Negatives:

- Debt (multiple loans, higher interest rates)
- Savings are needed to generate long run development (generated by productivity)
- Direct funding of skills training may be more beneficial
- Risks: climate shocks, natural disasters; interest still needs to be paid
- Investment: credit is often used to fund consumption instead, microfinance cannot compensate for inadequate health care/ education/ infrastructure in promoting sustainable development and poverty reduction

Eg. M-Shwari

- Launched November 2012
- Mobile phone based micro-lender
- By March 2015 there were desposits of US$1.5 billion
- 50,000 loans per day
- 7.5% monthly interest, repayable in one month.

Remittance Management: managing remittance payments from one country to another (including transfer payments)
Micro-insurance: a safety net to prevent people from falling back into extreme poverty
Micro-savings: voluntary local savings clubs provided by charities (eg. Tabitha in Cambodia)

5. Income distribution

If a county experiences economic growth it only constitutes economic development if the national income is being distributed. If it is only benefiting a handful of the elite, it won't help. Or it could be better paying jobs and distributing the share of increasing national income. Standard of living improvements only follow economic growth if income is distributed.

Factors such as Gini Coefficient and the Lorenz Curve can be used to determine this.

Eg. Kenya

- Increasing GDP/GNI/GDP per capita
- Gross enrolment has decreased since 2011

    - Achieve economies of scale
- Diversify production and exports
- Increased domestic and foreign investment
- Fair increase in competition which is easier to deal with
    - If countries have similar development/technology
- Joint ventures/policies
    - Eg. Transport infrastructure/energy and water supplies needed for development
    - Collaboration in R&D
    - Work together on environmental issues

All lead to economic growth and development.

Risks of bilateral free trade agreements:

1. Forced to compete with lower-cost developed countries
    a. Can destroy local firms (even efficient ones)
2. Exports may not be able to compete with the domestic products in developed countries
3. If multiple developing countries join an FTA with the same developed country it does not give them an advantage as they must still compete with each other
4. If imports increase more than exports then it can produce a BoP deficit
    a. Creation of govt. debt
    b. Unemployment
    c. Income inequality
    d. Poverty
5. Weaker bargaining power puts developing nations at a disadvantage when negotiating bilateral agreements
    a. Eg. Bilateral agreements cannot reduce agricultural subsidies of a developed country
6. Must agree to other requirements which may not be in their best interest

Diversification

Diversification: a reallocation of resources into new activities that broaden the range of goods or services produced.

Advantages:

- Sustained increase in exports
- Development of technological capabilities and skills
- Reduced vulnerability to short-term price volatility and long term price decline
- Use of domestically produced primary goods

The funds made available through debt relief, in other words the country's savings from debt reduction, must be spent on projects that attack poverty, such as:

- the development of rural infrastructure
- providing health services and education
- creating new jobs
- providing family planning services.

The HICP Initiative is considered to be a welcome step in the direction of solving the debt problem, but has been criticised for several reasons:

- The level of debt reduction which the programme makes possible
    - level of debt is to be reduced to 150% of exports
    - This is considered insufficient;
    - If a country's export earnings fall for whatever reason, it risks sliding back towards a debt trap
- The programme takes effect too slowly
    - risking that the benefits of debt relief may follow too slowly to be of much use to the countries
- Some measures that are imposed as conditions for a country to qualify are too severe
    - Eg. charging fees for schools and hospitals, privatising key public enterprises such as electricity and telephone, reductions in government expenditures that reduce the provision of social services and infrastructure.
- There are many other countries that are highly indebted but which have not been included in the HIPC Initiative
    - these countries, whose debt situation is considered to be more manageable, are still suffering the consequences of high levels of debt, yet are unable to benefit from debt relief.

Industrial policies	

Market with government intervention

Governance

- The manner in which power is exercised in the management of a country's economic and social resources for development.
- Good governance is essential for good development management.'

6 Principles of Good Governance

1. Participation
2. Fairness
3. Decency
4. Accountability
5. Transparency
6. Efficiency

The view that economic development may best be achieved through a complementary approach, involving a balance of market oriented policies and government intervention, is important because it eradicates the weaknesses of one form in singularity.

"Very strong government intervention in the market, such as that pursued during the 1950s and 1960s, has been mostly discredited as a strategy for economic growth and development, and international trade."

"A market-led economic development strategy with a minimum amount of government intervention, such as is represented by the Washington Consensus, does not take into account the special set of circumstances faced by developing countries."

It would be a mistake to take a blanket (or uniform) approach to all developing (or any other) countries with regard to proposals for market-led or interventionist strategies (or any other type of strategies for that matter).

Each country is unique, and should be able to tailor its strategies to its own particular needs and conditions.

It is likely that countries at lower levels of economic development can benefit from strategies that are more strongly interventionist; government can gradually withdraw and give greater reign to market forces as the country grows and develops.