



Orchestrating Capital: The New Model for GCC Development Finance

Gulf Cooperation Council (“GCC”) governments set up Development Financial Institutions (“DFI”) to mobilize capital into the riskier sectors where private investors tend to avoid, absorbing the risks that commercial lenders cannot price and building the conditions for investment to eventually sustain itself or make projects attractive enough for private markets to enter.

A decade into their transformation agendas, these institutions are changing how they fund development projects. This new model is a shift away from governments providing direct capital deployment and instead moving into an orchestrator role that structures opportunities to bring in private and third-sector capital. This shift has become necessary, fueled by elevated uncertainty and increased energy infrastructure risk of the current geopolitical environment. However, revalidation by circumstance is not the same as demonstrated capability. Private capital ultimately requires more than attractive architecture, it needs the confidence that DFIs will deliver on investment.

The direct capital model has served its purpose

Across the GCC, governments scaled up DFIs as deliberate vehicles of their transformation agendas, deploying capital and filling market gaps where commercial lenders could not yet price risk. But more recently, this gap has narrowed, and by 2025, Saudi Arabia's National Center for Privatization and PPP (“NCP”) had assembled a pipeline exceeding \$190 billion across renewable energy,

healthcare, transport and water.¹ This marked a turning point for Saudi Arabia with the arrival of appetite for private capital.

Additionally, the DFI funding model had purposely started to shift to a more indirect approach. Saudi Arabia's Kafalah program enabled close to \$5 billion of financing to small and medium-sized enterprises (“SME”) through guarantees in 2024, a 17 percent year-over-year growth.² The Saudi Real Estate Development Fund has shifted from direct zero-rate mortgages to an indirect model through commercial banks with \$17 billion in financing facilitated in 2024, a 16 percent year-over-year growth.³

With widening fiscal deficits, oil price volatility and economic consequences of regional conflict, the timing imperative has changed. In this context, the question facing GCC DFIs is how to execute the transition to the orchestrator model against a \$2 trillion pipeline that demands results.⁴

Capital productivity is becoming the priority

The real measure of success for DFIs will be how much private capital the model will be able to unlock. Every dollar of public development capital should be structured to mobilize multiple private investments. While globally mobilization ratios range from \$1.5-\$4 of private capital per USD of development finance deployed, GCC DFIs do not yet systematically track or publish equivalent figures.

However, this ambition is now being tested before the model is fully ready. Private investors are reassessing the region's risk profile, and the mobilization instruments like co-investment platforms, anchor commitments and enablement lending that were designed for stable conditions. The current environment presents the first real test of the orchestrator model – guarantees, first-loss positions and political risk coverage that make commitments viable when uncertainty is elevated.

How to manage risk when considering investment

DFIs should act selectively, addressing three specific barriers that prevent private capital from flowing at scale.

Risk structure

Where private investors deem an investment too risky, DFIs reshape the risk profile of investments to make private sector participation viable. The goal is to allocate risk more efficiently, through instruments such as first-loss or subordinated capital, guarantees for investors, longer-tenor financing or structured co-investment alongside public or anchor investors.⁵ This is particularly relevant where geopolitical risk has pushed the perceived cost of participation beyond what commercial returns can compensate for, with trade finance being the most immediate example in the current environment. By absorbing or redistributing these risks, DFIs allow private capital to enter investment earlier and at a larger scale.

Return profile

Where risk is manageable but returns are insufficient or too slow to realize, the lever shifts to blended finance to boost returns. Blended finance combines concessional capital, like flexible money often from governments or development institutions and commercial capital, like regular private investment, with normal returns. This comprehensive process improves the risk-return balance for private investors.⁶

This approach is most consequential in sectors such as social infrastructure, climate transition and inclusion-related investments, where financial returns are



insufficient to attract funding despite strong underlying development value. This approach can be complemented by Awqaf-linked funds and Sukuk structures, which mobilize purpose-driven capital with longer return horizons and social mandate alignment — pools that conventional blended finance instruments are not designed to reach.

Market Maturity

The most demanding role is also the most distinctive, building markets that do not yet exist. In certain scenarios, capital cannot flow because the market itself lacks the structure, pipeline or regulatory framework required for investment. In these cases, DFIs can support the creation of investment platforms and financing vehicles, developing regulatory and governance frameworks, funding project preparation and establishing standardized structures that can be replicated at scale.⁷

The development of independent power producer markets across emerging economies followed this path, where DFI-led structuring and early financing created the template that private capital eventually scaled.⁸ A critical enabler was demand offtake — long-term government-backed purchase agreements made project revenues predictable enough to underwrite, as demonstrated by the Dumat Al Jandal wind project's 20-year power purchase agreement with the Saudi Power Procurement Company.⁹ The Infra Initiative, jointly structured

by APICORP and the Islamic Development Bank, a multilateral development bank, is a \$1 billion facility designed to crowd in commercial and private capital into utility projects with limited market access, and reflects exactly this logic applied to the regional context.¹⁰

Ultimately, the goal for DFIs is to exist once the market can sustain itself. But the timeline for exit depends on stability. In the current geopolitical environment, DFIs may need to remain engaged for longer than originally planned, holding positions and providing continuity while private capital rebuilds confidence, which is what the orchestrator model looks like under stress.

The orchestrator model requires a different kind of institution

Shifting the funding model is a strategic decision that needs to be cascaded across the entire organization. For GCC DFIs, this requires action across four dimensions:

- 1. Mandate reset:** Success metrics must shift from capital deployed to capital mobilized, with measurable mobilization ratios adopted as primary performance indicators at the board level. This shifts the conversation at the top level from activity to impact, creating accountability that cascades through the organization.
- 2. Risk appetite recalibration:** The orchestrator model necessitates absorbing different risks, not fewer. Risk appetite must be deliberately reset — not just adjusted at the margins — to reflect what the market now requires. This translates top-level ambition into measurable change in how the mandate is funded and executed.

3. Capability building: Structured finance expertise, transaction architecture and investor relations capabilities must be recruited and developed alongside traditional credit functions. Without these capabilities in-house, the orchestrator model remains a strategy that the institution cannot operationalize.

4. Change management: The shift from balance sheet manager to market orchestrator requires deliberate change management, including injecting private sector performance discipline, like minimum return thresholds and portfolio efficiency metrics into institutional incentive structures. Without this, the above dimensions remain strategic intent, and the incentive structure will continue to reward the behaviours of the old model.

The hardest part of becoming an orchestrator is taking this strategic ambition and making it a reality, building an institution that can deliver on the transition.

Conclusion

The role of DFIs is changing in method, not in ambition. Focus now needs to be on how to create the conditions where private capital flows organically and then how to step back once it does. That judgement will be shaped in part by how quickly investor confidence recovers in a region where the risk environment has significantly shifted. In the near term, DFIs will need to operate with a dual mandate, building long-term architecture for private capital mobilization while maintaining continuity in a market where risk appetite has contracted. The orchestrator model was always the destination. The current environment has simply made arriving there and making it work more consequential.



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- ² “Kafalah Provides SAR13.9 Billion in Loan Guarantees to Support SMEs in 2024,” Saudi Press Agency (August 3, 2025), <https://www.spa.gov.sa/en/N2254249?utm=>
- ³ “Saudi Arabia: Over 16% Growth in Mortgage Financing for Housing Support Beneficiaries in 2024,” Asharq Al-Awsat (January 14, 2025), <https://english.aawsat.com/business/5101103-saudi-arabia-over-16-growth-mortgage-financing-housing-support-beneficiaries-2024>
- ⁴ “GCC Infrastructure Sector Outlook,” Gulf Research Center (September, 2024), https://programs.grc.net/wp-content/uploads/2024/09/GCC-Infrastructure-Sector-Outlook_2.pdf
- ⁵ “The Role of Guarantees in Blended Finance,” OECD (June 1, 2021), https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/06/the-role-of-guarantees-in-blended-finance_cef700a2/730e1498-en.pdf
- ⁶ “How Blended Finance Works,” IFC, <https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance/how-blended-finance-works>
- ⁷ “A Strategy for Creating Markets,” IFC (2020), <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-ar20-strategy-in-action.pdf>
- ⁸ “The Evolving Role of Development Finance Institutions in Global Private Equity,” Transition Investment Lab (2025), <https://transitioninvestment.com/article/the-evolving-role-of-development-finance-institutions-in-global-private-equity>
- ⁹ “The EDF Renewables-Masdar Consortium Awarded The Dumat Al Jandal (400 MW) Wind Project In Saudi Arabia,” Masdar (January 10, 2019), <https://masdar.ae/en/news/newsroom/the-edf-renewables-masdar-consortium-awarded-the-dumat-al-jandal-400-mw-wind-project-in-saudi-arabia>
- ¹⁰ “APICORP and ISDB partner in US \$1 billion infrastructure financing initiative,” ISDB (January 12, 2022), <https://www.isdb.org/news/apicorp-and-isdb-partner-in-us-1-billion-infrastructure-financing-initiative>

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