**Chapter 1: Introduction**

***The* concept of development**

Simple one dimensional definitions of development do not stand up to scrutiny/analysis. In the 1950s and 1960s a ‘vision of the liberation of people and peoples’ dominated, based on ‘structural transformation’. development which is directly related to the achievement of poverty reduction and of the Millennium Development Goals (MDGs) post-modern’ position is that ‘development’ is a ‘discourse’ (a set of ideas) that actually shapes and frames ‘reality’ and power relations.

* A common theme within most definitions is that ‘development’ encompasses ‘change’ in a variety of aspects of the human condition

**The dimensions of development**

They are extremely diverse, including

* + economic,
  + social,
  + political,
  + legal and
  + institutional structures,
  + technology in various forms (including the physical or natural sciences, engineering and communications),

the environment, religion, the arts etc.

Development requires the growth of out put as well as structural, social and possibly cultural change. Since quantifying such changes is not easy, development has often been equated with economic growth The assumption here was growth would trickle down. However, in practice it was inadequate. Later definition turned to considering **quality of life**. Attempts have been made to quantify quality of life by means of multi dimensional indices.

* **People’s quality of life**

The most popular and up-to-date of these indices is human development index (HDI) which is based on level of output, life expectancy (proxy of Health), and adult literacy level (proxy of education).

* The UN human development measurement includes;
  + life expectancy,
  + adult literacy,
  + access to all three levels of education, as well as
  + people’s average income, which is a necessary condition of their freedom of choice

**Why development?**

To get out of poverty traps of

* + low productivity,
  + poor infrastructure, and
  + weak public health and education systems
  + to become independent from foreign influence

**Focus areas of development policies**

* Social structures, such as health, nutrition, education, water, and sanitation systems;
* Agricultural production, including improving technology, rural infrastructure (such as roads, irrigation, and storage facilities), and secure property rights;
* Infrastructure, such as roads, ports, energy, and communications;
* Industries that spur/encourage private economic activity, such as tax incentives and government-funded research and development;
* Social equality, such as equal rights for women ; and
* Environmental sustainability

**Actors in Development**

* The variety of approaches involves a range of actors, with shifting emphases being placed on these actors depending on the approach adopted.
* The degree of agency which these actors are perceived to have will also be affected by a particular interpretation of power distributions.
* Having agency implies that an individual or group is able to make decisions and do things based on their own choices.
* The other extreme, having no agency, means that there is no free will and individual behavior is controlled by other actors.

**Individual** Depending on income, class, gender, ethnicity, age and other social variables can have a great deal of choice and influence, or be left with very little agency

**Household** Group of people who live together and share expenses; not always members of the same family; can operate as a unit to ensure that all household members have their basic needs met

**Community** Group of people with shared interests in some senses; usually based on shared residential location, e.g. a village or urban district, but can also refer to a community based on shared social identity

**Government** Operates at a range of scales from local and municipal government to national government; important in setting economic framework; can be interventionist, or can play a regulatory role in development

**Non-Governmental Organizations** which are neither run by the state nor are they Organizations (NGOs) profit-making companies; can help local communities set up projects to provide services, create income-generating opportunities, or improve social relations; can be very small-scale organizations, or very large global organizations such as Oxfam or Médecins Sans Frontières

**Private companies** Representatives of the market; can be very small businesses or global corporations

**Multilateral organizations** Can set global agenda for economic policies; promote global peace; important sources of aid and technical assistance. Examples: International Monetary Fund, United Nations, World Bank.

**Sustainability**

The first definition of sustainability and sustainable development was presented in 1987 by the UN World Commission on Environment and Development (Brundtland Commission):

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (emphasis by the authors). While at the beginning sustainability was mainly understood in terms of environmental concerns, this definition was later widened to include the environmental, cultural, social and economic dimensions.

**Economic Growth VS Development**

* Whereas economic growth merely refers to rise in output; development implies change in technological and institutional organization of production as well as in distributive pattern of income.

Is economic growth same as development? Though the focus of the former is only on quantitative change, the latter mixes both qualitative and quantitative change. E.g. If we see agricultural productivity in terms of only what amount is produced without regarding the quality of processes (better technology and inputs use), that is economic growth; but if we give due focus for improved production process for better outputs, that could be considered as economic development.

* Economic growth can, in fact, have negative impacts on a nation including environmental degradation and the loss of traditional cultural values.

It also may mean there is greater inequality between different classes in a society.

* Development is unthinkable without literacy, education and training, work ethics, safe environment, healthy people, proper nutrition, proper medication, higher life expectancy etc. which are both outcomes and conditions of economic progress.
* In addition to economic growth, development can also be conceived of as a multidimensional process, which involves changes in all structures and institutions, as well as in attitudes and ways of life of people.
* The reduction of inequalities and eradication of absolute poverty are also indicators of development.
* It is an entire change by which the old social system as a whole is transformed which entails a change from economically unsatisfactory condition of life towards a materially and culturally better one.
* Development is a multidimensional process and, thus, does not admit any single form of measurement.

**Measurement of development**

1. ***GDP and GNP***

* Gross Domestic Product (GDP)- measures the value of all goods and services produced within a particular country. It does not matter whether the individuals or companies profiting from this production are national or foreign.
* Gross National Product (GNP) - measures the value of all goods and services claimed by residents of a particular country regardless of where the production took place.
* Gross National Income (GNI) is an alternative name for GNP. The World Bank now refers to GNI rather than GNP in its annual World Development Report.
* GDP is commonly used by developing countries whereas GNP/GNI is used by developed countries to measure the value of goods and services.
* For developing countries, GDP is greater than GNP since developing countries do not have many multinational corporations operating overseas; so the right measure is GDP for them.

Unlike developing countries, developed nations have many multinational corporations operating overseas which pushes their GNP to exceed their GDP.

**2. Human Development index**

* The UN human development measurement includes;
  + life expectancy,
  + adult literacy,
  + access to all three levels of education, as well as
  + people’s average income, which is a necessary condition of their freedom of choice

The most frequently used of these is the Human Development Index (HDI) which was devised by the United Nations Development Programme (UNDP) in late 1980s.

While the measure still has an economic aspect, there are other indicators of development relating to well-being.

The countries of Western Europe, the USA and Canada, Japan, Australia and New Zealand all rank highly on both GNP p.c. and HDI figures. Similarly, most countries of Sub-Saharan Africa are categorized as having low incomes and low Human Development Index (HDI).In the late 1980s, the UNDP realized that the commonly-used economic measures of development were far too limited, and led the UNDP to devise the HDI. This measure incorporates three dimensions of development in relation to human well-being: a long and healthy life, education and knowledge, and a decent standard of living.

**What is rural development?**

Rural development is a process leading to sustaining improvement in the quality of life of rural people especially the poor. **Rural development** is the process of improving the [quality of life](https://en.wikipedia.org/wiki/Quality_of_life) and economic [well-being](https://en.wikipedia.org/wiki/Well-being) of people living in [rural areas](https://en.wikipedia.org/wiki/Rural_area), often relatively isolated and sparsely populated areas.

Rural development has traditionally centered on the [exploitation](https://en.wikipedia.org/wiki/Exploitation_of_natural_resources) of land-intensive [natural resources](https://en.wikipedia.org/wiki/Natural_resource) such as [agriculture](https://en.wikipedia.org/wiki/Agriculture) and [forestry](https://en.wikipedia.org/wiki/Forestry). The need for rural communities to approach development from a wider perspective has created more focus on a broad range of development goals rather than merely creating incentive for agricultural or resource based businesses. Education, [entrepreneurship](https://en.wikipedia.org/wiki/Entrepreneurship#Rural), physical infrastructure, and [social infrastructure](https://en.wikipedia.org/wiki/Social_infrastructure) all play an important role in developing achieve rural regions. Rural development is also characterized by its emphasis on locally produced economic development strategies. In contrast to urban regions, which have many similarities, rural areas are highly distinctive from one another. For this reason there is a large variety of rural development approaches used globally.

Rural development is a subset of development. Development is a broader phenomenon. Development is a universally acknowledged goal of individuals, families, communities, societies and nations all over the world. Development is also natural in the way that all forms of life on earth are inherently imperative to survive and develop. This glimpse of notes on rural development is prepared with the aim of highlighting the core concepts and perspectives of rural development and introducing major development aspects including policies and strategies, human capital, technology, and institution to students of development.

Rural development as distinctive field of policy and practices and of research emerged in the early 1970s. World Bank and UN agencies played important roles in its emergence.

World Bank defines rural development as a strategy designed to improve the economic and social life of a specific group of people- the rural poor. Rural development is a major part of national developments strategy. Rural development is much broader than agricultural development, for rural developments are concerned not only with agricultural economy (production, income, trade, market and policies), but also with other aspects of rural economy. It is fact a distinct approach to the development of the economy as a whole. On the other hand a rural development is specific compared to agricultural development in the sense that it focuses particularly on poverty and inequality or rural poor.

For instance agricultural Development” mainly aims at increasing agricultural products such as crops, livestock, fish and etc. Human being, land and capital are simply regarded as production goods and means. On the other hand, “Rural Development” mainly targets on people and institutions. Rural development includes agricultural development activities, however it is one of the means of economic revitalization for active farmers and targeted rural villages.

Rural development issues are often equated with poverty reduction. Although the definition of poverty varies, income poverty is used as a general guideline in defining poverty. In the case that “three-quarters of impoverished groups live in rural areas”, “impoverished (poverty)” indicates conditions resulting from income poverty. Improvement of livelihood is a central compnent of rural development.

Hence, the concern of rural development is reduction of inequalities in income and employment, and in access to public goods and services and alleviation of poverty. Rural development is concerned with economic, social, political and environmental development in rural areas. Rural can also be understood as a spatial expanse where the main economic activities are agriculture, handicrafts, services and trading. Rural development actions are intended to further the [social](https://en.wikipedia.org/wiki/Social_development) and [economic development](https://en.wikipedia.org/wiki/Economic_development) of rural communities. Rural development programs have historically been top-down from [local](https://en.wikipedia.org/wiki/Localism_(politics)) or [regional](https://en.wikipedia.org/wiki/Regional) authorities, [regional development agencies](https://en.wikipedia.org/wiki/Regional_Development_Agency), [NGOs](https://en.wikipedia.org/wiki/NGO), national governments or international development organizations. Local populations can also bring about endogenous initiatives for [development](https://en.wikipedia.org/wiki/Land_development). The term is not limited to issues of [developing countries](https://en.wikipedia.org/wiki/Developing_countries). In fact many [developed countries](https://en.wikipedia.org/wiki/Developed_countries) have very active rural development programs. Rural development aims at finding ways to improve rural lives with participation of rural people themselves, so as to meet the required needs of rural communities. The outsider may not understand the setting, culture, language and other things prevalent in the local area. As such, rural people themselves have to participate in their sustainable rural development

**2.1 Aims and analysis of rural development**

Rural development aims at progressive improvement of levels of living achieved through mainly increased farm and non-farm income, output and productivity. The objectives of rural development include sustained increase in per capita output and incomes, expansion of productive employment and greater equity in the distribution of the benefits of growth.Rural development may also refer to process of change in rural societies, not all of which involves action by government. This broadens rural development to refer to agrarian. It is a change that involves changes in the total systems of relationships in agrarian economies and societies. This nature of development therefore demands an interdisciplinary approach in which the broader social and political factors interacting with economic process are subjected to examination. Rural development as a system involves technological and environmental factors and relationship as well as social and cultural ones. A wide range of process affects such system and may contribute to bringing about changes within them. Components of rural system thus include;

1. **Natural environment**; it comprises all natural components like wind/soil, vegetation, animals, minerals, water air etc.
2. **Technologies**, that are employed to in order to make use of natural resources and other resource to achieve development purposes.
3. **Population or demographic factors**, comprising density of population and trends of population growth.
4. **Economic factors** involving production, markets, and connection of rural economy and the rest of the national economy and world markets.
5. **Social structures of rural society** and producers along with values or culture (eg Gender, tenants, landless, landowners etc)

Development and growth in rural areas must be considered although in the long run the development of the growing population would depend on the expansion of the modern sector (industrial manufacturing and service sectors). This implies the importance of greater link between the modern urban sector and the traditional rural sector in terms of increased trade in farm product and in technical inputs and services, and consumption goods and services in this connection, apart from direct tacking with rural poverty, modern sector development and sound macroeconomic policies are important.

**2.2 Approaches to rural development**

**2.2.1 Historical trends to Rural Development over Time**

There are a number of definitions that have been developed over the years, the majority of which aim for simplicity. Most of these definitions however regard rural development as a development approach that aims at leading to sustainable improvement in the quality of life of rural people, especially the poor. The literature on rural development is characterized by a mix of “how ‘development’ should or might occur, and real world efforts to put various aspects of development into practice.” (Potter, 2002: 61). The history of rural development globally follows closely the different approaches to development briefly, as the different approaches outlined below by decade demonstrate.

Hence it is often said that broadly, the:

* The 1950s and the 1960’s are associated with modernization approaches emphasizing technology transfer
* 1970’s are associated with large scale state development interventions and integrated rural development programs
* 1980’s are associated with market liberalization and attempts to roll back the state
* 1990’s are characterized as being strongly process focused with an emphasis on participation and empowerment within a context of diversifying rural livelihood opportunities. By the end of the 1990s a more balanced approach had started to emerge but there remained no agreement worldwide on how to get the right mix.
* 2000’s have a focus of poverty eradication, Sustainable farming systems and the location of producers within global value chains.

**2.3 Basic Issues on the Concept of Integrated Rural Development**

It is not possible to understand the concept of integrated rural development without familiarizing oneself with some basic assumptions on which the concept has been built. This will be outlined in the following four concepts;

a) **Rural development is part of the overall socio-economic development**

Rural poverty is caused primarily by a limited access to resources. This limitation may result from an imbalance between population and available resources. we know that a solution at long term will require a gradual closing of the gap between economic and population growth.

Besides the problem caused by population growth, access to resources is quite often limited for the rural poor because of the current socio-political situation. There are numerous examples of such a situation. Landless people cannot obtain land for cultivation, while investors use their land extensively only; subsistence farmers have difficulties in obtaining credit; scarce means of production are supplied to certain sectors of the population only, etc.

The ultimate cause of rural poverty is the lack of integration of rural areas The Concept of Integrated Rural Development into the overall socio-political and economic system. This holds true, not only for the national, but for the international system as well. Poor rural areas and rural population find themselves in a marginal situation; they-are not part of the overall system. They do not participate in the development process, either actively as producer, or passively as receiver of goods and services. Likewise, they hardly participate in the decision-making process. the situation of the rural poor can only be improved if these are integrated into the overall system. This demands that society becomes aware of the poverty problem and creates a suitable political climate which could result in budget allocations in favor of the poor areas. Here, it becomes clear that development is more than economic growth. The necessary political decisions will not come from change in production methods and economic situation alone. They also require a change in the social and political infrastructure.

**b) Development is a system of interrelated social change**

Development is a process resulting from the integration of a number of elements, especially

* resources, natural as well as human,
* available technology,
* forms of socio-political organization.

These elements and their components are integrated in a system in which the elements-are closely interrelated, i.e., if one element changes, the whole system changes. We can illustrate this by an example from the agricultural sector: if we want to-increase productivity in agriculture, the change is not brought about by the mere-application of new seeds and fertilizer.

The implementation of a new technology may require new forms of social organization! such as the grouping of peasants in peasant's associations to allow the distribution of inputs, and instructions as to their application. The continuous training efforts may affect peasant values, and, subsequently, goals. If our plan is successful, peasants may change their cropping patterns in favor of crops which proved more profitable.

c) **Agriculture has a multidimensional functions in the development process**

Within the interrelated system of elements in the development process, agriculture has a number of very important functions: The most basic one is the production of food and raw materials for its own consumption, for the non-agricultural population, and for the developing industry. The increase in agricultural productivity sets the whole development process into motion. At the start, the increase of soil productivity is of the greatest importance, but, soon, it must be followed by growing labour productivity to increase the incomes of agricultural labour.

The high population increase in many countries, for some time, makes it imperative for agriculture to absorb the surplus population for which there is no other alternative, but, sooner or later, the other sectors will develop and draw on the human resources in agriculture. This process is related with the transformation of subsistence agriculture into market-integrated agriculture, which not only sells its products, but requires non-agricultural goods and services. With this process, agriculture fulfils its third function, the creation of demand for non-agricultural goods which is a precondition for the expansion of the secondary and tertiary sectors. On the one hand, this demand meets the requirements of market-integrated agriculture, such as fertilizer, machinery and tools, etc.; on the The Concept of Integrated Rural Development other hand, an increase in farmers' income results in a demand for consumption goods on the part of the rural population.

In order to fulfill the fourth function of agriculture, part of the increased agricultural income has to be skimmed off ,this leading to capital formation in various forms. This may take place in monetary form through taxes, rents or prices. Especially for agriculture, two other forms play a great role. The upbringing of children, who, later on, leave agriculture, is an important form of creating human capital. Agriculture also creates physical capital in the form of infrastructure and means of production. Especially the numerous small increments of capital stock through planting of trees, improvement of Livestock, leveling of land, etc., in time and on thousands of farms contribute greatly to the capital stock of a society. It may be added that, in some countries, agriculture has the tasks of contributing towards improving the situation of the balance of payments by providing export goods or substitution for imports. Likewise, in recent times, the function of preservation, careful handling and protection of environment has been gaining importance.

d) **Agricultural development is one aspect of rural development**

The functions of agriculture in the development process, indicate that agricultural development cannot take place without a simultaneous development of other sectors. This holds true fur industry and services, as well as for non-agricultural parts of the rural sector like training, research, and marketing facilities and so on. Agricultural development depends on a suitable framework of institutions which have to be created or adapted to the requirements. These include administration, communication, market, credit and extension services, at village, regional and national level.

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**The rural poor**

Rural development targets at reducing poverty and human misery in rural areas by increasing the productivity and income of low-income rural workers and households, and providing them with access to goods and services.

The extreme poor are defined as those individuals earning less than **USD 1.25 a day.** However, extreme poverty is complex. It is revealed through social marginalization and exclusion, different manifestations of malnutrition, poor living conditions, lack of access to basic services, resources and employment opportunities, and more.

Most of the extreme poor live in rural areas. The *rural* extreme poor are different from the urban extreme poor and the non-poor. Their incomes depend greatly on agricultural activities, either from work on their farms, or agricultural wage employment. It is this reliance on agriculture that makes the rural extreme poor highly vulnerable to climatic shocks and weather events. While agriculture plays a big role in their income and food security, the rural extreme poor also diversify their sources of income in other non-agricultural activities. There are also great disparities among the extreme poor in rural areas. The rural extreme poor are often geographically concentrated in marginal rural areas – e.g. High Mountain, pastoral, arid, rainforest jungle, small islands with low population densities, poor agro ecological endowments, limited access to markets and few sources of employment. Investments in infrastructure and basic services often do not reach these more isolated areas, which tend to be more disaster-prone.

**Poverty and its measurement**

**Absolute poverty**

Absolute poverty can be viewed the inability to secure the minimum basic needs for human survival (World Bank, 1990). Absolute poverty is a poverty thresh-hold below which living becomes mere physical survival. It is a state of existence in which the overall needs of the individual is not satisfied due to lack of enough purchasing power or means of self-provisioning (food, shelter, clothing health etc). A person is considered to be in absolute poverty if he/she lacks resources to obtain enough food, clothing and warmth, and shelter to maintain a tolerable standard of physical health and efficiency.

**Relative poverty**

Relative poverty is a state of having welfare level (measured in income or expenditures or other wellbeing indicators) less than others. This does not involve those people who live a life standard of below the poverty line. Thus the relatively poor are those whose incomes are low compared to others even if they secure adequate level of survival. Thus relative poverty is a global phenomenon reflects the existence of inequality.

**Subjective poverty**

The concept of subjective poverty is based on the premise that people are the best judges of their own situation and that their opinions should ultimately be the decisive factor in defining welfare and poverty. It implies that poverty is subjective judgments people place on what constitutes a socially acceptable minimum standard of living in their-own societies. In this case subjective poverty measures are therefore based on responses of individuals to attitudinal questions on household income and welfare like what level of income do you personally consider absolutely Minimal. It involves opinions of households whether their income is sufficient of meet their needs or ends.

In general, however, although poverty could be explained in absolute, relative and subjective terms, experience and applied research have indicated that the most relevant and widely used definition of poverty especially for developing (expenditures) measures are used to measure welfare or utility status, expenditure method is a widely used and recommended criterion of welfare (word Bank, 1990), for the following reasons.

* Consumption expenditures reflects the purchasing power of households better than measured current income because recorded income during a survey may be distorted by transitory poverty situation;
* Measuring income is more problematic than measuring consumption, especially for rural households whose income comes largely from self-employment, in agriculture;
* Given that annual income is required for a satisfactory measure of living standards, an income-based measure requires multiple visits or the use of recall data, where as consumption measures can rely on consumption over the previous few weeks;
* In developing countries setting households are likely underreport their income level more than they do with their consumption level.

**Rational for rural development**

* Rural development is important not only for the majority of the population residing in a rural area but the growth of rural activities is necessary to stimulate the speed of overall economic expansion of the nation.
* It is a strategy trying to obtain improved rural creation and productivity, higher socio-economic equality, and ambition, stability in social and economic development.
* The primitive task is to decrease the famine roughly about 70 percent of the rural population, implement sufficient and healthy food. Later, serve fair equipment of clothing and footwear, a clean environment and house, medical attention, recreational provision, education, transport, and communication.
* To improve productivity and the wages of rural people.
* To guarantee increased and quick employment possibilities
* To demolish unemployment and a notable decline in underemployment
* To guarantee to increase the standard of living of the underprivileged population
* To provide the basic needs – eg. elementary education, health care, clean drinking water, and, rural roads

**Chapter two**

**Rural Livelihoods**

**Sustainable rural development**

In the era of globalization, ruinous climate change and alarming population growth, formulating and implementing comprehensive rural development policy which consider the balance between food security, demography and environmental sustainability is undeniable. The United Nations Food and Agriculture Organization estimates that the arena will ought to produce some 60 percent extra food, on typical, to feed an undernourished world via 2050, when the worldwide populace is expected to high 9 billion , indicated that with the scarce land resource, an increasing population number of the planet have not kept steadiness with food production. Moreover, agriculture and institutional environment for agriculture vulnerable to intricate challenges than ever before. Therefore, it must be complemented by policies to enhance access by fighting poverty, especially in rural areas, where extreme poverty is disproportionately concentrated.

Again agenda 2030 relies on 17 sustainable development goals and 169 targets supported by the United Nations as a global effort to manage current challenges related to poverty, climate, environmental pollution, geographical inequalities, prosperity, peace, and justice. Under Goal 1, ending poverty in all its forms, everywhere, is one of the major goals set by the 2030 Agenda.By gaining a deeper understanding of poverty, and the characteristics of the extreme rural poor in particular, the right policies can be put in place to reach those most in need. Agriculture, food systems and the sustainable use of natural resources is a key to securing the livelihoods of the millions of poor people who struggle in our world.

The Agenda 2030 are the most ambitious international initiatives so far which address major concerns related to future economic development perspectives combined with societal and environmental sustainability issues. Such actions must take into consideration the huge rural-urban gaps in terms of socioeconomic conditions and reveal the exposure of rural areas to current societal and environmental threats. Despite the rural-urban migration process, rural areas comprise vast geographical regions where a significant population still lives and faces emerging

threats associated with climate change, poverty, and lack of critical infrastructure, particularly across developing and transition countries. Reducing geographical and socioeconomic inequalities in terms of basic needs must be a priority at international level. On the other hand, rural lands feed all basic needs of urban areas’ (raw materials, energy sources, food supply, water, etc.)

**Societal and environmental threats in rural areas**

Rural communities are facing several challenges in the context of climate change, land degradation, deforestation, biodiversity loss, and fragmentation of natural habitats, poverty, and geographical isolation. The rural population is more prone to extreme poverty, famine, social exclusion, and environmental injustice, particularly in developing countries from Africa, Asia, and Latin America. Rural communities depend on local geographical conditions (climate, natural resources, landscape, and geographical barriers, socioeconomic conditions, demographic features) to develop agricultural, industrial, or tourism activities as economic development pathways. A traditional economy based on subsistence agriculture is still widespread across rural regions of the globe.

More over the rural extreme poor lack supporting mechanisms, such as social protection and access to finance, to cope with and manage risks. Extreme poor people are more vulnerable to climate shocks and weather events (World Bank, 2016b), while they are the most unprotected and have the least access to coping mechanisms. In low-income and lower middle-income countries, where most of the extreme poor live, people tend to have limited access to social protection, insurance and other basic social service.

Extreme poverty is sometimes “hidden” in non-poor families in rural areas as a result of power imbalances in the household. The current way in which monetary poverty is measured does not allowfor a more accurate understandingof individual poverty, as it assumesequal distribution of resourceswithin household members. Taken assuch, women do not appear to besignificantly poorer than men, and female-headed households do not appear to be poorer than households headed by me

**Rural population access to basic public utilities**

Poverty and poor infrastructure are the main drivers for underdevelopment and environmental degradation. Rural settlements must have access to basic public utilities to ensure a decent quality of life in areas without significant geographical restrictions. At the global level, there are huge rural-urban gaps regarding population access to critical amenities such as drinking water, sanitation, electricity, and waste management services, particularly in low- and middle-income countries. Rapid urbanization in developing countries feeds rural-urban migration where poor people have crowed in slum areas without access to urban main public services threatening public health and local environment.

Uncontrolled urban expansion towards surrounding rural lands leads to such informal settlements. There are 1.9 billion rural people without access to formal waste management services, and the coverage rate is under 50 among 105 countries This critical situation translates into million tons of household waste generated and uncollected each year, which leaks into the natural environment via wild dumps, waste dumping in water bodies, or open burning practices. Freshwater ecosystems are often affected by the uncontrolled disposal of waste which further contaminates the downstream water bodies through heavy rains and floods and finally reaches the marine environment. Wildlife is heavily exposed to plastic pollution where rural communities can contribute directly through fishing activities or indirectly as land-based sources via unsound waste management activities.

**Pathways towards sustainable development goals (SDGs)**

* The role of small- and medium-sized enterprises in rural areas is based on local resource use, contributions to the local public budget, job creation, development of infrastructure, and engagement with community.
* Small-scale farmers using agro ecological practices can produce the food necessary for diversified, nutritious, sustainable diets, while protecting environmental resources from further degradation.
* New urban-rural relations, in terms of organic food production, stimulate nearby farmers to adopt the best management practices and to develop non farming activities (e.g., tourism and recreational activities, environmental conservation, forest restoration) or urban-rural migration.
* Rural households that wish to market their products are restricted to local markets, or their production is sold at low prices to intermediaries. Direct market linkages between local rural producers and urban customers. The development of farmer associations could be a solution in increasing access to regional or even national markets, to provide short supply chains.
* Improvement of water harvesting, cultivating drought-resistant crops, ecological restoration, combined with better local governance, financial instruments, integrated resource management, sound public services, and better urban rural linkages could help rural communities around the world to become more sustainable.
* Rural tourism, agritourism, and ecotourism are alternatives or complementary economic activities that could further stimulate rural entrepreneurship while decreasing rural community dependency on one main economic sector (agriculture, forestry, energy, mining, or fishing activities).
* Sustainable development based on three basic pillars (social, economic, and environmental) could not be achieved without the proper education of the rural population. The literacy rate is directly proportional to development; thus, full access of rural communities to educational services should be regarded as starting point to achieve ambitious SDGs in developing countries.

Generally to achieve all range of SGDs across the globe, proper attention must be paid to rural development perspectives such as quality of life improvement, sustainable agriculture, rural resilience, and circular economy and reduced inequalities. Sustainable rural development involves a holistic approach where daily basic needs of rural populations must be covered by reliable public utilities combined with technical, socioeconomic, and environmental conditions to support regional economies and urban-rural linkages. Rural communities must develop several non farming activities coupled with agricultural systems (adapted to local geographical conditions) to become more resilient to economic shocks or environmental disturbances in the context of climate change. Rural areas should receive the same attention and opportunities from decision-makers, academics, and professionals regarding sustainable development policies and investments in infrastructure projects. Agenda 2030 could be achieved if sustainable rural development policies will be implemented in each country next to urban areas.

**Aspects of rural development policy**

Given the rural nature of most livelihoods in Ethiopia, fulfilling the above economic development objective requires a comprehensive rural development vision as well as practical action to realize it. Moreover, the dominance of agriculture in the Ethiopian economy, the rural development effort is presently associated with agricultural development. This, however, does not in any way imply that development effort in rural areas will be limited to agricultural development. Indeed, in order to facilitate agricultural development, there is a need to undertake rural infrastructure and social development programmes. Furthermore, trade and industry will build on developments in agriculture and should emerge within the rural areas as well as expanding in an urban context. Hence, rural development although admittedly centered on agricultural development, is not confined to it.

The agriculture-centered rural development programme has been adopted as a major strategy expected to assist in the realization of the country's economic development objective. It is recognized that this must be complemented by efforts in other sectors. Nevertheless, the rural development effort is not something that can be regarded as just one element in the overall economic development package. It is more than just that. Rural development constitutes the plank that underlies all other efforts towards economic development. The reason for repeated mention of the nature of economic policy in Ethiopia being agriculture and rural-centered

is because this is the basis for implementing the overall economic development objective and the guiding principle for our development efforts. The agriculture-centered rural development strategy maps out our main development path because it is capable of bringing to fruition the four elements, which constitute the country's economic development objectives as indicated above.

**The Rural Development Policy and Strategies in the Context of Ethiopia's Overall**

**Development**

**1. Rural-and Agriculture-Centered Development as a Means of Ensuring Rapid Economic Growth**

Some majority of Ethiopia's population lives in rural areas and is engaged in agricultural production. Although capital is especially scarce in rural Ethiopia, the bulk of the land is in the hands of the rural population. Thus, strategies that promote the use of the country's labor and land resources while relying less on capital should embrace rural development and agricultural production that provides the basic livelihood of most of Ethiopia's rural population. Such a focus will allow the extensive and/or intensive use of both labor and land without the need for much capital. Agriculture is a sector in which our resource potential can be used to a high degree for rapid and sustained economic growth. A second factor reflecting the contribution of the rural and agriculture - centered development strategy to accelerated economic growth, is that the very focus on agriculture will ensure rapid growth in the entire economy given the dominance of this sector.

The significance of the strategy extends beyond the objective of rapid agricultural growth, which accounts for over fifty percent of GDP. Accelerated and sustained growth in agriculture will also spur growth in trade and industry through its strong forward linkages (greater supply of food products will contain wages and greater supply of raw materials for industrial production and trade will expand opportunities for Ethiopian enterprise). Also, as agriculture registers growth, so will the prospects for domestic capital formation improve, thereby creating a momentum for future growth both within agriculture as well as in trade, industry and other sectors. Finally, growth in agriculture enhances the quantity and quality of exportable products, which will in turn help build our foreign exchange resources (reserves). This, no doubt, will play a key role in the acceleration of industrial development. In the long run, the process of agricultural development and growth of agricultural productivity will give rise to surplus labor the absorption of which in trade and industry will contribute to rapid growth of these sectors. Growth in agriculture implies higher incomes of the agricultural population and hence increased consumption. To some extent such increased consumption will include processed goods. Also, it is expected that the process of agricultural growth will include the application of new technologies that will involve use of agricultural inputs and implements. Thus domestic demand for industrial goods and services particularly trade will expand, providing the

industrial and trade sectors an impetus for growth. The expanded domestic market will lay a firm foundation for accelerating growth of the non-agricultural sectors. In sum, intensifying efforts in the agricultural sector would result in gains beyond agriculture (which is important in and of itself given its dominant position in the overall economy) as growth in other sectors particularly trade and industry is driven by the growth momentum initiated within agriculture.

When we say that it is only when agriculture and rural development occupy center stage in the overall economic development process that we will ensure rapid and sustainable growth, it does not mean that this strategy will be relevant to forever. In the long term, as the industrial sector growth in terms of its contribution to in the national economy, it will become the strategic and leading sector in the overall development process. Industry will reach this stage only if we are able to design a development strategy, which maintains the linkages between industry and agriculture (where industry based on agricultural development and, itself, bolsters the agricultural sector).

**2. Rural-and Agriculture-Centered Development as a Means of Enhancing**

**Benefits to the People**

In addition to ensuring that the majority of the population benefits from the development process, a priority consideration for broad-based growth is that necessary attention be given to the situation of people who fail to benefit from the development process. As already stated, the policy we have adopted ensures economic development through increased capital formation and the use of modern technology. It is perhaps inevitable that some people will not benefit from the opportunities thus created. In this case, direct assistance and/or support measures will be provided from the government particularly if population groups are vulnerable to deprivation, poverty, disease and ignorance. Such safety nets [social protection] would provide a means of continuing the development effort in a framework of peace and stability.

Ruling out a direct support as a basis for development, our approach is to enhance the productive capacity of the working population and to direct this capacity for development. Such an approach is expected to guarantee rapid growth and maximum benefits to the mass of the working people and has shown more than satisfactory results elsewhere.

**3. Rural-and Agriculture-Centered Development as a Means of Eliminating the Country's Food Aid Dependency**

In this global environment, our country is one that depends on foreign aid. In order to improve our position within the global economy, eliminate dependency and more readily partake of the gains from global economic growth, we must ensure rapid and sustainable national growth; constantly improving the level of technology and capital formation within the country. Furthermore, in the process of national economic growth, the domestic economy should be consolidated and a large domestic market created. This would allow us to withstand external shocks that occur due to variable conditions in the international economy that are outside of our control. The rural and agriculture-centered development strategy will help us attain this. It is a strategy without any credible alternative for reducing dependency on aid and strengthening economic independence. It has already been argued above that the rural and agriculture-centered development strategy is our best option for ensuring rapid and sustainable economic growth. It is a strategy that will continuously promote technological development and application as well as greater capital accumulation. Thus it will directly improve our position in the global economy and increase the gains we derive from the integrated world economy. It is a unique strategy that

will extricate the country from reliance on external assistance for the most basic commodity; i.e., food, transforming our role from recipients of aid to participants in global economic development. As such it will strengthen our economic independence. Our aim, through the rural and agriculture-centered development strategy, is to increase agricultural production development strategy broadens the purchasing power of the majority rather than that of the minority and creates a domestic market with a large consumption base. Thus the strategy that we have adopted, more than any other development strategy, will widen the domestic market rapidly and on a sustainable basis.

As the domestic market develops, the national economy will be increasingly interconnected. Trade and industry will expand as the purchasing power of the rural population and its demand for production implements and consumer goods increases. These sectors will also grow as raw material and finished products generated by farmers increase in magnitude and improve quality. Also, trade and industry that is based on handling/manufacturing agricultural produce will have a good prospect for growth as such industries tend not to require sophisticated technology and large capital outlays. Given such interconnectedness, the rural and agriculture-centered development strategy will help promote a national economy with strong forward and backward linkages, which will reinforce the development of the domestic market.

**4. Rural-and Agriculture-Centered Development as a Means of Promoting the Development of a Market -Oriented Economy**

To a great extent, the development of a market-oriented economy is supported by a dynamic economy. By orienting our economic policies towards rural and agricultural development, we intend to inject such dynamism into the Ethiopian economy. We will pursue rapid and accelerated economic growth through the rural and agriculture-centered development strategy. It

is in this manner that our development strategy links to the promotion of a market-oriented economy. The market economy does not hinge on the few but is rather based on broad-based economic activity and, as has already been repeatedly emphasized, the rural and agriculture-centered development strategy is geared at enabling the majority of Ethiopians to be productively engaged in the economy.

The strategy will furthermore ensure that market orientation in Ethiopia is nevertheless broad based and has a reliable foundation by making the bulk of the population (millions of farmers) the main actors; enabling them to benefit considerably from the development process rather than making them the on-lookers of economic prosperity. It will therefore create a conducive environment for building a developed free market economy.

The rural and agriculture-centered development strategy is expected to bring about rapid and sustained economic growth, guarantee maximum benefits to the majority of the population people, minimize dependency on foreign aid, and promote the development of a market-oriented economy in Ethiopia.

**Rural and Agricultural Development Policies and Strategies**

**1. The Basic Directions of Agricultural Development**

As has already been emphasized, rural development cannot be confined to agricultural development. Nevertheless, in the Ethiopian context there is no question that the two are closely linked. Indeed, it is the development of the agricultural sector that will provide the basis for rural development. Hence, our rural development effort will give priority to the implementation of appropriate strategies for agricultural development. In view of this, it is useful, at this juncture, to discuss the basic principles that govern agricultural development policy in Ethiopia.

* The Labor-intensive Strategy
* Proper Utilization of Agricultural Land
* A Foot on the Ground
* Taking Different Agro-Ecological Zones into Account
* An Integrated Development Path

***2.* Strengthening the Agricultural Labor Force**

It has already been repeatedly mentioned that our overall economic development strategy and particularly our agricultural development strategy is based on continuously building the productive capacity of our labor force and employing it intensively in development activities of all sorts. This actually means focusing on four major issues.

* Firstly, it requires ensuring strengthening our labor force in terms of its industriousness and preparedness for work.
* Secondly, as we have discussed at length under section it is necessary to upgrade the agricultural skills of labor force, to continuously improve its productivity and to ensure viable technological growth based on these improvements.
* Thirdly, the health status of the working population must improve, as labor productivity does not only depend on skills and complementary technology but also on health.
* Fourthly, as intimated in relation to the first issue, it is necessary to ensure the development of appropriate technology and improve its supply, duplication and diffusion. It is useful to consider at some length these instruments for strengthening the agricultural labor force and indeed for enhancing the productive capacity of the country's manpower resources.
* Ensuring Industriousness and Work Preparedness
* Improving Farming Skills
* Ensuring the Health of Farmers
* Dissemination of Appropriate Technology

**3. Proper Use of Land**

We have shown in previous discussions that the basic objective of our agricultural development policy is to make the best use of our human resources by promoting labor intensive technology and enhancing the productive capacity of labor. Utilizing land in a manner that is sustainable and at the same time accelerates our agricultural development is another foundation on which our efforts in this sector are based.

* Land Ownership
* Water Resources Utilization

***4.* Preparing Area Compatible Development Packages**

Our efforts towards agricultural development need to be consistent with the particular conditions prevailing in each region of the country. Diversity in agro-ecological zones as well as other reasons that will be discussed below requires that this should be a basic consideration of our strategy.

* Combining Efforts towards Diversification and Specialization
* Development Efforts in Drought-Prone Regions i.e.
* Emergency Assistance
* Land Settlement as Part of the Solution
* Natural Resource Conservation and Development of Animal Resources
* Improving Water Resources Utilization
* Soil Conservation
* Development Efforts in Regions with Reliable Rainfall
* Development in Pastoral Areas: Approaches and Programs
* Development in Areas Having Large, Unutilized Agriculturally Suitable Land

**5. Working towards Market - Led Agricultural Development**

* Agricultural Development not Driven by Market Forces Cannot be Rapid and Sustainable
* Tuning Agricultural Sector to Produce Goods Having Demand in the Market
* **Building an Agricultural Marketing System**

All efforts will be in vain, if a marketing system that is capable of delivering the produce at the right time, in the right place and price is lacking. The market price of a given product includes transport and marketing costs. If the marketing system is inefficient, high marketing costs may make the product uncompetitive, thereby negatively affecting sales revenue and farmers' income. Therefore, a marketing system that is efficient and capable of ensuring the quality and price competitiveness of goods is essential for attaining the objective of accelerated and sustainable agricultural development.

* Grading Agricultural Produce
* Provision of Market Information
* Promoting and Strengthening Cooperatives
* Improving and Strengthening the Participation of Private Capital in Agricultural Marketing

**6. Improving on Rural Finance**

The existence of a strong financial system is essential not only for increased agricultural investment, but also for a strong agricultural marketing system. Cooperatives may be active and functional without requiring a large amount of financial outlay. They can serve as distribution agents for major importers and factories without actually having to buy the agricultural inputs and implements the importers/factories supply. They can settle purchases from farmers after sales. It should, however, be pointed out that such a financing procedure cannot be considered adequate and viable for cooperatives. They need their own finance in order to ensure continued growth, provide more efficient and cost-effective services to their members, and to enhance their own negotiating position with importers or organizations that employ them as distribution agents. The existence of a strong financial system can help cooperatives assume the latter role.

* Banks and the Rural Financial System
* Rural Banks
* Cooperatives

**7. towards Promoting Private Sector Participation in Agricultural Development**

Private investors are already making a significant contribution to agricultural development. But, this cannot mask in anyway the immense potential the private capital has yet to realize in the development of agriculture in Ethiopia. Experiences of developed economies clearly show that as an economy grows there is tendency for some small farmers to quit the sector and seek employment in other sectors, and there are others who accumulate enough capital to go big in the sector. This implies that there is a direct correlation between agricultural growth and the role of private investment in the sector. This in turn means that assuming the objective of accelerated agricultural development is achieved, it is likely that there will be a role change. The key actor in the sector's development will be relatively large-scale private investors and not the semi subsistence small farmers.

* Attracting Foreign Investors to the Agricultural Sector
* Agricultural Training and the Participation of Private Investors
* Linkage between Private Investors and Smallholders

**8. Expansion of Rural Infrastructure**

The availability of social and economic infrastructures is essential both for agricultural and rural development. It is not possible to attain rapid and sustainable agricultural or overall rural development where there is a lack of services in the fields of: education, training, health, rural road and transport. Rural development and infrastructural facilities and services are almost inseparable. The expansion of rural infrastructural facilities is a major government responsibility in view of its crucial role in expanding these facilities and services in general. In fact, the government's main tasks are to expand rural infrastructure, motivate and coordinate farmers and generally create favorable conditions for development.

* Expansion of Educational and Health Services
* Expansion of Rural Road and Transport Services
* Improvement of Drinking Water Supply
* Expansion of Other Rural Infrastructural Services

**9. Strengthening Non-Agricultural Rural Development Activities**

* **the need for Non-Agricultural Rural Development**

Government attaches great weight to the development of non-agricultural sectors not simply from the long-term point of view. Planning investment and work in the non-agricultural should start now in order for the sectors, to take the lead role from agriculture sometime in the distant future. In fact it will be unlikely to attain accelerated agricultural development; without increased investment in and results from the other sectors.

Education, health, trade, marketing, finance, etc., are all technically outside of agriculture, but all are critically important to agricultural development. Expanding and strengthening these services in the rural economy means developing non-agricultural sectors and increasing the member of people employed there in, which in itself is another factor for assisting development. Agricultural development cannot occur without a visible change in these services.

Farmers employ themselves in agricultural or other activities to improve their livelihoods. They want to increase their income to improve the quality of life. This essentially means increased capability to afford improved and more quantity of needs (food, clothing, shelter, etc.), education, health, transport, entertainment, and the like. It means affording to invest in improved technologies such as fertilizers, seed, and farm equipment. Peasant farmers, although mostly illiterate, are rational people. As rational people they want to keep on increasing income for the purpose of more investment and to further raise their standard of living.

Lack of goods and services due to inability of non-agriculture sectors to supply farmers may anent farmers' motivation and industriousness. This is the reason why it is argued that unless non-agricultural sectors are developed right from the outset, it will be virtually impossible to develop the agricultural sector and improve the well-being of the rural people. Very often, the labor force employed in non-agricultural sectors has higher labor productivity compared to agriculture. Because of this, the work force in non-agricultural.

* **Full Utilization of Development Opportunities Created by Rural Development**
* Another source of growth among the non-agriculture sectors is education. It has already been indicated that primary education will expand in rural areas. It is clear that out of the rural youths who complete primary education, the vast majority will be employed in agriculture. On the other hand, there will be students who will progress to secondary education and to be employed in non-agricultural activities
* Another point that should receive special emphasis is the task of increasing the value-added of farm products. There is urgent need to prepare and package agriculture products with the intent to reduce transportation and marketing costs. Small-scale agro-processing enterprises should be encouraged to emerge and grow. Cooperatives can also play an important role in running such enterprises
* **Strengthening Rural-Urban Linkages**
* Agricultural development contributes to the expansion of non-agricultural sectors not only in rural areas, but also in urban areas. The main agro-processing activity is carried out not in rural but in urban areas. The main marketing, financial and transport centers are also found in urban areas.
* Urban areas should be organized and developed in such a way that they effectively serve agricultural and rural development. Likewise, urban centers should be organized to enable them attain rapid development, taking advantage of the benefits which accrue from rural development.
* Urban development should be guided by a well-designed plan and it should enable to achieve the objectives set out above. Towns should be expanded to service rural development and in turn to fully exploit the benefits arising from mral development. Towns and cities should be given standards on the basis of the services they render for the acceleration of rural development, and the advantages they obtain from rural development, and they should be expanded to render the expected services according to well-formulated town development plans.

**Rural infrastructure**

The overall level of agricultural infrastructure development in most countries in sub-Saharan Africa is lower than in other regions of the world and is one of the greatest constraints to increasing agricultural production. In most countries in the region, agriculture is not only the largest contributor to GDP (gross domestic product), but also provides employment and livelihood for a significant proportion of the population. The World Bank and many other development partners have argued strongly for some time that economic growth in sub-Saharan Africa must be driven by the agricultural sector, which is seen as the motivating force for rural development and the eradication of poverty.

Infrastructure development is identified as a pillar of economic development under the Comprehensive Africa Agriculture Development Programme (CAADP) and development partners such as the African Development Bank are paying increased attention to financing the necessary infrastructure for the development of the agro- industries sector. At the same time, and as agreed at the Maputo African Union Summit of 2003, there is growing realization that ways must be found to increase the flow of private sector resources to augment public spending in the agricultural Sector.

**Direct public sector investment programmes and financial support**

Governments should increase direct investment in basic market-oriented infrastructure for the public good, such as water and marketplace infrastructure, and rural roads. The issue is that the private sector is unlikely to invest in areas requiring heavy investment, where it is difficult to make direct charges and where quick returns may not be guaranteed. Direct investment is needed in support services such as telecommunications, rural electrification, rural finance, health care and security, all of which help to establish an environment conducive to business.

**Incentives for private sector investment**

While the physical infrastructure should be set up by the public sector, the operational aspects and business issues should be left to the private sector, which is more able to manage and operate efficiently public amenities such as markets and water facilities; however, it must be guaranteed that only reasonable user fees are charged. Credit and market guarantees, and tax relief should be provided for private businesses to borrow and invest in market-oriented infrastructure, given that the recovery period for such investment might be long term.

**Public-private models as a means of investment**

The government finances and builds the infrastructure but then contracts the operation and management to the private sector. The government builds, owns and maintains the infrastructure but then contracts the private sector to provide the utility services for it. For example, this could apply to rural roads, where the government builds and owns the roads but private sector tractor service providers are contracted for maintenance and general transport tasks.

**Development of public-private partnerships**

Public-private partnerships (PPPs) should be developed to enhance infrastructure investment in water management, storage facilities, marketplaces and rural roads. Successful PPPs will require the establishment of appropriate policies, and institutional and regulatory frameworks.

Government support may at first be required to instigate and encourage the development of PPPs with incentives such as land and investment support through loan guarantees, tax holidays, tax relief, concessionary packages, bundled investments, subsidies and performance- based contracts. During the planning and development of these measures, all relevant stakeholders need to be involved. At the same time, appropriate legal safeguards should be set in place to protect investors. Governments may also have to consider investing in major infrastructure works such as water, roads, rural electrification and farmer- level water pumps and irrigation equipment; these will, however, be operated and maintained by the private sector on a cost- recovery basis. Where overall fiscal policy allows, financial institutions should provide credit to the agricultural sector at preferential interest rates.

**Capacity building and institutional strengthening**

Capacity building and institutional strengthening will accelerate investment in market oriented infrastructure and necessitate the coordination of all ministries concerned with development, planning and administration of marketplace infrastructures (agriculture, blands, trade, cooperatives, local governments and councils). Related institutions should be linked to facilitate common planning and synergize capacities; all key stakeholders in the planning, management and development of markets should be involved.

**Rural roads**

In order to maximize benefits from existing and future investments, it is essential for rural road networks to be linked to the main road networks and for both routine and any major maintenance to be carried out at appropriate intervals. Cost control can be achieved by introducing low-cost methods for repairing and sealing rural road surfaces. At the same time, access by overloaded

vehicles that might damage earth and gravel road surfaces should be restricted. Priority should be given to improving rural and feeder roads in key agricultural production areas and Ministries of Agriculture should incorporate a rural roads component in future agricultural development projects. Private sector multicolor investors should be assessed with regard to their ability to structure and package investment projects in rural roads linked with agriculture development.

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**Chapter three**

**Urban Development**

There is no international consensus on how to determine the boundaries of urban areas or identify when a settlement is ‘urban’, as evidenced by the diversity of national urban definition summaries in the publications of the United Nations Population Division (2014). Some researchers might prefer a simple, standardized definition, based on population size and density criteria, and some countries have adopted such definitions (in some cases with allowances to include commuters living beyond the bounds of the dense agglomeration).

Since, Urbanization implies a change in the economic, social and cultural aspects of the society. It is a process of becoming urban, the movement of people or processes to urban areas, increase of urban areas, population or processes3.Urbanized societies, in which a majority of the people live crowded together in towns and cities, represent a new and fundamental step in man’s social evolution.

Again, urbanization often treated as something that just happens in urban settlements, though by its very definition it involves a shift in population from rural to urban locations, transforming rural as well as urban landscapes and livelihoods. Almost inevitably, urbanization involves changes in demographic, economic and environmental flows between rural and urban areas, though not always in predictable ways. Urbanization can be spurred by changing urban conditions, but also by changing rural conditions. Moreover, As per United Nations (2014), the process of urbanization describes a shift in a population from one that is dispersed across small rural settlements in which agriculture is the dominant economic activity towards one where the population is concentrated in larger, dense urban settlements characterized by industrial and service activities. Hence, urbanization as a process implies an increase in the percentage urban and the rate of urbanization, thus, refers to the growth rate in the level of urbanization. Lampard (1966) outlines three broad conceptions of Urbanization that have gained currency in the social sciences.

They are: the **behavioral**, the **structural** and the **demographic** conceptions. The behavioral concept conceives of urbanization as an adjustment of personal behavior in the sense that it focuses on the conduct of individuals. Certain patterns of behavior or thought, regardless of social environment and locale are said to be urban. Hence the process of urbanization is one experienced by individuals over time. The structural concept ignoring the patterned behavior of individual persons focuses on the patterned activities of whole populations. The process of urbanization then involves the movement of people out of agricultural communities into other and generally larger non-agricultural communities. The demographic approach focuses on the space and defines urbanization as a process of population concentration.

Lampard regards the demographic approach as superior to other definitions of urbanization. The reason as per him lies in the simplicity of this approach. It is in this tradition of demographic approach that Kingsley Davis (1965) has used the term urbanization in a particular way. As per Davis, it refers to the proportion of the total population concentrated in urban settlements, or else to a rise in this proportion. For him, urbanization is a finite process, a cycle through which nations go in their transition from agrarian to industrial society. To Davis, urbanization is the movement of people from agricultural into industrial employment, which leads to urban living. Attention thus is on the movement of people to urban like work in urban like places where they can be counted33. However, Davis is well aware of the role of urbanism as an agent of change in the whole pattern of social life.

***Factors of urbanization***

Five major factors stand out as determinants of city growth and urbanization. While each of these has had its effects upon urban expansion in various periods of history, the period beginning roughly with the middle of eighteenth century saw them intensified. In a sense, it is rapid changes in these factors which have created what is loosely called modern society, typified by industrialization and urbanization. Agricultural revolution stands as the leading factor that paved the way for the process of urbanization. For the emergence and growth of cities, the development of agricultural surplus was a prerequisite. The generation of surplus released a significant proportion of Human power from the land and opened the avenues to follow different pursuits. The release of population from the necessity of producing food led to the concentration of people in cities and permitted this section of population to engage in non-agricultural endeavours characteristic of city life. The application of technology to agriculture led to increase in agricultural production. The proportion of agricultural workers supporting those engaged in non-agricultural activities decreased and the productivity per worker increased due to the application of science of chemistry and genetics in the agriculture. In one hundred and fifty years between 1787 and 1937, great shifts in farm and city balances occurred. The produce of nine farms was required to support one city family in 1787 but by 1937 one farm family was feeding seven urban families**.**  Thus the advancement in the field of science and technology, and utilization of mechanization process on agricultural front further minimized this ratio, releasing ever more, significant chunk of population from the necessity of producing food. This released section of population, subsequently proved to be the potential reservoir of migrant labourers that came to be employed in the factories during the industrial revolution.

The second major factor behind urbanization is the technological revolution. The invention of steam engine, development of mass production techniques, factory system made possible the agglomeration of people in a densely settled pattern. The application of steam as the source of power for industry and transport was a development which revolutionized the nineteenth century. Steam not only made possible a vast increase in human’s potential means of subsistence and consequently in his numbers but indirectly by releasing a rapidly increasing proportion of population from the actual tilling of the soil, it became an overwhelming force in cityward migration and played a major role in determining the internal structure of the city and of economic organization of which it became the nucleus. Prior to this development, provisioning and supplying of raw materials to the city were difficult. The centripetal force of steam thus played a significant role in the creation of large, dense and rapidly grown urban centers.

The city requires a means of livelihood for its populace, who in turn can exist apart from the land only So far as a livelihood and an agricultural surplus permit them. Because of the fact that special conditions exist in particular localities, mass production may be specialized. The power of the factory to support large number of people depends upon the availability not only of food but also access to the products of a highly varied industrial system. A city which produces large amounts of one product could not support its workers unless the products of other cities could be brought in by the exchange of commodities. A critical factor recognized in the increased productivity was thus the utilization of non-human energy in production-the emergence of the machine, initially powered by natural forces of water and wind, then by steam and subsequently by mineral fuels or electricity derived there from, with atomic energy in prospect. Thus it was the centripetal force of steam which eventually led to the concentration of manufacturing, managerial and wholesale distributing activities and population into large urban areas.

The commercial revolution is the next factor in the growth of urbanization. The development of world markets, exchange systems and radically improved means of transport and communication allowed cities to develop under conditions which otherwise would have prevented their appearance. Cities located in areas which dictate a high degree of specialization are possible as consequence of trade and transport, and indeed it is no longer necessary nor uncommon for a city to depend heavily upon its own immediate hinterland for the needed agricultural surplus. In fact it is much more the case that cities are supported by agricultural products from far flung, interrelated trade system which embraces most of the earth. Historically, the impetus to the city growth given by the expansion of trade actually preceded the principle effects of industrialization**75**. The commercial revolution in juxtaposition with revolution in communication technology, narrowed down the physical distance and led to the shrinkage of space which ultimately made the world interdependent. As a result, the developments in one part of the world necessarily had influence and impact on the other parts of the world, diffusing all over the globe. This resulted in the less reliance of cities on local circumstances and more upon the global conditions. Increased efficiency of transportation is the next important factor in the ushering of urbanization.

Cities being the centre of trade, the transportation system forms the lifeline of the thriving city life. The advances made in the long distance transportation like steam rail road and consequently motor car had a great impact on the urban growth. The increased efficiency of transport facilitated the movement of goods and people quickly and at lower costs from place to place, within the city as well as between the city and its hinterland. The development of transportation facility thus paved way for the growth of metropolitan centres of today. The flexibility, speed and individualization of transport effected by internal combustion engine as embodied in the automobile and the air plane and new technological devices likely altered the structure of urban community and national life profoundly**76**. The introduction of electricity as a new force in the automobile industry had significant implications for the process of urbanization. The use of electricity exercised a centrifugal influence upon the growth of the cities, thus paving the way for the emergence of metropolis and megalopolis. The fifth factor, the demographic revolution, is a consequence of the developments that took place in the field of agriculture, commerce, industry and transportation. The appearance of urban, industrial society was marked by the developments in the field of medical sciences. The discoveries in the medical field certainly led to improvement in the health conditions of the people by providing cures to a multitude of ailments and diseases. This led to sharp decreases in mortality. Birth rates, however, did not fell so rapidly and one result was a phenomenal growth of the population in western society during the nineteenth and early twentieth centuries. These population increments in large measure found their way either to colonial agricultural lands or to the cities. The demographic evolution in this way contributed heavily to the needs of the cities for an increasing labour force and consumer markets.

**Drivers of Rapid Urbanization**

Rapid urbanization is basically derived from migration from villages to towns, urban expansion to peri- urban areas and the natural growth of urban inhabitants.

**1. Migration**

Migration considered as major factor to urban growth dynamics in Ethiopia and has significant contribution to the country’s urban population. The population migration in Ethiopian to urban centers has been rural-urban and urban–urban. Several studies including the report on State of Ethiopian Cities revealed that proportion of migrants in urban centers drastically increased. The proportion of migrants in the urban population which was above 40% and more than 73% of the urban migrants were from rural areas (CSA, 2008), indicating increasingly general level of rural-urban migration. This doesn’t include day labour migrants coming from surrounding rural areas for which data is not available in any of studies done before. Better employment opportunities and basic social services are attracting rural migrants to the urban areas, whereas drought also thought to be the environmental stressor of greatest concern of the country. Migration is cited as providing a buffer against the detrimental economic implications of climate extremes, which may include loss of income and loss of livelihood. Desertification, deforestation, decreased soil moisture, Stalinization, soil erosion, and loss of biodiversity are all examples of macro-level changes that take years to develop and that act as effect-multipliers of extreme weather events, having negative economic impacts on subsistence households, as notable causes of migration. Permanent migration is employed as it allows people to escape livelihoods which depend on the availability of resource but is also a strategy for managing drought. In addition to that existing public investments in industrial parks and sugar factories will attract more people from rural and other urban areas. This is expected to engender urban-urban migration as well as further pull out rural people into urban centers at an increasing rate.

**2. Urban expansion**

As demand for land increased over time, urban centres have been physically expanding their boundaries to surrounding rural and peri-urban areas by including additional land where people did base their lives in agriculture. Urban expansion was practicing in planned and unplanned manner. Most commercial and manufacturing expansions were guided by the urban expansion planning where as many of the residential settlements were due to urban sprawl from inner cities and informal settlement with people living at outskirts in a built or rented housing occupations. This type of expansion is very common to urban Ethiopia where causes for creation of substantial peri- urban centres around big and medium urban centres. Public led investments at industrial parks in cities expected to physically annex hundreds of hectares along with farmers to boundaries they manage. Commercial activities, infrastructures and services in expansion areas attracts people who were originally agrarian to gradually transform their living styles to urban settings and these causes spatial expansion as well as urban population increments to overall count.

**3. Natural growth**

Among indicators set to be useful to measure natural growth of a population is the trend of fertility rate. Ethiopia, like many developing countries exhibits high fertility rate given declining of the rate in recent years which shows at national level 4.8 in 2011 from 5.9 in 2000, while in urban areas it declined from 3.3 to 2.6. Improvements in the educational status of the population in general and that of women which is reckoned to have contributed to enhanced awareness about reproductive health, has also contributed to the decline in child and infant mortality rate. Infant mortality rates in the urban and rural areas of the country stood at 59 and 76 per 1,000 lives birth in 2016, respectively, however, exhibited a declining trend from 97 in the urban areas and 115 in the rural areas per 1,000 lives birth in 2000 (CSA, 2016). The decline is mainly attributable to improvements in the delivery of health services in the country. Availability of better health services in urban centres therefore plays role to maintain natural growth of the population through decreased child and infant mortality rate.

**Urbanization, inequality and social exclusion**

Those who support urbanization as a means of economic advancement generally accept that it also tends to be associated with rising income inequalities (Kanbur and Venables 2005; Kanbur, Venables and Wan 2005). Part of this rising inequality involves rural urban differences. Intra-urban inequalities are also of growing importance, however. Even according to conventional income-based measures, a growing share of world poverty is located within urban areas (Ravallion, Chen and Sangraula 2007) and most conventional measures miss the depth and scale of urban poverty and inequality (Mitlin and Satterthwaite 2013). Somewhat paradoxically, although urbanization is often associated with growing inequality, measures to inhibit urbanization can amplify these inequalities. There are a number of clear examples of this, even among the more successful emerging economies of Africa, Latin America and Asia.

UN-Habitat estimates that about 45 per cent of the urban population in developing countries live in slum households, defined as those lacking improved water, improved sanitation, adequate space or solid construction – up from 35 per cent in 1990 (UN-Habitat 2012, p. 150). A large but difficult to estimate share live in what have come to be termed informal settlements, which represent a ‘grey zone of urban exclusion’ (Koonings and Kruijt 2009). Many of these disadvantaged urban residents, including low-income migrants, cannot afford to secure housing in formal markets or through public provisioning. They may not be physically evicted from their cities and towns, but end up living informally, or even illegally, in locations where neither private nor public ownership controls are tightly enforced. This often means that the poorest residents live in locations ill-suited to habitation, and lack access to public amenities and services.

Of course, rural exclusion will also exacerbate inequalities and create social problems, and during the urbanization process the most inequitable outcomes are likely to arise when the same social groups are being excluded from both urban and rural locations. In rural areas, exclusion may come about through development forms that favor land consolidation and the increasing

Dominance of large commercial farms, but it can also come about through rural economic decline and population growth.

**Urbanization and shifting environmental burdens**

Urbanization has always raised environmental concerns. Indeed the links between urbanization and environmental risks were more evident in early cities, where resource constraints were more localized and environmental health issues loomed large. Although these risks are often not treated as environmental in contemporary accounts of the environment as the third pillar of sustainable development, they have always been and continue to be critically important, particularly to very low-income groups.

Looking across urban centers in different parts of the world, it is evident that despite the considerable overlaps and variation, the poorest urban populations in the poorest countries tend to have the worst environmental health conditions in and around their homes and also among the lowest levels of greenhouse gas emissions per person. The ambient environments of heavily industrialized and motorized cities in middle-income countries tend to be highly distressed environmentally, with the worst ambient air pollution problems. And it is the populations of the wealthiest cities that have the largest global environmental footprints, and that are the biggest per capita drivers of climate change.

Climate change is creating new environmental risks and exacerbating old ones, including the risks of inadequate water and sanitation provision. Urbanization is putting in place infrastructure that will not only contribute to or protect people from more local environment burdens, but will determine whether cities, and urbanization itself, contribute to climate change mitigation and adaptation. Where urban growth takes place will also influence how many people are living in risk-prone regions and localities. Urbanization has been part of modern economic growth, and is sometimes blamed for contributing to climate change and other global environmental burdens

associated with high consumption levels. It is important, however, to distinguish the effects of urbanization from those of economic growth, and to set both in the context of the prevailing political economy. When urbanization leads to higher productivity, it can be said to be contributing to the larger ecological footprint that this productivity often facilitates. However, higher productivity is also likely to be a key ingredient in any successful attempt to reduce global environmental burdens without causing undue economic hardship.

**Challenges of urbanization**

**Urban Issues in Africa**

* Lack of urban planning. Slums
* Lack of public space
* Lack of basic services (clean water, sanitation, energy)
* Overcrowding but low density
* Traffic congestion

**Economic Issues**

* Lack of economies of urbanization and economies of agglomeration
* Loss of the city as a multiplying wealth generator
* High unemployment rates (+50%), specially the youth
* Informal economy: +70%
* Weak public sector economy

**Political and Social Issues**

* Lack of proper governance (taxing system, entitled institutions, etc.)
* Lack of public safety
* Social disparities. Incapacity to generate middle class
* Gated communities as an additional segregation of the city

**The way forward**

* To use the city and the urbanization process as the main engine of national economic growth

**1. Establishment of a national urban policy**

A more coordinated approach to urban growth is required at national level in order to coordinate different areas of government: road and transportation, economic development, energy strategy

* A vision of the national urban strategy is required with special emphasis on small and intermediate size urbanization. Incentives are needed to implement such strategy.
* Urban growth should be prioritized in natural transport and energy corridors in order to minimize the sprawl and increase sustainability

**2. Go back to basics in urban planning**

* Plan in advance (30 years)
* Plan at scale (numbers that make a difference)
* Plan in phases (of public investment)
* Plan for social integration (pro-poor policies)
* Plan for density (incremental)
* Plan for connectivity (focus on public realm)
* Plan for energy efficiency and risk prevention

**3. Increase density and reduce overcrowding**

* City infill’s and planned city extensions. Basic services (water & sanitation)
* In front of the expected growth of urban population, immediate action is required in urban planning.
* -Whenever possible, adequate growth of urban population should be planned in infill areas in the existing urbanized space.
* Good and qualitative density required (12,500 hab./km2). Without good design, density becomes unbearable and usually overcrowding.
* City extensions should be planned when there is no infill capacity, also with adequate quality density and attached to the existing core city and basic services.
* Plan for mix uses of the urban space, taking into account the use for social diversity.
* - City enlargements should be planned in a proper size and in a long term vision; in order to avoid monopolistic positions of investors and irrational evolution of urban land prices.
* - Special attention should be given to those strategies focused on the network of metropolitan regions, intermediate cities and market towns.

**Urban-rural linkages**

It is within this context that in recent years, the concept of urban-rural relationships has emerged as a way of challenging this longstanding and persistent dichotomy and promoting an integrated conception of cities and countryside based on both their spatial and functional interdependencies.

Whilst such interdependencies are not new, their dynamics are far more complex than the traditional simple reciprocal exchanges between cities and villages. It is possible to identify two distinct phases in these reciprocal exchanges. The first phase occurred when societies of north west Europe were predominantly rural and cities’ relationships with rural areas were characterized by the consumption of agricultural produce by urban dwellers in exchange for cities’ industrial and commercial products. In the second phase, after the Industrial Revolution, the balance of urban–rural relationships began to shift towards an increasing dependency of rural areas on urban economies.

It seems to be witnessing a third phase whereby the urban-rural linkages are moving beyond the single one-way exchanges and demonstrate a more complex and dynamic web of interdependencies which is shaping the fortunes of cities and countryside alike. For example, as Howard Newby argues, “for the first time since the Industrial Revolution technological change is allowing rural areas to compete on an equal basis with towns and cities for employment” (quoted in Marsden et al, 1993:2). It is this recognition of the complexity of urban-rural relationships which has gained a new political salience both at national and European levels. This focus on urban-rural continuum is justified by the visible and invisible flows of people, capital, goods, information and technology between urban and rural areas.

There is an increasing understanding of the following key issues with regard to urban-rural relationships:

* rural-urban linkages need to be understood and addressed in the context of globalization trends in terms of, for example, systems of production, finance, trade and labour markets
* the conventional view of rural areas as equivalent to agriculture is no longer reflective of the reality of either rural regions or the rural component of rural-urban relationships
* urban-rural relationships add a significant dimension to understanding the key territorial development issues and formulating effective policies to address them
* urban-rural relationships need to be strengthened in a way that benefits both urban and rural populations
* realizing the potential benefits of urban rural linkages rests not only on strengthening these linkages but also mitigating their negative impacts

**Gender and urban work**

Currently, more women participate in paid employment than at any other time in history, although with differences between countries (Heintz, 2010; World Bank, 2011). Urban women are more likely than rural women to rely on income-generating activities given the dependence of urban residents, and especially the urban poor, on a monetized economy (Beall and Fox, 2007). Especially in the manufacturing sector, women’s high rates of employment are associated with the expansion of export-oriented production that has come to dominate large parts of the economies of low- and middle-income nations since the early 1980s, later including the service sector and ICT (Pearson, 2010). To a large extent, then, the ‘feminization’ of the global labour force goes hand in hand with urbanization, as it reflects a number of interrelated factors. These include the internationalization of production and trade, reduced fertility rates, rising levels of education and darling changing aspirations especially among young women, and the need for cash incomes due to rising costs of living associated with the privatization of basic services and cuts to public welfare services (Kabeer, 2007).

On the other hand, women’s growing participation in paid employment mirrors stagnant or even declining rates of male labour-force participation. Increased levels of women’s labour-force participation have corresponded to economic crises and the implementation of structural adjustment programmes since the 1980s (Kabeer, 2007). The economic crisis is also likely to have a deeply gendered impact. Early assessments suggest that the financial turmoil that started in 2007 in Europe and the United States is already negatively affecting low-income nations (Pearson and Sweetman, 2010). Hence, falling demand for exports leads to falling output, employment and earnings in the sector, as well as a deterioration of labour rights for those in formal employment (Elson, 2010). Recent research in the Philippines shows that women, who form the majority of workers in the electronics, semiconductors, telecommunications and garment industries, are being most severely affected by the crisis (Gaerlan *et al.*, 2010). In many cases, this means a growing ‘informalisation’ of women’s paid employment. Women tend to concentrate in lower-quality, more precarious forms of paid work. In part, this is because they need to reconcile paid work with their primary responsibility for unpaid domestic and care work within households. It is also, however, the consequence of the gender segmentation of labour markets which prevents women from entering better paid and more protected work. This section focuses on two such areas of work that are particularly important for poor working women in the cities of low- and middle-income countries: the urban informal sector and domestic service.

**Gender, poverty and the urban informal sector**

Informal employment consists of a variety of income-generating activities, including both informal self-employment such as employers and own-account workers in informal enterprises and in informal producers’ cooperatives. It also includes unpaid family workers, and wage employees working in either formal or informal enterprises without formal contracts, worker benefits or social protection (ILO, 2002).

Informal employment is particularly important in low-income nations, where it accounts for half to three-quarters of all non-agricultural employment. This share is 48 per cent in northern Africa, 51 per cent in Latin America, 65 per cent in Asia and 72 per cent in sub-Saharan Africa. On average, over 60 per cent of women workers in low-income nations are employed in the informal sector, while among men this proportion varies between 48 per cent in Latin America and 65 per cent in Asia (Chen, 2010). In urban India, the self-employed constitute 45 per cent of men and 48 per cent of women workers; of these, more than half of men and nearly two-thirds of women have very low earnings, in most states below the official minimum wages (Ghosh, 2010). In other words, while women are not the only informal-sector workers, they are more likely than men to be employed informally, and to earn less.

The feminization of the labour force is linked to the informalisation of labour markets. Even in the formal sector, women concentrate in export manufacturing and non-core jobs – the most vulnerable during a recession. A growing proportion of female workers in export-oriented industries are home-based and their earnings depend on the number of pieces produced, making the distinction between this form of employment and work in the informal sector increasingly blurred (Dedeoğlu, 2010).

**Water and sanitation**

Women are commonly responsible for making up any deficiencies in services at household and frequently also neighborhoods level. In Accra, Ghana, women typically work together to manage the environment of the house compound, and are considered primarily responsible for maintaining the spaces between compounds. They are usually responsible for the children, who move from place to place. In addition, even in-house environmental management depends heavily on public infrastructure, such as water pipes and connections (Songsore and McGranahan, 1998). It is difficult to under-estimate this role, including its political dimensions: the negative connotations associated with residency in an informal settlement are (in part) rationalized through an emphasis on cleanliness. ‘Inadequate hygiene’ has been the means through which squatters, shack-dwellers and other residents of informal settlements have been subject to clearance and other forms of repression. In turn, this places an emotional burden on poor women, as they tend to be implicitly and sometimes explicitly blamed for failing to maintain high standards of cleanliness, despite the difficulties due to lack of water, through both uncertain supply and cost when it has to be purchased through informal vendors (Obrist, 2004).

Limited access to water means that women, who are primarily responsible for providing it, have

to spend a long time travelling to or queuing at overcrowded public standpipes and other water sources, sometimes starting their journey in the middle of the night to make sure the household has water in the morning (Bapat and Agarwal, 2003). Water purchased from private suppliers can be prohibitively expensive, sometimes up to ten times higher than water from public suppliers. Cheaper informal vendors, on the other hand, may sell polluted water that may affect the health of users, exposing young children to diarrhea and increasing their need for care (Sverdlik, 2011). Moreover, women menstruating have specific needs which require access to appropriate water, sanitation and hygiene services. These include clean water for washing clothes used to absorb menstrual blood, and having a place to dry them, having somewhere private to change clothes or disposable sanitary pads, and facilities to dispose of used cloths and pads. Some women also need access to information about the menstrual cycle and how to manage menstruation hygienically. As well as addressing practical needs like this, it is also necessary to promote better awareness among women and men, to overcome the embarrassment, cultural practices and taboos around menstruation that impact negatively on women’s and girls’ lives, and reinforce gender inequities and exclusion (Mahon and Fernandez, 2010).

**Urbanization and gender-based violence**

While rates of violent crime increased globally from 6 to 8.8 incidents per 100,000 persons between 1990 and 2000, much of this increase has been in cities (UN Habitat, 2007). It is also widely recognized that urban women are at greatest risk of being victims of violence (Chant, 2011; CPRC, 2010). While gender-based violence is largely determined by unequal gender relations and cultural notions of femininity which dictate the ‘appropriate place’ for women, in too many instances it is directly linked to inadequate basic infrastructure and access to services that increase women’s vulnerability to attacks. Living in urban informal settlements can lead to a greater incidence of violence against women, especially that perpetrated by someone who is *not* a partner, although this is not uniform (Hindin and Adair, 2002). Within low-income urban settlements, there are particular locations where gender-based violence is likely to occur more frequently. As discussed above, where toilets are located far from people’s homes, women and girls face risks of violence and attacks if they walk alone to use them, especially at night (Amnesty International, 2010; Bapat and Agarwal, 2003; Moser, Winton, and Moser, 2005). In the absence of toilets, open defecation, which typically takes place at night to preserve a minimum of privacy, also involves substantial risks for women.

**Chapter four**

**Developmental theories and perspectives**

**Classical Economic Theory- free market**

Classical economics or classical political economy is a [school of thought](https://en.wikipedia.org/wiki/School_of_thought) in [economics](https://en.wikipedia.org/wiki/Economics) that flourished, primarily in [Britain](https://en.wikipedia.org/wiki/Kingdom_of_Great_Britain), in the late 18th and early-to-mid 19th century. Its main thinkers are held to be [Adam Smith](https://en.wikipedia.org/wiki/Adam_Smith), [Jean-Baptiste Say](https://en.wikipedia.org/wiki/Jean-Baptiste_Say), [David Ricardo](https://en.wikipedia.org/wiki/David_Ricardo), [Thomas Robert Malthus](https://en.wikipedia.org/wiki/Thomas_Robert_Malthus), and [John Stuart Mill](https://en.wikipedia.org/wiki/John_Stuart_Mill). These economists produced a theory of [market economies](https://en.wikipedia.org/wiki/Market_economy) as largely self-regulating systems, governed by natural laws of production and exchange (famously captured by Adam Smith's metaphor of the [invisible hand](https://en.wikipedia.org/wiki/Invisible_hand)).

Adam Smith's [*The Wealth of Nations*](https://en.wikipedia.org/wiki/The_Wealth_of_Nations) in 1776 is usually considered to mark the beginning of classical economics.[[1]](https://en.wikipedia.org/wiki/Classical_economics#cite_note-adam-1) The fundamental message in Smith's book was that the wealth of any nation was determined not by the gold in the monarch's coffers, but by its national income. This income was in turn based on the labor of its inhabitants, organized efficiently by the [division of labour](https://en.wikipedia.org/wiki/Division_of_labour) and the use of accumulated [capital](https://en.wikipedia.org/wiki/Capital_(economics)), which became one of classical economics' central concepts. In terms of economic policy, the classical economists were pragmatic [liberals](https://en.wikipedia.org/wiki/Economic_liberalism), advocating the freedom of the market, though they saw a role for the state in providing for the [common good](https://en.wikipedia.org/wiki/Common_good). Smith acknowledged that there were areas where the market is not the best way to serve the common interest, and he took it as a given that the greater proportion of the costs supporting the common good should be borne by those best able to afford them. He warned repeatedly of the dangers of monopoly, and stressed the importance of competition.[[1]](https://en.wikipedia.org/wiki/Classical_economics#cite_note-adam-1) In terms of [international trade](https://en.wikipedia.org/wiki/International_trade), the classical economists were advocates of [free trade](https://en.wikipedia.org/wiki/Free_trade), which distinguishes them from their [mercantilist](https://en.wikipedia.org/wiki/Mercantilism) predecessors, who advocated [protectionism](https://en.wikipedia.org/wiki/Protectionism).

Adams Smith, Thomas Malthus, David Ricardo, John Staurt Mill and Karl Marx are the proponents of this political economic theory. Another name for classical growth theory is Thomas Robert Malthus theory. The basic idea here is that advances in technology and accumulation of capital bring about increased productivity and increased real GDP per person. According to classical economic theory, **agriculture** does not have significant contribution for a country’s economy. The justification here is that since land where agriculture acts on is limited, it can’t absorb the growing population. Thus the focus of the state should be on **industries** that will absorb the growing population. When classical economists were developing their basic ideas about population growth, an unprecedented population explosion occurred. In order to explain the high rate of population growth, classical economists used the idea of subsistence real income i.e. real GDP per person. The income of an individual or group after taking into consideration the effects of inflation on purchasing power. For example, if you received a 2% salary rise over the previous year and inflation for the year was 1%, then your real income only rose 1%. Conversely, if you received a 2% raise in salary and inflation stood at 3%, then your real income would have shrunk 1%. In classical theory, when real income exceeds the subsistence real income, population grows. The increasing population decreases capital per hour of labour, eventually decreasing real income to less than subsistence real income. If the actual real income is less than the subsistence real income, some people cannot survive, and hence, the population decreases. No matter how much technological change comes, real income (real GDP per person) is pushed back to subsistence level

A. As capital per hour of labour rises, real GDP per person rises above the subsistence level i.e the economy gets improved

B.As technological advancement and human capital accumulation increases, productivity increases and the economy grows better than A.

The classical model of economic growth highly depends on the rate of physical capital accumulation which is attributed to human labour.The faster the physical capital, the faster the economic growth. **Neoclassical economic theory** encourages the state to enter into commercial agriculture rather than small holder agriculture so that it is possible to gradually step to industrialization so as to absorb the fast growing population.

**Critics of classical theory**

**Criticism of classical economy theory**

1. With out state intervention in the market we can’t maintain stable market.

Government hands should be enter to the market during inflation and deficiency

B. Demand creates its own supply rather than supply creates its own demand

b/c our consumption is based on our income.

Their assumption is relevant for developed nation. But for developing nation their assumption is inapplicable.

***Keynesian Economic Theory- higher state intervention***

The British economist [John Maynard Keynes](http://www.econlib.org/library/Enc/bios/Keynes.html) developed this theory in the 1930s. The [Great Depression](https://www.thebalance.com/the-great-depression-of-1929-3306033) had defied all prior attempts to end it. [President Franklin D. Roosevelt](https://www.thebalance.com/fdr-economic-policies-and-accomplishments-3305557) used Keynesian economics to build his famous [New Deal](https://www.thebalance.com/fdr-and-the-new-deal-programs-timeline-did-it-work-3305598) program. In his first 100 days in office, FDR increased the debt by $4 billion to create 16 new agencies and laws. For example, the [Works Progress Administration](http://www.pbs.org/wgbh/americanexperience/features/general-article/dustbowl-wpa/) put 8.5 million people to work. The [Civil Works Administration](http://www.presidency.ucsb.edu/ws/?pid=14547) created 4 million new construction jobs.  Keynes described his premise in “[The General Theory of Employment, Interest, and Money](https://www.amazon.com/General-Theory-Employment-Interest-Money/dp/198781780X?tag=aboutcom02thebalance-20).” Published in February 1936, it was revolutionary. First, it argued that government spending was a critical factor driving [aggregate demand](https://www.thebalance.com/aggregate-demand-definition-formula-components-3305703). That meant an increase in spending would increase demand.

Unlike neo-liberalism, this encourages the state to have strong hands to regulate the market. Developed by Keynes, it has three basic assumptions Rigid or inflexible prices, but classical economists believe that prices are flexible Effective demand- the assumption of effective demand is that consumption expenditures are based on the disposable income available. If the household sector has more income because the economy is expanding, then they increase consumption expenditures. If the household sector has less income because the economy is contracting and a large group of workers is unemployed, then they decrease consumption expenditures. This effective demand proposition is embodied in a key Keynesian principle, termed as the consumption function, which is the relation between household consumption expenditures and household income. Saving and investment determinants other than interest rates Keynesian theory assumes that saving and investment are influenced by factors other than the interest rate. These other factors can prevent the equality between saving and investment, or perhaps allow equilibrium ONLY at a negative interest rate. If saving and investment are unequal, it can lead to a declining production and income. The most important non-interest-rate determinant of household saving is disposable income. As the disposable income changes, not only does the household sector change consumption expenditures, it also changes saving. The amount of money that households have available for spending and saving after income taxes have been accounted for. Disposable personal income is often monitored as one of the many key economic indicators used to gauge the overall state of the economy.  
Another key non-interest-rate determinant of saving is expectations. That is, the household is motivated to save in anticipation of future spending (saving for college, saving for retirement, saving to buy a house, etc.), regardless of the interest rate. Classical economics assumes that prices are flexible and quickly adjust to equilibrium, but Keynesian economics assumes that prices are inflexible and do not quickly adjust to equilibrium. While classical economics assumes that supply creates its own demand, Keynesian economics assumes that demand especially consumption expenditures; depend on actual income received by the household sector. While classical economics assumes that saving and investment achieve equality through flexible adjustment of the interest rate, Keynesian economics assumes that saving and investment depend on factors other than the interest rate and might not achieve equilibrium. Keynesian economics dominated the study of economics for 40 years after it was introduced. It fell out of favour in the 1980s largely because it did not adequately explain the simultaneous occurrence of high rates of unemployment and inflation. Accepting what Keynesians say, post Keynesians encourage the state should implement balance of model strategy in order to come to a balanced growth of different sectors. Instead of sticking only to single/limited areas (e.g. agriculture), it is better to enter into both agriculture and industry in a way keeping the balance of model. The important point about the post-Keynesians is considering the priority of investment over savings. The causal relationship runs from investment to savings. This is the proposition which was first made by Kahn. Keynes developed it into the "General Theory" and post-Keynesians consider this as a core insight. Equally fundamental to their argument is the empirical observation that investment decisions are mostly taken by people independently of those who go for the saving. Post-Keynesians consider this to be the essential feature of a market economy of the capitalist type. This, of course, is not the classical position. The classics assumed that savings were automatically invested and they made no distinction between accumulation, investment and savings. These were all identical expert For the neo-classists, investment and saving decisions are brought into equality via changes in the rate of interest. Some neo-classicists would maintain that savings determine investment, even though some of them would probably include a role for "forced savings" through credit inflation leading to price increases which in turn change the distribution of incomes in favour of saving classes.

### Criticism of Keynesian theory

[Supply-side](https://www.thebalance.com/supply-side-economics-does-it-work-3305786) economists say that increasing business growth, not consumer demand, will boost the economy. They agree the government has a role to play, but fiscal policy should target companies. They rely on tax cuts and deregulation. Proponents of [trickle-down economics](https://www.thebalance.com/trickle-down-economics-theory-effect-does-it-work-3305572) say that all fiscal policy should benefit the wealthy. Since the wealthy are business owners, benefits to them will trickle down to everyone.

***Discussion question***

Think of the development paradigm Ethiopia follows, and which theory goes in line with the Ethiopian context

**Neo-liberalism- the revival of liberalism**

**Neoliberalism** or **neo-liberalism** is the 20th-century resurgence of 19th-century ideas associated with [*laissez-faire*](https://en.wikipedia.org/wiki/Laissez-faire) [economic liberalism](https://en.wikipedia.org/wiki/Economic_liberalism) and [free market](https://en.wikipedia.org/wiki/Free_market) [capitalism](https://en.wikipedia.org/wiki/Capitalism). While it is most often associated with such ideas, the defining features of neoliberals in both thought and practice has been the subject of substantial scholarly discourse. These ideas include [economic liberalization](https://en.wikipedia.org/wiki/Economic_liberalization) policies such as [privatization](https://en.wikipedia.org/wiki/Privatization), [austerity](https://en.wikipedia.org/wiki/Austerity), [deregulation](https://en.wikipedia.org/wiki/Deregulation), [free trade](https://en.wikipedia.org/wiki/Free_trade) and reductions in [government spending](https://en.wikipedia.org/wiki/Government_spending) in order to increase the role of the [private sector](https://en.wikipedia.org/wiki/Private_sector) in the [economy](https://en.wikipedia.org/wiki/Economy) and [society](https://en.wikipedia.org/wiki/Society). These market-based ideas and the policies they inspired constitute a [paradigm shift](https://en.wikipedia.org/wiki/Paradigm_shift) away from the post-war [Keynesian](https://en.wikipedia.org/wiki/Keynesian_economics) consensus which lasted from 1945 to 1980.

English-speakers have used the term "neoliberalism" since the start of the 20th century with different meanings, but it became more prevalent in its current meaning in the 1970s and 1980s, used by scholars in a wide variety of [social sciences](https://en.wikipedia.org/wiki/Social_science) as well as by critics. Modern advocates of free market policies avoid the term "neoliberal" and some scholars have described the term as meaning different things to different people  as neoliberalism "mutated" into geopolitically distinct hybrids as it travelled around the world. As such, neoliberalism shares many attributes with other concepts that have contested meanings, including [democracy](https://en.wikipedia.org/wiki/Democracy).

The definition and usage of the term have changed over time.[[7]](https://en.wikipedia.org/wiki/Neoliberalism#cite_note-Boas2009-7) As an [economic philosophy](https://en.wikipedia.org/wiki/Economic_philosophy), neoliberalism emerged among European [liberal](https://en.wikipedia.org/wiki/Liberalism) scholars in the 1930s as they attempted to trace a so-called "third" or "middle" way between the conflicting philosophies of [classical liberalism](https://en.wikipedia.org/wiki/Classical_liberalism) and [socialist planning](https://en.wikipedia.org/wiki/Economic_planning). The impetus for this development arose from a desire to avoid repeating the economic failures of the early 1930s, which neoliberals mostly blamed on the [economic policy](https://en.wikipedia.org/wiki/Economic_policy) of classical liberalism. In the decades that followed, the use of the term "neoliberal" tended to refer to theories which diverged from the more *laissez-faire* doctrine of classical liberalism and which promoted instead a [market economy](https://en.wikipedia.org/wiki/Market_economy) under the guidance and rules of a strong state, a model which came to be known as the [social market economy](https://en.wikipedia.org/wiki/Social_market_economy)

The concept of neo-liberalism is believed to be the extension of liberalism (political ideology) and writers thought that discussing liberalism gives insight about neo-liberalism. Though neo-liberalism is the extension of liberalism, the major assumption of neo-liberalism can be traced from the classical economic theory thinking of Smith and his followers who do not advocate government intervention in the economy. Though neo-liberalism is defined by different scholars at different times, the major ideas lay at one point.The core assumption of neo-liberalism is that the development of free market economy with very limited government intervention. As time goes on liberalism is divided into **classical** and **modern** liberalism. **Classical liberalism** is often associated with the belief that except in the case of the armed forces, law enforcement etc.,the state ought to have very minimal intervention. It ought to be left to the free dealings of its citizens.This kind of state is sometimes described as a night-watchman state, as the sole purpose of the minimal state is to uphold the most fundamental aspects of public order. Classical liberals are, with their tendency favour laissez-faire economic policies, described as leading proponents of neo-liberalism. Whereas **modern liberalism** is characterised by a greater willingness to let the state become an active participant in the economy. This has often issued in a pronounced tendency to regulate the marketplace, and to have the state supply of essential goods and services to everyone. Modern liberalism is, therefore, for all intents and purposes, a profound revision of liberalism, especially of the economic policies traditionally associated with it. Liberalism has undergone a process of initial growth, intermediary decline, and finally a recent reconstruction. It is a political programme or ideology whose goal includes most prominently the diffusion, deepening and preservation of constitutional democracy, limited government, individual liberty and those basic human and civil rights which are instrumental to any decent human existence (Gray, 2000). On the other hand, neo-liberalism might be perceived of as a distinct ideology, descending from but not identical to liberalism As to (Harvey, 2005) Neo-liberalism is defined as a theory of political-economic practices of free markets, which is highly flexible and can be implemented by both liberal democratic and authoritarian regimes, and this freedom, is a necessary condition to economic growth and development. In the era of neo-liberalism, the role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee the quality and integrity of money, military defence, police and legal structures, functions required to secure private property rights and manage the proper functioning of the market. Once the state has created markets, interventions in markets must be kept at a minimum level. For the neoliberals, income inequality is not really a concern for well-functioning markets; individuals earn rewards equal to their contribution to output, i.e., their marginal product. So the rich are rich because they are more productive and the opposite hold true for the poor (Haque, July 2004).Neo-liberalism is, thus, a doctrine which encourages the deregulation of the state control over major industries, the privatization of public services, the dismantling of welfare programs, the enhancement of international capital mobility, the intensification of inter locality competition and the criminalization of the poor” (Brenner & Theodore 2002).According to Thorsen and Lie (2008) Neo-liberals are unfriendly towards Keynesianism which promotes the intervention of the state in the economy- mainly to achieve the goals such as full employment and the alleviation of poverty and to realize the objectives of social justice. According to neoliberals understanding, acts of intervention in the economy from government agencies are undesirable because intervention can undermine the finely logic of the market place, and thus reduces economic efficiency (Thorsen & Lie, 2008).Neoliberals are hostile against any outcomes gained by the principle of distributive justice which is based on the state intervention in the economy. They consider state intervention in the economy to redistribute goods and services, as coercive, which undermines individual liberty.The major principles of liberalism (individual liberty, constitutional government, democracy, the rule of law and others) are also equally accepted in classical and modern liberalism. The major difference between modern liberalism, Keynesianism and neo-liberalism is on the question ‘to what extent the state ought to intervene in the economy?’Modern liberals are in favor of state intervention in the economy to achieve the principle of social justice; neoliberals are against any state intervention in the economy.Some writers like Thorsen & Lie (2008) argued that, neo-liberalism is the rebirth of classical liberalism. In this sense neo-liberalism is a return and spread of one specific part of the liberal tradition, namely economic liberalism. Economic liberalism is basically the belief that states have to give up from intervening in the economy and instead leave as much as possible up to individuals participating in free and self-regulating markets (King 1995).The possibility of a self-regulating market was a core assumption of classical liberalism and an important assumption among neoliberals as well (Harrison 2005).The neoliberal doctrine started during 1960s by a group of professors from Chicago University mainly by Milton Friedman. It is an ideology based on economic liberalism. They give priority for industry based economy than agriculture based economy. Three major factors were assumed to be contributing to the implementation of neoliberal development paradigm. First, the economic crisis facing the Latin American and African countries was so severe that political leaders had no choice but to adopt neoliberal reforms. Second, pressure from international financial organizations forced politicians to adopt stabilization policies and neoliberal reforms. Third, governments implemented radical neoliberal programs because they wanted to enhance aggregate economic growth and the shock strategy was more efficient than more gradual approaches (Teshome, 2012).The main purpose of the neoliberal development paradigm was to reduce the government involvement and promote the market in the production and distribution of goods and services. In order to reduce the government involvement in the economy, neo-liberalism development paradigm advocated or promoted Fiscal Discipline (policies to combat trade deficits); Public Expenditure Priorities (to reduce expenditure through removal of subsidies); Tax Reform; Financial Liberalization (towards market determined interest rates); Competitive exchange rates; Trade Liberalization (to replace licenses with tariffs and to reduce tariffs); Foreign Direct Investment (Remove barriers); Privatization; Deregulation (of impediments to competition); Establish and expand property rights ( Teshome, 2012).

**The post–Washington Consensus and inclusive neoliberalism**

During the period from the early 1980s until the mid-1990s, the World Bank proceeded with a strong sense of certainty in promoting a set of development policies that came to be known as the Washington Consensus, but which arguably neither represented a real consensus nor achieved a truly hegemonic status. According to John Williamson, the policy advice associated with the Washington Consensus encompasses

**Strategies / program for the implementation of neo liberalism in third world countries**

**1.** Structural adjustment program

**2.** Poverty reduction strategy

**Structural adjustment program**

It is emerged in 1980. WB and IMF provide a loan for third world countries with a small interest rate. SAP enforced third world countries should maintain free market At the end in third world countries high poverty is existed in that time. To eradicate this poverty from third world countries WB and IMF propose a new strategy in 1999. This strategy is called poverty reduction strategy.

Structural Adjustment Loans provided by the World Bank and IMF - and major bilateral donors in certain cases – constitute a set of "free market" policies obliging borrowers to:

* + cut back the state and public spending,
  + to raise interest rates, and
  + to open up their economy to foreign business and trade, as well as
  + to boost foreign exchange earnings by promoting exports.
  + Many Third World countries have implemented Structural Adjustment Programs (SAPs) of one variety or another, with the result that "most of the Third World has become a laboratory for a huge experiment in neoclassical theory" (Rapley 1996).

**The World Bank and Poverty Reduction Strategies**

**Developed by WB and IMF IN 1999**

**INTERVATION : government doesn’t get bilateral fund loan. so, bilateral loan is an advisable .**

The PRSP was intended to provide a framework for addressing poverty in a comprehensive and long term manner, as well as guide donor assistance strategies and coordination. Hence, the framework was originally conceived as a condition of the Heavily Indebted Poor Country (HIPC) initiative. Countries seeking debt relief through the HIPC programme were required to prepare a PRSP to show how money freed up from debt servicing would be used to alleviate poverty (Malaluan & Guttal, 2003). These principles suggest the participatory and all-inclusive nature of the PRSP, and that poverty in developing countries should be analysed comprehensively. This process must involve broad stakeholders including making use of local knowledge, and the principles implied a much greater role for a country’s people and civil society organizations in identifying and constructing policies that would support them to move out of poverty (Khan, 2010). In theory, a PRSP is intended to be a document prepared by a country’s government—under the supervision of Bank-Fund teams—that identifies the incidence and causes of poverty, who the poor are, and the strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be “locally generated and owned,” developed through “wide participatory dialogue,” and focused at both the micro and macro policy- making levels (Malaluan & Guttal, 2003, p.2).

First and foremost “macroeconomic prudence, outward orientation, and domestic liberalization” (Williamson 1990: 1). However, a more comprehensive definition of the Washington Consensus includes a number of other neoliberal commitments, such as privatization, deregulation, tax reform, and secure property rights. In the realm of social policy, this meant state retrenchment and market expansion in the financing, delivery, and administration of social services and transfer payments (Huber 2005: 75). The Washington Consensus was implemented in most developing countries through SAPs which became the standard policy instrument of World Bank lending in the mid-1980s (Mosley et al. 1995: 27). However, SAPs have from the very beginning been harshly criticized, particularly by civil society actors, for their immense social costs and their failure to create “socially stable” societies (see SAPRIN 2004) and, more recently, have also come under attack within the academic mainstream for their failure to contribute to economic growth (Rodrik 2002; Wesibrot et al. 2001). At the same time, as discussed by Friesen in this volume, the Washington Consensus has come under assault from within the IFIs. Joseph Stiglitz, Chief Economist of the World Bank from 1996 to 2000, has been the most influential voice involved in articulating an alternative PWC (Stiglitz 1998a, 1998b, and 2002).

**Why neoliberal development paradigm implemented by developing countries**

1. The economic crisis facing the Latin America and Africa countries was so severe. So the political leaders had no choice to ignore neoliberal.
2. Pressure from international financial organization
3. Government wants to exchange aggregate economic growth

**Consequence of neliberalism in Africa countries**

* Increase income inequality
* Increasing unemployment e.g. In Uganda, Zimbabwe
* Increased illiterate rate e.g. in Zambia
* Increase high volume loan
* Neoliberals in Ethiopian context

According to Tewodros (2011) the first most exciplict formulation of neoliberalism prescription in Ethiopia was SAPS 1990.becuse in that time Ethiopia faced a war with Eretria.

According to Eshutue (2004), neoliberal harms Ethiopian like other African countries.

**Drawback of neoliberals**

Cutting back on government expenditure and attempting to trim the state, which was one of the major arenas of economic activity and resource provision in poorer Third World countries, did not result in improved efficiency and a lessening of corruption among the bureaucracy.

* Neoliberalsm is not truly liberalism
* Neoliberalism undermines security and safety of third world countries .eg financial instability
* Undermined social capital
* A feasible political project

**Modernization Theory**

Modernityis a broad world view which has become established over the course of the 18th c in the west, mainly in Europe and in the US, which was initially spread through colonization. Main proponents of Modernisation theory include European and US scholars including Emile Durkeim, Max Weber, and Walt Rostow. As modernization was propagated mainly by US and the proponents were mainly US economists and policy makers, it is said that Modernisation Theory is very American.Modernization refers to the process of transition from *traditional* to *modern* principles of social organization. And Modernization Theory is a theory of development which states that development can be achieved through following the process of development that were used by currently developed countries. Echoing Marx’s observations, Marshall (1994) explains that modernity is associated with the release of individuals from bonds of tradition, with the progressive differentiation of society, with the emergence of civil society, with social reality, with innovation and change. All of these accomplishments are associated with capitalism, industrialism, secularization, urbanization and rationalization. Modernization theories are the most persistent and widespread theories of development. These theories dominated development thinking in the 1950s and 60s.They have been so pervasive that it is difficult to separate the idea of modernization from that of development which in turn is linked to the notions of capitalism and economic development (Roxborough, 1988). According to modernisation theorists, for a country to be seen as modern it has to undergo **an evolutionary advance in science and technology** which in turn would lead to an increased standard of living for all. Education, therefore, is viewed as key in creating modern individuals that would facilitate the modernization process. Similarly technology plays a key role in the modernization process. This is because technological advancement and introduction to less developed countries would spur their growth.

Another key factor in Modernization theory is the belief that development needs assistance of developed countries to aid developing countries to learn from their development. The theory emphasise on the role of the West (Europe and the United States) in developing countries in the South. According to which, development of developing countries could be achieved through investment of Western countries in factories, expertise and equipment in the South. Then, development will trickle down to the poor.The first stage of modernization was the process of the great transformation from agricultural to industrial society, economy and civilization. Second Phase modernization was the process of the great transformation from industrial to knowledge society, economy and civilization. Inglehart defined modernization broadly as a process that increases the economic and political capabilities of a society; it increases economic capabilities through industrialization, and political capabilities through bureaucratization/formal administration. Modernization is widely attractive as it enables a society to move from being poor to being rich. Modernization theorists argue that a wholesale change must take place in underdeveloped societies in order to break the vicious cycle of poverty, ignorance and low productivity. Not only the economy has to be transformed, but also the education system, the ways of thinking, acting and living. Myrdal, while writing about modernization ideals, argued that although these ideas stem from foreign influences imposed by colonial rule, they have become the official principle of south Asian countries. As he points out, they are composed mainly of the ideals long cherished/valued in the western world as a heritage of enlightenment. In his listings of modernization ideals/principles, we find a number of enlightenment ideals that have been tailored to the context of the developing world: rationality, development planning, social and economic equalization, improved institutions and attitudes, national consolidation, social discipline, political democracy and grassroots democracy. Modern technique follows modern thinking. Modernization involved development planning as a key strategy to achieve desired change with state playing an important role. Economic development expressed in terms of increasing productivity of labour and rising living standards- was perceived to be crucial to modernization. Rostow (1971) gave an important contribution to the economic component of modernization theory. The basic argument of this theory is that the society changes from a traditional form to a modern form. Thus, development means striving towards a modern society. Western Europe and the U.S.A have come to this, and other countries must imitate them if they are to modernize- and thus to develop). Major features of modernization theories:

* · Development =modernization
* · Path to development is only through capitalism and industrialization
* · Development is essentially an irreversible process (linear process)
* · Development process involves stage by stage
* · Development can be stimulated either by “internal dynamics or “external forces”
* · Economic growth is both the means and end in this process.
* · Development is measurable through the increase in GNP

To summarize, modernization is:

* A revolutionary process involving radical and total changes in the developing societies.
* A complex process including industrialization, urbanization, social mobilization, differentiation, secularization, media expansion, expansion of political participation, increasing literacy and education.
* A systemic process, in the sense that, ‘economic development, cultural change, and political change go together in coherent and to some extent in predictable patterns (Inglehart, 1997).

***X-cs of traditional and modern society***

**Traditional society Modern society**

-Feudal -Capitalist

-Agricultural -Industrial

-Subsistence -Surplus production

- Labour (family, clan) -Labour (market)

-Technology (primitive) -Technology (advanced)

- Social relations- collective -individuality

-Rural (society) -Urban (society)

-Religion based -rational/logical/secular

-Culture based traditions -rules/laws/institutions

**Assumptions of modernization theory:**

* Development is an inevitable process which could, however, be accelerated through an enlightened government and technological assistance from outside, was strangely apolitical.
* Where attempts to solve problems step by step failed, methods of coercion would be applied to third world countries to preserve order and stability, and to keep communisms at bay/recess.
* Chomsky (1991) noted striking correlation between US aid and human rights abuses, elite hostility to democracy, and the general US opposition to social reform during the cold war.

***Parson’s sociological variables of Traditional & Modern Societies***

**Criteria Traditional Society**

* Type of relationship -Affective/personal
* Type of interaction -Particularistic/bound by trust
* Identification -Collective
* Status -Ascriptive/position determined by who they are
* Division of labor -Functionally diffusive

**Criteria Modern Society**

* Type of relationship -Affective neutral
* Type of interaction -Universalist/with everybody
* Identification -Individualistic
* Status -Based on achievement
* Division of labor -Functionally specific
* Some modernization theorists developed Parsons' schema further by arguing that policy makers should promote modern cultural traits in Third World countries which would enable modernization to occur.

**Culture and westernization**

One way of explaining this was by seeing modern patterns of social relations as a "universal social solvent“, which dissolves the traditional traits of Third World societies through contact.As Levy (1967:190) explained, "once the penetration has begun, the previous indigenous patterns always change, and they always change in the direction of some of the patterns of the relatively modernized society."The implication of Levy's argument is that modernization is a process of westernization, which will result in Third World societies resembling Western Europe and the USA. While Levy's (1967) image of the "universal solvent" implies a superiority of Western culture vis-a-vis Third World culturesm. Latouche (1996:20) describes the Third World as subject to a "cultural" invasion of images, worlds, moral values, legal notions, political codes, criteria of competence" through the media of the North. Westernization does not offer a new culture as compensation for lost traditions. Rather, "Its sizable success depends on the uncontrollable mimetic spread of deculturating fashions and practices. It universalizes loss of meaning and the society of the void" (Latouche, 1996).

**Dependency Theory**

**Introduction**

Dependency theory was developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch. Prebisch and his colleagues were troubled by the fact that economic growth in the advanced industrialized countries did not necessarily lead to growth in the poor countries. Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries, which makes this theory more concerned with the external cause of under development in developing world. The epistemological foundation of dependency theory is based on the perceived inter-state relations between the centre and the periphery.

Dependency refers to an asymmetrical, structural relationship between social formations, such that the dependent society is shaped to a large extent by the social dynamics and interests generated in the dominant society (Manuel Castells and Roberto Laserna, 1994). It is a historical process through which northern capitalist industrialization created structures in which southern economies were dependent. In other words, it is a world system through which the periphery (poor underdeveloped states) depend on the center (wealthy developed states). Similarly, Theotonio dos Santos defined dependency as the historical condition which shapes a certain structure of world economy such that it favors some countries at the expense of others and limits the possibilities of the subordinate economics. In other words, it is a situation in which economies of certain group of countries is conditioned by the development and expansion of another economy to which their own is subjective.The writing of Marx and Lenin served as the explanation of theoretical relation between the colonies and the imperial power. In line with this view, it is believed that capitalism has survived through the extraction of labour from LDCs. The expansion of capitalism is motivated by three factors: export of surplus capital, expansion of market and procurement of raw materials from LDCs. Ontologically, dependency is defined as unequal international relationship between two sets of countries as the centre /core and the periphery.A century and a half had passed after Latin American countries became independent, but undeveloped. In trying to establish what kept Latin America developmentally retarded, the Economic Commission for Latin America (ECLA), led by the Argentinian Raul Prebisch in the late 1940s, argued that one reason was the unequal exchange between raw material-producing Third World countries and industrialized countries of the First World, who were unwilling to share their technological expertise (Sunkel, 1977). The First World was increasingly substituting raw materials and was demanding high prices for its own industrial products (Larrain 1989).This analysis implied an unequal distribution of power between the industrialized center of the global economy and its underdeveloped periphery. In the 1960s, Andre Gunder Frank (1969), questioned whether capitalism could bring the benefits of development to the periphery, arguing instead that capitalism was a world system which systematically exploited peripheral countries through monopolistic trade.In dependency theory there are two systems combined together-the ***macrocosmic*** and the ***microcosmic* systems.** Macrocosmic system represents world capitalism which is controlling and influencing the subsystem or microcosmic. Dependency can be analyzed from the point of view of internal structure (microcosmic) and external structure (macrocosmic). ). In short, the gain of the macro system is the equivalent loss of the micro system. There is no other option for the periphery but to be dependent on the centre. Microcosmic system has a feature of: pre-capitalist oriented, poor and backward, capital poor systems, its surplus extracted by the macrocosmic, producers and exporter of primary products and importer of finished goods, unit import cost is high and export cost is low since labour wage is low. While the macrocosmic system is capitalist oriented, producer and exporter of finished goods at higher price, capital rich system, and labour is scarce and wage is high, unit import cost is low and export is high,unequal exchange working infavor of the system. There are the backwash effects (unfavourable effects produced by three factors migration, capital flow and unequal trade) and spread effects (technology, demand, market, knowledge) generated by the centre. But there are no spread effects which can help the peripheries. Development of the periphery is possible only when the relationship with the centre is snapped

**How Developed Nations Dominate (exploit) the Developing Economies**

The nature of dependency and exploitation can be manifested on technology, economic and financial aid, balance of payment problems, failed to follow an independent policy of capital accumulation by LDCs, dependency for selling raw materials and primary products and without the support of DCs of LDCs economic development is almost impossible (there are some neglected areas like academic, cultural, market, human resource, environment, bio-dependency, military, policy dependencies. Apparently, LDCs are getting help in many ways: DCs are investing capital where the marginal productivity of capital is very high and are drawing large amount of surplus. DCs are buying raw materials at lower rate mainly because of the wage level is very low in LDCs; DCs are selling their products at higher prices.

**Foreign capital dependence:** the peripheral LDCs are heavily dependent on the centre for foreign capital. Foreign capital leads to “external orientation” of LDCs by exporting primary commodities, importing manufactures and making them dependent for industrialization of their economies.

**Technological dependence:** theperipheral countries use excessively capital-intensive technologies imported from the developed countries of the centre. These technologies are inappropriate to the production and consumption needs of LDCs and are sold by multinational corporations of developed countries

**Trade and unequal exchange:** dependencyeconomists contend that DCs at the centre exploit LDCs of the periphery by forcing them to specialize in the export of primary products with inelastic demand with respect to both price and income. This has created shortage of foreign exchange and balance of payment deficit in LDCs.

**Contemporary issues in Dependency Theory**

* Though dependency theory is considered dead, there exist relevant explanations for the growing economic distance between developed and developing countries and for the slow growth of the latter.
* Dependency theory could better be manifested in the form of aid, technological, economic, foreign capital and trade dependency which developing countries are made to depend
* (By the 1950s and 60s Development is objectively defined as a blend of growth and change. Keynesian theorists thought that foreign aid and technical assistance from DCS should bring about change on LDCs, but the result did not match with or commensurate with the effort, as the latter were losing resources to pay high interests.
* 1970s can be considered as a decade of reappraisal, as blind application of western growth models were not only inappropriate, but also harmful causing enormous mal-development.
* Growing economic domination by DCs through trade & aid rather caused debt burden, and trade instead functioning as an engine of growth.
* Basic human needs such as education, health & employment were regarded correct components of development
* The 1980s was characterized as a lost decade as there was contradiction such as unstable & volatile development in many countries.

**What should be done?**

* ***What then is the way out? How can the underdeveloped countries overcome the problem?***

Baran observes that it is essential first of all to have a social revolution, but this will inevitably encounter the hostility of the imperial power. The establishment of a social planned economy is also essential for economic and social progress of underdeveloped countries. It is very necessary to mobilize the potential economic surplus of a country.A number of steps like the expropriation of foreign and domestic capitalists, land owners, elimination of capital drain, restriction of consumption, flight of capital to foreign countries and soon have to be applied. Non-essential imports should also be banned and transfer of funds can be restricted. This will also be helpful for the mobilization of resources for productive uses. A number of measures can be taken up by the government for overcoming economic backwardness.The government has to take up those lines of production which are not favoured by the private sector. The government has to start production and encourage competition where there is monopoly and restriction. The state has to built-up the proper infrastructure for making further investment profitable. It is not necessary to check the inflationary pressure through proper monetary and fiscal policies.A proper type of progressive taxation has to be introduced for not only controlling inflation but also for eliminating wasteful consumption and expenditure on non-essential activities. The government needs to open technical schools for imparting skills and also for the growth of human capital formation.

It would be essential to properly control the foreign exchange resources of the country and to restrict the use of the limited supply of foreign exchange. Foreign aid has to be used with care because aid, like trade, may be very harmful at times for LDCs.

* Internal and structural institutional changes, agrarian reforms to supply farm products at lower prices to other sectors
* Diversification and increase in exports, and import substitution(so that they need not purchase the manufactured products from the richer countries
* Mutual cooperation among peripheral countries in the field of trade, aid , technical assistance and production agreements
* Delink or snap ties with the world capitalist system (adopt socialist system)
* Self reliant development strategy based on one’s own resources

**Under Development and Dependency**

Leys (1996:45-6) recognizing that there are differences among individual theorists on several issues and concepts of development, he summarized development concepts as follows:

1. Today's Third World, its "underdeveloped" social, economic, and political conditions, are the underside of the same world-historical process in which the First World became "developed."

2. This directly contradicts with modernization theory's view of the Third World as undeveloped or untouched.

3."The prime mover in this combined process was capital seeking profits, i.e. seeking opportunities to accumulate capital- specifically, capitalist merchants, capitalist bankers, capitalist insurers, etc., and finally capitalist manufacturers"

4. Capital accumulation is easiest in countries where labor and resources are cheap, and governments weak. This is the case with many newly independent Third World countries, whose economies had already been given an external orientation during the colonial era to fit the economic structures of the imperial center.

In summary:

* It was clearly understood that there are contradictory ways in which culture has been used in Western studies of modernization and in various non-Western development strategies.
* All of these visions of development rely on a bounded view of culture, whether seen as hindrance or resource in the quest form development. This view of culture assumes that the world consists of separate societies each with its own distinct culture, which is an integrated totality radically different from others (Gupta and Ferguson 1997).
* The implication is that modernization must either lead to the destruction of a developing society's traditions, or else build on these traditions which constitute the essence of that society.
* While early critics of modernization theories of development focused on the underlying assumption that developing societies had to shed their own traditions and become westernized, more recent critics argue that **development is itself a cultural construct of the West**.
* Dependency theory is also criticized for considering holistic approach, giving low emphasis for micro level issues.
* Gardner & Lewis (1996) argue that despite the undeniable crisis of development, there is still a need to redress/adjust poverty.
* Like Rist, they argue that development as an idea and as a set of institutions and practices, will remain with us for some time, and the challenge is, therefore, to make it more effective.
* They believe that anthropological approaches to development can contribute to this end- by turning the anthropological gaze on development institutions and professionals.
* This would involve, among other things, examining the cultural locations from which development professionals, scholars and other key agents speak.

**Suggested Strategies:**

* LDCs should set up their own markets.
* LDCs should make use of their resources wisely.
* Let’s be revolutionary.

**Criticisms of Dependency Theory**

Dependency has been criticized from a variety of perspectives, including Marxism. Several economists who have been influenced by the modernization school disagree with the dependency approach because they argue that Third World societies have benefited from contact with the industrialized world. The emphasis placed by dependency theorists on equity as a central objective is seen to dampen initiative and dynamism. A skewed distribution of income in a free society – these scholars maintain -is a means of rewarding merit and productivity, and developing the talents and abilities that exist and applying them to the central needs of society. Inequality can be seen as a kind of precondition for economic progress.

Among other criticisms are the following:

-Despite its criticism of the failure of modernization theory to situate Third World societies in an historical context, dependency theory is also historical in its own way. It tends to gloss over or simplify the pre-capitalist history of these societies

* Dependency theory tends to over generalize about contemporary Third World countries.
* The bulk of the dependency school is generally too pessimistic about the possibility of economic development in the Third World countries.
* A central policy recommendation for underdeveloped societies, that is exiting the capitalist system by socialist revolution, has been generally unhelpful to those countries that opted for this course.

To a lesser or greater extent, the ideas of dependency theorists have found policy application in those countries which have undergone socialist inspired revolutionary change. However, dependency applications are more problematic and unsuccessful than structuralize ones. Those Third World countries which attempted to delink from world capitalism, and applied socialist central planning had generally rather disappointing results to show for it. Some of the most stringent criticisms and analysis of dependency theory came from the ranks of Marxist scholars. This criticism came through the "modes of production approach” which tried to deal with the internal class relations and the traditional Marxist approach of Warren. Warren (1980) argued that the prospects for capitalist development in parts of the Third World were good and that some significant transitions in this regard had already occurred. He took an optimistic view of colonialism which he saw as the motor of progressive social change in undermining pre-capitalist social systems and helping stimulate capitalism. Also, the overall impact of the relationship between imperialist and developing countries is to the latter's benefit. He stressed that internal factors such as traditional institutions and nationalism was more obstructive of development than imperialism.