

# UNIT 6

## ECONOMIC DEVELOPMENT

### Introduction

Economic growth and economic development are two crucial concepts in understanding a country's progress. While they are interrelated, they have distinct meanings and implications.

### 1. Economic Growth

- **Definition:** Economic growth refers to the increase in a country's output of goods and services over time. It is measured as the percentage increase in the Gross Domestic Product (GDP).
- **Measurement:** The growth rate is calculated using the formula:

$$\text{GDP Growth Rate} = (\text{GDP}_{\text{current period}} - \text{GDP}_{\text{previous period}}) / \text{GDP}_{\text{previous period}} \times 100$$

For example, if the GDP in 2017 is \$17,304,984 and in 2016 it was \$16,920,328:

$$\text{GDP Growth} = ((17,304,984 - 16,920,328) / 16,920,328) \times 100 = 2.27\%$$

**Focus:** Economic growth is primarily concerned with the increase in the market value of goods and services and is often reflected in GDP per capita.

### 2. Economic Development

- **Definition:** Economic development is a broader concept that includes economic growth but also involves improvements in living standards, quality of life, and social well-being. It encompasses the changes in institutions, social structures, and reductions in poverty and inequality.
- **Components:** It includes aspects such as better education, healthcare, infrastructure, and equity in income distribution.

### 3. Measures of Productivity

- **Definition:** Productivity measures how efficiently inputs (like labor and capital) are used to produce outputs. It's often calculated as:

$$\text{Productivity} = \text{Output} / \text{Input}$$

- **Examples:**
  - **Output per hour worked:** Measures how much output is produced per hour of work.
  - **Increasing productivity:** Can be achieved by either producing more output from the same input or using fewer inputs to produce the same output.

#### 4. Human Development Index (HDI)

- **Definition:** HDI is a composite index used to measure a country's overall development. It combines three key dimensions:
  - **Life Expectancy:** Indicates the average lifespan.
  - **Education:** Measured by adult literacy rate and gross enrollment ratio.
  - **Standard of Living:** Assessed through real GDP per capita.
- **Calculation:** HDI is calculated using the normalized scores of these three dimensions, with values between 0 and 1. For example, if a country has a life expectancy of 65 years, with 80 years as the maximum and 20 years as the minimum for that year:

$$\text{Life Expectancy Index} = (65 - 20) / (80 - 20) = 0.75$$

- **Importance:** HDI provides a more comprehensive view of development than GDP alone, as it includes health and education indicators.

#### 5. Capability Approach

- **Definition:** Developed by Amartya Sen, the capability approach focuses on the opportunities and freedoms people have to live a good life. It emphasizes enhancing individuals' capabilities and freedom rather than merely increasing economic output.
- **Concepts:**
  - **Capabilities:** The real opportunities individuals have to achieve various functionings (e.g., being well-nourished, educated).
  - **Functionings:** The actual achievements or states individuals can attain (e.g., being well-nourished, educated).

## Summary

Economic growth focuses on the increase in output, while economic development includes improvements in quality of life and social well-being. Productivity measures efficiency, HDI offers a broader measure of development, and the capability approach emphasizes enhancing individual freedoms and opportunities.

## 6.5 Sustainable Development

### Definition:

Sustainable development is about meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. It involves a balanced approach to growth that includes economic development, environmental protection, and social inclusion.

### Importance in the 21st Century:

- **Inclusive Growth:** Ensures that economic progress benefits everyone, including vulnerable populations.
- **Environmental Protection:** Aims to reduce environmental degradation and conserve resources for future use.
- **Long-Term Benefits:** Focuses on creating long-lasting benefits for both people and the planet, rather than short-term gains.

### Role in Disaster Reduction:

Sustainable development helps reduce the risk of disasters by promoting practices that protect the environment and enhance community resilience. For example, sustainable agriculture and urban planning can mitigate the impacts of natural disasters.

## 6.6 Millennium Development Goals (2000-2015)

### Definition:

The Millennium Development Goals (MDGs) were eight international development goals that were established following the Millennium Summit of the United Nations in 2000. These goals were aimed at addressing various global challenges by 2015.

### MDGs Overview:

1. **Eradicate Extreme Poverty and Hunger**
2. **Achieve Universal Primary Education**
3. **Promote Gender Equality and Empower Women**

4. **Reduce Child Mortality**
5. **Improve Maternal Health**
6. **Combat HIV/AIDS, Malaria, and Other Diseases**
7. **Ensure Environmental Sustainability**
8. **Develop a Global Partnership for Development**

#### **Ethiopia's Achievements and Lessons:**

- **Progress:** Ethiopia achieved significant milestones, including reducing extreme poverty and improving access to education.
- **Challenges:** Despite progress, issues like inequality and inadequate health services persisted.

### **6.7 Sustainable Development Goals (2015-2030)**

#### **Definition:**

The Sustainable Development Goals (SDGs) are 17 global goals set by the United Nations in 2015. They aim to end poverty, protect the planet, and ensure prosperity for all by 2030.

#### **Key SDGs:**

1. **No Poverty**
2. **Zero Hunger**
3. **Good Health and Well-being**
4. **Quality Education**
5. **Gender Equality**
6. **Clean Water and Sanitation**
7. **Affordable and Clean Energy**
8. **Decent Work and Economic Growth**
9. **Industry, Innovation, and Infrastructure**
10. **Reduced Inequality**
11. **Sustainable Cities and Communities**
12. **Responsible Consumption and Production**
13. **Climate Action**
14. **Life Below Water**
15. **Life on Land**
16. **Peace, Justice, and Strong Institutions**
17. **Partnerships for the Goals**

### Relationship with MDGs:

- **Continuation and Expansion:** The SDGs build on the MDGs, addressing their gaps and introducing new goals to tackle emerging global challenges.

### Agenda 2063:

- **Focus:** Africa's strategic framework for inclusive and sustainable development, aiming to transform the continent by 2063.

### Ethiopia's Performance:

- **MDGs:** Ethiopia made notable progress, including achieving six out of eight goals.
  - **SDGs:** Integrated into national plans like the Second Growth and Transformation Plan (GTP II) and the Prosperity Plan, aiming for continued progress and addressing previous challenges.
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