



Changing Economic World

Reducing the Development Gap

read

quiz



The Big Picture

*Economic development** Reducing the development gap

Economic World

Case study LIC/NEE

UK Economy



Investment

Countries, organisations (e.g. the World Bank) and transnational corporations (TNCs) invest in low-income countries (LICs) to increase profits. Investments lead to improvements in:

- infrastructure (e.g. road networks and airports)
- services (water, sanitation and electricity)
- dams and reservoirs (for hydro-electric power)
- industrial developments



Industrial Development

Industrial development brings employment opportunities in construction, manufacturing and service industries. Increased individual wealth leads to improvements in health, education and service provision through the payment of more taxes.



Intermediate Technology

Intermediate technology is often used to support local development projects. These are projects usually aimed at improving water supplies, health and agriculture. The development gap is reduced through improvements at the local level.



Fair Trade

Fairtrade involves paying farmers a fair price for their products and investing in local communities. Fair-trade also promotes fair wages for farmers and their workforce.



Microfinance Loans

Micro-finance loans offer financial support to community groups or individuals to start a small business. If businesses are successful, they will create jobs and increase people's income.



Key Terms



The Development Gap – the difference in levels of development between the richest and poorest countries in the world.



Investment – Money from companies or governments into industrial development.



Industrial development – Creating employment opportunities.



Intermediate technology – Simple, easy to use and maintain tech serving locals in LICs.



Fair trade – Producers in LICs are given a better price for the goods they produce.



Debt relief – LICs write off some LIC debt or lower interest rates.



Aid – Help given from one country to another; or one person to another, or NGO.



Microfinance loans – Small loans given to people in the LICs to start a small business.



Debt Relief

In the 1970s and 1980s, many countries borrowed a significant amount of money for large scale development projects. Some of these countries have fallen into considerable debt repaying loans or high rates of interest. Debt relief involves cancelling money owed, allowing more significant investment in development projects such as road building and health care.



Aid

In this case, aid is usually in the form of financial assistance offered by countries, organisations and TNCs. Long term aid supports development projects such as improving sanitation, water supply and education. Short term aid is often given in response to natural disasters.



Tourism

Tourism brings in valuable foreign currency and brings a range of improvements including to the infrastructure, healthcare and education. Tourism brings employment opportunities in the service sector and raises incomes.