



Edexcel A - A Level Economics

Theme 4 – A global perspective

4.3 Emerging and developing economies

Revision Notes

Contents

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4.3.1 Measures of development

Economic Growth vs Economic Development

- **Economic growth** means an increase in how much a country produces often measured by **real GDP** (Gross Domestic Product adjusted for inflation).
- **Economic development** means a country is getting better at meeting people's needs like longer life spans, access to clean water, better education, and higher incomes. It's not just about more money, but about **better lives**.

How Do We Measure It?

There are two main types of indicators:

Single Indicators – One Piece of the Puzzle

These focus on just **one aspect** of development, giving a limited snapshot.

For example:

- **Literacy rate** – What % of adults can read and write
- **Access to electricity** – How many people have reliable access to power
- **Average calorie intake per person** – Helps show whether people are getting enough food

Composite Indicators – A Bigger Picture

These combine **several indicators** into one score to give a more complete and balanced view of how developed a country is.

The most well-known is the **Human Development Index (HDI)**, which includes health, education, and income.



4.3.1 Measures of development

Human Development Index (HDI)


The Human Development Index (HDI)

The HDI was created by the **United Nations (UN)** to give a more balanced picture of how developed a country is, not just by how rich it is, but by how healthy, educated, and fairly wealthy its people are.

It's based on 3 key areas:

1. Health

Measured by **life expectancy at birth** (how long people are expected to live).

 **Example:** In 2021, life expectancy in **Japan** was around **84.8 years**, one of the highest in the world. In **Sierra Leone**, it was around **60.6 years**.

2. Education

Measured using two things:


- The **average (mean)** years of schooling adults (age 25+) have completed
- The **expected years** a child entering school today is likely to complete

Example: A child in Germany might be expected to finish 14 years of schooling on average.

3. Income

Measured by **GNI (Gross National Income) per person**, adjusted for **purchasing power parity (PPP)**.

This tells us how much money people make on average, and what that money can actually buy in their country.

 **Example:** In **Qatar**, GNI per capita is high — over **\$55,000**. In **Nepal**, it's much lower — closer to **\$4,000**.

4.3.1 Measures of development

Human Development Index (HDI)

How Is HDI Scored?

Each of the three categories (health, education, and income) gets **equal importance**.

Countries receive a score between **0 and 1**:

- **Closer to 1** = higher development
- **Closer to 0** = lower development

HDI Score	Development Level	Example Country
Below 0.550	Low	Chad – 0.394
0.550–0.699	Medium	India – 0.633
0.700–0.799	High	Brazil – 0.754
0.800 and above	Very High	Switzerland – 0.962



4.3.1 Measures of development


Pros and cons of using HDI

The **Human Development Index (HDI)** is a tool used to compare how developed different countries are. It uses three big indicators: health, education, and income.


Let's break down the pros and cons of using HDI to compare development:

Advantages of HDI

- **It's a composite indicator** – That means it combines several factors (not just income!), which gives a fuller picture than using one stat on its own.

 Example: Instead of just knowing how rich a country is, HDI tells us how healthy and educated its people are too.

- **It's used worldwide**, which means it's great for making **fair comparisons** between countries.

 Example: You can compare Canada, Kenya, and Cambodia using the same scale.

- **It helps governments set goals.** If a country scores low on education, for example, it shows the government where to focus its efforts.
- **It helps people understand their quality of life**, not just how much money is floating around in the economy.
- **It's fairly simple to calculate.** Governments already collect most of the data needed, like life expectancy or school enrolment.

4.3.1 Measures of development

Pros and cons of using HDI

✗ Limitations of HDI

- **It doesn't show inequality.** HDI uses average income (GNI per capita), so if a country has a few billionaires and lots of people in poverty, it won't show that gap.
- ✎ Example: Two countries might have the same HDI, but one could have much worse income inequality.
- **It ignores poverty levels.** HDI doesn't tell us how many people are living in absolute poverty (struggling to afford basic needs) or in relative poverty (worse off than most others in their country).
- **Health scores don't show quality of life.** Just living longer doesn't always mean living better. Someone could live to 80 but in poor conditions or with bad healthcare access.
- **The data can be out of date.** Because it takes time to collect and report HDI data, it may not reflect **recent changes** like a new education policy or a health crisis.
- ✎ Example: A country's 2023 HDI score might still be based on 2020 data.
- **Education stats don't measure learning.** Years in school say nothing about how good that education was. Someone might go to school for 10 years and still not be fully literate if the schooling was poor.

4.3.1 Measures of development

Other indicators of development

◆ Other Composite Indicators

Composite indicators combine several indicators into one score, offering a more balanced view.

💡 IHDI – Inequality-Adjusted Human Development Index

The **IHDI** is like the regular HDI, but with a twist, it also looks at **inequality**. It adjusts a country's score based on how **fairly** health, education, and income are shared across the population.

- It uses something called the **Atkinson Index**, which reduces the HDI score if inequality is high.
- If **everyone is equal**, HDI and IHDI will be the same.
- But if there's a **big gap** between the rich and poor, IHDI will be **lower**.

✎ Example:

- **Chile** has an HDI of **0.855**, but its IHDI drops to **0.731** once inequality is factored in, showing a **14.5% loss**.

🌐 The Multidimensional Poverty Index (MPI)

The **MPI** measures the % of people who are **multidimensionally poor**, not just poor in income, but in **multiple aspects of life**.

It looks at **3 key dimensions** and **10 indicators**:

1. **Health** – child deaths, malnutrition
2. **Education** – years of school and whether kids are enrolled
3. **Living standards** – electricity, clean water, toilets, cooking fuel, flooring, and basic assets (like a fridge or bicycle)

✎ Example: In **Burkina Faso**, over **55%** of people are classed as multidimensionally poor meaning they lack essentials in at least 3 or more areas.

✓ Great for spotting regions within countries where poverty is worst — even if the country's overall income looks okay.

⊘ But it can't be calculated for every country because **some data is missing**, and it **doesn't cover environmental issues**.

4.3.1 Measures of development

Other indicators of development

The Genuine Progress Indicator (GPI)

The **GPI** is all about **sustainable development** — making sure today's progress doesn't harm tomorrow's future.

It's based on **26 indicators** across three big areas:

1. Economic –


Looks at how much people spend, unemployment rates, and income inequality.


2. Environmental –

Tracks things like pollution, CO₂ emissions, destruction of forests, and the use of non-renewable resources.

3. Social –

Measures things like crime, time spent parenting, housework, and even the value of volunteering.

 Example: A country may have high GDP growth but also high CO₂ emissions, deforestation, and rising crime. GPI would reflect that negatively.

 Some critics say it's **anti-growth** because it often shows rich countries slowing down due to their environmental impact. Others say that proves growth isn't always sustainable.

4.3.1 Measures of development

Other indicators of development

Other Easy-to-Measure Indicators

Sometimes the simplest data can tell us a lot. These are called **single indicators**, and they're easy to calculate and compare:

Energy use per person

Shows industrial development and access to modern services

- Higher energy use often means better infrastructure, more industry, and higher living standards.
- Low energy use can mean **limited access to electricity** or little industrial activity.

- ✓ Iceland = high development, modern energy infrastructure
- ✗ Niger = low access, underdevelopment

Mobile phones per 1,000 people

Measures connectivity and modernisation

- More mobile phones = greater access to information, financial services (like mobile banking), and communication.
- Especially important in areas where landlines or internet are limited.

- ✓ India = widespread mobile usage, increasing digital growth
- ✗ Lower rates = technological lag

Girls finishing primary school

Tells us about gender equality and education access

- Education for girls links directly to **economic growth, lower birth rates, and improved family health.**
- Low rates often signal **cultural or economic barriers.**

- ✓ Bangladesh = major improvement, rising development
- ✗ Low rates elsewhere = inequality, lost potential

4.3.2 Factors influencing growth and development


Impact of economic factors in different countries

Economic growth often helps countries develop, but it's not always smooth sailing. Here are some of the key factors that can either drive or hold back a country's progress.

1 Primary Product Dependency

Primary products are raw materials like oil, copper, and coffee.

- **In Angola, oil makes up over 90% of total exports.** This heavy reliance on a single product makes the economy very vulnerable. If global oil prices drop or production is disrupted, Angola's income drops sharply; this is a classic case of **over-specialisation**, where a country depends too much on one industry instead of having a variety of exports.
- These goods have **low-income elasticity of demand (YED)** so as people get richer, they don't suddenly want more copper or wheat.
- Primary products also have **low added value** as the real profits are made when raw materials are turned into **manufactured goods** like electronics or cars.
- **Risky Business:** Natural disasters can wipe out crops. If your economy depends on one crop or mineral, that's a big problem.
- **Non-renewable:** Things like oil can run out.
- **Not All Bad:** Countries like Chile (with copper) and Saudi Arabia (with oil) have used their resources to invest in other sectors.

 Bottom line: Countries relying on raw materials might grow but not develop sustainably.

4.3.2 Factors influencing growth and development

Impact of economic factors in different countries

2 Volatile Commodity Prices

Commodities like oil, cocoa, and metals have prices that go up and down a lot (this is **volatility**).


- Raw materials have **inelastic demand and supply**. Small changes in supply = big price swings.
- If prices crash, countries lose income fast → poverty and uncertainty.
- When prices boom, there can be **over-investment** → leading to waste when prices fall.
- **Example:** Ghana depends on gold, cocoa and oil for 75% of exports. That's very risky.
- Diversifying exports (e.g., tech, tourism, textiles) helps reduce this risk.

3 The Savings Gap – Harrod-Domar Model

- **Savings gap** = when people don't save enough, there's not enough money for investment.
- Developing countries have low incomes, so they save less.
- Banks have less to lend, so businesses can't grow.

The **Harrod-Domar model** says that growth depends on saving money. More savings = more investment in factories, machines, etc.

- Example: If a country saves more, it can build more infrastructure, which boosts **capital stock** and growth.
- But it's been criticised:
 - It ignores things like **labour productivity** and **technology**.
 - It's based on data from **rich, industrial countries**, not low-income ones.
 - It assumes all growth comes from **physical investment** and not education or healthcare.

 So, while saving is great, it's only part of the story.

4.3.2 Factors influencing growth and development

Impact of economic factors in different countries

4 Foreign Currency Gaps

When a country needs foreign money (like dollars) to buy imports but doesn't earn enough from exports, it has a **foreign currency gap**.

- Countries need dollars or euros to import machines, medicine, etc.
- If they don't export enough, they don't earn enough foreign money.
- Debt payments and oil price changes can make this worse.
- **Example:** Ethiopia in 2018 had foreign debt = 60% of GDP. They almost couldn't pay for imports. Oil-importing countries like **Pakistan** struggle when oil prices rise — they spend more, reserves shrink.
- **Capital flight** (money leaving the country fast) adds to the problem.

📁 This forces governments (central banks) to use precious reserves just to buy vital imports.

5 Capital Flight

Capital flight happens when investors pull their money out of a country suddenly, often due to:

- Political chaos, corruption
- Wars or sanctions
- Fear of losing profits

Example: In 2022, sanctions on **Russia** led to **\$75 billion** in capital outflows.

📁 Less money in the country = less to invest = slower growth.



4.3.2 Factors influencing growth and development

Impact of economic factors in different countries

6 Demographic Factors

This refers to the **dependency ratio** meaning the number of dependents (children + elderly) compared to the working-age population.

- A high dependency ratio means more people need support and fewer people earn money or pay tax.
- Many African countries have **young populations** and need to invest heavily in healthcare and education.
- 🧐 Too many dependents = not enough investment in development.

7 Debt

- In the 70s-80s, many countries borrowed from rich countries.
- Now they struggle with **high interest repayments**.
- Less money left for healthcare, schools or infrastructure.

Example: Nigeria's debt is 52% of GDP.


4.3.2 Factors influencing growth and development

Impact of economic factors in different countries

Access to Credit & Banking

If people and businesses **can't borrow money**, they can't invest in new ideas or grow.


- Strong financial institutions (like banks or microfinance) help people start businesses or improve their homes.
- Without banks or credit, it's hard for development to take off.
- Many countries have weak banking systems or people rely on **loan sharks**.

 Access to finance = access to opportunity.

Infrastructure

Infrastructure = roads, bridges, internet, electricity, clean water, all the stuff a country needs to function well.

- Good infrastructure **reduces business costs** and **attracts investment**.
- Poor infrastructure makes it harder to transport goods, connect people, or grow a business.
- Example: Half of India's roads are unpaved. Blackouts in 2012 hurt tourism.

 Good roads = good business.


4.3.2 Factors influencing growth and development

Impact of economic factors in different countries

Education & Skills

The more educated the population, the more productive the country.

- Education improves **human capital** — people's skills and knowledge.
- Investing in training boosts innovation, output, and wages.
- **Example:** South Korea invested in education and now has one of the most skilled workforces.

 Smart people = strong economy.

Absence of Property Rights

Property rights allow people to legally own land or buildings.

- In some countries, land can't be used as **collateral** to get loans so people can't invest in businesses or farms.
- This limits income, security, and development.

Example: Giving land titles in **India's slums** helped residents access loans and start small businesses.

 No land rights = no leverage.



4.3.2 Factors influencing growth and development

Impact of non-economic factors in different countries

Corruption

Corruption is when people in power make decisions based on personal gain (like accepting bribes) instead of what's best for the country. This can slow development because:

- Bad policies are made for selfish reasons.
- New businesses are discouraged due to complicated, slow processes (called **bureaucracy**).
- Money meant for schools or roads can “disappear.”

Example: Nigeria has struggled with corruption, affecting public services and foreign investment.

Good News Example: Botswana is known for its strong legal system and low corruption, helping it grow steadily.

War & Conflict

War destroys roads, homes, schools and hospitals. It also scares away investors and stops people from working.

After wars, countries often struggle with fewer workers and broken systems.

Climate and Geography

Bad weather and tricky landscapes make farming or business hard. Think floods, droughts, or steep mountains.

Natural disasters can wipe out crops, homes, and infrastructure.



4.3.2 Factors influencing growth and development

Impact of non-economic factors in different countries

Political Instability

When governments change frequently or face protests and unrest.

It creates uncertainty, which is bad for business. Investors don't want to risk their money if a new leader might change the rules overnight.

4.3.3 Strategies influencing growth and development


Market-orientated strategies

Market-oriented strategies are policies that let private individuals and businesses take the lead in growing the economy. The idea is to create the right conditions where people can trade, invest, produce, and compete, all with the goal of making profits and boosting growth.

Here are some key strategies:

1. Trade Liberalisation


This means opening up your country to international trade by removing things like tariffs (taxes on imports) or quotas (limits on how much you can import). It encourages countries to specialise in what they're good at (comparative advantage), and trade for the rest.

 *Example:* When Vietnam opened up to international trade, it became one of the world's top coffee exporters, lifting millions out of poverty.

2. Foreign Direct Investment (FDI)

FDI happens when a business from one country invests in a business in another. This could mean building a factory, buying a company, or forming a partnership.

FDI can create jobs, bring in new technology and skills and boost wages and incomes

 *Example:* Toyota's investment in car manufacturing in South Africa has helped boost jobs and industrial capacity.

BUT – there can be downsides:

- Profits are often sent back to the foreign company's home country (repatriation).
- Local businesses may struggle to compete.
- Jobs offered are often low-paid.

4.3.3 Strategies influencing growth and development


Market-orientated strategies

3. Removing Government Subsidies

Subsidies are government payments that make things like food or fuel cheaper. While they sound helpful, they can cause problems:

- They're expensive for governments.
- They often help everyone, not just those who need it.
- They can create inefficiencies if companies rely on them for too long.

Removing them encourages businesses to compete fairly and become more efficient. It can lead to better productivity and reduce government spending.

 *Example:* In 2015, India reduced its fuel subsidies to lower its budget deficit and encourage cleaner energy use.

4. Floating Exchange Rate Systems

This is when a country lets its currency value be decided by the market (supply and demand), rather than setting a fixed rate. This means:

- No need for government to use gold or foreign reserves to manage the exchange rate.
- It adjusts automatically to economic changes.

A strong currency can make imports cheaper, lowering production costs and raising income.

But it's not perfect:

- Exchange rates can be volatile (unstable).
- This can make it hard for exporters/importers to plan.





4.3.3 Strategies influencing growth and development

Market-orientated strategies

5. Microfinance

Microfinance gives small loans to people (especially women) who can't get traditional bank loans. It helps them start small businesses, invest in farming or trade and break the cycle of poverty

 *Example:* In Kenya, mobile banking like M-Pesa has helped farmers access small loans and improve their livelihoods.


 However, in places like **South Africa**, some people borrow to spend on daily needs rather than invest. This can lead to more debt and little real development.

6. Privatisation

Privatisation is when the government sells off state-owned businesses to private companies. The idea is that private companies are more efficient and profit-driven.

Privatisation can:

- Improve services
- Increase competition
- Raise money for governments

 *Example:* In the UK, the privatisation of British Airways made the airline more profitable and improved customer service.



4.3.3 Strategies influencing growth and development

Market-orientated strategies

 Watch out:

- If a private company becomes a monopoly, competition disappears.
- There's a risk of corruption, for example, selling public companies to friends or for cheap prices.
- Jobs and services may suffer if the company only focuses on profits.

4.3.3 Strategies influencing growth and development

Interventionist strategies

Sometimes, the free market doesn't work perfectly, and governments have to step in. These strategies are called **interventionist strategies** where the goal is to boost economic growth, reduce inequality, and help citizens live better lives.

1. Development of Human Capital

Human capital refers to the skills, knowledge, and health people have, which help them to be more productive.

Governments can invest in human capital through:

- Better schools, colleges, and universities.
- Job training programmes.
- Vocational skills, like apprenticeships for plumbers or digital bootcamps for coders.

More skilled workers = more innovation, better quality products, and faster economic growth.

For example, **Vietnam** has invested a lot in education and technical training to become a tech and manufacturing hub.

It also helps countries move away from relying on just raw materials (like crops or minerals) and grow industries like manufacturing or services instead.

4.3.3 Strategies influencing growth and development

Interventionist strategies

2. Protectionism

This is when a country puts up barriers (like tariffs or quotas) to protect its local businesses from foreign competition.

- It helps **young industries** (called “infant industries”) survive and grow.
- Can create jobs locally in the short term.
- Protects wage levels and jobs. If not, cheap imports might force local businesses to close or slash wages.

But, if protection lasts too long, companies might become **lazy** (less efficient), prices go up, and other countries might retaliate by putting tariffs on your exports.

Example: In 2025, the U.S. put tariffs on steel imports to protect its local steel producers.

3. Managed Exchange Rates

Instead of letting the value of a country's currency float freely, governments sometimes **control the exchange rate**. They might fix the currency or buy/sell it to influence its value.

Why do this?

- A cheaper currency = cheaper exports, which boosts sales abroad.
- If a currency gets too strong, exports become more expensive, which can hurt businesses.
- A more stable currency = businesses find it easier to plan and trade.

But managing exchange rates can be tricky and lead to **black markets** or even **corruption** if not done transparently.

4.3.3 Strategies influencing growth and development

Interventionist strategies

4. Infrastructure Development

Infrastructure = all the basic physical systems needed for a country to work properly (e.g., roads, electricity, internet, schools, hospitals).

Good infrastructure:

- Attracts foreign investors.
- Makes it easier for people and goods to move around.
- Increases productivity.

Example: Ethiopia's investments in railways and power plants are helping it grow faster.

But infrastructure projects can be expensive and vulnerable to corruption. Some experts suggest using **intermediate technology** (like local materials and tools) instead of big flashy projects.

5. Joint Ventures with Global Companies

In some countries, foreign companies aren't allowed to fully own local businesses. So, they team up with local firms (called **joint ventures**) to get around this.

Joint ventures share profits and risks and can bring in new skills, tech, and jobs.

This way foreign companies can still invest (even if full ownership is banned), local workers get jobs and training and more of the profits stay in the country.

Example: Starbucks teamed up with India's Tata Group to open stores in India, a win-win.

4.3.3 Strategies influencing growth and development

Interventionist strategies

6. Buffer Stocks

A buffer stock scheme is when the government tries to keep the prices of essential goods stable by stepping in to buy or sell those goods at the right time. It's like having an emergency supply cupboard for the economy.

How It Works:

- The government sets a **minimum price** and a **maximum price** for a product (usually a **commodity** like rice, coffee, or cocoa).
- If there's too much supply (and prices fall), the government **buys the extra stock** to stop prices crashing.
- If there's a shortage (and prices rise too high), the government **sells from its stockpile** to bring prices down.
- This helps keep prices within a "safe zone", not too high, not too low.

The idea is that the scheme should be **self-financing** meaning the money the government makes from selling stock when prices are high is used to buy more stock when prices fall.

Why Use It?

- It **stabilises prices**, which is super helpful for farmers and producers who rely on predictable income.
- It prevents sharp drops in price, which could push small producers into **poverty**.
- It protects consumers from soaring prices, which helps make food and essential items **more affordable**.

4.3.3 Strategies influencing growth and development

Interventionist strategies

6. Buffer Stocks

- It also encourages investment because producers can plan for the long term.
- It's a useful tool for countries that rely heavily on selling raw materials (this is called **primary product dependency**).

The Challenges:

- Prices must go up and down to work. If they only fall or only rise, the system breaks.
- It can be **expensive to run**. You need money to buy stock, storage space to keep it, and systems to manage it all.
- If lots of countries benefit from price stability but don't take part in the scheme, they're called **free riders** and this can make some governments less willing to join.
- If the government sets the **minimum price too high**, farmers might overproduce, knowing the government will buy everything. This leads to **waste and inefficiency**.



4.3.3 Strategies influencing growth and development

Interventionist strategies



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4.3.3 Strategies influencing growth and development

Other strategies

1. Industrialisation: The Lewis Model

The **Lewis Model** is an old but bold idea from economist W. Arthur Lewis. He said that most developing countries have what's called a **dual economy** which means two very different types of industries:

1.  A **traditional agricultural sector** (think farms and villages) where people earn low wages, productivity is poor (not much gets produced), and savings are low.
2.  A **modern industrial sector** (think factories and cities) where productivity and wages are higher, and there's more investment and urban development.

Lewis believed that **moving workers from farms to factories** would help boost **productivity** (how much people produce) and **income** (how much they earn). Why? Because factories and businesses tend to produce more value than small-scale farming.

So, the goal? Shift the economy from farming to industry, a process known as **structural transformation**.

But There Are Some Big Problems...





- **Farming still needs people.** During harvest season, a lot of labour is still essential.
- Just because someone earns more doesn't mean they'll **save** or **invest**, they might just spend more.
- In many countries, cities already have **high unemployment** so moving more people in doesn't guarantee jobs.
- **Technology** is replacing humans. Machines do the work, meaning fewer jobs for people even in the city.

4.3.3 Strategies influencing growth and development




Other strategies

2. Developing Tourism

Some countries have turned their sunny beaches, unique wildlife, or cultural landmarks into an economic goldmine by building up the **tourism industry**. Think of places like **Thailand, Kenya, or Costa Rica**, they use tourism as a way to grow their economies and improve living standards.

-  **Tourism brings in money.** This money can be used to improve roads, schools, hospitals, basically, help the country develop.
-  **Tourism creates jobs:** Many of these jobs – like tour guides, hotel staff or local drivers – don't need formal education and can be done by locals. This helps reduce unemployment in rural or low-income areas.
-  **Foreign investment often follows:** International hotel chains like Hilton or Marriott may build resorts, which can bring in technology and boost infrastructure like roads, electricity and clean water – all of which help locals too.
-  **Tax boost:** With more people earning and spending, governments collect more taxes. This can be spent on schools, hospitals, and other public services.

But... ☁

-  **Tourism is income elastic:** this means that when global incomes rise, people spend more on luxuries like holidays. So, in good economic times, tourism booms. But in a global recession, not so much.
-  **Seasonal jobs:** If tourists only come during winter or summer, people may only work part of the year. This means limited income and less job stability.
-  **Capital flight:** Big foreign companies might take most of the profits back home. So, although the resort is busy, not much of the money stays in the local economy.

4.3.3 Strategies influencing growth and development

Other strategies

3. Development of Primary Industries

Some countries have managed to grow their economies mainly by focusing on just a few key industries, these are called **primary industries**. These include farming, fishing, forestry, and mining, basically, industries that rely on using natural resources.

For example:

- **Chile** has done well by exporting copper
- **Ghana** earns a lot from cocoa production
- **Saudi Arabia** became wealthy thanks to oil
- **Kenya** exports lots of tea and fresh flowers

These industries often form the **backbone** of a country's economy, especially in the early stages of development. They can be super profitable because these countries usually have a **comparative advantage** meaning they can produce these goods more efficiently and cheaply than other countries. 🌍

Think of it like this: if your country has tons of sunshine and land, it makes sense to grow fruit and export it, instead of trying to build microchips or cars straight away.

The upside:

- These industries can create lots of jobs, especially in rural areas
- They bring in **foreign currency** through exports
- They give governments the money needed to invest in things like education and infrastructure

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4.3.3 Strategies influencing growth and development

Other strategies

But be careful:

- If a country relies too much on one product (like oil or coffee), it's risky as a price crash can cause big problems.
- This is called **over-specialisation**

So, developing primary industries can be a great first step, but for long-term success, countries often need to diversify and grow their manufacturing and service sectors too.



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4.3.3 Strategies influencing growth and development

Other strategies

4. Fairtrade Schemes

Fairtrade is all about **fair partnerships** between buyers and producers, especially those in developing countries. It's based on fairness, honesty, and equality. Fairtrade means paying farmers a **fair price** for their goods, helping communities grow stronger, protecting the environment, and ensuring workers are treated well.

So how does Fairtrade actually work?

- When a product is sold as "Fairtrade," it means a deal has been made where the **buyer agrees to pay a set price** for the farmer's crop even if global prices drop. This gives farmers **income stability**, so they know they'll earn enough to plan for the future.
- **No child labour** is allowed, and farming practices must be **environmentally friendly**.

Examples

- In **Kenya**, Fairtrade flower farms pay their workers above-average wages and provide maternity leave and health care.
- In **India**, tea plantation workers under Fairtrade schemes were able to use premium money to improve housing and water supply.
- In **Colombia**, banana growers have received training on how to reduce pesticide use and protect river habitats, all while selling bananas at guaranteed prices.



4.3.3 Strategies influencing growth and development

Other strategies

Pros:

- Farmers feel more **secure** because they know how much they'll earn.
- **No middlemen** take unfair profits as buyers often work directly with farmer cooperatives.
- Some families use the extra income to **send their children to school** or buy better farming equipment.

Cons:

- Only a small number of farmers can get certified as Fairtrade so it doesn't help everyone.
- Farmers who aren't in Fairtrade may see **lower demand** for their crops.
- Some say it **discourages innovation**, because if prices are too safe, producers might not look for better ways to grow or sell.

4.3.3 Strategies influencing growth and development

Other strategies

5. Aid

Aid is when one country (or organisation) gives support, usually money, resources, or expertise, to another country in need. It's meant to help people during hard times or to support long-term development.

Types of Aid:

- **Humanitarian Aid** – This is emergency help. Think food, clean water, shelter, and medical supplies after disasters like earthquakes or floods.
 *Example: After the 2023 earthquakes in Turkey and Syria, humanitarian aid flooded in from around the world to help survivors.*
- **Tied Aid** – Aid with strings attached. The country receiving the aid must do something in return, like buy goods from the donor country or agree to political reforms.
 *Example: The UK giving aid to a country on the condition that it buys British medical equipment.*
- **Bilateral Aid** – Aid given directly from one government to another.
 *Example: France giving money directly to Senegal for road construction.*
- **Multilateral Aid** – Countries pool their money through international organisations like the UN, World Bank or IMF, which then distribute it to those in need.
 *Example: The World Bank funding school projects in Nepal.*
- **Concessional Loans** – Loans offered at super-low interest rates or with generous repayment terms.
 *Example: China giving Ethiopia a loan to build a railway, but at low interest over 30 years.*

4.3.3 Strategies influencing growth and development

Other strategies

Why Aid Can Be Amazing:

- It helps countries **rebuild** after disasters.
- It can **save lives** during crises like famines (extreme food crisis) or wars.
- It can **kickstart development** like building roads, training nurses, and more.

But... It's Not Always Perfect:

- If not carefully managed, it can lead to **corruption** where money goes into the wrong hands.
- Some say aid **creates dependency**, where countries rely on handouts instead of building their own systems.
- It may also **discourage self-reliance**, because people or governments might stop trying to fix problems on their own.
- Countries may be **forced to buy expensive goods or services** from donor countries, even if there are cheaper local options.
- **Each country is different.** A strategy that worked in Rwanda might not work in Haiti. Governments and donors don't always know what's best.



4.3.3 Strategies influencing growth and development

Other strategies

💰 6. Debt Relief

Debt relief means cancelling or reducing the money a country owes often because it just can't afford to pay it back without harming its economy and people.

Why is this important?

- Many developing countries owe huge sums of money and pay **high interest** on those loans. That means a big chunk of their budgets goes to debt repayments instead of vital things like schools, hospitals, and clean water.
 - 📌 *For example, in the early 2000s, debt repayments took up around 30% of government spending in countries like Mozambique.*
- Cancelling some of this debt means **governments can finally invest** in public services and infrastructure that improve people's lives.

Benefits:

- **More money for development** – Without the weight of debt, countries can spend more on building roads, paying teachers, and providing clean water.
- **Improves stability** – Less financial stress can make governments stronger and more effective.



4.3.3 Strategies influencing growth and development

Other strategies

But there's a catch: Moral Hazard

Moral hazard happens when someone behaves recklessly because they know they'll be bailed out. In this case, if countries believe their debt will just be written off, they might:

- Keep borrowing irresponsibly
- Avoid making tough reforms (like fixing corruption or improving tax collection)
- Depend on aid and not take responsibility for their finances

4.3.3 Strategies influencing growth and development

International institutions and non-government organisations (NGOs)

The World Bank

The **World Bank** was set up after World War II (at the 1944 Bretton Woods Conference) to help rebuild countries devastated by war. Today, its mission is to reduce poverty and support **long-term development** by helping countries grow stronger over time, not just get quick fixes.

What does the World Bank actually do?

-  **Infrastructure:** One of its biggest roles is helping countries build vital things like roads, bridges, schools, hospitals and energy systems. For example, it supported electricity access expansion in Ethiopia.
-  **Policy advice:** It gives advice to governments on how to improve their economies. This includes encouraging **economic reform** (changing how the economy works to be more efficient or fairer) and **trade liberalisation** (removing trade barriers like tariffs to allow easier trade with other countries).
-  **Reconstruction loans:** When countries are hit by war or major disasters, the World Bank steps in to help them rebuild. For example, it helped Ukraine fund emergency repairs to infrastructure damaged by conflict.
-  **Development loans:** It lends money to **developing countries** to help improve their economies and living standards. This could be anything from funding education projects in Malawi to water sanitation in Bangladesh.

4.3.3 Strategies influencing growth and development

International institutions and non-government organisations (NGOs)

International Monetary Fund (IMF)

The **IMF** (International Monetary Fund) was created in 1944 at the Bretton Woods Conference, just like the World Bank. But here's the twist: while the World Bank focuses on long-term development, the IMF is more like a global financial firefighter. Its main job is to make sure **exchange rate systems** (how currencies are exchanged between countries) run smoothly and that global financial stability is protected.

✂ What does the IMF actually do?

-  **Keeps the world's finances stable**
The IMF's top goal is to make sure countries can trade and invest with each other smoothly. They help prevent financial chaos across borders.
-  **Watches over exchange rates and payments between countries**
When countries buy and sell with each other, they need to exchange currencies. The IMF helps manage these systems, so countries don't fall into crisis.
-  **Helps countries in financial trouble**
If a country runs out of foreign currency and can't afford to pay for imports (like fuel or food), the IMF can lend money. This helps solve a **balance of payments** problem (when a country spends more abroad than it earns).
-  **Monitors what's going on in the world economy**
This is called **surveillance**. The IMF keeps an eye on what governments are doing with their money and gives advice if things look risky, like too much debt or out-of-control inflation.

4.3.3 Strategies influencing growth and development

International institutions and non-government organisations (NGOs)

NGOs (Non-Governmental Organisations)

NGOs are organisations that are **independent of governments** and are usually **not-for-profit**. They're often set up by volunteers or charitable groups to help solve problems or improve people's lives, without trying to make money.

What Do They Do?

- **Direct Help on the Ground:** NGOs can jump in to provide real, practical support like building schools, digging wells, or running health clinics. For example, **WaterAid** works to bring clean water to rural villages in Malawi, and **BRAC** (a large NGO from Bangladesh) supports education and microfinance around the world.
- **Act as Pressure Groups:** Some NGOs try to influence governments by raising awareness and lobbying for better development policies. Think of groups like **Greenpeace** pushing for climate action or **Save the Children** advocating for child rights.

What Are the Challenges?

- **They Can't Do It All:** One big criticism is that NGOs **can't fix everything alone**. Big, structural problems (like reforming an education system or building nationwide healthcare) usually need **government-level action**.
- **Political Tensions:** Some NGOs are seen as having **anti-capitalist views**, meaning they may challenge the role of big global players like the **World Bank**, **IMF**, or **WTO**. This can cause tension because some people believe that free markets and capitalism are the best path to development while others think they cause inequality.



4.3.3 Strategies influencing growth and development

International institutions and non-government organisations (NGOs)

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