

Here we look at some other factors that help to keep the development gap wide.

Keeping the gap wide

In the last unit, you saw some reasons for the big gap in development around the world. Now we look at some other factors that help to keep a poor country poor – no matter how hard it works.

Big debts to pay off

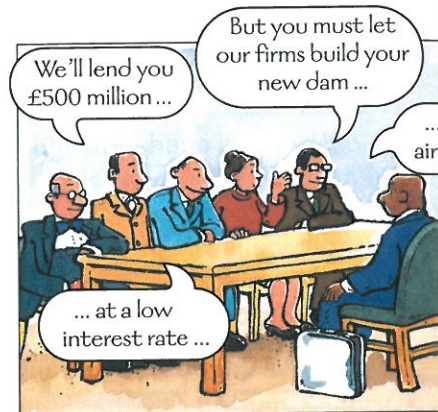
Many poor countries have been paying out millions of dollars a year, as interest on money they borrowed. This is how it happened:



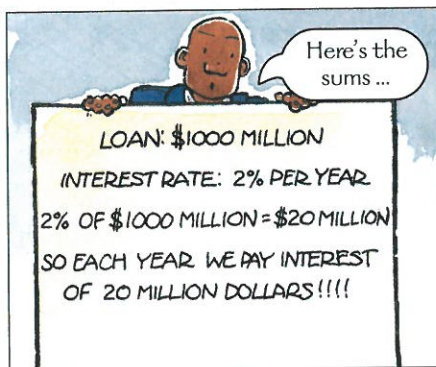
Naturally, poor countries want to develop fast – but that needs money. So they have borrowed lots of money. Some from ...



... ordinary **banks** like we all use, some from the **World Bank** (a special bank that countries set up to help each other) ...



... and some from other **governments**. To get the money, the poor countries often had to make promises in return.



When you borrow money, you pay interest on the loan. Many bank loans were made in the early 1970s when interest rates were low.



Then they shot up. So the poor countries had to use more and more of the money they earned, just for interest payments.



That meant less money for schools and hospitals, and a water supply, and the other things their people badly needed.



It became clear that this was a bad situation. So the World Bank, and governments of richer countries, agreed to cut interest payments for many **heavily indebted** countries.

Some debts have also been cancelled, for the countries in most debt. For example in 2004, \$2.6 billion of Ghana's debts were cancelled. Ghana still owes \$2.4 billion. But now it pays out less on interest each year. (It still needs to borrow new money for future development!)

