361920915000334>
- 39 Ason, A., & Dal Poz, J. (2024). *Contracts for difference: The instrument of choice for the energy transition*. *The Oxford Institute for Energy Studies*. <https://www.fticonsulting.com/insights/reports/-/media/d91292b0db4249a7b30b416cd72e1c41.ashx>
- 40 Kavan, M. (2024). *Household energy bills include green levies. What are they and why do we need to pay them?* Nesta. <https://www.nesta.org.uk/project/finding-ways-to-deliver-cheaper-electricity-by-rebalancing-levies/household-energy-bills-green-levies/>
- 41 Cooman, F. (2023). The limits of derisking. (Un) conditionality in the European green transformation. *Competition & Change*, 26. <https://doi.org/10.1177/10245294231224137>
- 42 European Court of Auditors. (2019). *European Fund for Strategic Investments: Action needed to make EFSI a full success*. https://www.eca.europa.eu/Lists/ECADocuments/SR19_03/SR_EFSI_EN.pdf
- 43 Letta, E. (2024). *Much more than a market – Speed, security, solidarity*. *Publication Office of the European Union*. <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>
- 44 Gabor, D. (2023). The (European) derisking state. *Stato e mercato*, 1, 53–84. <https://ideas.repec.org/p/osf/socarx/hpbj2.html>
- 45 Observatori del Deute en la Globalització. (2018). *The Castor case & PPPs under examination in the European Parliament*. Debt Observatory in Globalisation. <https://odg.cat/en/blog/castor-case-ppps-eu-parliament/>
- 46 National Audit Office. (2009). *The failure of Metronet*. <https://webarchive.nationalarchives.gov.uk/ukgwa/20170207052351/https://www.nao.org.uk/wp-content/uploads/2009/06/0809512es.pdf>
- 47 Auerback, A. (2017). *A new arrow in the quiver: Investment-level benchmarks for private investment performance measurement*. Cambridge Associates. <https://www.cambridgeassociates.com/insight/private-investment-performance-measurement>
- 48 Bacon, L., Toczylowski, A., & Benham, F. (2020). *Infrastructure*. Meketa Investment Group. <https://meketa.com/wp-content/uploads/2020/05/Infrastructure.pdf>
- 49 WindEurope. (2025). *UK adjusts auction parameters for wind energy to reflect market realities*. <https://windeurope.org/news/uk-adjusts-auction-parameters-for-wind-energy-to-reflect-market-realities/>
- 50 Traber, T., & Kemfert, C. (2015). *Renewable energy support in Germany: Surcharge development and the impact of a decentralized capacity mechanism*. Discussion Papers of DIW Berlin, 1452. <https://diw-econ.de/wp-content/uploads/dp14521.pdf>
- 51 Hamburger Energienetze. (2025). *Geschäftsbericht 2024 [Annual report 2024]*. <https://www.hamburg.de/resource/blob/1086394/2ee6e6f89afd4a65576db-3cbd4934690/erster-geschaeftsbericht-als-hamburger-energienetze-gmbh-data.pdf>
- 52 Hamburg Business. (2023). *Hamburger Energienetze seit 10 Jahren in öffentlicher Hand* [Hamburg's energy networks have been publicly owned for 10 years]. <https://hamburg-business.com/de/news/hamburger-energienetze-seit-10-jahren-oeffentlicher-hand>
- 53 Coote, A. (2023). *Meeting needs within limits: The ecological case for universal basic services*. *New Economics Foundation*. <https://new-economicsf.files.svdcn.com/production/files/Meeting-needs-within-limits-WEB.pdf?dm=1701874077>
- 54 Milthorne, L., Maguire, R., Chan, O., Boys, J., Hamilton, T., & Kiberd, E. (2025). *Ending extraction in the UK care system. Reclaiming Our Regional Economies*. <https://publication.cles.org.uk/ending-extraction-in-the-uk-care-system>
- 55 Horton, H. (2025, July 21). Ofwat to be abolished in 'reset' of water industry regulation. *The Guardian*. <https://www.theguardian.com/business/2025/jul/21/new-powerful-water-regulator-to-replace-failed-ofwat-in-drive-to-reset-sector>
- 56 Kergueno, R. (2017). *Access all areas: When EU politicians become lobbyists*. *Transparency International*. <https://transparency.eu/access-all-areas/>
- 57 Brummer, V. (2018). Community energy – benefits and barriers: A comparative literature review of Community Energy in the UK, Germany and the USA, the benefits it provides for society and the barriers it faces. *Renewable and Sustainable Energy Review*, 94, 187–196. <https://doi.org/10.1016/j.rser.2018.06.013>
- 58 Heron, K., Milburn, K., & Russell, B. (2025). *Radical abundance: How to win a green democratic future*. *Watkins Media*.
- 59 Common Wealth. (2023). *Grid is good: The case for public ownership of transmission and distribution*. <https://www.common-wealth.org/publications/grid-is-good-the-case-for-public-ownership-of-transmission-and-distribution#pub-sum>

- 60 Mazzucato, M., Doyle, S., & von Burgsdorff, L. K. (2024). *Mission-oriented industrial strategy: Global insights*. UCL Institution for Innovation and Public Purpose. https://www.ucl.ac.uk/bartlett/sites/bartlett/files/mission-oriented_industrial_strategy_global_insights_2024.pdf
- 61 Department for Business and Trade. (2025). *Government acts to save British steel production*. <https://www.gov.uk/government/news/government-acts-to-save-british-steel-production>
- 62 Meierhans, J., Seddon, S., & Davies, M. (2025). *Why did the government take control of British Steel?* BBC News. <https://www.bbc.co.uk/news/articles/c5y66y40kgpo>
- 63 Borrmann, J., Alt, R., Helmenstein, C., & Berrer, H. (2013). *The privatisation goldmine*. New Direction Foundation. <https://www.economica.eu/wp-content/uploads/2021/02/2013-The-Privatisation-Goldmine-Studie.pdf>
- 64 Peterson, O., Hjelmar, U., Vrangbæk, K., & la Cour, L. (2011). *Effekter ved udlicitering af offentlige opgaver - en forskningsbaseret gennemgang af danske og internationale undersøgelser fra 2000- 2011* [Effects of outsourcing public tasks – A research-based review of Danish and international studies from 2000-2011]. AKF Copenhagen Report. <https://www.vive.dk/da/udgivelser/effekter-ved-udlicitering-af-offentlige-opgaver-yxdpo0xg/>.
- 65 European Public Service Union. (2019). *Public and private sector efficiency*. <https://www.epsu.org/article/public-and-private-sector-efficiency>
- 66 Bel, G., Fageda, X., & Werner, M.E. (2010). Is private production of public services cheaper than public production? A meta-regression analysis of solid waste and water services. *Journal of Policy Analysis and Management*, 29(3), 553–577. <https://onlinelibrary.wiley.com/doi/abs/10.1002/pam.20509>
- 67 Knyazeva, A., Knyazeva, D., & Stiglitz, J. E. (2013). Ownership change, institutional development and performance. *Journal of Banking & Finance*, 37(7), 2605–2627. <https://www.sciencedirect.com/science/article/abs/pii/S0378426613001052>
- 68 Saunders, A., & Steffen, S. (2011). The costs of being private: Evidence from the loan market. *The Review of Financial Studies*, 24(11), 4091–4122. <https://academic.oup.com/rfs/article-abstract/24/12/4091/1572816>
- 69 International Monetary Fund. (2004). *Public-private partnerships*. <https://www.imf.org/external/np/fad/2004/pifp/eng/031204.pdf>
- 70 European Court of Auditors.(2018). *Public private partnerships in the EU: Widespread shortcomings and limited benefits*. https://www.eca.europa.eu/lists/ecadocuments/sr18_09/sr_ppp_en.pdf
- 71 European Central Bank. (1999). *Monthly Bulletin – June 1999*. <https://www.ecb.europa.eu/pub/pdf/mobu/mb199906en.pdf>
- 72 Shtele, E., & Beria, P. (2025). Using synthetic control method to evaluate the effect of a competitor’s entry into high-speed rail market. *Research in Transportation Economics*, 112, 101560. <https://doi.org/10.1016/j.retrec.2025.101560>
- 73 Mühlenkamp, H. (2013). *From state to market revisited: a reassessment of the empirical evidence on the efficiency of public (and privately-owned) enterprises*. *Analysis of Public and Cooperative Economics*, 86(4), 535–557. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/apce.12092>
- 74 Bartels, A., & Weiss, P. (2019). Performance effects of privatisation: an empirical analysis of telecommunication companies in Germany and Romania. *Holistica*, 10(2), 7–22. <https://reference-global.com/download/article/10.2478/hjbpa-2019-0012.pdf>
- 75 Fiorio, C. V., & Florio, M. (2012). Electricity prices and public ownership: Evidence from the EU15 over thirty years. *Energy Economics*, 39, 222–232. <https://doi.org/10.1016/j.eneco.2013.05.005>
- 76 UKWater. (2024). *The real (terms) story of historic water bills*. <https://www.water.org.uk/news-views-publications/real-terms-story-historic-water-bills>
- 77 Office for National Statistics. (2025). *RPI All Items Index: Jan 1987=100*. <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw/mm23>
- 78 Keune, M., Leschke, J., & Watt, A. (2008). *Privatisation and liberalisation of public services in Europe*. European Trade Union Institute. https://www.etui.org/sites/default/files/Privatisation_liberalisation_public_services_print.pdf
- 79 European Commission. (2003). *Green Paper on Services of General Interest*. Publications Office of the European Union. <https://eur-lex.europa.eu/EN/legal-content/summary/green-paper-on-services-of-general-interest.html>
- 80 Abdallah, C., Coady, D., & Jirasavetakul, L.F. (2023). *Public-private wage differentials and interactions across countries and time*. *International Monetary Fund*. <https://www.elibrary.imf.org/view/journals/001/2023/064/article-A001-en.xml>
- 81 Fenizia, A., Checci, D., & Lucifora, C. (2024). Public- and private-sector jobs: a cross-country perspective. *Oxford Economic Paper*, 76. <https://academic.oup.com/oepp/article-abstract/76/3/759/7331126?redirectedFrom=fulltext>
- 82 Terzic, L. (2017). Remunicipalisation in Germany and Austria: What does it mean for employees? In S. Kishimoto & O. Petitjean (Eds.), *Reclaiming public services*. Transnational Institute. https://www.tni.org/files/publication-downloads/chapter_5_reclaiming_public_services_11_09_0.pdf
- 83 R2W. (2025). *Right to Water*. <https://right2water.eu/>
- 84 Van den Berge, J., Boelens, R., & Vos, J. (2020). How the European Citizens’ Initiative ‘Water and Sanitation is a Human Right!’ changed EU discourse on water services provision. *Utrecht Law Review*, 16(12), 48–59. <https://utrechtlawreview.org/articles/568/files/submission/proof/568-1-1896-2-10-20201030.pdf>
- 85 Tansey, R. (2021). *When the market becomes deadly: how pressures towards privatisation of health and long-term care put Europe on a poor footing for a pandemic*. *Corporate Europe Observatory*. <https://corporateeurope.org/sites/default/files/2021-01/healthcare-privatisation-final.pdf>
- 86 de Clerq, M., D’Haese, M., & Buysse, J. (2023). *Economic growth and broadband access: The European urban-rural digital divide*. *Telecommunications Policy*, 47(6), 102579. <https://doi.org/10.1016/j.telpol.2023.102579>
- 87 Braines, J., & Hager, S.B. (2022). *Profiting amid the energy crisis: The distribution networks at the heart of the UK’s gas and electricity system*. *Common Wealth*. https://cdn.prod.website-files.com/62306a0b42f386df612fe5b9/6373798b-fb790ce9de31a93e_Profitting%20Amid%20the%20Energy%20Crisis.pdf
- 88 Millthorne, L., Maguire, R., Chan, O., Boys, J., Hamilton, T., & Kiberd, E. (2025). *Ending extraction in the UK care system*. *Reclaiming our regional economies*. <https://cles.org.uk/publications/ending-extraction-in-the-uk-care-system/>

- 89 Common Wealth. (2025). *Who owns Britain? Data Dashboard – Rail*. <https://www.common-wealth.org/interactive/who-owns-britain/data-dashboard/tabs/rail>
- 90 Common Wealth. (2025). *Who owns Britain? Data Dashboard – Rail*. <https://www.common-wealth.org/interactive/who-owns-britain/data-dashboard/tabs/rail>
- 91 Common Wealth. (2025). *Who owns Britain? Data Dashboard – Rail*. <https://www.common-wealth.org/interactive/who-owns-britain/data-dashboard/tabs/rail>
- 92 European Investment Bank. (2025). *EPEC Data Portal*. <https://data.eib.org/epec/>
- 93 Kedward, K., Gabor, D., & Ryan-Collins, J. (2022). A modern credit guidance regime for the green transition. *SUERF Policy Note*, 294. https://www.suerf.org/wp-content/uploads/2023/12/f_da57f0bef-587b565ee17ec5978043842_59121_suerf.pdf
- 94 Calipel, C., Bizien, A., & Pellerin-Carlin, T. (2024). *European Climate Investment Deficit Report – An investment pathway for Europe’s future*. Institute for Climate Economics. https://www.i4ce.org/wp-content/uploads/2024/02/202402-22-i4ce3859-Panorama-EU_VA-40p.pdf
- 95 Letta, E. (2024). *Much more than a market – Speed, security, solidarity*. Publication Office of the European Union. <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>
- 96 Brusseler, M., & Hayes, C. (2023). *Green capital strike! On the failed CfD auction and the case for public power*. Common Wealth. <https://www.common-wealth.org/perspectives/green-capital-strike-the-failed-cfd-auction-and-the-case-for-public-power>
- 97 Reuters. (2025). *Italian government appeals against Sardinia law limiting green projects*. <https://www.reuters.com/world/europe/italian-government-appeals-against-sardinia-law-limiting-green-projects-2025-01-29/#:~:text=Sardinia%27s%20resistance%20against%20green%20projects,Legambiente%20said%20in%20recent%20report;>
- 98 Matalucci, S., & Tripodo, M. (2025, May 14). Italian court rejects law on suitable areas for renewables. *pv magazine*. <https://www.pv-magazine.com/2025/05/14/italian-court-rejects-law-on-suitable-areas-for-renewables/>
- 99 Czyzak, P. (2022). *Change is in the wind*. Ember. https://ember-energy.org/app/uploads/2024/10/Briefing_-_Unlocking-onshore-wind-in-Poland.pdf
- 100 WindEurope. (2025). *Wind energy in Europe: 2024 Statistics and the outlook for 2025-2030*. <https://windeurope.org/data/products/wind-energy-in-europe-2024-statistics-and-the-outlook-for-2025-2030/>
- 101 Johansen, K. (2021). Blowing in the wind – A brief history of wind energy and wind technologies in Denmark. *Energy Policy*, 152, 112139. <https://www.sciencedirect.com/science/article/abs/pii/S0301421521000082>
- 102 IRENA. (2024). *30 years of policies for wind energy: Lessons from Denmark*. International Renewable Energy Agency. https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2013/GWEC/GWEC_Denmark.pdf?la=en&hash=C14BEEC4FFEEBA20B-2B1928582AA23931F092F48
- 103 UNCC. (2021). *Wind energy in Denmark*. United Nations Climate Change Technology Executive Committee. https://unfccc.int/ttclear/misc/_StaticFiles/gnwoerk_static/TEC_NSI/63eb6ced5b1e43429a6eccdef95ff61e/85bd141304c5486fb7f2ef71f8d2d45f.pdf
- 104 Jørgensen, M. L., Anker, H. T., & Lassen, J. (2020). Distributive fairness and local acceptance of wind turbines: The role of compensation schemes. *Energy Policy*, 138, 111294. <https://www.sciencedirect.com/science/article/abs/pii/S0301421520300525>
- 105 le Maitre, J. (2024). Price or public participation? Community benefits for onshore wind in Ireland, Denmark, Germany and the United Kingdom. *Energy Research & Social Science*, 114, 103605. <https://www.sciencedirect.com/science/article/pii/S2214629624001968>
- 106 Lobina, E., & Hall, D. (2001). *UK water privatisation – a briefing*. Public Services International Research Unit. <https://cela.ca/uk-water-privatisation-briefing/>
- 107 Hall, D., & Lobina, E. (2024). *Clean water: A case for public ownership*. UNISON. <https://gala.gre.ac.uk/id/eprint/47676/>
- 108 Bayliss, K. (2014). *Case study: The financialisation of water in England and Wales [Working paper 52]*. FESSUD. https://sussex.figshare.com/articles/report/Case_study_the_financialisation_of_water_in_England_and_Wales/23482979?file=41191859
- 109 House of Commons. (2004). *Water pricing: Follow-up - Nineteenth Report of Session 2003–04*. <https://publications.parliament.uk/pa/cm200304/cmselect/cmenvfru/1186/1186.pdf>
- 110 Ungoed-Thomas, J. (2023, July 1). Exclusive: UK water giants recruit top staff from regulator Ofwat. *The Guardian*. <https://www.theguardian.com/environment/2023/jul/01/exclusive-uk-water-giants-recruit-top-staff-from-regulator-ofwat>
- 111 House of Lords. (2023). *The affluent and the effluent: Cleaning up failures in water and sewage regulation*. House of Lords – Industry and Regulators Committee. <https://publications.parliament.uk/pa/ld5803/ldselect/ldindreg/166/166.pdf>
- 112 Leach, A., Aguilar García, C., & Laville, S. (2022, November 30). Revealed: More than 70% of English water industry is in foreign ownership. *The Guardian*. <https://www.theguardian.com/environment/2022/nov/30/more-than-70-per-cent-english-water-industry-foreign-ownership>
- 113 Hall, D., & Lobina, E. (2024). *Clean water: A case for public ownership*. UNISON. <https://gala.gre.ac.uk/id/eprint/47676/>
- 114 Farhat, E. (2023). *UK water bills soar 350% since privatization to double inflation*. Bloomberg. <https://www.bloomberg.com/news/articles/2023-06-29/uk-water-bills-soar-350-since-privatization-to-double-inflation>
- 115 Sylvester, R., Hutchings, P., & Mdee, A. (2023). Defining and acting on water poverty in England and Wales. *Water Policy*, 25(5), 492–508. <https://iwaponline.com/wp/article/25/5/492/94608/Defining-and-acting-on-water-poverty-in-England>
- 116 Laville, S., & Horton, H. (2024, March 26). 4m hours of raw sewage discharges in England in 2023, data expected to show. *The Guardian*. <https://www.theguardian.com/business/2024/mar/26/4m-hours-of-raw-sewage-discharges-in-england-last-year-figures-expected-to-show#:~:text=More%20than%204m%20hours%20of%20raw%20sewage,figures%20are%20expected%20to%20reveal%20on%20Wednesday>
- 117 Hall, D., & Lobina, E. (2024). *Clean water: A case for public ownership*. UNISON. <https://gala.gre.ac.uk/id/eprint/47676/>
- 118 Committee of Public Accounts. (2025). *Government’s use of private finance for infrastructure*. <https://committees.parliament.uk/publications/48743/documents/255482/default/>

- 119 Starmer, K. (2024). *PM international investment summit speech: 14 October 2024 [Speech]*. GOV.UK. <https://www.gov.uk/government/speeches/pm-international-investment-summit-speech-14-october-2024>
- 120 Independent Water Commission. (2025). *Summary report*. GOV.UK. https://assets.publishing.service.gov.uk/media/687d4eeb9b1337e9a7726bdc/Independent_Water_Commission_-_Summary_Report.pdf
- 121 GovUK. (2024). *Independent Commission on the Water Sector Regulatory System: Terms of reference*. <https://www.gov.uk/government/publications/independent-commission-on-the-water-sector-regulatory-system-terms-of-reference/independent-commission-on-the-water-sector-regulatory-system-terms-of-reference>.
- 122 Mang, S., & Caddick, D. (2023). *Beyond the bottom line – How green industrial policy can drive economic change and speed up climate action*. New Economics Foundation. <https://new-economicsf.files.svdcn.com/production/files/Beyond-the-Bottom-Line-web-v1.pdf?dm=1682620502>
- 123 Kaminer, C., Kawanishi, O., Stewart, F., Caldecott, B., & Howarth, N. (2013). *Institutional investors and green infrastructure investments: Selected case studies [OECD Working Papers on Finance, Insurance and Private Pensions No. 35]*. https://www.oecd.org/content/dam/oecd/en/publications/reports/2013/10/institutional-investors-and-green-infrastructure-investments_g17a2390/5k3xr8k6jb0n-en.pdf
- 124 European Investment Bank. (2025). *The state of local infrastructure investment in Europe*. https://www.eib.org/attachments/lucalli/20250028_080425_municipalities_survey_en.pdf
- 125 Mazzucato, M., Monge, F., Kattel, R., & Puttick, R. (2025). *What's the difference between public sector capacity and capability?* UCL IIPP Blog. <https://iipp-ucl.medium.com/whats-the-difference-between-public-sector-capacity-and-capability-a22e3b2df279>
- 126 European Court of Auditors. (2024). *Absorption of funds from the Recovery and Resilience Facility*. https://www.eca.europa.eu/ECAPublications/SR-2024-13/SR-2024-13_EN.pdf
- 127 European Trade Union Confederation. (2024). *Industrial policy for quality jobs - social conditionalities for social progress*. <https://www.etuc.org/sites/default/files/document/file/2024-07/EN%20-%20Adopted%20Resolution%20-%20Social%20conditionalities%20for%20social%20progress.pdf>
- 128 Pope, T., Hourston, P., & Sangha, S. (2024). *Current UK fiscal rules*. Institute for Government. <https://www.institute-forgovernment.org.uk/explainer/current-fiscal-rules> ;
- 129 European Parliament. (2025). *The EU framework for fiscal policies*. <https://www.europarl.europa.eu/factsheets/en/sheet/89/the-eu-framework-for-fiscal-policies>
- 130 Jung, C. (2024). *Second round effects: Why the OBR is likely underestimating the growth effects of public investment*. IPPR. <https://www.ippr.org/articles/second-round-effects>
- 131 Batini, N., Di Serio, M., Fragetta, M., Meloina, G., & Waldron, A. (2021). *Building back better: How big are green spending multipliers? [IMF working paper WP/21/87]*. <https://www.imf.org/en/-/media/files/publications/wp/2021/english/wpiea2021087-print-pdf.pdf>
- 132 Caddick, D., & Kumar, C. (2025). *Forecasting a better future*. New Economics Foundation. <https://neweconomics.org/2025/01/forecasting-a-better-future>
- 133 Ziesemer, V., Sigl-Glöckner, P., & Steitz, J. (2025). *The baseline is wrong*. *Dezernat Zukunft*. <https://dezernatzukunft.org/en/the-baseline-is-wrong/#:~:text=The%20European%20Union%20has%20reformed,and%20derive%20fiscal%20policy%20requirements>
- 134 Sood, J., Mang, S., Caddick, D., & Schmidt, M. (2026). *The climate-fiscal timebomb*. New Economics Foundation. <https://neweconomics.org/2026/03/the-climate-fiscal-timebomb>
- 135 Fiscal Matters. (2024). *Fiscal follies: How new EU rules miss the mark on climate and prosperity*. <https://www.fiscalmatters.eu/post/fiscal-follies-how-new-eu-rules-miss-the-mark-on-climate-and-prosperity>
- 136 van Lerven, F., Stirling, A., & Prieg, L. (2021). *Calling time – Replacing the fiscal rules with fiscal referees*. New Economics Foundation. <https://new-economicsf.files.svdcn.com/production/files/fiscal-referees.pdf>
- 137 National Audit Office. (2018). *PFI and PF2*. <https://www.nao.org.uk/reports/pfi-and-pf2/>
- 138 House of Commons Committee of Public Accounts. (2018). *Private finance initiatives*. <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/894/894.pdf>
- 139 van Lerven, F., Stirling, A., & Prieg, L. (2021). *Calling time – Replacing the fiscal rules with fiscal referees*. New Economics Foundation. <https://new-economicsf.files.svdcn.com/production/files/fiscal-referees.pdf>
- 140 Prieg, L., Mang, S., Caddick, D., Harris, T., & Jourdan, S. (2025). *How do you solve a problem like inflation?* New Economics Foundation. <https://neweconomics.org/2025/03/how-do-you-solve-a-problem-like-inflation>
- 141 Barmes, D., Claeys, I., Dikau, S., & Pereira da Silva, L. A. (2024). *The case for adaptive inflation targeting: Monetary policy in a hot and volatile world*. LSE CETEX. <https://cetex.org/wp-content/uploads/2024/12/The-case-for-adaptive-inflation-targeting.pdf>
- 142 van 't Klooster, J. (2025). *Overcoming myopia in the ECB's 2025 monetary policy strategy review*. *Dezernat Zukunft*. <https://dezernatzukunft.org/wp-content/uploads/2025/05/van-t-Klooster-2025-Overcoming-myopia-in-the-ECBs-2025-monetary-policy-strategy-1.pdf>
- 143 Gabor, D. (2023). *The (European) derisking state*. *Stato e mercato*, 1, 53–84. <https://ideas.repec.org/p/osf/socarx/hpbj2.html>
- 144 Harris, T. (2024). *Reducing interest rates for clean energy investments*. New Economics Foundation. <https://new-economicsf.files.svdcn.com/production/files/Reducing-interest-rates-for-clean-energy-FINAL-Nov-2024.pdf>
- 145 Jourdan, S., van Tilburg, R., Simic, A., Kramer, B., & Bronstering, G. (2024). *A green interest rate for the eurozone: Evaluating the design choices*. Sustainable Finance Lab. <https://sustainablefinancelab.nl/wp-content/uploads/sites/506/2024/09/A-green-interest-rate-for-Europe.pdf>
- 146 Sood, J., & Harris, T. (2025). *Firing up the fund – Empowering the National Wealth Fund to meet the UK's needs*. New Economics Foundation. <https://neweconomics.org/2025/03/firing-up-the-fund>
- 147 Sood, J., & Harris, T. (2025). *Firing up the fund – Empowering the National Wealth Fund to meet the UK's needs*. New Economics Foundation. <https://neweconomics.org/2025/03/firing-up-the-fund>
- 148 Guter-Sandu, A., Haas, A., & Murau, S. (2024). *Green macro-financial governance in the European monetary architecture: Assessing the capacity to finance the net-zero transition*. *Competition & Change*, 0(0). <https://doi.org/10.1177/10245294241275103>

WWW.NEWECONOMICS.ORG

info@neweconomics.org

+44 (0)20 7820 6300 @NEF

Registered charity number 1055254

COVER IMAGE BY:

[Antony Robinson \(iStock Photos\)](#)

PUBLISHED:

April 2026

NEF is a charitable think tank. We are wholly independent of political parties and committed to being transparent about how we are funded.

WRITTEN BY:

Theo Harris and Maike Schmidt

SPECIAL THANKS TO:

Jaya Sood, Sebastian Mang, Chaitanya Kumar and Hannah Peaker for their input. Thanks also to the KR Foundation for funding this work.

