The Development Balance Sheet

Rethinking Development Cooperation from the Ground Up

Future of Development Cooperation Coalition

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Acronyms

AI	Artificial intelligence
CSR	Corporate social responsibility
DAC	Development Assistance Committee
EGS	Enhanced geothermal systems
FDI	Foreign direct investment
HIV/AIDS	Human immunodeficiency virus/ acquired immunodeficiency syndrome
IMF	International Monetary Fund
IRC	International Rescue Committee
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
SME	Small- and medium-sized enterprise
UNCTAD	UN Trade and Development
UNHCR	United Nations High Commissioner for Refugees
UNECA	United Nations Economic Commission for Africa
USAID	U.S. Agency for International Development
VAT	Value-added taxes
VC	Venture capital

About the Future of Development Cooperation Coalition

The Future of Development Cooperation Coalition was born from high-level discussions at the June 2025 Financing for Development Conference in Sevilla, Spain. The Coalition is an independent, time-bound initiative co-chaired by Yemi Osinbajo and Arancha González Laya, and brings together ten Commissioners from across government, finance, business, technology, and civil society.

The Coalition has an ambitious agenda to facilitate a process through which countries at all stages of development—and leaders from across public, private, and civil society sectors—can co-create a bold vision, principles, and practical recommendations for a reimagined development cooperation system that is more effective, efficient, legitimate, fit for the future, and anchored in mutual trust.

The Coalition is supported by a small secretariat co-hosted by the Center for Global Development and the African Center for Economic Transformation.

For more about the Coalition: devcoalition.org

Note: All currency figures in the report are in U.S. dollars.

This report is a product of the Future of Development Cooperation Coalition.

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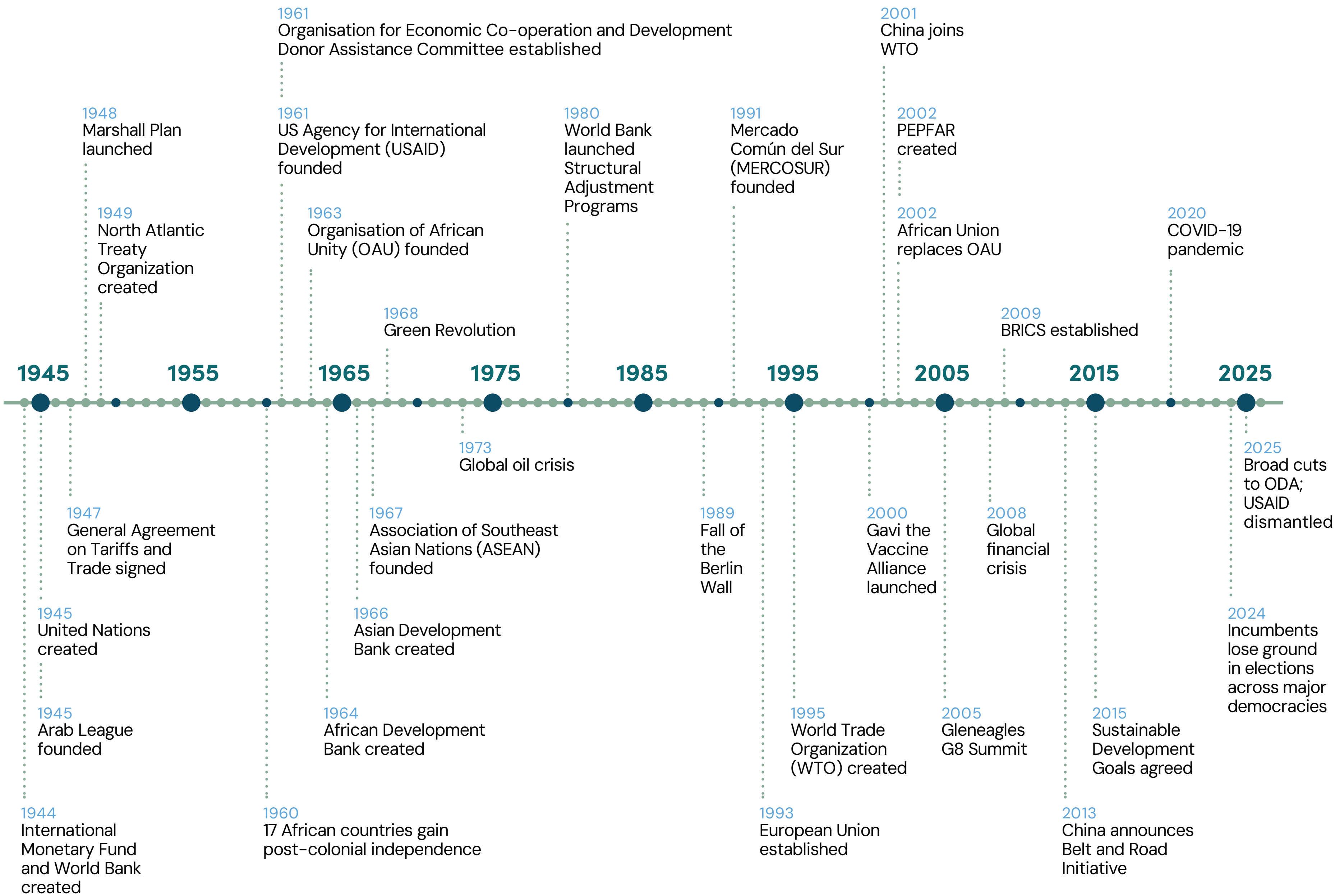
A timeline of development cooperation



Executive summary

This first report from the Future of Development Cooperation Coalition makes the case that any discussion of development cooperation must have the ambitions, capacities, and needs of low- and middle-income countries front and center, recognizing that countries at all income levels are the agents of their own sustainable development.

With low- and middle-income countries firmly as the starting point, the report takes a stylized "balance sheet" approach to examine both the financial and non-financial assets and liabilities of countries as they seek to advance their development goals and navigate the risks and opportunities against a tumultuous geopolitical and economic backdrop. The paper takes a deliberately broad view of assets and liabilities—not to be exhaustive, but to convey the breadth and complexity of the circumstances in which low- and middle-income countries are operating.

To understand countries' development goals, the paper presents the findings of a review of a roughly representative sample of the development strategies of 30 countries of diverse sizes and income levels. This survey reveals both important commonalities and distinctions.

- All the low- and middle-income countries in the sample place a high priority on economic transformation, poverty reduction, and infrastructure development—even as they incur growing costs to make themselves more resilient to the impact of climate change.

- Human capital development appears as a challenge across the board and is treated with crisis-level urgency in some settings. Similarly, there is broad recognition of the need to boost institutional capacity to manage growth, development, and complex diplomatic and security demands.

- Climate has moved from the periphery to being a central issue.

- All the development strategies reference important forms of regional, bilateral, South-South, and triangular cooperation, and a substantial subset of these countries maintain dedicated development agencies that provide assistance to other countries. In short, most low- and middle-income countries see development cooperation as essential and have a sophisticated view of the contours of such cooperation that extends beyond traditional aid relationships.

There are also important regional differences across the strategies reviewed, with different weights placed on industrialization, innovation, technology competition, and addressing inequality. Inequality appeared in every Latin American strategy reviewed, industrialization was cited as a high priority in Africa, and technology more highly emphasized in Asia.

The paper then turns to how low- and middle-income countries can best achieve their goals by leveraging their assets and managing their liabilities. It strongly posits that long-term development, while influenced by external regional and global currents and shocks, is first and foremost the result of domestic policy choices, productive investment, trade integration, innovation, institutional strength, and political economy. The balance sheet approach presented in the paper is not only a lens for understanding individual country trajectories. It also shapes, and is shaped by, countries' capacity to cooperate internally and internationally in pursuit of development goals.

Key assets examined by the report include:

- Increasingly healthy and educated populations
- Growing tax revenue and improved tax collection systems
- Access to borrowing—commercial and concessional
- Sovereign wealth funds and pension funds
- Remittances
- Availability of domestic and international philanthropy
- Access to development assistance
- Trade revenue and the ability to attract foreign direct investment
- Natural resource endowments
- Culture and capacity to support entrepreneurship and innovation

Liabilities considered include:

- Excessive and unsustainable debt
- Vulnerability to illicit financial flows and tax avoidance
- Poor credit ratings and limited currency reserves
- Weak institutional capacity
- Exposure to climate change
- Unregulated competition for natural resources
- Conflict and forced displacement

The balance sheet of most low- and middle-income countries reveals a complex and nuanced picture, unique to each individual country, but one that ultimately has significant assets and is full of potential. For example, Ethiopia, while being roughly 100 million people smaller than Nigeria, receives more than three times the scale of foreign direct investment. Nigeria receives more than 7.5 times in remittances than it does in official development assistance. Nigeria's pension fund holdings are considerable; Ethiopia's relatively modest. Nigeria has impressive levels of tax revenues, but also a high debt servicing burden; Ethiopia struggles with a narrow tax base, but suffers less in the way of illicit financial flows, and although its debt servicing burden is lower, it is in debt distress. In short, the detailed specifics for each country matter tremendously and shape the critical decisions and trade-offs which they face.

Countries must decide how to prioritize which assets and liabilities they manage most actively; it is nearly impossible to address every element with equal intensity. Choices matter. And in the past, arguably too much energy has been directed toward one asset in particular: development assistance. This is not to suggest that development assistance no longer matters. Rather, that aid has always been only one part of a much broader development landscape that includes domestic resources, institutions, trade, investment, innovation, and political leadership.

A number of these assets and liabilities are also effectively opposite sides of the same coin. For example, borrowing can help unlock transformational growth and investment, but unsustainable debt payments can cripple a country's potential. And, obviously, effective cooperation can accelerate progress on key development goals, while ineffective cooperation can produce fragmentation, misalignment, and lost opportunities.

What are the central lessons of such a country-focused approach?

- Financial resources available for low- and middle-income countries are highly diverse. Much more energy, attention, and imagination must be spent on identifying the major flows that matter to low-and middle-income countries from curbing illicit finance to addressing taxation of multinational corporations to leveraging trade flows.

- Domestic resources dwarf external aid, even though aid remains critical for a much smaller subset of the poorest and most vulnerable countries.

- Effective investments in building human capital are essential.

- Domestic resources have the potential to play a pivotal role in development, if managed effectively and with a focus on long-term transformation.

- Unsustainable debt burdens, conflict, and the impact of climate change dangerously undercut development prospects across much of the globe.

- There are numerous non-financial drivers of progress, including innovation and technology.

- Low- and middle-income countries need the institutional strength to shepherd and leverage multi-varied cooperation toward coherent goals.

- Leveling the playing field in global financial systems so low-and middle-income countries can achieve both fiscal stability and invest in the long-term welfare of their populations is long overdue.

- There is no substitute for strong macroeconomic management at a national level.

The report concludes that recognizing countries as the stewards of their own development trajectories has the potential to significantly improve effective development cooperation by establishing relationships and partnerships based on mutual benefit, respect, and clearly articulated and transparent objectives.

The Development Balance Sheet

Rethinking Development Cooperation from the Ground Up

Countries at all income levels, including low- and middle-income countries, are the stewards of their own economic and social development. Given this, any discussion of effective development cooperation should begin with an understanding of the aspirations, capacities, and needs of these countries themselves as a starting point. This paper examines the challenge of development, and development cooperation, through the lens of low- and middle-income country "balance sheets"—their assets, liabilities, and increasingly complex equities in the context of a tumultuous geopolitical and economic landscape rich with both risk and new opportunity.

1. What do countries want from development?

To gain a quick sense of the top development priorities among low- and middle-income countries, we examined the current national development strategies of a roughly representative sample of 30 countries of different sizes, income levels, and other important dimensions such as natural resource endowments.[1]

While the content of these development strategies reflects the diversity of the countries that formulated them, they do share several commonalities (see Figure 1):

- **Countries across Africa, Asia, and Latin America uniformly prioritize economic transformation, poverty reduction, and infrastructure. At the same time, climate has moved from the periphery to a central issue**—universally cited in the Latin America strategies reviewed, the most common constraint identified in Asia, and still emerging in Africa. This underscores a tension between the much-needed infrastructure investments that are essential to transform countries' energy, transport, and digital systems as they continue to lift the extreme poor, and the significant outlays they are now incurring to make themselves more resilient to the impact of climate change.

- **Many countries have specific targets to achieve middle- or upper-income status within 15 to 30 years.** While these top-line income-based targets appear in almost all the strategies, the relative realism and willingness to adjust these targets in the face of current headwinds vary significantly.

- **Human capital development appears as a challenge across the board.** In some select settings, it is treated with crisis-level urgency, including Pakistan's 26.3 million out-of-school children and the Philippines' learning poverty. Countries in Latin America have largely achieved basic coverage but struggle to effectively address quality and equity issues.

- **Many countries need more institutional capacity to manage their development plans and to effectively navigate the increasingly multipolar and complex diplomatic, economic, and security landscape.** Governance appears as a stand-alone pillar in two-thirds of the strategies reviewed. Evaluating competing financial offers, managing technology choices, and balancing security partnerships without triggering subsequent backlash—all require sophisticated institutional capacity—on top of the already considerable demands of getting development right. It is difficult to be strategic, not just reactive, in this context.

- **The existing web of development cooperation is layered, complex, and increasingly includes substantial South-South collaboration.** All the strategies reviewed referenced important forms of regional, bilateral, South-South, or triangular cooperation, and a substantial subset of these countries also have dedicated development agencies providing assistance to other countries.[2] In short, most low- and middle-income countries see development cooperation as essential and have a sophisticated view regarding the contours of such cooperation that extends well beyond traditional "North-South" framing.

There are also some important regional differences across the strategies:

- African strategies tend to emphasize **manufacturing and industrialization**, Asian ones center more on the role of **innovation and the service sector**, and strategies across Latin America focus on **productive diversification beyond primary exports**.

- **Addressing inequality is a defining element in most of the Latin American development strategies but is largely absent as an explicit constraint in Africa and Asia.** This suggests some fundamental differences in how distributional concerns are framed politically in these different settings given that income inequality remains a challenge across regions.

- **Technology competition is moving from a peripheral to a core development concern, yet most low- and middle-income countries lack AI-specific strategies.** Technology determines economic competitiveness, military capability, and geopolitical influence to an unprecedented degree—China's Made in China 2025, India's digital public infrastructure as an exportable model, the U.S. chip export controls as a development constraint, and AI governance as a contested domain. Yet, many low- and middle-income countries frame technology broadly through "digital economy" and "digitalization" (e.g., Indonesia's $200 billion digital economy target, Egypt and Nigeria's digital focus) rather than as AI governance, chip access, or technology sovereignty that are the dominant issues in emerging donor and high-income country strategies. This suggests a widening technology sophistication gap across countries.

The convergence of challenges across countries at vastly different development stages—from upper-middle-income South Africa to low-income Malawi and industrializing Vietnam—points to shared structural constraints and common hopes. It also underscores the persistent gap between development ambitions and the political will, practical technical capacity, and resources needed to fully realize them.

Figure 1. Demand-side analysis for development cooperation

What countries want from development cooperation: A tally of development challenges							
Country	Economic Transformation	Infrastructure	Human Capital & Education	Social Inclusion & Poverty Reduction	Governance & Rule of Law	Climate & Environment	Food & Water Security
Africa							
Egypt	✓	✓	✓	✓		✓	✓
Ethiopia	✓	✓	✓	✓	✓		✓
Kenya	✓	✓	✓	✓	✓		
Malawi	✓	✓	✓	✓	✓		
Botswana	✓		✓	✓			
South Africa	✓	✓	✓	✓	✓	✓	
Zambia	✓		✓	✓	✓		
Angola	✓		✓	✓			
Côte d'Ivoire	✓	✓	✓	✓	✓		
Ghana	✓	✓	✓	✓		✓	✓
Nigeria	✓	✓	✓	✓	✓	✓	
Senegal	✓		✓	✓			
Cameroon	✓	✓	✓	✓	✓		
Somalia	✓		✓		✓		
Tanzania	✓		✓	✓		✓	✓
Uganda	✓	✓	✓	✓			

(continued)

Figure 1. Continued

What countries want from development cooperation: A tally of development challenges							
Country	**Economic Transformation**	**Infrastructure**	**Human Capital & Education**	**Social Inclusion & Poverty Reduction**	**Governance & Rule of Law**	**Climate & Environment**	**Food & Water Security**
Asia							
Bangladesh	✓	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓	✓
Pakistan	✓	✓	✓	✓	✓	✓	✓
China	✓		✓	✓		✓	✓
Mongolia	✓	✓	✓	✓		✓	
Indonesia	✓	✓	✓	✓	✓	✓	✓
Laos	✓	✓	✓	✓	✓	✓	
Philippines	✓	✓	✓	✓	✓	✓	
Vietnam	✓		✓	✓		✓	✓
Latin America and the Caribbean							
Mexico	✓	✓	✓	✓	✓	✓	
Brazil	✓	✓	✓	✓	✓	✓	
Colombia	✓	✓	✓	✓	✓	✓	✓
Jamaica	✓	✓	✓	✓	✓	✓	✓
Peru	✓	✓	✓	✓	✓	✓	✓
TOTAL (30 countries)	**30**	**22**	**30**	**29**	**20**	**19**	**13**

Sources: Current national development strategies and vision frameworks (see Annex 1 for full list of sources)

2. How countries finance development and growth: A balance sheet approach

Looking beyond the aspirations embedded in low- and middle-income country development plans, the practical question becomes: How can countries best achieve their goals, while leveraging their assets and managing their liabilities?

Governments of low- and middle-income countries fundamentally drive development outcomes. Ideally, they act as stewards for their people, are accountable to domestic civil society, and enable a productive private sector and sound investments in human capital. And one of the greatest assets in unlocking development progress is getting it right on policy. Long-term development, while influenced by external regional and global currents and shocks, sometimes even in dramatic ways, is first and foremost the result of domestic policy choices, productive investment, trade integration, innovation, institutional strength, and political economy.

Figure 2. Development assets and liabilities

Assets	Liabilities
• Growing tax revenue and improved tax collection systems	• Excessive and unsustainable debt
• Access to borrowing—commercial and concessional	• Vulnerability to illicit financial flows and tax avoidance
• Sovereign wealth funds and pension funds	• Poor credit ratings and limited currency reserves
• Remittances	• Weak institutional capacity
• Availability of domestic and international philanthropy	• Exposure to climate change
• Access to development assistance	• Unregulated competition for natural resources
• Trade revenue and the ability to attract foreign direct investment	• Conflict and forced displacement
• Natural resource endowments	
• Culture and capacity to support entrepreneurship and innovation	

Beyond people and sound policy, access to diverse financial resources also matters tremendously. For most low- and middle-income countries today, domestic resources dwarf external aid, and trade relationships matter more than grant transfers. However, though aid is a small part of the overall equation, it remains critical to the lowest-income countries and those that are highly conflict-affected.

This paper proposes a stylized "balance sheet" framework, examining the assets and liabilities—defined more broadly than pure financial flows—that shape a country's ability to deliver on its development ambitions (see Figure 2). Equally if not more important than a country's assets and liabilities is its ability to strategically manage them—optimizing assets while actively mitigating and managing liabilities—in a way that balances both short-term and long-term imperatives.

The paper takes a deliberately broad view of assets and liabilities—not to be exhaustive, but to convey the breadth and complexity of the circumstances that low- and middle-income countries are navigating. Some of the elements we have included on either side of the balance sheet are highly country-specific, such as natural resource endowments or exposure to climate risk. Others are the product of structural or systemic conditions, such as sovereign credit ratings that constrain or enable progress independently of domestic policy choices. Together, they define the terrain within which development takes place.

Some items appear in both the assets and liabilities columns, given that they are effectively two sides of the same coin. For example, smart, strategic borrowing can help unleash dynamic growth, but unsustainable debt servicing payments can cripple an economy and hamstring essential social services. A sound credit rating can reflect sound fiscal management and policies and open up access to cheaper capital, while a bad credit rating can reflect poor policies or, in some cases, may reflect methodologies for determining credit scores that are not a great fit for all countries.

This balance sheet approach is not only a lens for understanding individual country trajectories. It also shapes, and is shaped by, countries' capacity to cooperate internally and internationally in pursuit of development goals.

Throughout the paper, global averages are provided for low- and middle-income countries as a cohort. While useful and necessary, it is important to remember that the composition of financial flows that spur development is highly context-specific, and the assets and liabilities of a specific country often diverge sharply from the global averages.

Consider the snapshot in Figure 3 of the development finance flows for Nigeria and Ethiopia. They represent very different patterns of finance and resources available to policymakers in both countries. Ethiopia, roughly 100 million people smaller than Nigeria, receives more than three times the scale of foreign direct investment. Nigeria receives more than 7.5 times in remittances than it does in official development assistance (ODA). Nigeria's pension fund holdings are considerable; Ethiopia's relatively modest. Nigeria has impressive levels of tax revenues, but also a high debt servicing burden and considerable money lost to illicit financial flows. Ethiopia, in contrast, struggles with a narrow tax base and low compliance with tax rules, but suffers less in the way of illicit financial flows and, although its debt servicing burden is lower, it is in debt distress.

The detailed specifics for each country matter tremendously, to understand not only their current situation, but the paths, critical decisions, and trade-offs they face.

Finally, the paper examines how these assets, liabilities, and aspirations nest within the larger global forces that are reshaping the development landscape.

Figure 3. Development finance flows for Nigeria and Ethiopia, US million, 2024[3]

3. Assets

People are any country's greatest asset. Fortunately, the populations of low- and middle-income countries are better educated, healthier, and less likely to be born into poverty than ever before. Investments in human capital, often supported by international assistance and private philanthropy, have yielded the benefit of resilient, highly entrepreneurial societies capable of driving fundamental economic transformation. Progress on broad indicators of human development across low- and middle-income countries is undeniable. The percentage of the global population living in extreme poverty dropped from 60 percent in 1960 to less than 10 percent by 2025.[4] The global literacy rate jumped from just 36 percent in 1950 to 88 percent in 2025.[5] South Korea reduced its infant mortality rate from 20 percent in 1950 to 1.7 percent in 2025.[6] Indonesia's life expectancy surged from 29 years in 1945 to 70 years in 2025.[7]

Strikingly, some 23 countries that were middle-income in 1960 are now high-income.[8] Equally, and perhaps even more, impressive: the World Bank reports that 39 countries have shifted from low- to medium-income status since 2000 alone.[9]

These statistics are as powerful as they are often underappreciated. But far more work needs to be done.

Low- and middle-income countries finance their investments in human capital, infrastructure, and other investments that advance growth and development through an increasingly diverse mix of sources. The depiction of low- and middle-income countries as largely reliant on aid has been outdated for decades. Domestic public finance mobilized through taxation and public borrowing, international and domestic private capital flows, and remittances make up the lion's share of how the majority of countries finance their development.

While current geopolitical challenges continue to dominate the headlines, the assets available to low- and middle-income countries as they pursue sustainable development have probably never been more substantial. This section outlines a number of these sources of finances and other important non-financial assets, beginning with those internally available and moving, in turn, externally.

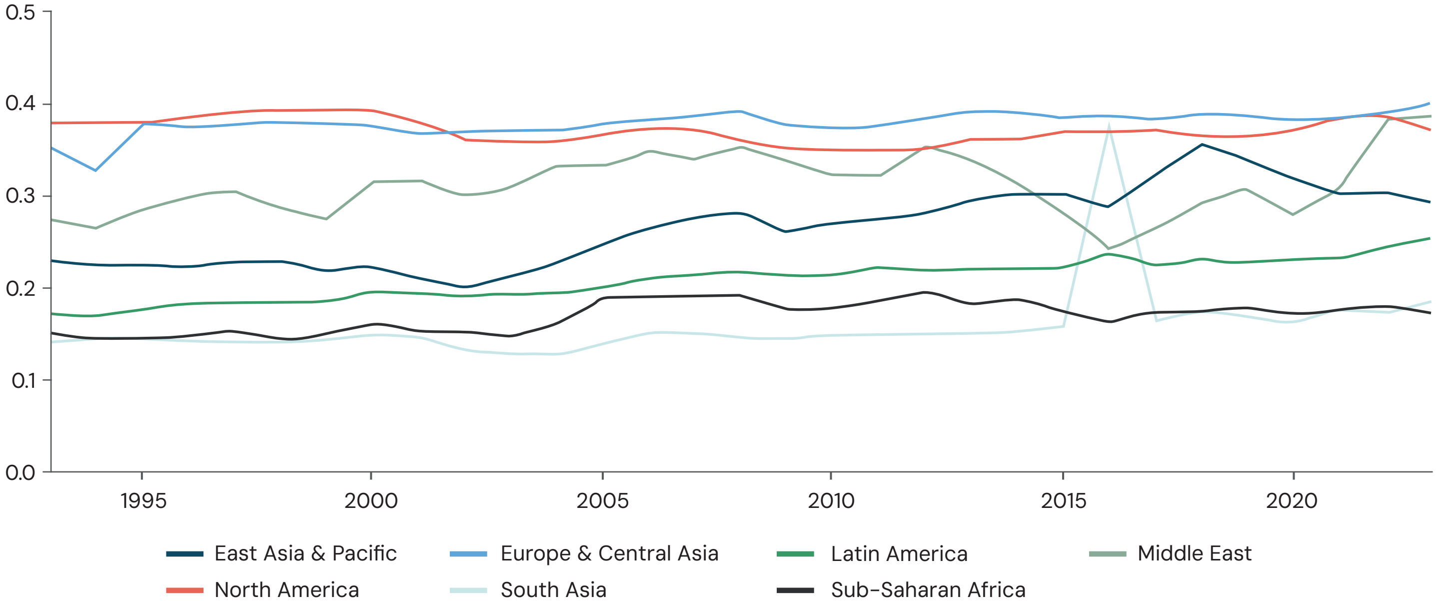
Growing tax revenue and improved tax collection systems

The regular collection of taxes is vital for any government striving to support public expenditures. A country's ability to mobilize domestic resources for development and investments in human capital is ultimately what makes development sustainable over time. And while there is open debate on the ideal tax rates and policies, far too many low- and middle-income countries struggle with this core function. Discussion of tax revenue losses, particularly those from cross-border tax revenue losses, is included in the Liabilities section.

Across all regions, revenue accruing to countries as a share of their economic output has increased over the past 30 years. Top revenue earners include Europe and Central Asia, the Middle East and North Africa, and North America (see Figure 4). In the Middle East, most revenue comes from oil revenues, which are affected by global and regional instabilities. Meanwhile, countries in Europe and Central Asia (33 percent) have the highest tax rates globally, followed closely by those in North America (30 percent). Sub-Saharan African countries have the lowest tax rates and revenues globally; however, a few countries, such as Namibia and Botswana, compare favorably with global counterparts.

The World Bank and International Monetary Fund have set a target of a 15 percent threshold of tax-to-GDP ratio as the minimum needed to unlock sustained growth. While there is some contention about that exact number, it provides a useful general benchmark. Africa and South Asia fall considerably behind the rest of the globe on tax revenues as a proportion of their economic output.[10] In Africa, only 15 of the 54 countries meet that mark, and in Asia, 13 of 48 countries do so. By contrast, 14 of the 20 countries in Latin America do so.

Figure 4. Total revenue (tax and non-tax revenue) as a share of GDP (percent), 1993–2023



Source: UNU-WIDER (2025)—with significant processing by ONE Data. Total revenue excluding grants, including social contributions. Total revenue includes tax revenue, which covers income tax, company income tax, personal income tax, value-added tax, as well as nontax revenue, including rents from natural resources

Determining the right effective tax rates and the best use of the resulting revenues is highly country-specific, and a source of political debates centered on balancing the desire to fund public expenditures while not limiting growth.

Technology and digital identification systems can help modernize and professionalize tax systems, improve compliance, and make economies more formal. There is great promise and some concrete demonstration cases in countries like India, Indonesia, Rwanda, Ghana, Cambodia, and Benin. Countries in East Asia and the Pacific, including China, Indonesia, and Malaysia, have seen a dramatic rise in revenue mainly as a result of a shift to value-added taxes (VAT) and the modernization of tax systems since the early 2000s. On the other hand, a significant number of low-income countries continue to rely on direct taxes such as company income tax and personal income tax.

Access to borrowing—commercial and concessional

Borrowing is an important source of financing for almost all countries. Between 2007 and 2024, annual market borrowing by low- and middle-income countries tripled—growing from approximately $1 trillion to over $3 trillion.[11] Borrowing at both commercial rates and the more concessional finance provided by multilateral development banks and development finance institutions can play a key part in countries' mobilization of much-needed resources. As a rule of thumb, borrowing has been most transformative for development purposes when it has been directed toward leveraging major improvements in infrastructure and energy systems rather than consumption purposes.

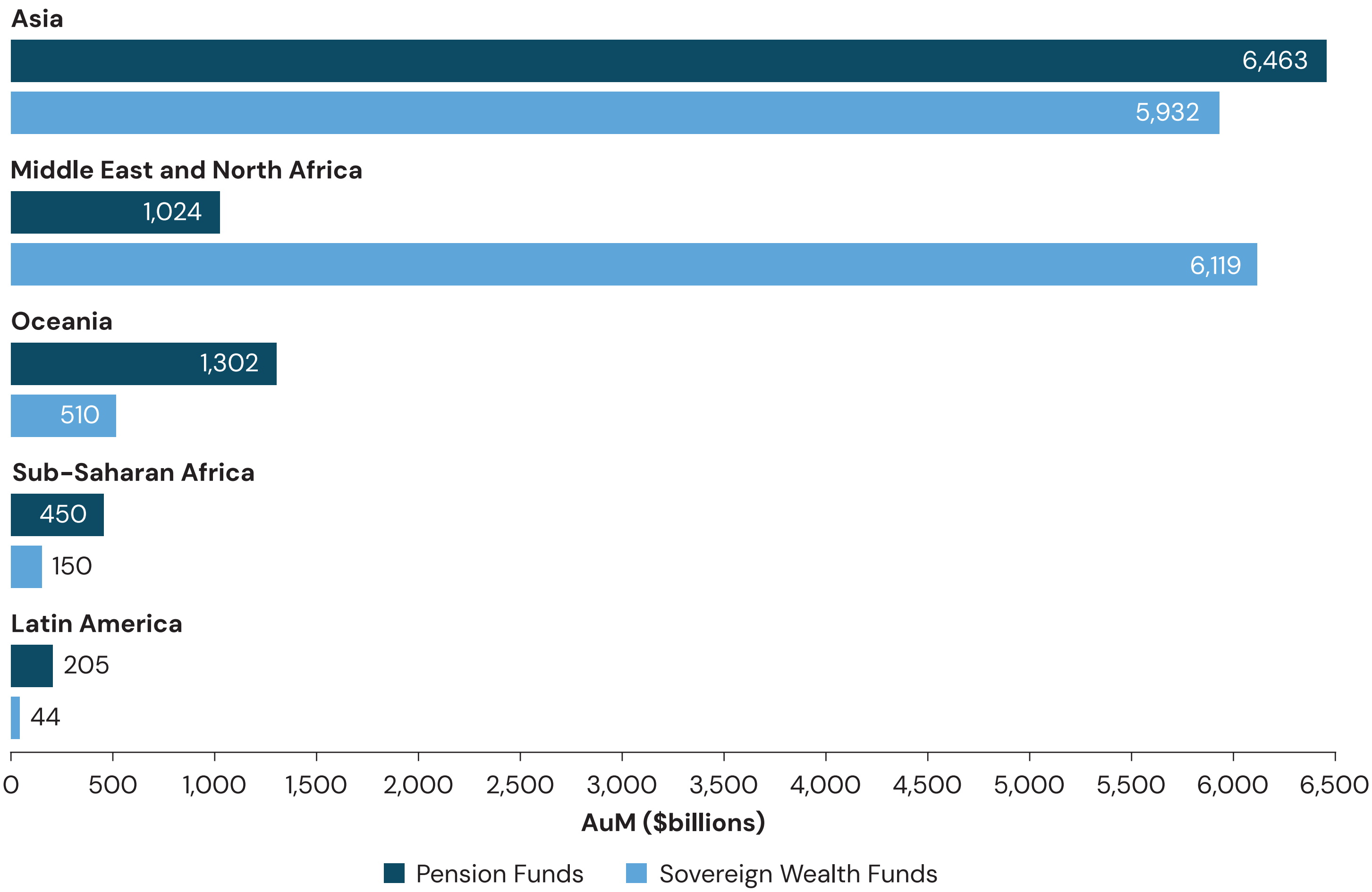
Much of China's current economy was underwritten by infrastructure improvements financed by the strategic use of loans, with the country borrowing more than $60 billion from the World Bank since 1980, making it one of the bank's largest borrowers.[12] Similarly, Brazil, Indonesia, and India have all used debt as an effective element of their development financing, as have many Latin American countries (although there have been periodic debt crises in that region as well).

Today, however, far too many countries are struggling with unsustainable debt burdens as their debt service payments eclipse fresh flows. This is discussed in more detail in the Liabilities section.

Sovereign wealth and pension funds

Sovereign wealth and pension funds are still largely untapped but significant potential sources of finance for development if used judiciously and in line with sound regulatory frameworks (see Figure 5). The World Economic Forum notes that some 60 countries now operate a total of more than 100 sovereign wealth funds that currently manage some $11.3 trillion in assets, and there is a growing track record of sovereign wealth funds investing in key economic transformation projects.[13]

Figure 5. Sovereign wealth and pension funds by region, 2024



Source: *Sovereign Wealth Funds and Public Pension Funds Data Platform*. https://globalswf.com/ and *State of Africa's Infrastructure Report 2025*. (2025). Africa Finance Corporation. https://www.africafc.org/our-impact/our-publications/state-of-africa-infrastructure-report-2025

Asia and the Middle East and North Africa dominate global sovereign wealth fund and pension fund assets under management, with Asia alone holding over $12 trillion combined across both fund types. By contrast, sub-Saharan Africa and Latin America hold a fraction of these totals, at $600 billion and $249 billion, respectively, underscoring the stark geographic concentration of institutional capital.

There are also great variations across countries at different income levels with respect to pension fund assets, estimated to be $63.5 trillion for high-income countries, $20 trillion for upper-middle-income countries, $593 billion for lower-middle-income countries, and only $2.3 billion for low-income countries.[14]

Despite regional and income-based variations, these are huge potential pools of investible capital for countries. For instance, governments are drawing on domestic capital to spur venture capital investments. In 2025, Ghana set a mandate for 5 percent of its pension fund to be used as venture capital. Mexico set out similar legislation with a 30 percent allowance. Other countries have taken a similar approach, although admittedly complex concerns over the risk, return, liquidity, and time horizons involved mean that some countries are not necessarily using these approaches to their full advantage. In all cases, pension and sovereign wealth funds require robust regulation to ensure that resources are channeled responsibly toward long-term investment rather than being used as a crutch to plug short-term government finance gaps.[15]

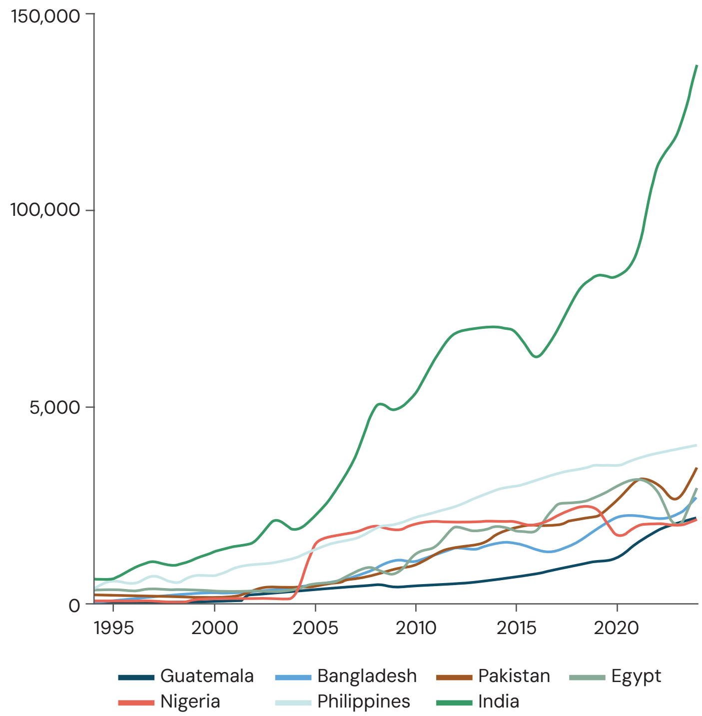
Remittances

Remittances, the money transferred by foreign workers back to their home countries, serve as a critical source of finance for many households in low- and middle-income countries. They receive comparatively scant attention as a funding source, even though they dwarf ODA flows, likely because they are mostly directed at the household level. Notwithstanding, remittances have long proven a powerful tool for families to make direct investments in improving their health and education while also expanding entrepreneurial opportunities and providing a vital safety net in moments of crisis.

In some countries, however, remittances have a macro impact and are a driver of the economy to a substantial degree (see Figure 6). In Tajikistan, remittances as a percent of GDP were more than 45 percent in 2024, Lebanon more than 25 percent, and Nepal and Gambia more than 21 percent.[16] Remittances were over 20 percent of GDP in El Salvador and Honduras, compared with foreign direct investment that accounted for less than 4 percent of GDP.[17]

Alarmingly, the cost of transmitting remittances remains high, particularly to low- and middle-income countries. As of the first quarter of 2024, it cost an average of 6.35 percent of the total amount sent for a worker to send funds back to their countries of origin—double the 3 percent target set by the Sustainable Development Goals.[18] In a world where almost frictionless fund transfers are increasingly a reality, these high transmission rates are effectively akin to a highly regressive tax on those who are least able to afford it.

Figure 6. Remittance inflows for top low- and lower-middle-income recipients ($ millions), 1994–2024



Source: World Bank (2026)—with minor processing by ONE Data. World Bank (KNOMAD), "Remittances Data" [original data]. Indicator code: remit_inflows; remit_paid

Availability of domestic and international philanthropy

International and domestic philanthropy are modest but important components of financing for development, and the growth of domestic philanthropy as a cultural force in Asia is noteworthy.

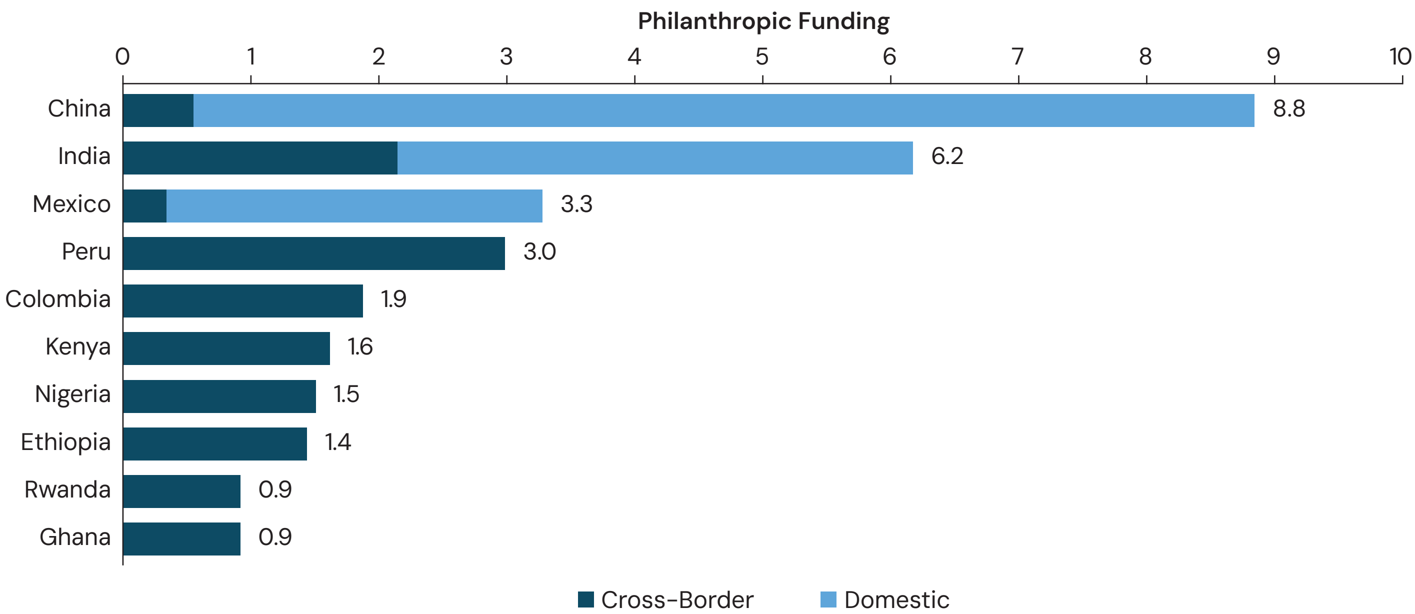
International private philanthropy was valued at $68.2 billion between 2020 and 2023, according to the OECD, a total roughly equivalent to 10 percent of ODA.[19] Africa received one-third of cross-border contributions in this period, with over 60 percent coming from just two foundations—the Gates Foundation and the Mastercard Foundation. International philanthropy is primarily directed to the health and education sectors, and has, importantly, invested in long-term research and development efforts. These funds have also offered a buffer of sorts as ODA levels have seen a sharp downturn in the past two years. However, philanthropic organizations have been quick to note they cannot fill the large gaps left by the ODA cuts.

The power of small individual donors also deserves mention. For example, individual charitable giving from the United States has long rivaled total ODA contributions by the U.S. government, reaching some $35 billion in 2024.[20]

Domestic philanthropy from within low- and middle-income countries has also become an increasingly valuable source of financing. For example, Mexico, China, and India now see more domestic contributions than they receive in cross-border philanthropy (see Figure 7).[21]

In Asia, a new generation of private philanthropists and organizations represents important emerging models of philanthropy for development, led by corporations, communities, faith-based organizations, or high-net-worth individuals. For example, according to the Commission on Asian Philanthropy, India's mandatory corporate social responsibility (CSR) boosted corporate giving from $1.2 billion in 2015 to $4.2 billion in 2024. And community-led approaches, facilitated by digital fundraising platforms, have enabled China to raise from the general public $1.5 billion in 2021 and Saudi Arabia $1.3 billion in 2024.

Figure 7. Philanthropy allocable disbursements, by top recipient, 2020–2023, US$ billions



Source : OECD. (2026). Private philanthropy for development (3rd ed.). OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/03/private-philanthropy-for-development-third-edition_c4f4bea1/98e676c0-en.pdf

Access to development assistance

Development assistance plays an often-misunderstood role as an asset for development. ODA currently represents less than 10 percent of total financing flowing to low- and middle-income countries. That said, it remains very important to a subset of states that are either highly fragile or low-income, as well as in supporting vital public goods such as research and development. A recent report notes that 42 of Africa's 54 countries rely on ODA for more than 10 percent of their government revenues, often for health and education provision.[22]

After a steady increase over 30 years, ODA fell by 23.1 percent in 2025, the largest single-year cut in the history of ODA.[23] It is the first time since 1995 that France, Germany, the United Kingdom, and the United States, the four largest providers within the Development Assistance Committee (DAC), all cut their assistance budgets in the same year.[24] Cuts by the United States and the United Kingdom have been the steepest as a percentage of their overall program.[25]

Moreover, over the decades, how donors have deployed ODA has shifted, with the use of loans growing much faster than grants, and European countries spending a significant portion of their ODA budgets on the in-country costs of hosting refugees from the Ukraine and Syria conflicts. In 2024, OECD DAC countries spent $27.8 billion on in-donor refugee costs, representing 13.1 percent of DAC member countries' total ODA, more than the $24.2 billion spent on humanitarian assistance in the same year.[26]

The cuts in ODA have had some devastating human costs—fewer people receiving treatment for HIV/AIDS, fewer people receiving lifesaving humanitarian assistance, and less funding directed to promising research that could deliver transformative innovations in health, agriculture, and beyond. The dismantling of the U.S. Agency for International Development (USAID) in 2025 led to the closure of 83 percent of its programs and signaled a retreat by the world's largest bilateral development agency.[27] Of all the regions, Africa has seen the sharpest cuts in total ODA received during this period.

Nowhere is the significance of the impact of ODA cuts starker than in countries affected by conflict. The International Rescue Committee (IRC) notes that of the 13 countries most impacted by ODA cuts, ten are in Africa, all are experiencing significant fragility, and many are experiencing food insecurity for at least a quarter of their population.[28] In these contexts, development assistance is critical to sustain lifesaving services and attempts to help stabilize the situation.

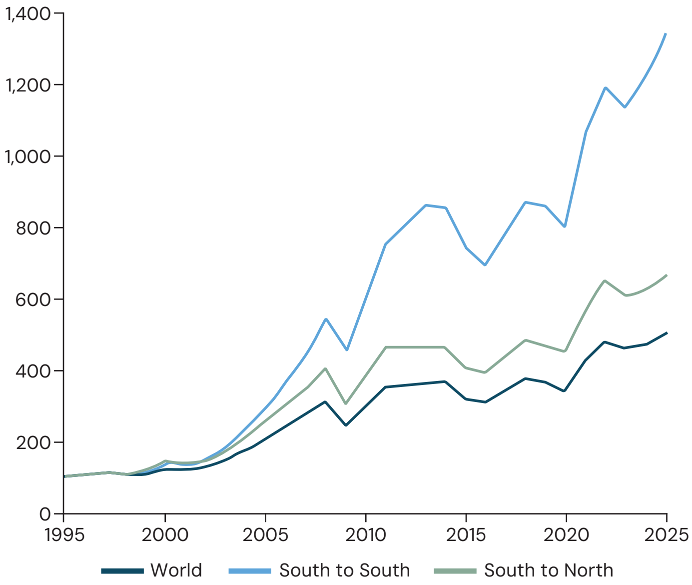
Amid this turmoil, a positive trend is that non-OECD and non-DAC countries are increasingly active in development cooperation, irrespective of income level. A newer generation of donors, including Saudi Arabia (2 percent), Türkiye (2 percent), and the United Arab Emirates (0.6 percent), now make up a growing portion of aid volumes at least since 2000.[29] Some 54 non-DAC countries now have development agencies.[30] Beyond financing, non-DAC countries actively provide technical assistance and can sometimes approach assistance with a very different power dynamic than traditional providers.[31]

Trade revenues and the ability to attract foreign direct investment

Foreign direct investment and trade revenue are critical sources of financing to support development. In 2024, trade as a share of GDP stood at 56 percent for low-income countries and 55 percent for lower-middle-income countries.[32] The global pandemic hit the global economy hard—it shrank by 3.3 percent in 2020, the worst peacetime contraction since the 1930s.[33] While trade volumes for developing countries were initially slow to recover, they had started to mount an impressive bounce back. However, the recent spike in oil prices related to the U.S. and Israel conflict with Iran and the closure of the Strait of Hormuz may lead to significant downward pressures on global growth and trade volumes.

The shifting composition of low- and middle-income trade is notable. As UNCTAD notes, "South-South" merchandise exports rose from about $0.5 trillion in 1995 to $6.8 trillion in 2025. Today, 57 percent of developing-country exports go to other developing markets, led by Asia's regional value chains. Africa and Latin America are also strengthening South-South links.[34] As shown in Figure 8, South-to-South trade is now much larger than low- and middle-income countries' exports to high-income countries. Moreover, 72 percent of trade is still compliant with standard, non-discriminatory tariffs.[35]

Figure 8. Trade flows measured by merchandise exports, index 1995=100, 1995–2025



Source: Global Trade Update (January 2026): Top trends redefining global trade in 2026. (2026, January 15). UN Trade and Development (UNCTAD). https://unctad.org/publication/global-trade-update-january-2026-top-trends-redefining-global-trade-2026

With respect to foreign direct investment (FDI), the inflow of FDI is now larger for low- and middle-income countries than it is high-income countries, although this is largely a China and India story (see Figure 9). Overall, the proportion of foreign direct investment going to least developed countries is about 2 percent of the global total, the amount flowing to landlocked developing countries is only 1.2 percent, and to small island developing states is only 0.6 percent.[36] As UNCTAD's 2025 World Investment Report notes, foreign direct investment toward development projects slumped badly in 2024, with reductions in investment for infrastructure at 35 percent, renewable energy 31 percent, water and sanitation 30 percent, and agrifood systems 19 percent.[37]

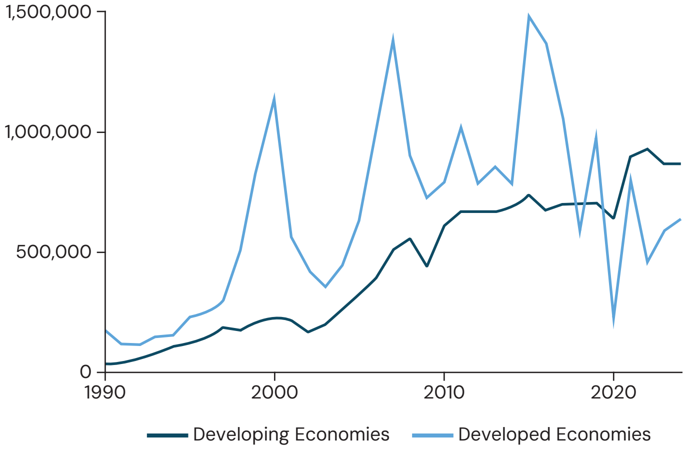
Returns on foreign investment in Africa between 2006 and 2011 reached 11.4 percent, higher than the global average of 7.1 percent.[38] But that encouraging numbering comes with caveats. First, foreign direct investment continues to be highly concentrated, with countries like Egypt, South Africa, Nigeria, and Morocco receiving around half of the total. And second, despite positive potential, investment flows into Africa continue to be relatively modest, constituting only 6 percent (at some $97 billion) of the global total at a time when the continent comprises about 19 percent of the world's population.[39]

The importance of trade agreements

Truly global trade agreements have stalled in recent years as the World Trade Organization has largely been stymied by a series of disputes on issues including e-commerce and the most effective way to move forward with dispute resolution. In addition, the haphazard pattern of tariffs applied by the United States have put many markets in turmoil and shaken the foundations of many long-standing trade relationships. In response, regional trade agreements have gained energy and importance for low- and middle-income countries looking to expand their opportunities. The Africa Continental Free Trade Area, with 54 of the 55 African Union countries now signatories, represents a common market of 1.4 billion people. And for many of its members, the supply chain disruptions triggered by the COVID pandemic and Russia's invasion of Ukraine (not to mention recent tariff and oil shocks), have only underscored the importance of promoting regional trade links and interconnectivity that are less reliant on Europe, China, and the United States. If Africa can make progress on the complex border obstacles that still slow trade across the region, the upsides could be quite considerable.

It is also notable that the European Union-Mercosur free trade agreement, which has been under discussion for decades, and provisionally came into effect on May 1 2026, seems to be reaching final agreement in large part because both Latin American countries and the European Union are looking to diversify their markets given the volatility of their traditional trading partners.

Figure 9. FDI inward flow by development status (US$ millions), 1990–2024



Source: UNCTAD (2026)—with minor processing by ONE Data. UNCTAD, "Foreign Direct Investment: Inward and outward flows and stock" [original data]. Indicator code: US.FdiFlowsStock

Credit ratings, and what some countries perceive as fundamental imbalances in how they are calculated, continue to play an important role in shaping trade and direct foreign investment flows in many of these countries. The impact of poor credit ratings is discussed in more detail in the Liabilities section.

Venture capital funding has fallen sharply in most regions since 2022. Africa peaked with $3.2 billion and 919 deals in 2022, falling to $1.5 billion and 414 deals in 2024. Four countries—Kenya, Nigeria, Egypt, and South Africa—currently make up 85 percent of the region's venture capital (VC) activity.[40] While there has been a downturn in investment, 2024 still ended at twice the level of 2020 ($1.5 billion compared with $0.8 billion), suggesting a slowdown within a more broadly positive trend.

Natural resource endowments

Every country possesses a variety of natural assets, from timber and minerals to agricultural land and fisheries, which can potentially be a significant boost for its development. And there is abundant evidence, from sustainable forestry to ecotourism (when well managed), that countries can be good stewards of their natural assets while utilizing their potential to enhance development.

Natural capital varies greatly by country, and abundant research makes clear that a wealth of natural assets does not necessarily translate into rapid development. There is a rich vein of research on "Dutch disease" or the impact of a poorly managed sudden windfall of natural resources distorting economies.[41] There is also a long history of outside actors behaving in a predatory fashion to exploit the resources of low- and middle-income countries. So, like borrowing, assistance, or any other development asset, natural capital can be a boon if managed wisely, a missed opportunity if ignored, and a problem if mismanaged.

Oil and gas

Latin America holds 22 percent of global crude reserves and 7 percent of production.[42] Africa's oil-producing countries together were home to 9.5 percent of global crude reserves and 7.5 percent of global crude production in 2024.[43] Profits in the oil sector will only spike with the recent turmoil in the Middle East.[44]

In addition, Africa produces 4 percent of the global supply of natural gas—a supply that has been in increasing demand since the onset of the war in Ukraine. Four countries—Egypt, Algeria, Nigeria, and Libya—produce 84 percent of the continent's supply.[45]

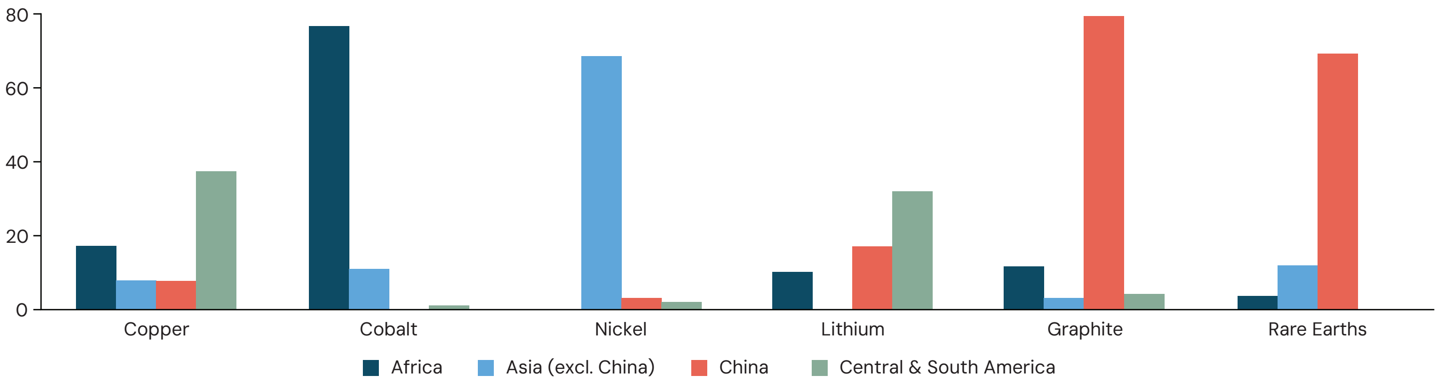
Metals and minerals

Low- and middle-income countries play a significant role in supplying the world's mineral needs for energy and will continue to do so in the future (see Figure 10). Chile, Mexico, and Peru together account for 37 percent of copper mining production. The DRC mines 76 percent of the world's cobalt. Chile, Argentina, and Bolivia form the so-called lithium triangle, accounting for 58 percent of the world's lithium resources.[46]

Beyond these critical minerals, low- and middle-income countries are also significant producers of more established metals, such as gold and iron ore.[47]

While these are impressive numbers, many low- and middle-income countries have yet to unlock a "value-added" approach to mineral extraction. For example, although the DRC mines 76 percent of the world's cobalt ore, it lacks processing capabilities; China purchases most of this ore and in turn produces 77 percent of the world's refined cobalt.[48]

Figure 10. Proportion (%) of global mining production, by region, 2025



Source: US Geological Survey, 2025, Mineral commodity summaries 2025 (ver. 1.2, March 2025): US Geological Survey, 212 p. https://doi.org/10.3133/mcs2025

Arable land, forests, and ocean and coastal ecosystems

Land, forests, oceans and coastal ecosystems all represent both important economic assets and serve as bulwarks against accelerating climate change, demanding that their management be approached with foresight and vision no matter where countries fall on the development spectrum. This is true for often-neglected areas such as tidal marshes, mangrove thickets, and seagrass beds, also known as "blue carbon ecosystems."

These areas sequester carbon at among the highest rates of any natural system.[49] However, when mangroves, as one example, are converted to shrimp ponds as they have been in several locations, more than 90 percent of their stored carbon is released back into the atmosphere, further fueling climate change.[50]

This pattern is replicated across agriculture, forestry, and fisheries, where low- and middle-income countries possess vital resources that can help drive economic development, but managing them in a sustainable fashion is a pressing and complex challenge. It is also an area where high-income countries have often fallen short themselves.

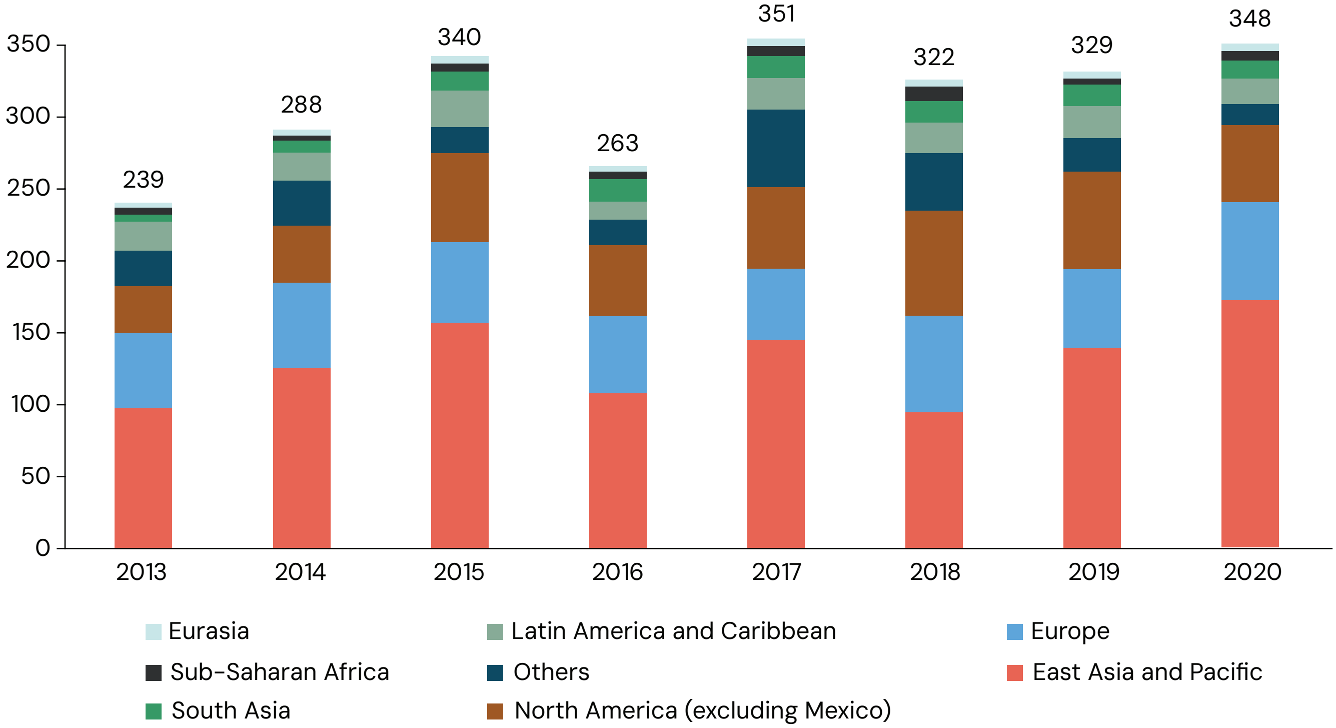
Renewable energy

Low- and middle-income countries have enormous potential in renewable energy, although much of that has not been realized to date. With the addition of 210 GW of solar power in the first half of 2025, China's total installed photovoltaic capacity has already reached 1,100 GW.[51] Other low- and middle-income countries have 139.87 GW of capacity, with 97.58 GW of that from India. Africa leads the world in solar potential, followed closely by South and Central America (see Figure 11).[52]

Figure 11. Solar power potential by region, 2022

Source: The future looks bright for Africa's solar energy output. (2025, June 3). World Economic Forum. https://www.weforum.org/stories/2022/07/africa-solar-power-energy-sustainability-climate-change/

Figure 12. Annual financing commitments in renewable energy by region (US$ billion), 2013–2022



Source: International Renewable Energy Agency (IREA). (2026). Renewable capacity statistics. https://www.irena.org/Statistics

Wind energy is another area of rapid growth: global capacity reached 1,136 GW in 2024 after growing at 11 percent annually over the past decade, with China leading in both new and cumulative capacity, followed by the United States and Germany.[53]

Geothermal energy remains a small share of global power capacity, but it is heavily concentrated in developing economies. Africa alone accounts for nearly a fifth of enhanced geothermal systems (EGS), and also sits on the largest untapped conventional geothermal reserves.[54] Countries in Southeast Asia represent approximately 15 percent of global EGS technical potential, with Indonesia and the Philippines in the lead.[55] In countries such as Kenya, El Salvador, and the Philippines, geothermal already meets a significant share of national electricity demand.[56]

Abundant renewable resources in Latin America offer excellent potential to produce low-emissions hydrogen. Announced low-emissions hydrogen projects in the region could produce up to 3.5 million tonnes of hydrogen by 2030. This would account for 15 percent of announced projects worldwide.[57]

Culture and capacity to support entrepreneurship and innovation

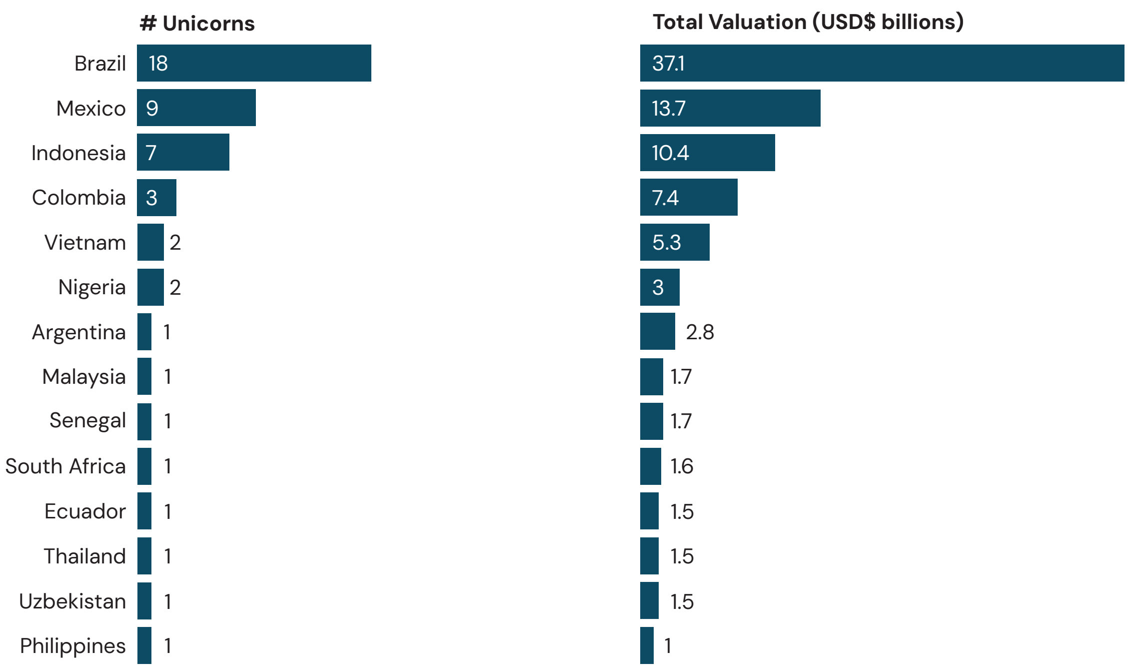
Entrepreneurship and innovation are core drivers of economic growth.[58] Small and medium-size enterprises (SMEs) constitute some 90 percent of the world's businesses and generate 60-70 percent of jobs globally.[59] Their role is even more significant in low-and middle-income countries where transformation to manufacturing and large-scale industry is often slow.

Africa and a range of least developed countries have made strong progress in the past ten years in innovation indicators compared with the rest of the globe. For instance, African nations have published scientific articles at twice the rate of global benchmarks, and invested in R&D at a 6.6 percent growth rate, slightly higher than the global R&D growth rate of 5 percent. Even the least developed countries have made strong progress in innovation indicators, including publications (12 percent growth, compared with global growth of 4 percent) and patents by origin in the least developed countries, which grew at a compound annual growth rate of 6 percent between 2015 and 2023, compared with 5 percent in Africa, and no growth in Latin America or the European Union.[60] Admittedly, these least developed countries are starting from a low base in some of these instances, but the growth is encouraging, and Africa's rapid adaptation of mobile phone technology—essentially leapfrogging the deployment of landlines as a step in development—suggests that the continent's young population remains highly open to technological adaptation.

Asia's dominant innovation trajectory has stretched from strategic investments in the start-up scene to ecosystem investments that allow technologies to scale across borders. Asia is home to the world's second-largest start-up scene after the United States, accounting for 23 percent of all venture capital investments between 2021 and 2023.[61] And across Asia, accelerators, corporate partners, and mission-driven organizations are increasingly working together to bridge gaps in funding, infrastructure, and market access. The results of these coordinated investments can be seen in the renewable energy corridors of China, tech clusters in Singapore and Tokyo, and a planned leapfrogging in generative AI.

In addition, while the United States, China, and India dominate the global landscape of "unicorn" companies—privately held start-ups valued at over $1 billion—several middle-income countries are making progress in that regard. The range of countries represented in Figure 13, from Uzbekistan and Senegal to Ecuador and Brazil, suggests that low- and middle-income countries that have sometimes struggled to take thriving enterprises to greater scale are starting to break through that ceiling.

Figure 13. Unicorn companies in low- and middle-income countries (excl. China and India), 2025



Source: The complete list of unicorn companies. (2026). https://www.cbinsights.com/research-unicorn-companies

Innovation in low- and middle-income countries is often centered on addressing social challenges. A rich tradition of social innovation has emerged to address last-mile delivery challenges and reach populations that fall outside viable market segments for commercial actors. India and China have the most social enterprises, with, respectively, an estimated 2 million and 1.75 million entities.[62] The World Economic Forum estimates that there are some 2.18 million social enterprises in Africa, which generate some $96 billion in annual revenue and create 12 million jobs, more than half of which are led by women.[63]

These indicators demonstrate the growing potential of market-based enterprises to address development challenges in low- and middle-income countries despite the relative lack of investment capital, as well as the need to craft regulatory and ecosystem approaches that help unleash the power of entrepreneurship and innovation.

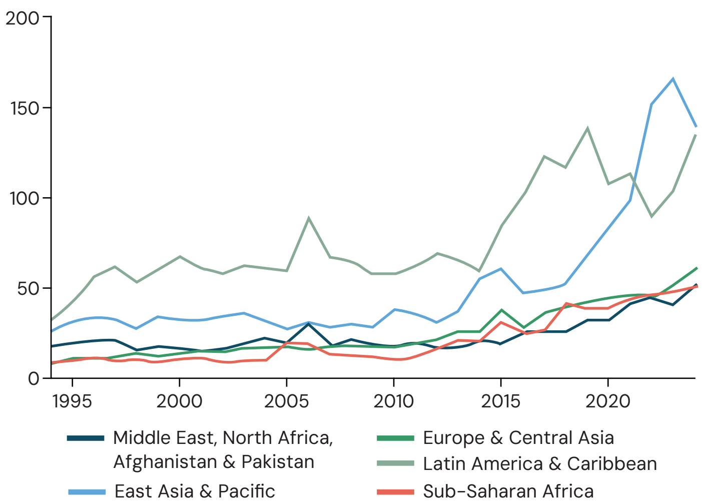
4. Liabilities

Having considered the assets countries have to fuel their development, this section of the paper focuses on the liabilities side of the balance sheet. As with assets, liabilities are considered more broadly than financial obligations. Unsustainable debt and debt servicing obligations are a major liability for many low- and middle-income countries. But other issues—like the need to bolster institutional effectiveness, prevent and mitigate conflicts, and address the growing and increasingly deleterious impact of climate change—are also discussed in this section, given how much they can impede a country's development potential.

Excessive debt

As noted in the assets section, well-managed borrowing can be a major boost for development. That said, the flip side of unsustainable debt and debt servicing burdens—accelerated by the multiple rolling economic shocks of recent years, ranging from the pandemic to sharp, repeated inflationary pressures on prices of food, fertilizer, and fuel—looms as one of the most crucial obstacles to more rapid and equitable growth (see Figure 14).

Figure 14. Debt service on external debt, public and publicly guaranteed (US$ billions), 1994–2024



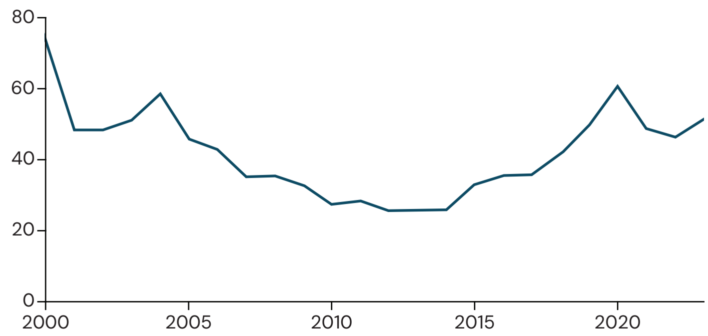
Source: World Bank (2026). International Debt Statistics. "Debt service on external debt, public and publicly guaranteed.

Some 3.3 billion people around the world now live in countries that spend more on debt payments than on education or health, making it incredibly difficult for these societies to invest in their own prosperity.[64] As of 2026, 27 countries face a high risk of debt distress, and nine countries are already in debt distress, of which the majority are in Africa.

Low-income countries, on average, are currently spending 18 percent of their government revenue servicing foreign debts. Angola, Laos, Bhutan, Pakistan, Egypt, Sudan, the Bahamas, Tunisia, Zambia, Benin, and Senegal all spent more than 30 percent of all their tax revenues on debt servicing in 2024. Figure 15 shows the upward trajectory (following some brief respite post-COVID) that countries are now on in terms of debt service payments as a share of education and health spending.

The composition of debt in countries has evolved over the past two decades. Debt is now held by a far wider range of public and private actors than in previous moments of major debt crises, making debt restructurings considerably more complex and time-consuming.

Figure 15. Debt service as a share of education and health spending for a subset of countries (%); 2000-2023



Source: World Bank, WHO, UNESCO, IMF (2026)—with major processing by ONE Data. "Debt service as share of education and health spending" [dataset]. World Bank, "International Debt Statistics"; WHO, "Global Health Expenditure Database"; UNESCO, "UIS Education Statistics"; IMF, "World Economic Outlook" [original data]. Indicator code: gghed_gge; XGOVEXP.IMF; GGX.

Figures 16 and 17 highlight the greater cost of private credit compared to public credit, and also show that these two sets of interest rates are close to converging as public credit becomes more expensive.

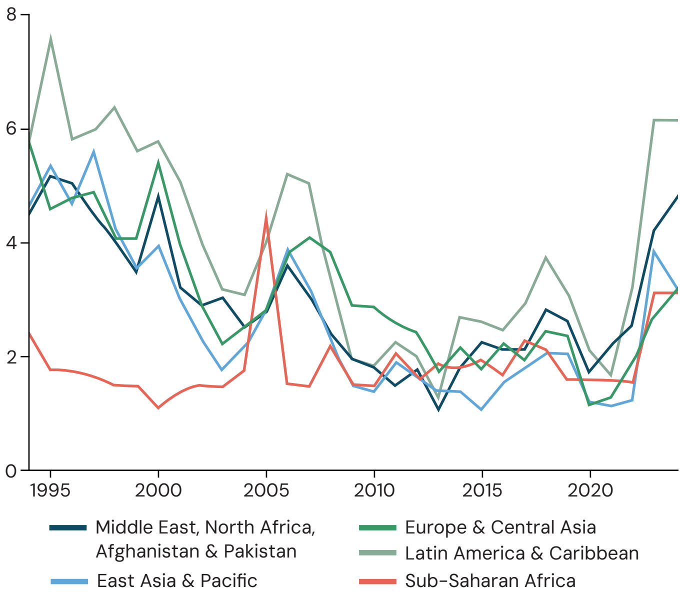
As the *Istituto Affari Internazionali* notes, by 2023, 56 percent of external public debt in low- and middle-income countries was owed to private entities, with higher interest rates, shorter maturities, and terms that were much more difficult to restructure.[65] This same analysis notes interest rates for low- and middle-income countries on dollar-denominated bonds were 350 percent higher than for high-income countries.

In short, considerable swathes of debt are held by private lenders utilizing market rates. In addition, China has gone from being the largest bilateral financial provider to low-income and lower-middle-income countries to being a net extractor of funds. A decade ago, China's outflow to these countries was $48 billion; it is now receiving $28 billion more in repayments than it is sending out. This same pattern is playing out more broadly in Africa—countries have gone from seeing positive inflows from borrowing of around $30 billion to now paying out more than they receive annually by $22 billion, a swing of $52 billion that comes at the same time as the considerable cuts in ODA.[66]

Vulnerability to illicit financial flows and tax avoidance

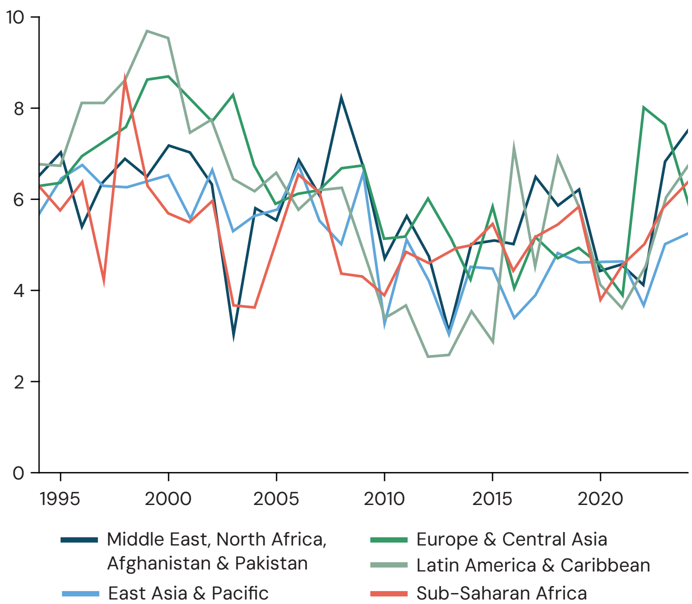
Low- and middle-income countries continue to face significant problems with illicit financial flows and tax avoidance, robbing these economies of billions upon billions of dollars that could serve their development and lasting prosperity. Illicit financial flows refer to any money that moves across borders illegally. This can include smuggling, mis-invoicing, tax evasion, and money laundering. Global illicit financial flows—quantified in the form of trade value gaps—were estimated at $835 billion in 2018 (see Figure 18), which is almost the same volume as the latest estimates of global remittances. In addition to robbing countries of resources, illicit financial flows undercut the rule of law and undermine faith in public institutions.

Figure 16. Average interest on new external debt commitments, official (%), 1994–2024



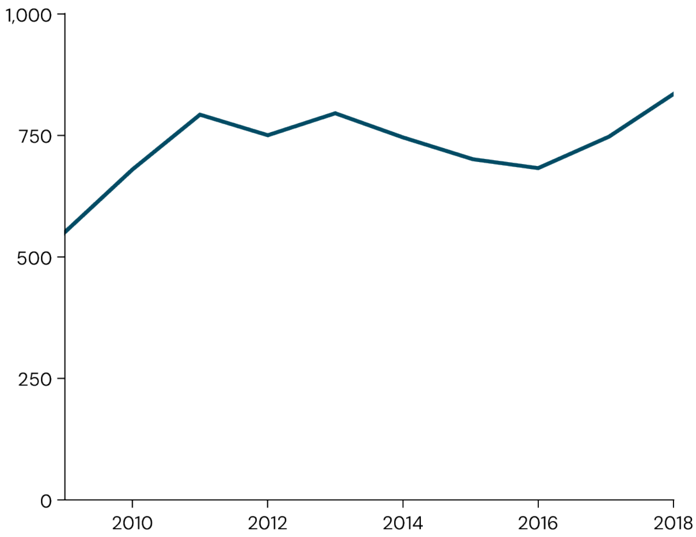
Source: World Bank (2025)—with significant processing by ONE Data. "Average interest on new external debt commitments (total, official, private)" [dataset]. World Bank, "International Debt Statistics" [original data]. Indicator code: DT.INR.DPPG; DT.INR.OFFT; DT.INR.PRVT.

Figure 17. Average interest on new external debt commitments, private (%), 1994–2024



Source: See Figure 16

Figure 18. Total trade value gaps ($ billion), 2009–2018



Source: GFI (2021)—with minor processing by ONE Data. Global Financial Integrity, "Illicit Financial Flows Report" [original data].

Tax revenue loss is particularly pronounced in the taxation of multinational enterprises—where profit-shifting, transfer mispricing, and outdated tax systems leave significant revenue on the table. Annual corporate tax revenue lost to cross-border profit-shifting is estimated at $246 billion in Asia, $177 billion in Latin America, and $40 billion in Africa.

The past decade has seen a flurry of activity seeking to address some of these issues. The OECD's Pillar Two framework sets a global minimum corporate tax rate; digital services taxes have been introduced or debated across a growing number of jurisdictions; and withholding taxes on cross-border payments—dividends, interest, and royalties—remain a credible, untapped lever. But progress has remained elusive. There remain sharp divisions across countries not only about the substance of these proposals, but even about the appropriate venue to reach agreements on these complicated tax and illicit financial flows issues. Unsurprisingly, OECD members prefer to keep the OECD as the primary vehicle for talks. In contrast, significant numbers of low- and middle-income countries would prefer to see the UN's framework convention on international tax cooperation shift rulemaking authority away from the OECD and toward a more inclusive multilateral body.

Poor credit ratings and limited currency reserves

In accessing capital for development, credit ratings play a vital role. In essence, credit ratings set the borrowing rates for low- and middle-income countries and send powerful messages about the risk environment for investors in these economies.

In recent years, there has been considerable debate about the methodologies employed by credit rating agencies and their relative fairness and efficacy, with several commentators arguing that Africa is penalized and ratings do not reflect actual risk, but rather perceived risk. The financial consequences of this are substantial—a UNDP analysis estimates that flawed credit ratings cost African countries as much as $74.5 billion in excess interest payments and foregone investment, a figure that exceeded the entire net official development assistance received by the continent.[67] Partially in response to these concerns, the African Union is launching its own credit rating agency in 2026.

Clearly, negative ratings serve as a drag on many low- and middle-income economies. Only six Latin American countries (Chile, Mexico, Panama, Paraguay, Peru, and Uruguay) and two African countries (Botswana and Mauritius) are currently considered investment-grade by the "big three" agencies (Moody's, Fitch, and S&P) that drive much of the ratings system.

Research shows that countries with lower foreign reserves, also known as currency reserves, pay higher borrowing premiums.[68] Global currency reserves were estimated at $13 trillion in 2025.[69] About half of those reserves were held in advanced economies. China holds a little over a quarter, as do emerging market economies. Low-income countries only hold about 0.5 percent of total reserves.[70]

Special Drawing Rights, which were intended to help address this issue of limited foreign currency reserves, account for just 4 percent of international currency stocks, and the vast majority go to more developed countries. In 2021, developed countries were allocated approximately 58 percent of Special Drawing Rights, while developing countries received around 42 percent.[71]

More broadly, many low- and middle-income countries continue to argue that they are competing on a global economic playing field that is tilted against them in myriad ways, including representation in bodies like the World Bank and International Monetary Fund (IMF). Decision-making power at the IMF and World Bank remains heavily weighted toward advanced economies: fewer than one-third of seats on the IMF Executive Board are held by emerging and developing countries, and the "one dollar, one vote" logic that underpins quota and shareholding arrangements means that those who contribute the most capital hold the most influence. And obviously, those with the largest voices in governance in these institutions shape lending practices, policy conditionalities, and the allocation of financing in ways that can often have a profound impact on low- and middle-income countries.

Weak institutional capacity

If effective governance, good policy, the rule of law, and strong human capital are the key enablers of development, the inverse is equally true. Although not as easily measured as some other key liabilities listed in this section, many low- and middle-income countries have serious deficits in the important managerial capacities that allow them to effectively plan, negotiate, manage resources, execute on service delivery, and implement and be accountable for their development visions.

This institutional capacity is vital given the complexities with which low- and middle-income countries are wrestling: intense geopolitical rivalries, more volatile trade patterns and commodity markets, a fragmented market for sources of development finance, fast-moving technological change, massive demographic shifts, and the crowded field of actors in the development space. Strong and transparent institutions that deliver for people are also a critical part of the social contract between a state and its citizenry.

Latin America's experience is particularly instructive: countries identify nearly identical constraints—productivity stagnation, territorial inequality, institutional weakness—across decades despite periods of strong growth. This suggests that even sophisticated planning methodologies and technical design cannot substitute for a well-trained and effective system of civil administration.

Above a certain development threshold, it is telling that countries seem to value policy advice and technical assistance more highly than financial support. For example, 85 percent of respondents from a recent survey of multilateral development banks and country authorities rated policy advice and technical assistance as either very or extremely relevant.[72] This is particularly important for middle-income countries and low-income countries with access to capital markets such as Côte d'Ivoire and Sri Lanka.

Priority areas for technical assistance include best-practice policies, reforms, projects and programs (particularly, project implementation), and feasibility studies. Key features of "good" policy advice and technical assistance are that it is demand-driven, timely and flexible, reflects the local context and culture, has long-term impact, is highly specialized, and is unbiased and impartial.

As the demands for technical assistance are rising, grant providers—who can play a key role here—have struggled to effectively coordinate their activities more broadly. According to the World Bank, almost 80 percent of countries report having to work with more than 60 different donor entities in their own countries.[73] At a time when low- and middle-income countries are desperate for resources and technical support, the sprawling nature of donor entities—usually each with its own different reporting and evaluation requirements—essentially serves as a tax on country systems that are already stretched thin.

In addition, many low- and middle-income countries continue to suffer from long-standing patterns of discrimination and marginalization, including against women, which limit the full transformational impact of their human capital. For example, the United Nations notes that fewer than one in five landholders worldwide are women, despite the fact that women make up roughly half of the agricultural workforce and produce up to 80 percent of the food in low- and middle-income countries.[74] This lack of land tenure rights then translates into more difficulties in accessing credit and increased vulnerability—in some 100 countries, women continue to be denied rights to inherit their husband's property.

Exposure to climate change

High- and upper-middle-income countries account for around 80 percent of the world's carbon dioxide emissions, while lower-middle and low-income countries emit less than 20 percent.[75] The poorest countries emit less than 1 percent of total emissions. Yet, low- and middle-income countries are highly vulnerable to climate change and have fewer assets to plan for, mitigate, and manage its impacts.

Data from the World Inequality Lab suggests that the poorest 50 percent of the world's population is currently suffering 75 percent of the relative income losses resulting from climate change.[76] These economic losses are compounded by the direct physical toll of rising heat on workers' bodies and economic productivity. At just 1.5°C of warming, 4.75 trillion more person-hours per year will exceed moderate heat stress risk during outdoor physical activity. The burden falls overwhelmingly on the world's poorest workers: the highest losses of labor hours are concentrated in Central Africa, West Africa, South Asia, and Southeast Asia. For workers in these regions, rising heat is not an abstraction but a daily constraint on income, productivity, and survival.[77]

Impacts on human health are equally stark. Around one-third of all heat-related deaths occurring today are already attributable to climate change. Heat-related deaths among vulnerable age groups—particularly those over 65—could increase by as much as 1,540 percent above current levels by the end of the century in a no-climate-action scenario, reaching 3.4 million deaths annually.

Africa is especially vulnerable to climate change, with more than 60 percent of its population engaged in smallholder farming, most of them women, and most of them growing rainfed crops that are highly vulnerable to climate effects. Projections from the Climate Vulnerability Monitor point to decreases of 5–30 percent in maize and rice yields across Africa, and between 10 and more than 40 percent decreases in wheat yields by the end of the century. Food insecurity linked to heatwaves is projected to increase by 12.8 percentage points globally without agricultural innovation to address climate change. Drought compounds these pressures: events that cause crop failure are projected to become 5–11 times more frequent by 2050, rising to 12–14 times more frequent by century's end. An eightfold increase in drought events is already projected for Africa and the Americas as soon as 2030.[78]

For some countries, particularly small island developing states and low-lying coastal nations, these are not distant projections but existential questions about habitability. Sea level rise, salinization of freshwater supplies, and increasingly intense tropical cyclones—whose rainfall is projected to be 20 percent heavier in a high-warming scenario—are already threatening the physical viability of communities and infrastructure. As the UN Economic Commission for Africa notes, climate-related disasters in Africa are currently imposing a financial burden ranging between $7-15 billion on the continent, with that figure poised to potentially jump to $50 billion annually by 2030.[79]

UNHCR found such climate-related disasters responsible for triggering more than 50 percent of new reported displacements in 2022, and some 60 percent of all refugees and internally displaced are now located in states that are highly vulnerable to climate change, making repeated cycles of displacement more likely.[80]

Low- and middle-income countries must contend not only with the direct impacts of climate change, but with the substantial costs of mitigating and adapting to it—a compounding burden on already constrained public finances.

Unregulated competition for natural resources

Just as borrowing and debt appeared in both the assets and liabilities columns, so too do natural resources. While these natural bounties can often be an important asset, low- and middle-income countries face considerable pressure on their natural resources. For example, some three billion people live in areas where total water storage is declining or unstable, with 50 percent of global food produced in those same stressed regions. Some 1.8 billion people were living under drought conditions at some point between 2022 and 2023, some 3.5 billion people lack safely managed sanitation, and 2 billion people do not have access to safe drinking water.[81]

Although its situation is not unique, the Amazon rainforest, one of the world's largest climate sinks, is a significant source of agricultural production for domestic, regional, and international markets, with cattle and soy being the dominant drivers of deforestation, alongside growing demand for products such as maize, oil palm, rice, sorghum, coffee, and cocoa. These demands for land have led to 8.6 million hectares of deforestation in the Amazon region between 2018 and 2022. This accounts for 36 percent of the total global deforestation during the same period.[82]

In terms of demand for minerals, expected supplies of gold, nickel, cobalt, graphite, and rare earths are catching up with projected demand (if planned projects proceed generally on schedule). Artisanal and small-scale gold mining in Africa, Asia, and Latin America accounts for approximately 20 percent of global gold supply and supports 20 million livelihoods, but about 85 percent of it operates outside of formal regulatory frameworks. This leaves rural communities highly vulnerable to exploitation by criminal networks and liable to cause environmental damage. As the price of gold has increased significantly over the last few years, this has become even more of a pressing issue.[83]

Finally, the U.S.-Iran war continues to significantly disrupt the global oil market, and extended price spikes in oil prices have a long history of disproportionately impacting the development prospects of low- and middle-income countries.

Conflict and forced displacement

Conflict, fragility, and forced displacement continue to be a scourge for development. Conflict within and between states can unravel years of development progress and investments in just days, while inflicting tremendous hardship—usually disproportionately upon the most vulnerable people, including women and children.

While conflicts in Gaza, Ukraine, and Iran have generated the most headlines, major conflicts have continued in Sudan, Myanmar, Yemen, Somalia, the DRC, and beyond. There were more conflicts recorded in 2024 than at any time since World War II.[84] What is often less recognized is that over two-thirds of people displaced by conflict are hosted in low- and middle-income countries.[85] Alarmingly, more than 50 percent of all conflict-affected states now face at least two different internal conflicts.[86] Rising militant activity, the use of proxy forces, and complex regional dynamics are feeding into a global landscape that is more fragmented and violent.

Further exacerbating these crises, international peace efforts to end or mitigate such conflicts have largely fallen short.

Forced displacement continues to be at record levels—and rising. And while migration can often be a net positive for countries across the economic spectrum, despite loud rhetoric to the contrary, the impact of forced displacement and the surge of refugees and internally displaced is felt most acutely by low- and middle-income countries.

Worse still, low- and middle-income countries have not only been hard hit by conflicts in their own and neighboring countries, but they are also deeply impacted by conflicts far away, such as in Ukraine and Iran, which have had a major spillover effect on prices for fuel, fertilizer, and food, propelling low- and middle-income countries into an inflationary spiral. For countries already struggling with high debt service burdens and trying to attract private investment and secure higher credit ratings, unresolved conflicts—at home, in their neighborhood, and afar—are undermining these efforts on virtually every front.

5. Complex equities on a tumultuous global landscape

Countries' assets and liabilities are not the only determinants of their development pathways. The broader environment can bring massive external shocks—and opportunities—that impact trajectories. Several forces are greatly important to low- and middle-income countries now and into the future. These forces—such as geopolitics, technology, and shifting demographic patterns—are by their nature neither purely positive nor purely negative influences, and much depends on how countries are able to navigate the landscape.

Geopolitics

The current state of geopolitics continues to inflict considerable collateral damage on the prospects of many low- and middle-income countries in the immediate and medium terms. The Russian invasion of Ukraine led directly to a sharp escalation in prices for fuel, fertilizer, and food, while feeding an inflationary spiral that the ongoing global pandemic only made worse for many low- and middle-income countries. These forces also fed into mounting debt pressures on numerous countries.

Deep cuts in U.S. and European assistance levels, along with U.S. security and economic policies, have placed markets—and long-standing economic and security alliances—under constant stress. Other great powers seem equally driven to maximize their self-interests, even if it comes at the expense of low- and middle-income countries. In short, many low- and middle-income countries have been cast adrift on a landscape that is more lacking in trust and goodwill than at any time since the Cold War. The costs of divergence may be the highest for low- and middle-income countries. The role of countries like Saudi Arabia, the United Arab Emirates, and Türkiye has become increasingly relevant as they pursue their own growth and development, while also playing a mediating role in global economic and political conflicts.

These forces come into play at a time when the global architecture of economics, peace and security, and multilateral cooperation—much of which was forged in the waning days of World War II and its aftermath—were already showing their age. This is particularly true of the development cooperation system as well.

And while the immediate upheaval of geopolitics presents a considerable hazard in the immediate term for low- and middle-income countries, it also presents opportunities. Indeed, low- and middle-income countries now have a window to help reimagine and build coalitions of the willing for a fairer and more equitable approach to mutual cooperation, trade, and security. While it will not be easy to realize in the current environment, such moments to revisit these structural issues do not come along frequently.

Technology

Low- and middle-income countries have never faced a more consequential technological moment than they do now, with fast-moving developments in artificial intelligence technology coming amid a highly contentious geopolitical moment and the concentration of capital. There is still debate about the expected scale of AI's impact on low- and middle-income countries. What is broadly agreed upon is that basic infrastructure gaps—both internet access and electricity—are a fundamental barrier. In low-income countries, around 41 percent of workers in AI-exposed occupations lack electricity access, rising to 51 percent in rural areas, making the adoption of AI tools practically impossible for large portions of the workforce.[87] Of the 441.8 million jobs globally that could benefit from AI productivity gains, roughly 66.9 million lack the internet access needed to realize those gains, with countries like Mali seeing only 1.2 percent of workers able to practically use these tools, compared to around 30 percent in Switzerland and Singapore.[88]

And where AI use is possible, there is a significant risk to young, highly educated workers. Among college graduates in low-income countries, 72 percent of those facing the risk of AI automation already have internet access—meaning displacement could concentrate among the narrow group of skilled workers holding some of the best jobs in those economies, with little fiscal or institutional capacity in those countries to support workers through the transition.[89]

At a more macro level, the splitting of technology systems into U.S. and China camps (on products like semiconductors, AI chips, cloud infrastructure) is forcing countries to choose sides, with long-term consequences, potentially undermining their ability to maintain flexible relationships with multiple powers. In addition, much of AI use, including in the defense industry, continues to be a largely ungoverned space, and countries at every level of economic development face important questions ahead about the rules of the road for AI and other emerging technologies as they relate to economics, security, governance, sovereignty, and human well-being.

While AI is expected to reach $4.8 trillion in market value by 2033, access to AI infrastructure and expertise remains concentrated in a few economies. Just 100 firms, mainly in the United States and China, account for 40 percent of global corporate R&D spending. And leading tech giants, such as Apple, Nvidia, and Microsoft, each have a market value of around $3 trillion, rivaling the gross domestic product of the whole African continent. The scale of market share at both national and corporate levels may broaden an emerging gap in tech capabilities, with developing countries being left behind.[90]

Many low- and middle-income countries face a widening technology-sophistication gap in addressing these issues, which again underscores the sweep of demands facing the governments of these countries. Making sure that low- and middle-income economies are best positioned to deal with this enormous wave of change is essential.

Demographics and urbanization

Low and middle-income countries are also undergoing important demographic shifts. By 2050, only 26 percent of the world's population is projected to live in Europe, North America, and China. By 2100, this figure is projected to fall to 18 percent. These same projections suggest that Africa will make up 23 percent of the world's population in 2050 and 34 percent by 2100, (with Latin America, the Caribbean, the Middle East, and Asia being 50 percent in 2050 and 48 percent in 2100).[91]

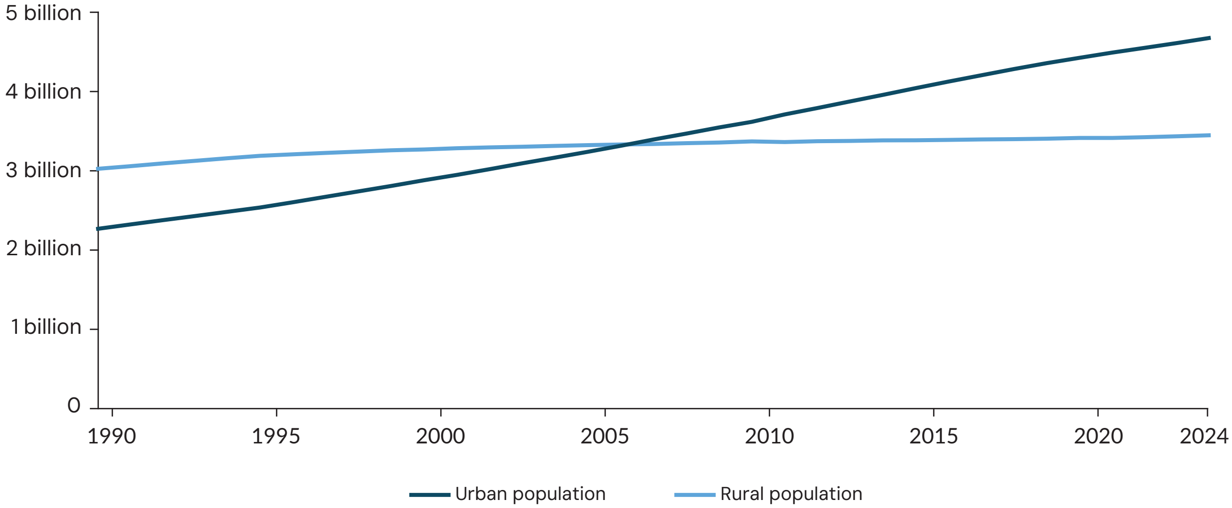
Across advanced economies, the aging population is larger than the working population; this trend is expected to follow in other regions in the coming decades. Africa is the exception. Africa's working population is expected to double by 2050.[92] While this growing workforce represents a huge potential engine for growth, the size of this cohort will also require enormous growth to meet its basic needs, and if employment does not keep pace with this burgeoning youth population, it could prove a recipe for social unrest. The uncertain yet foreboding impacts of AI on this generation of workers raise additional concerns.

We also see a trend toward urbanization with this population growth. An estimated 4 billion people, more than half the world's population, live in urban areas (see Figure 19). This is expected to increase to over 6 billion people by 2050.

Over the past 35 years, the number of people living in major cities has nearly doubled, rising from 1990 levels to nearly twice that figure by 2025 (see Figure 20). The concentration of urban populations in cities poses huge pressure on employment opportunities, housing, education, and utilities such as water and electricity.

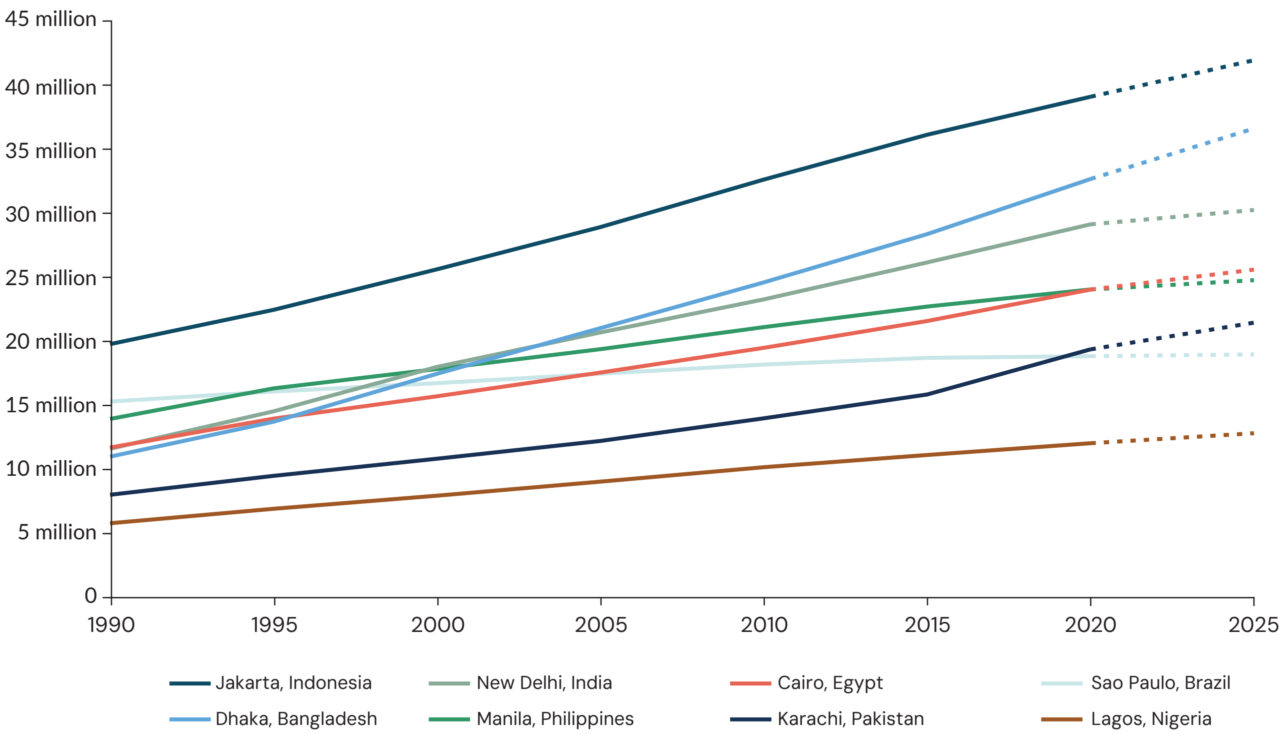
By 2050, two of every three Africans are projected to reside in an urban agglomeration, and the total urban land area is expected to more than double, accelerating the demand for urban infrastructure.[93] For instance, a 10 percent increase in urbanization can raise electricity consumption by almost 4 percent.[94] At the same time, Africa is the only continent where the rural population will continue growing in absolute terms in parallel to increasing urbanization.

Figure 19. Number of people living in urban and rural areas, world, 1990–2024



Source: Hannah Ritchie, Veronika Samborska, and Max Roser (2024). "Urbanization" Published online at OurWorldinData.org. Retrieved from: https://ourworldindata.org/urbanization

Figure 20. Number of people living in the world's largest cities, 1990–2025



Source: Hannah Ritchie, Veronika Samborska, and Max Roser (2024). "Urbanization" Published online at OurWorldinData.org. Retrieved from: https://ourworldindata.org/urbanization

Conclusion: The role of development cooperation

The balance sheet for most low- and middle-income countries reveals a complex and nuanced picture, unique to each individual country, but one ultimately that has significant assets and is quite promising. Countries must decide how to prioritize which assets and liabilities they should manage most actively; it is nearly impossible to address every element with equal intensity. Those choices matter. And in the past, arguably, too much energy has been directed toward one asset in particular: development assistance.

The review of what countries want from development suggests a strong consensus around supporting the positive transformation of lives, economies, and entire societies.

Achieving that effectively in today's world requires fully recognizing the centrality of low- and middle-income countries in charting their own development journeys and working to optimize their balance sheets. This approach does not negate the need for internal and external partnerships. On the contrary, strong country leadership enhances opportunities for cooperation and partnerships of equals based on respect, trust, and a genuine ambition for mutual benefit that can help countries better leverage their assets and manage their liabilities. Cooperation is also vital in navigating the external landscape, which can profoundly affect countries' balance sheets.

So, how does an appreciation for the development balance sheet inform rethinking the future of development cooperation from the ground up? It suggests:

- Country agency and leadership, guided by the collective aspirations, assets, and shared vision of their peoples, is central to development, and must sit at the heart of development cooperation.
- Low- and middle-income countries need the institutional strength to shepherd and leverage multi-varied cooperation toward coherent goals. They must set the political vision and priorities; demonstrate consistent political will; and execute with discipline. And then, they will be well-positioned to forge and deepen the breadth of external partnerships required to accelerate progress.
- Domestic resources have the potential to play a pivotal role in development, if managed effectively and with a focus on long-term transformation.
- Leveling the playing field in global financial systems so low- and middle-income countries are able to achieve both fiscal stability and invest in the long-term welfare of their populations is a long-overdue agenda.
- While there are multiple pathways to development, low-and middle-income countries cannot circumvent some of the basic tenets of strong macroeconomic management and sound discipline.
- Countries will need to be better equipped for the disruptions and opportunities of today and those looming on the horizon.
- There is a need to better understand how to leverage the full range of resources, both financial and non-financial, available to help drive development and to make sure those resources are being utilized effectively by people and institutions with continually growing capacity and nimbleness.

No country is so prosperous that it can afford to leave the potential of any of its people behind. And no country, no matter how advanced, can flourish as an island without partnerships and cooperation. In short, development cooperation can play a vital role in shaping a shared, and brighter, future for all.

Annex 1.
National development plans analyzed

Angola: National Development Plan 2023-2027

Bangladesh: Eighth Five-Year Plan July 2020-June 2025, Promoting Prosperity and Fostering Inclusiveness

Botswana: Botswana Vision 2036

Brazil: Brazil National Development Plan 2020-2031

Cameroon: National Development Strategy 2020-2030

China: 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China

Colombia: Potencia Mundial de la Vida 2022-2026

Côte d'Ivoire: Côte d'Ivoire 2040

Egypt: National Agenda for Sustainable Development 2030

Ethiopia: Ten-Year Development Plan 2021-2030

Ghana: The Coordinated Programme of Economic and Social Development Policies (2025-2029)

India: Viksit Bharat 2047

Indonesia: National Development Plan 2025-2045

Jamaica: Vision 2030

Kenya: MTP IV 2023-2027 | Framework: Vision 2030

Laos: 10th Five-Year National Socioeconomic Development Plan (2026-2030)

Malawi: Malawi Vision 2063

Mexico: National Development Plan 2025-2030

Mongolia: Vision 2050

Nigeria: Nigeria Vision 2050

Pakistan: The Thirteenth Five Year Plan (2024-2029)

Peru: Peru 2050

Philippines: Philippine Development Plan 2023-2028

Senegal: Senegal National Development Strategy 2025-2029

Somalia: National Transformation Plan (NTP) 2025-2029

South Africa: National Development Plan 2030

Tanzania: National Five-Year Development Plan 2021/22–2025/26

Uganda: Fourth National Development Plan (NDP IV) 2025/26–2029/30

Vietnam: National Green Growth Strategy for 2021-2030, vision towards 2050

Zambia: National Development Plan 2022-2026

Endnotes

1. This included Angola, Bangladesh, Botswana, Brazil, Cameroon, China, Colombia, Côte d'Ivoire, Egypt, Ethiopia, Ghana, India, Indonesia, Jamaica, Kenya, Laos, Malawi, Mexico, Mongolia, Nigeria, Pakistan, Peru, the Philippines, Senegal, Somalia, South Africa, Tanzania, Uganda, Vietnam, and Zambia. Generative AI was used in this review.

2. Brazil, China, Colombia, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Peru, South Africa, and Vietnam are engaged in South-South and/or triangular cooperation, according to OECD reporting. Most of these countries are upper-middle-income, while India and Vietnam are lower-middle-income. South Africa, China, India, Indonesia, Vietnam, Brazil, Colombia, Mexico, and Peru are simultaneously ODA recipients, reflecting their dual role as both recipients and providers of development cooperation.

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