CONCEPT NOTE

UN trade & development

UNCTAD

11 August 2026
2:30PM – 4:00PM (EAT)

Webinar on Financing Development: External Flows of Financial Capital to Developing Countries and Their Cost

Background

UNCTAD's report Financing Development: External Flows of Financial Capital to Developing Countries and Their Cost examines the scale, composition, volatility and cost of the external financial capital that flows to developing countries.

The report finds that in 2024, non-resident financial flows to developing countries totalled close to $1.5 trillion, split almost equally between equity and debt instruments. Yet external and domestic sources of financing combined remain around $4.3 trillion short of what developing countries need annually to meet their SDG targets. Developing countries received only 11% of the financing required for their capital formation from non-resident external sources in 2024, compared with 38% for developed countries. This share has fallen sharply over the past decade even as domestic financing and gross capital formation have grown.

External financial flows to developing countries are also highly volatile, driven mainly by swings in portfolio and other investment which are both dominated by debt instruments. The accumulated stock of external liabilities that results from these flows must be serviced through profit, royalty and interest payments; in 2024 the equivalent of 72% of new financial inflows from non-residents flowed back to them as returns on their investments in developing countries, which are, on average, consistently higher than those received on investments in developed countries. This “risk premium” is most pronounced in portfolio flows which are made up predominantly of debt securities.

Between 2014 and 2024 the cost of servicing external debt rose nearly three times faster than that of equity.These dynamics have a direct bearing on public finances. Between 2014 and 2024, government interest payments in developing countries increased by 102% while revenues rose just 39 per cent. As a result, 73% of developing countries saw their fiscal space shrink between 2018 and 2024. A counter-factual exercise in the report shows that if 94 developing countries could borrow at the same rates as developed countries, they would collectively save around $500 billion a year - enough, to finance the construction of some 375,000 additional schools or 66,000 kilometres of dual lane rural highway or over 920 gigawatts of installed solar capacity annually.

The report examines trends in the two main channels of external sovereign debt financing – bonds and loans – tracing how a series of global shocks between 2020 and 2024 tightened borrowing conditions, and how, despite some easing in 2025, developing countries continue to pay a significant borrowing premium, face shortened bond maturities and record loan interest rates. It distinguishes between the external (push) and domestic (pull) factors that drive these costs, and sets out a Theory of Change linking national-level measures and multilateral and cooperative actions that policymakers could pursue lower borrowing costs, expand access to external financing and reduced its volatility – ultimately in service of more sustainable development.

Objective

The objective of the event is to bring together policymakers, debt managers, international financial institutions and other stakeholders to discuss the report's key findings on external financial flows to developing countries - particularly those in Africa - and to explore national and multilateral policy options for lowering the cost of external debt, expanding access to affordable long-term finance, and closing the SDG financing gap.

Target participants

The event will bring together representatives of ministries of finance, central banks, capital market authorities, multilateral and regional development banks, credit rating agencies, private and institutional investors, academia and civil society, and other stakeholders with an interest in development finance and sovereign debt.

Modalities

The event will be held Online via Zoom at the following link:

Documentation

https://unctad.org/system/files/official-document/gds2026d2_en.pdf is the background document of the event

Working Languages

The working language of the event is English

Contacts

Ms. Judith AMESO
Economic Affairs Officer
Regional Office for Africa
Division for Africa, LDC &Special Programmes
Ameso@un.org

Keith Anthony Lockwood
Senior Economic Affairs Officer
Division on Globalization and Development Strategies
keith.lockwood@un.org