

ECONOMIC DEVELOPMENT PLANNING

This is a deliberate effort of influencing a nation's economic variables like incomes, consumption, saving & investment to achieve specific objectives of development within a specified time.

Or; this is a deliberate government effort to formulate decisions on how productive resources shall be allocated among different uses in order to attain targeted objectives of development over a given period of time.

Or; this is a deliberate and conscious attempt by the state to formulate decisions on how the factors of production shall be allocated among different uses or industries, thereby determining how much of total goods and services shall be produced during the coming period.

ROLE /ADVANTAGES OF ECONOMIC DEVELOPMENT PLANNING

1. It ensures proper utilization of scarce resources. This is where through planning government puts the scarce resources to their best uses so as to produce the much needed output which improves on the people's living conditions.

2. It helps to correct demerits of price mechanism. This is where government uses planning to correct the defects of price mechanism by directing attracting investors in businesses that are less profitable but vital to society thereby reducing price fluctuations and its evils.

3. It helps to identify viable areas for investment. This is where government uses planning to identify profitable projects attractive to private investment and less profitable ones but essential and

encourage some investors to provide such services to people.

4. Planning leads to fair income distribution. This is where through comprehensive planning government is guided in reducing income inequality by attracting investment in economic activities in all sectors of the economy to ease access to income to all.

Or; this is where government uses planning to redistribute income through progressive taxation in which the rich are taxed at a higher rate and the poor at a lower rate and the revenue raised is used to provide cheaper services to the poor which improves on their living conditions.

5. Planning helps to mobilize resources. This is where planning guides government in identifying the different sources of public funds say, borrowing for its expenditures in social infrastructures like roads and hospitals which raises people's living conditions.

6. Planning determines the rate of economic growth. This is where planning guides government in finding out the policy measures for increasing production of output like use of import substitution strategy thereby leading to economic growth.

7. Planning solves the unemployment problems. This is where planning guides government in identifying priority areas for investment where projects are set up to create jobs for people thereby improving on their living conditions.

8. Planning attains and maintains price stability. This is where planning guides government in finding measures like strict monetary policy for reducing the amount of money in circulation to limit aggregate demand and stabilise prices at low levels.

9. Planning corrects the balance of payment deficit. This is where planning guides government in identifying measures like export promotion strategy to increase exports thereby increasing foreign exchange earnings to reduce the deficit.

Or; this is where planning guides government in identifying import substitution strategies for producing formerly imported goods thereby reducing import expenditure abroad and averting the deficit.

10. Planning helps to solicit for foreign aid. This is where planning guides government on donors for priority investment areas like environmental protection to enhance people's living conditions.

11. Planning encourages public participation in development. This is where planning guides people on what government does and the people's role in the development process thereby increasing their participation in production of output hence economic development.

12. Planning helps to reduce external dependence. This is where planning guides government in identifying internal sources of funds to limit external loans and their evils on the economy. ie. reliance on donor decisions.

13. Planning reduces social costs like pollution and congestion. This is where planning guides government in identifying policy measures like enforcing the environmental impact assessment reports on industries to limit industrial pollution thereby improving human healthy.

14. It promotes sequence in resource allocation. This is where planning guides government in identifying key sectors to be developed first and others developed later through linkages which

reduces resource wastage.

Question

a) Explain the role of development planning in an economy.

b) Explain the role of development planning in your country.

DISADVANTAGES OF PLANNING

1. Planning distorts the working of price mechanism. This is where government uses planning to dictate on allocation of certain resources without considering the views of people which undermines consumer tastes and preferences.

2. Planning discourages individual initiatives. This is where through centralized planning, allocation of resources is done by government and the local people have nothing to contribute which kills creativity and innovation.

3. Planning is costly to government. This is where government spends a lot of money to finance the implementation of planned activities and the monitoring process which stifles other project activities.

4. Planning limits consumer sovereignty. This is where government takes a dominant role in the allocation of resources and the public has no choice but to consume what is available which leads to poor living conditions.

5. Planning promotes inefficiency in production. This is where most of the activities are done by government at the expense of private business even on simple activities. eg. printing of ballot papers.

6. Planning is bureaucratic in nature. This is where decision making

by the planning unit is slow thereby becoming costly in terms of funds and time.

7. Planning promotes corruption. This is where some government officials in the planning authority solicit bribes to provide services to certain people and makes the whole process useless to the community.

8. Planning promotes political interference. This is where some opposition politicians do a lot of politicking on every plan of government and end up limiting implementation of certain activities.

9. Planning leads to resource wastage. This is where government devotes resources irrationally to some sectors than others and end up leading to unbalanced development.

Question

a) Assess the role of economic development planning in developing countries.

b) Examine the role of development planning in Uganda.

Mention any four steps of a planning process.

1. Plan identification where objectives of a plan are identified and defined. eg. Specifying what the plan intends to achieve.

2. Plan formulation which is the actual drawing of a plan. eg. It looks at the time whether to be long-term, medium term or short term plan, funds needed, skills, etc.

3. Plan implementation which is the actual carrying out of the planned activities.

4. Plan evaluation where the strengths and weaknesses of a plan (implemented activities) are identified. ie. successes and failures.

Outline any four components of development plan

1. Plan objectives or goals which are the results planners intend to achieve at the end the plan cycle. eg. To reduce income inequality, to modernize agriculture, to reduce unemployment, etc. Objectives should be SMART; Specific, Measurable, Achievable, Realistic, Time bound.

2. Plan strategy which is a method of work through which plans are implemented. It shows how much resources are required and the techniques of production used.

3. Planning machinery which consists of people needed to carry out actual planning process. eg. scientists, doctors, teachers, researchers, farmers, security officers, etc.

In Uganda, Macro plans are formulated by planners in the Ministry of finance and economic development under the guidance of the national planning authority.

4. Period of the plan which is the time for a specified planning like one between 10-15 years hence perspective (long term plans).

5. Plan coordination which shows how various projects are related to each other so as to avoid conflicts during implementation.

Explain the need for economic development planning

1. To properly utilize scarce resources.

2. To correct demerits of price mechanism.

3. To identify viable areas for investment.
4. To distribute incomes fairly.
5. To mobilize resources.
6. To determine the rate of economic growth.
7. To solve unemployment problems.
8. To attain and maintain price stability.
9. To correct Balance Of payment deficit.
10. To solicit for foreign aid.
11. To encourage public participation development.
12. To reduce external dependence.

Question

- a) Why is it necessary for an economy to carry out development planning?
- b) Why is it necessary for your country to carry out development planning?

FACTORS WHICH LIMIT THE EFFECTIVE IMPLEMENTATION OF DEVELOPMENT PLANS

1. Limited information. This is where lack of accurate records on prices, people's incomes, jobs, data, etc. limits government efforts in designing proper measures for development.

2. Political instability. This is where wars and unrests makes the economy unsecure for planners to involve in effective plan

implementation.

Or; this destroys production and investment infrastructure in the country which is the basis of planning.

3. Shortage of skilled planners. This makes implementation of plans difficult with planners who lack planning skills.

4. High levels of corruption. This is where funds that would have been devoted to planning are stolen by government officers and thus no funds for plan implementation.

5. High price level. This makes planning costly in terms of money which leads to project failure especially during inflation.

6. Poor infrastructure. This increases the cost of monitoring planned activities due to high transport expenditures.

7. Limited public will. This limits people's participation in planned activities due to limited awareness of such activities and their benefit to the community.

8. Limited government support. This is where some politicians undermine the implementation of some plans as they think that such plans are not in their favour.

9. Limited funds. This makes execution of planned activities difficult especially where funds are not available.

10. High levels of external influence. This at times leads to project failure especially where some donors decide to stop funding some projects without prior notice to the recipients.

Question

a) Explain the factors which limit effective implementation of development planning in developing countries.

b) Explain the factors which limit effective implementation of development planning in Uganda.

EXERCISE

Write the above work using this tense. The actual points are not affected by the tense. Don't leave this part undone.

Explain the factors which have limited the effective implementation of development plans in Uganda.

MEASURES THAT SHOULD BE ADOPTED TO IMPROVE ECONOMIC DEVELOPMENT PLANNING

1. Develop skills of planners. This enables planners to apply better planning techniques and tools for effective project activities.

2. Ensure price stability. This eases the process of monitoring planned activities with low and stable prices for goods and inputs.

3. Ensure strict accountability. This increases the amount of public funds available for execution of planned activities. These funds would have been stolen by public officials.

4. Improve infrastructure. This eases the cost of monitoring and implementation of planned activities with better roads.

5. Ensure political stability. This attracts people's participation in planned activities especially peace and security which increases implementation of planned activities.

6. Sensitize the public on the importance of national planning. This

brings people on board well aware of the benefits of getting involved in government project activities.

7. Raise funds for effective planning. This eases effective funding of project activities during implementation of plans.

8. Develop technology for better planning. This makes planning easy and faster especially with modern planning equipments like for monitoring of activities.

9. Avail accurate data to planners. This enables planners to use the accurate statistics so as to make proper projections in implementation of activities.

10. Widen market. This eases planning especially with projects that deliver highly demanded goods and services to the local people.

EXERCISE

Write the above work in this tense. Hint on point one above. Here u add **ing** on each point

Explain the measures being undertaken to improve planning in Uganda.

1. Developing skills of planners. This is enabling planners in applying better planning techniques and tools for effective project activities.

2. Ensuring price stability.....

FACTORS WHICH INFLUENCE EFFECTIVE IMPLEMENTATION OF DEVELOPMENT PLANS

1. Availability of data. Presence of accurate information on prices, jobs, population size, incomes, etc. eases effective planning yet limited information on such data limits planning.

2. Political atmosphere. Peace and security attracts the public to rally their support in plan implementation giving it a success yet political unrests makes people lose interest in government hence failure in planning .

Or; political stability ensures better productive infrastructure such as better roads, power supply, etc vital for planning yet political instability makes implementation of planned activities costly.

Or; peace and security makes public resources available for planning compared to unrests where national resources are diverted to war expenditures.

3. Skills of the planners. Use of well experienced people in planning like scientists, engineers and researchers eases planning because such people know what is needed in planning compared to inexperienced planners for a country.

4. Level of accountability. High levels of accountability reduces corruption and bribery which makes funds more available for monitoring of planned activities compared to corruption.

5. Price level. Low and stable prices increase the value of money making it cheaper to fund planned activities while high levels of inflation makes planning costly .

6. Level of infrastructural development. Better roads make eases the movement of planners in monitoring and evaluating different projects during implementation of activities yet poor roads makes it

costly to effect planning.

7. Public will. Plans succeed with massive participation of people during project implementation than planned activities which are boycotted the local people.

8. Political support. Positive attitude of government attracts effective planning since enough funds are devoted to planned projects compared to negative attitude of government where it refuses to fund some projects.

9. Size of available funds. Plans succeed with availability of enough money required during implementation of the planned activities yet without funds some projects are difficult to implement.

10. Degree of external influence. High level of external dependence frustrates planning since aid either takes long to come, fails to come or comes with strings attached which hinders the process of planning yet domestic funding makes planning easy.

11. Population size. High population growth rate limits effective planning due to increased dependence burdens where government resources are diverted from planned activities to feeding the needy compared to limited number of people.

12. Size of the private sector. A big size of the private sector limits planning since government has no direct control over it yet planning is easy where all resources are owned by government.

Question

a) Explain the factors which influence effective implementation of development plans in an economy.

b) Explain the factors which influence effective implementation of development plan in Uganda.

EXERCISE

Write the above in the tense below

What factors have influenced effective planning in Uganda?

Hint:

1. Availability of data. Presence of accurate information on prices, jobs, population size, incomes, etc. has eased effective planning yet shortage of information on such data has limited planning.

2. Political atmosphere.....

PRE-REQUISITES/REQUIREMENTS TO FOR SUCCESSFUL PLANNING

1. The planning commission. This consists of experts with vast knowledge on most sectors of the economy like economists, engineers, teachers, security operatives, farmers, etc.

2. Availability of skilled labour. This comprises of a team of people with enough skills concerning plan identification, formulation, implementation and evaluation.

3. Existence of a pool of statistical data. This consists of reliable data on most sectors of the economy like natural resources, human resources, roads and problems of a country.

4. Availability of resources for planning. This is about resources that are necessary to implement plans in the country like sources of funds, internal and external sources of borrowing.

5. Stated objectives. This is where a plan has clear and achievable objectives and these should be 'SMART like raising economic growth by 10 % per year, reducing unemployment to 1 %, etc.

6. Setting targets and priorities. This shows the output in terms of amount. For example; tones of mineral ores to be mined per year, quantity and quality of food to be produced and increase in saving and investment.

7. Balancing the plan. This is where a plan balances all activities in all sectors of the economy to avoid shortages and surpluses in some sectors.

8. Incorrupt and efficient administration. This involves using a team of planners who are not corrupt in execution of their duties.

9. Consumption factor. This aims at planning to invest resources in goods or services affordable to most people in the country.

10. An educated & sound moral base. This is where plans are geared towards creating honest and efficient people in the country.

11. Public corporation. This is where the success of a plan requires the support of the people.

Question

a) Explain the pre-requisites of planning in an economy.

b) Explain the requirements of successful planning in Uganda.

LEVELS OF PLANNING

1. Macro-level planning. This is where the national planning authority draws a single plan covering all sectors and regions in the country. It

is also called economic wide or primary level planning.

2. Secondary level planning. This is where national planning is broken down to cover particular sectors and regions in the country.

3. Tertiary level planning. This is where regional or Sectorial plans are further divided into projects to cater for particular sectors or regions. It involves identifying possible projects based on the cost-benefit analysis.

PRINCIPLES OF PLANNING

1. Principle of comprehensiveness. This suggests that a good plan should cover most sectors, areas and regions of the economy.

2. Principle of feasibility/viability. This suggests that a good plan is one that can easily be achieved in a stated period of time.

3. Principle of optimality. This suggests that a good plan is one that uses the available resources efficiently to produce maximum output.

4. Principle of proportionality. This suggests that a good plan is one where resources are equally distributed according to national objectives priorities.

Or; this is one where resources are allocated fairly to different sectors and regions of the country.

5. Principle of compatibility. This suggests that a good plan is one where projects do not conflict each other during implementation of planned activities.

6. Principle of social relevancy. This suggests that a good plan is one which addresses peoples concerns like reducing unemployment, ensuring price stability, etc.

7. Principle of acceptability. This suggests that a good plan is one which is accepted by most people so as to attract their participation.

Or; this is one which is accepted by politicians to avoid political sabotage.

Or; this is one which is internationally accepted to attract donor funding.

8. Principle of sequencing. This suggests that a good plan is one which enables setting up of projects in a timely way. e.g. For example; development of roads leads to development of a factory or farming activities.

Or; this is one where one plan leads to development of another plan.

9. Principle of continuity. This suggests that a good plan is one which continues from one year to another.

Or; this is one which cannot easily stop without achieving its objectives in the stated period of time.

10. Principle of consistency. This suggests that a good plan is one which can sustain its self should government fall short of the funding.

Question

a) Explain the principles of a good development plan in an economy.

b) Explain the principles of a good development plan in Uganda.

FEATURES OF A GOOD DEVELOPMENT PLAN

1. A good plan should be comprehensive. This suggests that a good plan should cover most sectors, areas and regions of the economy.

2. **A good plan should be feasible.** This suggests that a good plan is one that can easily be achieved in a stated period of time.
3. **A good plan should be optimal.** This is suggests that a good plan is one that uses the available resources efficiently to produce maximum output.
4. **A good plan should be proportional.** This is one where resources are allocated fairly to different sectors and regions of the country.
5. **A good plan should be compatible.** This suggests that a good plan is one where projects do not conflict each other during implementation.
6. **A good plan should be socially relevant.** This suggests that a good plan is one which addresses peoples concerns like reducing unemployment, ensuring price stability, etc.
7. **A good plan should be acceptable.** This suggests that a good plan is one which is accepted by most people so as to attract their participation.
8. **A good plan should promote sequence.** This suggests that a good plan is one which enables setting up of projects in a timely way. e.g. For example; development of roads leads to development of a factory or farming activities.
9. **A good plan should continue.** This suggests that a good plan is one which continues from one year to another.
10. **A good plan should be consistent.** This suggests that a good plan is one which can sustain its self should government fall short of the funding.

CLASSIFICATION OF DEVELOPMENT PLANS AND DEVELOPMENT PLANNING

a) According to period taken to implement plans.

1) A short term plan. This is a plan drawn to cover a short period of time ranging from 1-5 years. Such a plan is linked to national budget for its implementation. It is also called operational plan /comparative plan.

2. Annual plan. This is one drawn to cover a period of one year.

3. A medium term plan. This is a plan drawn to cover a period ranging from 5-10 years. Such a plan acts as a link between the short term and long term plan.

4. A long term/Perspective plan. This is a plan designed to cover a long period of time of over ten years.

What is perspective planning?

This is the planning undertaken to cover a long period of time of over 10 years.

State any two problems faced in formulating a perspective plan.

1. Limited information on resources, people's incomes, etc.
2. The political instability in the country.
3. The high prices in the country.
4. Limited skilled labour in the country.
5. Dependence on foreign resources over which there is limited control.

6. Limited government commitment.

7. Limited funds for perspective plans.

State any *two* demerits of perspective planning

i) It is rigid because it cannot easily be changed.

ii) It can demoralize people especially with downward revision.

b) According to coverage of the plan.

1. Comprehensive plan. This is a plan undertaken to cover all sectors and regions of the economy. It is also called macro plan/economic wide plan.

What is comprehensive planning?

This is the planning undertaken to cover all sectors and regions of the economy.

Give any two merits of comprehensive planning

1. It leads to balanced regional development since all sectors and regions are catered for.

2. It promotes fair distribution of income.

3. It promotes full utilization of resources in the country.

4. It increases the employment opportunities in the country.

5. It widens the tax base since all sectors and regions are planned for and developed.

6. It promotes development of infrastructure like roads.

7. It promotes economic growth through increased production of output.

Mention two demerits of comprehensive planning.

1. It involves too much bureaucracy which delays implementation of projects.
2. It ignores the interests of the local people since are not consulted.
3. It is very expensive to implement for a country.
4. It promotes external resource dependence.
5. It strains government planning units.
6. Comprehensive planning may lead to inflation.
7. It discourages specialization in production.

2. Partial/micro-plan. This is a plan drawn to cover a particular sector of the economy.

What is partial planning?

This is the planning undertaken to cover particular sectors of the economy.

Outline any *two* merits of partial planning.

1. It promotes efficient allocation of resources.
2. It is cheap to implementation.
3. It pulls lagging sectors of the economy.
4. It creates Sectorial linkages.
5. It requires less data during implementation.

Mention two demerits of partial planning.

1. It makes some sectors to lag behind.
2. It leads to uneven development of regions.
3. It promotes Sectorial inter-dependence.
4. It leads to misuse of resources due to the poor or wrong identification of priorities.

5. It leads to poor coordination between central planning authority and those handling the partial plans.

Partial planning is further split into;

i) Sectorial planning. This is the planning undertaken to cover a specific sector of the economy. e.g. industry, agriculture, etc.

ii) Project planning. This is the planning made to a particular project. e.g. construction of a road.

iii) Regional planning. This is the planning drawn to cover a specific region. e.g. Karamoja development agency, northern Uganda reconstruction programme.

OTHER FORMS OF PLANNING & PLANS

CENTRALISED PLANNING (Top-bottom planning)

This is the planning at the national level where the government through the central agency draws plans by setting objectives and fixing targets in an economy.

Or; this is the planning by the central planning authority for the whole country.

In this case, government takes all the investment decisions on what and how much to produce, how to produce, when to produce, what to produce and for whom to produce. It fixes prices of all products and wages of workers.

Question

What is meant by the term centralized planning?

ADVANTAGES OF CENTRALISED PLANNING

1. Centralized planning reduces wastage of scarce resources. This is where government invests its available resources carefully thereby limiting possible wastages.

Or; there is no duplication as government only provides the necessary goods and services to people.

2. Centralized planning ensures coordination of Sectorial development. This makes it possible for government to take on many sectors at the same time.

3. Centralized planning achieves balanced regional development. This is where government plans for and develops projects in different regions of the country at the same time.

4. Centralized planning ensures consistency of plans. This is because it permits government to take on projects which cannot conflict each other.

5. Centralized planning eliminates divergence between private benefits and social costs. This is because projects undertaken by government protect the environment and other natural resources.

6. Centralized planning encourages regional specialization. This is where government encourages different regions to undertake projects basing on each region's need.

7. Centralized planning promotes sequencing of projects. This is where government invests in a given project at a time and takes time to invest other projects.

DEMERITS OF CENTRALISED PLANNING

1. Centralized planning limits incentives offered to the private

sector. This is where government invests in all economic activities including those that would have been done by private individuals which limits creativity and innovation.

2. Centralized planning limits public participation in decisions

making. This is where most of the activities are done by government without the consent of the local people which limits public involvement.

3. Centralized planning is costly. This is where government requires huge funds to cover project development which may not be sustainable from time to time.

4. Centralized planning is rigid. This is because government puts little consideration on the opinions or needs advanced by the local people.

5. Centralized ignores local interests. This is because most of the policies on what to produce and for who to produce are done at national level.

DECENTRALISED PLANNING (Bottom-top planning)

This is the planning where the economic decision making and implementation of plans in line with the set targets is undertaken by the local authority or local government instead of the central government.

Or; this is where planning is formulated by the central government in consultation with different administrative units of the country.

The central plan incorporates plans under the central schemes and plans for the regions or districts.

MERITS OF DECENTRALISED PLANNING

1. Decentralized planning favors local interests. This is because it is done at the grass root or local level which helps to address people's local needs.

2. Decentralized planning promotes use of local resources. This is because it simplifies the task of identifying local resources to address local needs. eg. existence of a lake results into its exploitation in the area.

3. Decentralized planning creates more employment to people. This is where the local people are attracted into project activities in their areas thereby earning income for survival.

4. Decentralized planning reduces bureaucracy. This is due to limited consultations needed to carry on project activities.

5. Decentralized planning promotes division of labour between the centre and local authorities. This is because each region trains its own workers basing on its local needs which reduce pressure on government.

6. Decentralized planning ensures efficient system of tax collection. This is because it is easier to identify the sources of taxes and people's ability to pay taxes.

7. Decentralized planning promotes regional mobilization of resources. This is because each region works hard to raise its own funds for solving their problems.

Or; this reduces pressure on limited resources of the central government as each region has the mandate to solicit for its own

resources.

8. Decentralized planning reduces rural urban migration and its evils. This is where each region employs its people into productive activities thereby encouraging them to stay in villages.

9. Decentralized planning promotes balanced regional development. This arises from allowing each region to develop projects based on its needs.

10. Decentralized planning is appropriate for a large country. This is because it is difficult to provide better service delivery in a large country.

DEMERITS OF DECENTRALISED PLANNING

1. Decentralized planning leads to resource duplication. This is where different regions take on similar projects which lead to wastage.

2. Decentralized planning causes price instability. This is where allocation of resources and production of goods is determined by the price system yet prices are never stable which distorts consumer behavior.

4. Decentralized planning leads to income inequality. This is because people in regions with well planned and exploited resources get better jobs and more incomes than others in regions with limited resources.

5. Decentralized planning promotes social disunity. This is because each region concentrates on its own needs without minding about what happens in other regions.

Question

- a) Explain the merits and demerits of decentralized planning in an economy.
- b) Explain the merits and demerits of decentralized planning in your country.

INDICATIVE PLANNING

This is a form of planning where government draws plan targets and provides conducive economic, political, fiscal and monetary policies to guide individuals in the private sector but it does not directly participate in plan implementation.

Or; this is planning by the central authority by which the private sector is guided through conducive economic policies without direct government participation in production or commerce. It is common in capitalist economies.

State any two objectives of indicative planning.

1. To minimise bureaucracy in decision making associated with the central planning authority.
2. To enable government concentrate on provision of social services.
3. To minimise government borrowing for state enterprises.
4. To promote competition among the private investors through offering incentives.
5. To promote the development of the private sector.
6. To limit the powers of monopoly firms in the country.

Give any two demerits of indicative planning.

1. Promotes income inequality as the private sector is small and mainly operates in urban areas.
2. Promotes unbalanced regional development in the country.
3. Causes divergence between the social benefits and private benefits in the country.
6. Encourages production and consumption of undesirable goods.
7. It leads to misallocation of resources due to limited role of government in plan implementation.

Mention any two conditions necessary for planning

1. Goals and objectives of the plan should be clear.
2. Resources to be used should be available.
3. The market should be available.
4. Statistical data should be available.
6. Monitoring and evaluation facility should be available.