Sustainable Development

RIDLEY COLLEGE

SINCE 1889

Learning Objectives

Specific Expectations	
AO2	Explain the meaning of sustainable development
AO2	Explain the sustainable development goals
AO2	Explain the relationship between sustainability and poverty
AO2	Explain the multidimensional nature of economic development
AO2	Explain the use of single indicators including: - GDP/GNI per capita at US$PPP - Health and education indicators - Economic/social inequality indicators - Energy indicators - Environmental indicators
AO3	Discuss strengths and limitations of the various approaches to measurement of economic development
AO3	Discuss the relationship between economic growth and economic development

Learning Objectives

Specific Expectations	
AO2	Explain the use of composite indicators including: - Human Development Index (HDI) - Inequality-adjusted Human Development Index (IHDI) - Gender Inequality Index (GII) - Happy Planet Index

Sustainable Development

- **Sustainable development** development involving the use of resource in the present to meet present needs and wants in ways that do not deplete or degrade them, so that future generations will have enough resources to meet their own needs.
  - Refers to growth and development that does not deplete or degrade resources.
- **Sustainable Development Goals (SDGs)** are a set of seventeen goals that were developed by the United Nations.
  - Utilized by international organizations and national governments in their fight against poverty and efforts to achieve sustainable economic development.
  - The targets have one to three indicators used to monitor and measure a countries' progress toward achieving the goals and targets.

Sustainable Development Goals (SDGs)

1. End poverty in all its forms everywhere
2. End hunger, achieve security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5. Achieve gender equality and empower all women and girls.
6. Ensure availability and sustainable management of water and sanitation for all.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Sustainable Development Goals (SDGs)

9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
10. Reduce inequality within and among countries.
11. Make cities and human settlements inclusive, safe, resilient and sustainable.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reserve land degradation and halt biodiversity loss.

Sustainable Development Goals (SDGs)

16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Economic Development

- **Economic development** refers to the process where increase in real per capita output and incomes are accompanied by:

    1. Improvements in standards of living of the population
    2. Reduction in poverty
    3. Increased access to goods and services that satisfy basic needs
    4. Improved gender equality
    5. Increased employment opportunities and reduction in unemployment
    6. Reduction of serious inequalities in incomes and wealth

    - Increasing levels of output and incomes resulting from economic growth mean that societies can better satisfy the needs and want of their population and secure improvements in their standards of living.
    - However, economic growth does not by itself guarantee that this will occur.

Human Development

- There are three core values of economic development:

1. **Life sustenance**
    - Refers to access to basic services (merit goods) such as education and health care services, as well as satisfaction of basic needs like food, clothing, and shelter.
2. **Self-esteem**
    - Involves the feeling of self-respect; development provides individuals with dignity honour and independence.
    - Self-esteem is related to the absence of exploitation and dominance associated with poverty and dependence.
3. **Freedom**
    - Involves freedom from want, ignorance and squalor.
    - It is freedom to make choices that are not available to people who are subjected to conditions of poverty.

Measuring Economic Development

- **Indicator** a measurable variable that indicates the state or level of something.
  - Economic development, being complex and multidimensional, is not accurately reflected in any single measure.
  - Indicators are extremely useful for:

1. Monitoring how a country changes (develops) over time with respect to the attribute measured by the indicator
2. Making comparisons between countries with respect to the attribute
3. Assessing how well a country is performing with respect to particular goals or targets of development.
4. Devising appropriate policy measures to deal with specific problems.

Measuring Economic Development – Single Indicators

1. **GDP per capita & GNP per capita**
   - GNP per capita is a better indicator of the standards of living of a country, because it represents income per person received by residents.
   - GDP per capita is a better indicator of the level of output per person produced in a country.
2. **GDP per capita & GNP per capita in terms of PPPs**
   - Comparisons of GDP per capita (or GNI per capita) across countries require measures of per capita output or income based on conversions of national currencies into US$ by use of purchasing power parities (PPPs), to eliminate the influence of price differences on the value of output or income.
3. **Health indicators**
   - **Life expectancy at birth** is the average number of years of life in a population.
   - **Infant mortality** refers to the number of infant death from the time of birth until age of one, per 1000 live births.

Measuring Economic Development – Single Indicators

- **Maternal mortality** refers to the number of women who die per year as a result of pregnancy-related causes, per 100,000 live births.

- The discussion of health indicators illustrates that:
  - GNI per capita (or any other income or output measure) is an insufficient indicator of health outcomes.
  - Most developing countries can improve health outcomes by reallocating resources towards the provision of more social services and merit goods, improving institutions through which these services are delivered, as well as reducing poverty.

4. **Education indicators**
   - Education indicators measure levels of educational attainment.
   - **Adult literacy** measures the percentage of people aged 15 or more in the population who can read and write.
   - **Primary school enrolment** measures the percentage of school-aged children who are enrolled in primary school (elementary school).

- **Lower secondary school enrolment** measures the percentage of children enrolled in the lower years of secondary school (high school).
- Countries can achieve universal literacy and universal primary education even if they have relatively low per capita incomes, provided their governments allocate enough resources to education services, and ensure that all children have access to these.

5. **Economic inequality indicators**

- **Lorenz curve** a curve illustrating the degree of equality (or inequality) of income (or wealth) distribution in an economy.
- **Gini coefficient (Gini index)** is a summary measure of income inequality and the information contained in the Lorenz curve of an economy.
- **Minimum income standards (MIS)** a method to measure poverty based on what the population believes are the essentials for a minimum acceptable standard of living that allows people to participate in society.
- **Multidimensional poverty index (MPI)** a composite indicator that measures poverty in health, education, and living standards.

Measuring Economic Development – Single Indicators

6. **Social inequality indicators**
   - Adolescent fertility rates
   - Prevalence of undernourishment
   - Inequality in life expectancy
   - Inequality in education
   - Gender inequalities
   - Populations vulnerable to poverty
   - Child malnutrition
   - Infants lacking immunisation
   - Child labour
   - Old-age pension recipients
   - Homeless people due to natural disaster
   - Birth registration

Measuring Economic Development – Single Indicators

7. **Energy indicators**
   - These indicators are classified according to three dimensions:
   - **Social dimension** includes share of households (or population) without electricity or commercial energy, or heavily dependent on non-commercial energy; Share of household income spent on fuel and electricity.
   - **Economic dimension** includes energy use per capita; Renewable energy share in energy and electricity.
   - **Environmental dimension** includes air pollution emissions from energy systems; Rate of deforestation attributed to energy use.
8. **Environmental indicators**
   - Environment indicators help provide a description of developments affecting the environment that can be used to monitor changes and process toward meeting environmental objectives.
   - CO_2 emissions per unit of GDP or per capita

Composite Indicators

- **Composite indicators** are summary measures of more than one dimension of development.

  1. **Human Development Index (HDI)**

     - The best-known and widely use index of the United Nations Development Programme (UNDP).
     - The HDI measures average achievement across three equally-weighted dimensions, with 0 being the lowest value for the dimension and 1 being the highest.
     - **Long and healthy life** is measured by life expectancy at birth
     - **Access to knowledge** is measured by mean years of schooling and expected years of schooling.
     - **Decent standard of living** is measured by GNI per capita (US$ PPP).

  - Comparisons between HDIs and GNI per capita:

     - GNI (or GDP) per capita used alone can be a poor measure of the different dimensions of development.

Composite Indicators

- Many countries, even with their given levels of GNI per capita are capable of making significant improvements in the well-being of their populations by making different choices regarding the resources allocated to health, education, and other services or merit goods.
- Economic and human development issues apply not only to developing countries, but to developed countries as well.

2. **Inequality-adjusted Human Development Index (IHDI)**
   - A composite indicator that measures human development in the same three dimensions as the **Human Development Index (HDI)** (income per capita, levels of health and education attainment), but each dimension is adjusted for inequality in the corresponding dimension.
   - Attempts to measure losses in human development that arise from inequality.
3. **Gender Inequality Index**
   - Measures inequalities between the genders in three dimensions measured by the following indicators with higher values corresponding to greater gender inequality.

- **Reproductive health** measured by the maternal mortality ratio (deaths per 100,000 live births); Adolescent birth rate (births per 1000 women ages 15 – 19).
- **Empowerment** measured by the share of parliamentary seats held by women; Proportion of women in the total population with at least some secondary education.
- **Labour market participation** measured by the proportion of women in the labour force.

4. **Happy Planet Index (HPI)**

- An alternative method to standard national income accounting that takes into account environmental sustainability and inequalities.
- It is a measure of sustainable well-being based on four dimensions, life expectancy, well-being, inequality of outcomes, ecological footprint.
- **Life expectancy** is the average number of years a person expects to live, based on United Nations data.

Composite Indicators

- **Well-being** is taken to be a population's satisfaction measured by data collected by the Gallup World poll
- **Inequality of outcomes** refers to inequalities between people with regard to life expectancy and well-being.
- **Ecological footprint** is the impact on the environment of each individual in a society on average. The higher the ecological footprint, the lower the HPI.
- The HPI is calculated for 140 – 150 countries, depending on data availability. Each country receives a score from 0 to 100.

$$\text{HPI} = \frac{\text{Life expectancy} \times \text{Well-being} \times \text{Inequality of Outcomes}}{\text{Ecological Footprint}}$$

Poverty Cycles

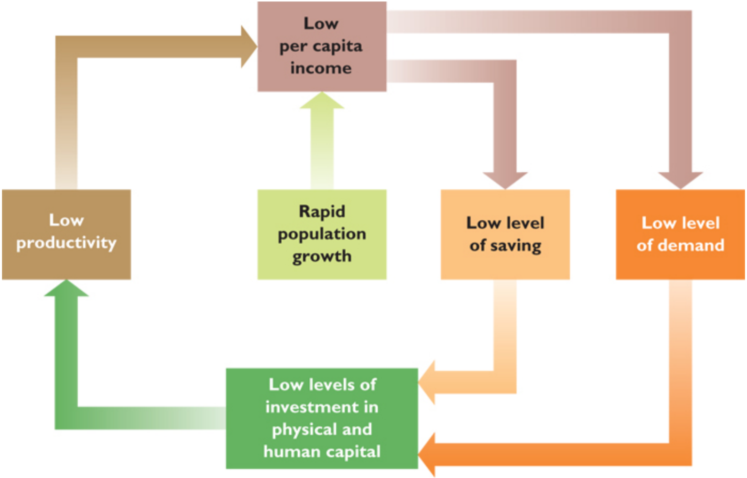
Learning Objectives

Specific Expectations	
AO2	Explain the meaning of poverty cycles, also known as poverty traps
AO4	Draw a diagram showing a poverty trap
AO3	Evaluate the significance of each of the above factors as a barrier to economic growth and development.
AO2	Explain how each of the following works as a barrier to economic growth and development. - Rising income inequality - Limited access to infrastructure - Low human capital: limited access to education/healthcare - Dependence on primary production - Limited access to international markets. - Informal economy, capital flight, indebtedness. - Geography and landlocked countries.

Poverty Cycle (Poverty Trap)

- **Poverty cycle (poverty trap)** arises when low income result in low (or zero) savings, permitting only low (or zero) investments in physical, human and natural capital, and therefore low productivity of labour and of land.
  - This gives rise to low, if any, growth in income (sometimes growth may be negative), and hence low income once again.
  - A poverty cycle may occur in a family, a community, a part of an economy, or in n economy as a whole.
  - An important feature of the poverty cycle is that poverty is transmitted from generation to generation.
    - People often cannot afford to send their children to school or afford necessary medical care.
    - Large families increase the level of poverty, as income of the parents must be stretched to cover the needs of more people

Poverty Cycle (Poverty Trap)



Economic Barriers to Development

1. **Limited access to infrastructure**
   - **Infrastructure** refers to numerous types of physical capital resulting from investments, making major contributions to economic growth and development by lowering costs of production and increasing productivity.
   - Includes power, telecommunications, piped water supplies, sanitation, roads, major canal works for irrigation and drainage, urban transport, ports and airports.
   - The availability of infrastructure and broad access to the services it offers make major contributions to economic growth, economic development and poverty alleviation.
   - **Problems of financing** – Governments charge users for their consumption of infrastructure services. To make services affordable, prices charged have been kept below cost, resulting in insufficient revenue for the state enterprises providing infrastructure.
   - **Inadequate maintenance and poor quality** – Lack of revenues means that infrastructure facilities are often poorly maintained, resulting in low quality and unreliable services.

Economic Barriers to Development

- **Limited access by poor** – Lack of revenue also means constraints in quantity of infrastructure facilities that can be constructed. It is generally the poor who tend to suffer disproportionately from the lack of access, both in rural area and in urban slums.
- **Misallocation of resources** – Investments may be made in infrastructure facilities that remain underused because there is not enough demand for their services (power, telecommunications), while other services (roads, or better maintenance and improvements in service quality) are neglected.
- **Neglect of the environment** – Infrastructure can have numerous negative environment effects, including the failure to adequately control unnecessary emissions, and poorly maintained irrigation facilities.

2. **Limited access to appropriate technology**

   - **Appropriate technologies** are technologies that are well suited to a country's particular economic, geographical, ecological and climate conditions.

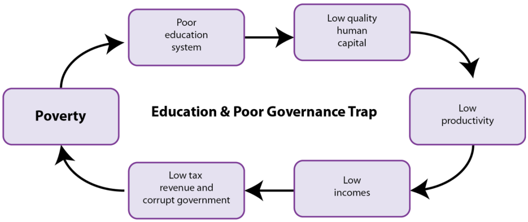
Economic Barriers to Development

- Often used in connection with labour-abundant developing countries that require labour-intensive (as opposed to capital-intensive technologies).
- New technology contributes to improving the quality of physical capital and economic growth.
- **Labour-intensive (Labour-using) technologies** – use more labour in relation to capital. They result in increases in local employment and the use of local skills and materials, increases in income and poverty alleviation, and save on the use of scarce foreign exchange.
- **Capital-intensive (Capital-using) technologies** – use more capital in relation to labour. In developing countries with large supplies of labour they displace workers and increase unemployment, reduce incomes and throw people into poverty, and require skill levels that may be costly and difficult to acquire, as well as the us of foreign exchange for imports.
- Many of the technologies developed in rich countries are inappropriate to the climates, geography and ecological conditions of many developing countries.

- Firms in developing countries, especially in the lower income ones, have neither the resources not the markets to support R&D activities.

3. **Low levels of human capital**

- **Human capital** refers to the skills, abilities and knowledge acquired by people as well as good levels of health, all of which make them more productive.
- Increased provisions (universal access) of education and healthcare are among the key goals of economic and human development.



Economic Barriers to Development

- There are several barriers to inclusive and equitable education in developing countries.
  - **Insufficient funding for education** – many developing countries do not have sufficient government revenues to fund education.
  - **Insufficient teachers or untrained teachers** – there are not enough teachers at the primary and secondary levels, and those that are available do not have access to necessary training.
  - **Insufficient classrooms and basic facilities** – many countries in sub-Saharan Africa do not have enough classrooms, and many of those that are available do not have running water toilets.
  - **Lack of teaching materials** – textbooks are often old and worn out, and those that are available are shared by several students.
  - **Children with disabilities excluded** – the majority of children with disabilities do not attend school while also facing discrimination.
  - **Gender discrimination** – girls disproportionately are unable to attend school.

Economic Barriers to Development

- **Conflict or risk of conflict** – many children live in countries where there are conflicts and therefore do not attend school.
- **Distance of school from home** – it is not uncommon for a child to have to walk three hours a day to get to school.
- **Inability to pay for education** – whereas primary education is free virtually everywhere, expenses of having to buy books, pens, exam fees or other "informal fess' means that many families locked in poverty cannot afford to send their children to school.]

- Barriers to achieving good health include:
  - **Insufficient funding for health care** – there is a significant financing gap on healthcare spending.
  - **Insufficient access to health care services** – at least half of the world's population do not have access to all of the essential health care services needed.
  - **Private payments for healthcare** – many people are pushed into poverty as a result of having to make these payments while others do not receive medical treatment due to the high cost.

Economic Barriers to Development

- **Geographical access** – healthcare facilities are often situated very far from where people live. Long distances, lack of roads and transportations means many people do not have access to healthcare facilities.
- **Insufficient number of trained medical practitioners** – even where medical practitioners are available they are often ineffective.
- **Insufficient medical facilities and medical supplies** – there are major problems of financing in order to set-up, staff and equip medical facilities to ensure access to rural populations.
- **Acceptability of modern medical practices** – in some very poor societies modern medical practices are not accepted as people prefer traditional medicine.
- **Insufficient access to clean water and sanitation** – adequate access to quality health care services is not enough to ensure good health. It is also necessary to ensure access to clean water supplies and sanitation.

Economic Barriers to Development

4. **Dependence of production and exports on the primary sector**
   - **Primary sector** is a part of the economy that produces primary commodities and is dominated by agriculture, also including fishing, forestry and all extractive activities (such as mining).
   - Developing countries, tend to specialize in the production and export only a few goods, which usually are primary commodities.
   - The prices of primary commodities are more volatile (fluctuate more) than the prices of manufactures products because they have low price elasticities of demand and low price elasticities of supply.
   - As product prices fluctuate, so to do farmers' incomes, along with agriculture investment, employment and wages of agriculture workers.
   - Producers are unable to plan, as they are unable to determine the future profitability of investments.
   - When the product is exported, fluctuating prices also contribute to unstable export earnings, affecting the country's balance of payments and ability to import.

Economic Barriers to Development

- Price fluctuations also affect government's revenues with negative consequences on its efforts to plan for growth and development and undertake necessary investments in merit goods (healthcare, education, and infrastructure).

5. **Limited access to international markets**

   - The inability to access international markets refers to difficulties encountered by developing countries in their exports to developed countries.
   - **Developing countries face high tariff barriers** – tariffs remain high for products of interest to developing countries, which include agricultural products, textiles and apparel.
   - **Tariff escalation** – both developing and developed countries impose low tariffs on raw materials, and much higher tariffs on processed products.
   - This makes it difficult for developing countries to undertake **vertical diversification** and move into manufacturing that makes use of domestically produced inputs.

Economic Barriers to Development

- **Agricultural trade and rich country subsidies** – agriculture is one of the most protected sectors of developed countries, justified on the grounds that farmers earn low incomes and must therefore be assisted.
- This protection has major negative consequences for many developing country primary product exports and for poverty alleviation.
- **Global misallocation of resources** – higher prices received by developed country farmers due to price supports, as well as production subsidies, result in overallocation of resources to the production of protected goods in the developed countries, and therefore excess production and surpluses.
- When these goods are exported they artificially lower the international price of the goods, making it more difficult for farmers in developing countries to compete.
- **Global inefficiency** – developing countries can often produce certain agriculture products at a far lower cost than developed countries, yet because of protection, the more inefficient developed country producers continue to produce, capturing global market shares from the more efficient developing country producers.

Economic Barriers to Development

- **Lower export earning of developing countries** – developing countries that export products receiving protection in developed countries suffer due to lower exports, as well as lower prices (due to the rich-country subsidies), and therefore have lower export earnings; this can contribute to balance of payment difficulties and increased debt burdens.
- **Increased poverty among affected farmers** – low exports and low prices received by developing country farmers and the inability to compete with the farmers of developed countries means lower incomes, lower investment possibilities for farmers, lower employment opportunities for farm workers and increased poverty.

6. **Informal economy**

   - A **formal economy** refers to part of an economy that is registered and legally regulated; an **informal economy** by definition lies outside the formal economy, and refers to activities that are unregistered and legally unregulated.
   - Workers are unregistered and the government loses tax revenues.

Economic Barriers to Development

- Workers are vulnerable to exploitation; environmental dangers and health hazards; no access to credit for workers; limited possibilities for education and training; no social protection including pensions.

7. **Capital flight**
   - **Capital flight** refers to the large-scale transfer of privately-owned financial capital (funds) to another country resulting from fear and uncertainty of holding domestic assets.
   - It involves the loss of financial capital that could have been invested domestically.
   - It consists of the sale of domestic currency (in order to purchase foreign exchange that leaves the country), it exerts a downward pressure on the value of the currency, often forcing governments to devalue or allow the currency to depreciate.

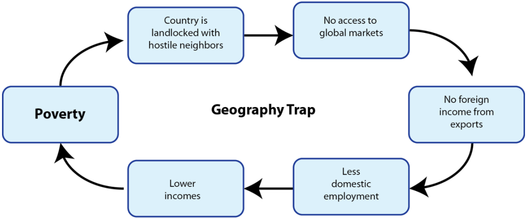
8. **Indebtedness**
   - Rising debt levels are creating concerns that some countries debt may be increasing to unsustainable levels, with serious negative consequences for theri growth and development prospects.

Economic Barriers to Development

- **Debt relief** refers to the cancellation or forgiveness of all or a portion of a country's debt. The World Bank and International Monetary Fund (IMF) facilitate debt forgiveness in developing countries.

9. **Geography and landlocked countries**

- Landlocked developed countries (LLDCs) are particularly disadvantages since in order to access ports for their exports and import activities they depend on their neighbouring countries, which they may sometimes have poor relations, or which may have poor road infrastructure, or they which may face conflict and political instability.



International Trade Strategies

Learning Objectives

Specific Expectations	
AO3	Explain and evaluate trade strategies including: - Import substitution - Export Promotion - Economic integration - Trade liberalization
AO3	Explain and evaluate the strategies of: - Diversification - Social enterprise
AO3	Explain and evaluate market-based policies including: - Trade liberalization - Privatization - Deregulation

Import substitution

- **Import substitution** is a growth strategy where a country begins to manufacture simple consumer goods oriented towards the domestic market (such as shoes, textiles, beverages, electrical appliances) in order to promote its domestic industry.
  - It presupposes the imposition of protective measures (tariffs, quotas) that will prevent the entry of imports that compete with domestic producers.
  - Justified by the infant industry argument recommending the use of trade barriers to protect "infant" domestic firms against competition from imports.
  - Import substitution had the following common characteristics and consequences:

  1. **Neglect of agriculture**
     - Agriculture is often neglected and due to the failure to make agricultural investments, there is an increased need for food imports.

Import Substitution

2. **High levels of protection of domestic firms**
   - Lack of competition leads to high costs and inefficiency in private and public sector industries, resource misallocation and high prices for consumer goods.
3. **Overvalued exchange rates**
   - Many countries overvalue their exchange rates (set them at a higher level than the free market level) reducing the price of imports and increasing the price of exports.
   - The objective was to allow firms to import capital inputs more cheaply.
   - Cheap capital imports lead to capital-intensive production methods (inappropriate technologies), unemployment and growth in the informal economy in urban area.
   - It makes agriculture exports more expensive, worsening rural poverty

Import Substitution

4. **Too much government intervention**
   - Most import-substituting countries rely heavily on industrial policies, with strong intervention in the form of protective trade barriers, overvalued exchange rates, subsidized credit, tax allowances, production subsidies, wage subsidies, and price controls.
   - This leads to serious resource misallocation and inefficiencies in production.
5. **Deterioration of the balance of payments**
   - The deterioration of the balance of payments is attributed to several factors.
   - Increasing imports of capital equipment as inputs in production.
   - Increased need for food imports.
   - Outward flow of financial capital due to profit repatriation of foreign multinational corporations (profits taken to the home country).

Import Substitution

6. **Encouragement of capital-intensive production methods**
   - Limited effort to provide support for small entrepreneurs more likely to use labour-intensive techniques.
7. **Negative impact on employment and income distribution**
   - Capital-intensive technologies and neglect of small producer increases unemployment and worsening income distribution and increasing poverty.
8. **Limited possibilities for growth over the longer term**
   - Many firms enjoying protection never "grew up" to become efficient, low-cost producers, firms that should have closed down were kept going, while others that should have been set up or expanded were not.

Export Promotion

- **Export promotion** refers to a growth and trade strategy where a country attempts to achieve economic growth by expanding its exports.
  - As a trade strategy, it looks towards foreign markets and is based on stronger links between the domestic and global economies.
  - **Example:** Hong Kong, Singapore, South Korea, Taiwan are known as the *Asian Tigers* and extensively used export-promotion.
  - Some typical policies include:

1. **Financial assistance to targeted key industries**
   i. **Targeting of export industries** – utilization of increasingly higher skill and technological levels.
   ii. **Industrial policies to support export industries** – including investment grants, production subsidies, export subsidies, and special benefits for export oriented multinational corporations.

Export Promotion

iii. **Incentives for R&D in technology** – encourages the development of domestic skills and technologies to local conditions.

2. **Strong government intervention in economy**
   i. **State ownership and control of financial institutions** – provision subsidized credit to industries being promoted, such as lower interest rates and other favourable borrowing terms.
   ii. **Large public investment in key area** – including education and skills, R&D, and expansion and modernization of transport and communication infrastructure.
3. **Requirements imposed on multinational corporation** – intended to maximize the benefits of foreign direct investments, such as the promotion of R&D, transfer of desired and targeted technologies into the domestic economy, training of domestic workers, and the use of local input.
4. **Exchange rate management** – involving undervaluing currencies that encourage exports while making imports more expensive.

Export Promotion- Advantages and Disadvantages

- Factors being the success of export promotion include,

  1. **Expansion into foreign markets** – taking advantage of economies of scale.
  2. **Emphasis on diversification** – beginning with support for simple labour-intensive goods (for example, textiles and clothing), industrial policies later support the diversification based on increasing skill and technological levels.
  3. **Major investments in human capital** – including education, training and skills.
  4. **Appropriate technologies** – government supported R&D for the development of appropriate technologies, as well as transfer from abroad of technologies to local conditions.
  5. **Increased employment** – resulting from the use of labour-intensive technologies.

Export Promotion - Advantages and Disadvantages

6. **No balance of payment problems** – due to significant increases in exports and export earnings.

- Possible disadvantages of export promotion,

  1. **Dependence of exports** – exporting countries may become overly dependent on exports so that in the event of a recession in the major trading partners, exports will fall leading to a drop in aggregate demand with consequent recession.
  2. **Efforts to maintain low wages** – there may be efforts to maintain low wages to keep labour costs low thus making exports more competitive; hence workers may not benefit from growth that exports make possible.
  3. **Strong exports** – over a long period of time lead to a trade surplus corresponding to trade deficits in trading partners, possibly leading to trade protection by the trading partners.

Diversification

- **Diversification** involves a reallocation of resources into new activities that broaden the range of goods or services produced.
  - As a country grows and develops, the relative share of the primary sector in GDP usually shrinks, becoming progressively replaces by manufacturing (industry).
  - The decline in the relative share of the primary sector's contribution to GDP is made possible by **diversification** of production into manufacturing services with exports likely to become more varied.
  - The concepts of "value-added" refers to the value of a good that is added in each step of a production process.
  - Adding value in diversification is important because it means:
    - Engaging in more varied production activities
    - Creating employment opportunities
    - Establishing new firms involved with manufactured goods
    - Expanding into activities requiring higher skill and technology levels

Diversification – Advantages

- Diversification permits countries to achieve the following important objectives:

  1. **Sustained increase in exports** – increased in exports must be maintained over longer periods. This can only be achieved through diversification into markets with a sustained increase in global demand.
  2. **Development of technological capabilities and skills** – diversification provides incentives to acquire new technologies and higher training, education and skill levels, which are very important for growth and development.
  3. **Reduced vulnerability to short-term price volatility** – diversification protects countries against loses from fluctuating export prices.
  4. **Use of domestic primary commodities** – countries that already produce primary products are in a strong position to use these as the basis for their diversification into manufacturing.

Social Enterprise

- **Social enterprise** a type of commercial organization that aims to achieve particular social goals in an effort to improve people's well-being and promote social change.
    - May be either for-profit or not-for-profit organizations
    - If they are for profit their primary objective is to achieve their social goals, not to maximize profit.
        - They try to be commercially viable (cover all their costs) rather than rely on grants or donations, by selling the services or products they provide.
        - If they make profits these are put back into the enterprise rather than received as profit income by owners.
    - Provision of **microfinance**, banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services, is considered to be a type of social enterprise.

Market-based policies

- The free-market approach to growth and development includes:

  1. **Trade liberalization** – involving moving to free trade by lowering and eliminating tariff and other barriers to trade.
  2. **Privatization of state enterprises** – involving the transfer of ownership from the public sector (the government) to the private sector.
  3. **Deregulation** – adopting marker-based supply-side policies for labour (reducing labour union power and unemployment benefits, reducing or eliminating minimum wages); it also means removing barriers to enter product markets.
  4. **Encouraging floating exchange rates**
  5. **Reduced restrictions to foreign direct investments by MNCs** – encourages increases in FDI.
  6. **Limited government borrowing** – keeping budget deficits under control.

Trade and Market Liberalization - Government Intervention

- Generally, a combination of government intervention combined with free-markets is the most effective strategy for growth and development.
  - Governments must support education, health services and infrastructure development, as well as research and development (R&D) and transfer of technology for both industry and agriculture.
  - Large budget deficits should be avoided, but if contractionary fiscal policy is needed, it should not affect spending on education, health and infrastructure.
  - Governments must pay attention to the effects of policies on income distribution, and must pursue policies that promote income equality and alleviation of poverty.
  - Governments must provide a proper regulatory framework for markets to work effectively; there should be effective regulation for competition.
  - Efforts must be made to promote institutions such as property and land rights, an effective tax system, and effective banking and credit system.

Trade and Market Liberalization - Government Intervention

- Developed countries must assist economic development by increasing foreign aid and providing increased access to their markets for developing country exports.
- Developing countries should receive special treatment by international agreements under the World Trade Organization regarding removal of rich country trade protection measures.
- Government intervention is important to help create the conditions for markets and trade to work to the advantage of developing countries.

Interventionist Policies

Learning Objectives

Specific Expectations	
AO3	Explain and evaluate interventionist policies including: - Tax policies - Transfer payments - Minimum wage - Education programmes - Health programmes - Infrastructure
AO3	Explain and evaluate foreign direct investment

Tax policies

- Developing countries often face difficulties regarding taxation, leading to low levels of revenues, inequalities, and negative effects on resource allocation.
- The International Monetary Fund (IMF) recommends that developing country governments should.
  - Increase the progressivity of the taxation system
  - Expand the coverage of personal income taxes
  - Expand the use of indirect taxes on luxury goods and goods that create negative externalities
  - Increase taxation from capital income (profits), which is essential to ensure progressivity.
  - Impose or increase taxes on real estate and land
  - Take measures to reduce tax evasion

Transfer payments

- **Transfer payments** payments made by the government to individuals specifically for the purpose of redistributing income, thus transferring income from those who work and pay taxes towards those who cannot work and need assistance.
  - **Conditional cash transfers (CCTs)** – involve money paid on the condition that the household receiving the money undertake activities related to education and health care.
  - **Non-conditional cash transfers** – do not impose restrictions, providing flexibility to households to manage their expenditures freely in accordance with their needs.
  - Universal social protection systems are costly and may be beyond the means of many developing countries suggesting they can not be fully implemented over the short-run.

Minimum Wage

- Minimum wage may be used as a policy to reduce income inequalities.
  - Minimum wages should be set by governments after consulting representatives of workers and employers in order to take all relevant points of view into account.
  - In deciding on the level of minimum wage it is important to consider the needs of workers and their families to monitor and evaluate the effects.
  - It is important to establish measures to ensure compliance and enforcement, to avoid work at wages below the legal minimum.

Provision of Merit goods

- **Merit goods** are goods with positive externalities of consumption that are held to be desirable for consumers, but which are underprovided by the market.

  1. **Positive externalities of education** – education provides many benefits for society, making the social benefits far greater than individual benefits.
     - Increased labour productivity and greater output
     - Improvement in physical capital (technological advances)
     - Lower unemployment, lower absenteeism and increase international competitiveness
     - Political stability, an important condition for economic growth and development.
     - Lower crime rate and a better quality of life.
     - Increased labour force participation and lower birth rates.

Provision of Merit goods

2. **Importance of elementary education and universal literacy** – the greatest contribution to economic growth can be made by primary (elementary) education.

3. **Positive externalities of health care** – an improved level of health also provides benefits beyond individual ones. Ideally, thee should be universal access to healthcare, meaning them everyone should have access.

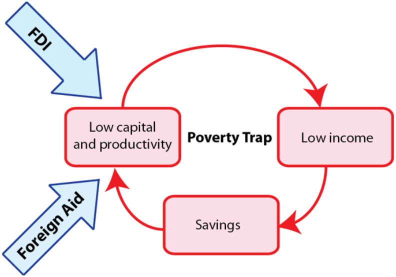
    - Greater workers productivity and therefore greater output and economic growth.
    - Lower risk of spreading diseases to the community.
    - Immunisation benefits not only the immunised person but also the community by lowering the risk of contracting disease.

Infrastructure

- **Infrastructure** increases productivity (output per worker) and lowers costs of production.
  - Good road and railway systems save time and effort in transporting goods and services, allowing more output to be transported and production costs to be lowered.
  - Availability of effective telecommunications permits faster and easier communications, enabling economic activities to be carried out more efficiently.
  - Irrigation contributes to higher yields (out per unit of land) and expansion of agricultural output.
  - Infrastructure provides services that are essential for maintaining a basic standard of living (safe water, sewer systems)
  - Transportation also affects health and education bringing people in remote rural areas closer to educational and health facilities.

Foreign Direct Investment (FDI) and MNCs

- **Foreign direct investment (FDI)** refers to investment by firms based in one country (the home country) in productive activities in another country (the host country) with control of at least 10 percent of the firm in the host country.
  - Firms that undertake FDI are callend **multinational corporations (MNCs)**.



Foreign Direct Investment (FDI) and MNCs

- Multinational corporations expand into developing countries (as elsewhere) in the hopes of securing higher profits.
- Developing countries offer possibilities of MNCs to:

1. **Increase sales and revenues**
   - Large or rapidly growing markets offer the potential for large increases in sales and revenues
2. **Bypass trade barriers**
   - Producing in countries with trader barriers allows MNCs to bypass these are secure access to local markets.
3. **Lower costs of production**
   - Labour costs take up a large portion of total production costs, and developing countries generally have lower labour costs than in developed countries.

Foreign Direct Investment (FDI) and MNCs

4. **Use of locally produced raw materials**
   - It is far less costly to obtain raw materials locally than to import them, on account of transportation costs.
5. **Further activities in natural resource extraction**
   - Many developing countries are very rich in natural resources, and therefore it is natural for MNCs to want to locate in such resource-rich countries.

- The gap between investment in different regions suggest that MNCs are seeking particular characteristics in a host country including:

1. **Low labour costs**
   - Many MNCs choose to relocate production to countries where the per-unit labour costs are much lower.
   - Lowers overall costs of production for theses goods, even when transport costs are included.

Foreign Direct Investment (FDI) and MNCs

2. **Natural resources**
   - Access to natural resources can attract foreign investment.
3. **Political stability**
   - MNCs prefer countries where the political environment is stable, as it ensures greater economic stability.
4. **Large domestic market**
   - The attraction of foreign investment is often to export to the rest of the world and to expand the market for the MNCs goods by direct presence in the country.
5. **Access Firm Specific Knowledge**
   - Firms may purchase foreign firms as a subsidiary in order to acquire knowledge to maintain the competitive edge.
6. **Risk Diversification**
   - Production in various countries minimizes risks associated with market downturns (recessions), strikes and political instability.

Foreign Direct Investment (FDI) and MNCs

7. **Relaxed regulatory environment**
   - **Profit repatriation** – allowing MNCs to more freely redirect profits to the home country.
   - **Tax rules** – tax rules for corporations may be reduced to entice investment.
   - **Property rights** – a respect of property rights, so that firms are not dissuaded from investing by fear of government takeover or confiscation of assets.
   - **Health, safety and environmental regulations** – MNCs may be drawn to a country because reduced health, safety and pollution regulations mean lower production costs for the firm.
8. **Liberalized free market conditions**
   - **Free trade** – foreign firms that need to secure imported factor inputs will want open trade, free of protectionist measures.
   - **Privatization** –the privatization of state industries means new opportunities for foreign firms as a purchaser of the industries, or as a supplier of services.

Advantages of FDI

- Since expansion of FDI is expected to continue, it is critical for developing countries to assess the value of FDI for their own development plans.
- There are several key benefits of direct foreign investment:

1. **Supplement insufficient foreign exchange earnings**
   - Invest funds flowing into a country from abroad appear as credits in the financial account, and can help offset a current account deficit.
2. **Improve technical skills, managements skills and technology**
   - MNCs bring technical and managerial expertise, as well as new production technologies, which can be used and adopted by the local labour force (workers and managers) and local businesses.
3. **Supplement insufficient domestic savings and increase investment**
   - The inflows of FDI funds into a country can add to insufficient domestic savings, increasing the amount of investment.

Advantages of FDI

4. **Greater tax revenue in the host country**
   - If multinational corporations are taxes by the government of the host country, there will be increased tax revenues.
5. **Promote local industry**
   - When MNCs buy locally produced inputs, they promote the development of local industries.
   - This may lead to growth of existing local firms, or the establishment of new local firms.
6. **Increase local employment and lower unemployment rate**
   - MNCs can increase employment by hiring local workers
7. **Increase economic growth in the host country**
   - Increased levels of investment, improved technology and increase in human capital as well as the promotion of local industry and greater tax revenues, can lead to higher economic growth in the host country with increased possibilities for pursuing development objectives.

Disadvantages of FDI

- The benefits of foreign direct investment by MNCs may not always be realized.

1. **Insufficient foreign exchange earnings**
   - While MNCs bring foreign exchange into the host country, they also engage in activities resulting in foreign exchange outflows (profit repatriation, imports of raw materials and other inputs).
   - The net inflows of foreign exchange (inflows minus outflows) may be small.
2. **Lack of investment in technical skills, management, & technology**
   - Links between MNC activities and the local economy are often limited, in which case local workers do not have the opportunity to learn from the MNC.
   - MNCs often hire personnel from the home country.

Disadvantages of FDI

3. **Lack of tax revenue in the host country**
   - MNCs enjoy many tax privileges and benefits, often lowering the amount of tax paid.
   - **Transfer pricing** is a form of regulatory arbitrage where corporations shift profits out of countries with high tax rates to those with low tax rates.
4. **Lack of promotion of local industry**
   - Th MNC sometimes forces local competing firms to go out of business, or alternatively does not permit new local firms to establish themselves in industries that are directly competitive with the MNC.
5. **Limited reduction in unemployment in the host country**
   - If MNCs prevent the development of local industry, then their job-creating impact will be limited.
   - Some MNCs may import into the host country capital-intensive technologies that are inappropriate for local conditions, thus contributing to unemployment and the growth of the informal economy.

Disadvantages of FDI

6. **Environmental degradation**
   - MNCs often pursue activities that cause serious environmental degradation.
   - Preferring to invest in countries with few environmental restrictions, they are known to engage in activities that have caused tremendous environment damage.
7. **Inappropriate consumption patterns**
   - Critics charge that MNCs, through advertising, create new consumption needs and promote inappropriate consumption patterns.
8. **Resources diverted toward infrastructure rather than poverty**
   - MNCs sometimes require infrastructure (road systems, ports, telecommunications) which the developing country must make available if it is to become attractive as a host country.
   - To build these types of infrastructure, it may have to shift some its scarce resources away from needed merit goods (clean water, sanitation, schools and health care services).

Disadvantages of FDI

9. **Political and economic power**
   - The very large size of many MNCs gives them exceptional economic and political power that they can use to influence host governments to pursue policies that are in their own interests, but against economic development.
10. **Competition between developing countries**
    - Many developing countries compete with each other over which will create better conditions to attract MNCs.
    - The desire to host MNCs may involve sacrifices in terms of needed policies for economic growth and development.

Foreign Aid

Learning Objectives

Specific Expectations	
AO2	Distinguish between humanitarian aid and development aid.
AO3	Explain and evaluate foreign aid in the form of: Official Development Assistance (ODA), non-governmental organisations (NGOs), and debt relief.
AO3	Explain and evaluate the roles of: the World Bank, and International Monetary Fund (IMF).
AO3	Explain and evaluate strategies to: - Improve access to banking (microfinance, mobile banking) - Increase women's empowerment - reduce corruption - establish property

Foreign Aid

- **Foreign Aid** the transfer of funds or goods and services to developing countries with the main objective to bring about improvements in their economic, social or political conditions. Such transfers must be:
  - **Concessional** – loans must be on more favourable terms than a bank would give.
  - **Non-commercial** – must not be involved with buying and selling activities concerned with making a profit.
- **Humanitarian Aid** is foreign aid extended in regions where there are emergencies and is intended to save lives, ensure access to basic necessities and provide assistance with reconstruction.
- **Development Aid** is foreign aid intended to help economically less developed countries with their growth and development efforts.

Official Development Assistance (ODA)

- **Official Development Assistance (ODA)** is the most important part of **foreign aid**, referring to foreign aid that is offered by countries or by international organizations composed of a number of countries (it does not include aid offered by non-governmental organizations).
- ODA funds reach developing countries in three ways:
  - **Bilateral aid** – funds go directly from the donor government to the developing country recipient.
  - **Multilateral aid** – funds go indirectly from donor governments to international organizations, which transfer the funds to developing country governments.
  - **NGOs** – donor governments transfer ODA funds to NGOs which spend them in developing countries.

Official Development Assistance (ODA) - Advantages

- Arguments in favour of Official Development Assistance (ODA):
  1. **Funding to break the poverty cycle**
     - Foreign aid provides necessary funds for investment in health care, education, and basic infrastructure.
  2. **Improved income distribution**
     - Focusing on the most disadvantaged groups in society can help improve the relative income positions of the beneficiaries and contribute to improved income distribution.
  3. **Economic growth**
     - Increased investment and consumption levels leads to increased volumes of output.
  4. **Sustainable Development Goals (SDGs)**
     - The provision of aid is crucially important to the achievement of the Sustainable Development Goals (SDGs).
  5. **Debt trap**
     - Aid for debt relief helps countries reduce their debt burden and releases resources that can be used for poverty reduction and economic growth and development.

Official Development Assistance (ODA) - Disadvantages

- Limitations of Official Development Assistance (ODA):
  1. **Tied aid**
     - Donors make the recipients of aid spend all or a portion of borrow funds to buy goods and services from the donor country.
  2. **Conditional aid (Conditionality)**
     - Most donors of ODA impose numerous conditions that must be met by the recipients of aid.
     - Donors see these conditions as a mechanism for forcing developing countries to make important policy changes, as well as for ensuring that aid funds are used effectively.
  3. **Aid volatility and unpredictability**
     - Difficult for recipient governments to implement policies that depend on aid funds, as they cannot be sure if and when funds will be available to undertake necessary investments and activities.

Official Development Assistance (ODA) - Disadvantages

4. **Uncoordinated donors**
   - Large number of donors (bilateral and multilateral) who finance uncoordinated activities, giving rise to numerous inefficiencies in the use of aid resources.
5. **Substitute for domestic resources**
   - Aid is intended to supplement insufficient domestic resources.
   - Governments in recipient countries may use aid funds to substitute for domestic resources, and not make enough effort to increase domestic revenues through taxation.
6. **Difficulties reaching most disadvantaged**
   - Aid resources are not allocated on the basis of the greatest need for poverty alleviation.
   - Donors do not allocate aid resources according to country needs, focusing instead on promoting their own interests.

Official Development Assistance (ODA) - Disadvantages

7. **Corruption**
    - Corruption involves the misuse of aid funds by recipient countries.
    - Reflection of the degree of transparency and accountability in public affairs, and tends to be more prominent the lower the per capita income of a country.
8. **Quantity of aid and poverty alleviation**
    - ODA funds are far less than the target amount
    - Limits ability of developing countries to make investments in health, education and infrastructure needed to improve welfare and support the economy on the scale required to achieve the SDGs.

Non-Governmental Organizations (NGOs)

- **Non-governmental organizations (NGOs)** are non-profit organizations that provide a wide range of services and humanitarian functions.
    - Involve **concessional flows** that are all in grants, so there are no loans that must be repaid.
    - Bilateral and multilateral donors of ODA are increasingly channelling their funds through NGOs because of their ability to perform some functions better than developing countries.
    - **Example(s):** Amnesty International, Greenpeace, & Oxfam
- Advantages of NGOs:
    1. **Strong anti-poverty oriented activities**
        - Work very closely with communities of poor people and responding to their particular needs as these arise in their own particular economic, social and environmental conditions.

Non-Governmental Organizations (NGOs)

2. **Working closely with project beneficiaries**
   - Work closely with beneficiaries, involving local people in the design and implementation of development projects.
3. **Contributing to democratization, advocacy and raising public awareness and support.**
   - Leadership role in acting as advocates on public policy issues, and ensuring that poor people's concerns are heard.
4. **Offering expertise and advice**
   - NGOs accumulate experience from a variety of countries and local settings, many of which may be relevant and transferable to similar settings in other countries.
5. **Trust of beneficiaries**
   - NGOs often enjoy greater trust with governments, because of their close relationship with project beneficiaries, and their commitment to solving problems at grassroots level.

Non-Governmental Organizations (NGOs)

- Disadvantages of NGOs:

  1. **Small size and weakness of many NGOs**
     - NGOs have limited resources, and may face difficulties in attracting skilled personnel, so the effectiveness of their projects may be limited.
  2. **Dependence of governments & aid agencies for funding**
     - Often rely on outside sources for funding, so they may lose their independence if they are forced to conform to funders demands.
  3. **Deprive government of qualified personnel**
     - Growing role of NGOs in development creates a demand for technical experts and personnel that may deprive governments of personnel.
  4. **Challenge to state authority**
     - Governments often dislike the advocacy role take on by many NGOs which may conflict with government policy or question its authority.

Debt Relief

- **Debt relief** refers to the cancellation or forgiveness of all or a portion of a country's debt.
  - "Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief, and debt restructuring."
  - Frees up resources that can be spent for development purposes including infrastructure, health services and education, creating new jobs, and providing family planning services.

Multilateral Development Assistance

- **Multilateral development assistance** is lending to developing countries for the purpose of assisting their development on non-concessional terms (market rates of interest and repayment periods) by multilateral organisations.

- **World Bank** is a development assistance organization that extends long-term loans to developing country governments for the purpose of promoting economic development and structural change.

  Evaluating the role of the World Bank:

  1. **Social and environmental concerns**
     - Criticised for implementing socially unsound projects, as well as environmentally unsustainable projects.
  2. **Rich country dominance**
     - Voting power in its governance is determined by the size of financial contributions made by each country to the organization.

Multilateral Development Assistance

3. **Excessive interference in countries' domestic affairs**
   - Criticised for interfering excessively in the domestic policy affairs of developing countries.
4. **Conditional assistance/lending**
   - Conditional assistance refers to the imposition of conditions that must be met by borrowing countries to qualify for a loan.
   - It is problematic because it deprives countries control over their domestic economic activities.
5. **Inadequate attention to poverty alleviation**
   - Lack of funds for loans intended to meet the needed investments in education, health services, and infrastructure.
6. **Excessive focus on market-based supply-side policies**
   - Focusing excessively on free-market reforms, ignoring the negative consequences.

Multilateral Development Assistance

- **International Monetary Fund (IMF)** an international financial institution, whose purpose is to make short-term loans to governments on commercial terms (non-concessional) in order to stabilize exchange rates, alleviate balance of payment difficulties and help countries meet their foreign debt obligations.

  Evaluating the role of the International Monetary Fund:

  1. **Governance dominated by rich countries**
     - Voting power in governance is in proportion to the size of each economy, giving rich countries far greater power in decision-making.
  2. **Excessive interference in countries' domestic affairs**
     - Significant interference in domestic economies
  3. **Conditional lending (conditionality)**
     - Countries have been forced to accept harsh conditions running counter to their growth and development objectives.

Multilateral Development Assistance

4. **Damaging effects on developing countries**
    - Stabilization policies have the impact of lowering economic growth, often creating a recession with increasing unemployment and increasing levels of poverty.
5. **Stabilization policies based on a flawed concept**
    - The IMF programme has often resulted in countries experiencing increasing poverty, lower or negative rates of growth, and unable to "grow" out of their balance of payments difficulties or external debt problems.

Microfinance

- **Microfinance (microcredit)** programmes to provide credit (loans) in small amounts to people who do not ordinarily have access to credit due to a lack of collateral.
  - These are very important in developing countries as a strategy to help poor people climb out of poverty.

Evaluating issues in microfinance

1. **Substitute for needed government anti-poverty policies**
   - Microcredit may be viewed as a substitute for other, complementary government policies needed to combat poverty that are the responsibility of the public sector.
2. **Microcredit schemes contribute to growth of informal economy**
   - Micro-enterprises that are created through microcredit operate for the most part in the informal economy, which is unregulated, where workers have no social protection, & exploitative conditions often prevail.

Microfinance

3. **Most vulnerable may be harmed by microcredit**
   - The poorest of poor usually lack skills necessary to begin a micro-enterprise such as basic literacy and numeracy skills.
   - In such cases, microcredit may end up burdening some extremely poor people with payments on loans that cannot produce a stable source of income.
4. **Interest rates in microcredit schemes are too high**
   - Interest rates in microcredit schemes tend to be higher than market rates of interest.
   - The costs of providing very many, very small loans are higher than the cost of providing fewer larger loans.
   - Some economists argue that high interest rates should be subsidized to make repayment easier for poor people.

Women's empowerment

- Women's empowerment has enormous effects on growth and development, extending beyond women themselves.
  - These external benefits can be thought of as consumption externalities of women's health and education, analysed as standard health and education externalities.

1. **Improved child health & nutrition and lower child mortality**
   - Increased education of women has major positive effects on the health of children, because of improved knowledge about health, health services, basic hygiene and nurtition.
2. **Improvements in educational attainment of children**
   - Mothers have a major influence over the education of their children, and studies show that the more educated the mother, the more educated the children.

Women's empowerment

3. **Quality of human resources**
   - The impacts of increased education and incomes of women on the levels of health and education of their children have enormous cumulative effects on the quality of human resources in a country that extend over many years, with the potential to affect proundly the course of economic growth and development.
4. **Lower fertility (lower birth rates)**
   - Increased education of women, more and better work outside the home, and higher incomes leads to having fewer children, because of later marriage and greater reproductive choice, and therefore lower population growth, with all its related benefits.

Reducing corruption

- The problem of corruption is a barrier to growth and development.
- The fight against corruption requires strong fiscal institutions that promote integrity and accountability throughout the public sector.
  - Develop high level of transparency and independent external scrutiny which allows audit agencies and the public to provide supervision.
  - Reform institutions of tax administration.
  - Focus on area where there is higher risk of corruption, such as procurement, revenue administration and natural resource management.
  - Establishing institutional and incentives to prevent corruption from occurring.
  - Creating mechanisms that discourage corruption by providing penalties and sanctions.
  - Influencing the development of perceptions of the type of governance needed for long-term efforts to fight corruption.

Property and land rights

- The establishment of property rights that takes the form of titling to property is important for growth as it encourages investment and facilitates credit that allows investment to increase.
  - Contribute to food security as they improve sustainable land use, improve access to credit, and increase productivity of small farmers.
  - Lead to lower rates of deforestation
  - Preserve diverse food cultures and biodiversity
  - Support indigenous peoples and improve their economic and social status.