

## **ECONOMIC DEVELOPMENT PLANNING**

This is the deliberate, conscious and continuous government effort to influence, direct and control major economic variables such as investments so as to achieve desired economic/development objectives in a country within a specified period of time.

### **PLANNING PROCESS**

This refers to a situation where the government sets various plan objectives, formulates the plans and organises the implementation of the project design to achieve the set objectives.

A planning process involves the following;

- ✓ Plan formulation
- ✓ Getting relevant information or data
- ✓ Resource mobilisation
- ✓ Plan implementation
- ✓ Plan evaluation and revision.

### **DEVELOPMENT PLAN**

This is a document drawn by the planning authority outlining the intended social, political and economic objectives to be achieved within a specified period of time.

#### **CONTENTS/ COMPONENTS OF A DEVELOPMENT PLAN**

- ✓ Planning machinery to be employed in the plan process.
- ✓ An analysis of a country's past development.
- ✓ Stock of resources available on which to base the plan. A realistic and viable plan should be based on the existing resources.
- ✓ Objectives to be achieved within a stated period of time.
- ✓ The duration of the plan implementation i.e. whether the plan is short term, medium term or long term.
- ✓ The coverage of the plan i.e. whether it is covering the whole economy or part of the economy or a particular project.
- ✓ Plan strategy to be employed in plan implementation.
- ✓ The source of funds needed to implement the plan i.e. internal or external sources or both.
- ✓ Key projects to be undertaken.
- ✓ Choice of technology to be used.

#### **REASONS FOR CARRYING OUT ECONOMIC DEVELOPMENT PLANNING IN DEVELOPING COUNTRIES**

**1. For proper allocation of scarce resources.**

In Developing countries, resources are scarce and therefore there is need for proper utilisation of such resources and this is done through development planning.

**2. For equitable distribution of incomes and wealth.**

This is done through use of measures such as progressive taxation, subsidization of the poor, provision of investment credit, etc and this is only possible under development planning

**3. To correct the deficiencies of price mechanism especially during periods of rapid structural changes.**

Price mechanism does not adequately provide for social and economic infrastructure which requires huge capital investment, emergencies like floods, harmonious development of all the sectors hence a need for centralised planning.

**4. To solve the unemployment problem.**

Developing countries experience wide spread unemployment and underemployment therefore through planning, private investment is stimulated and public investment is undertaken to create employment for the masses.

5. **To solicit for foreign aid.** Economic development planning enables the government to show the potential donors government planned revenue and expenditure and convince them to close the budgetary deficits through foreign aid.
6. **To relate present activities to future activities.**  
Planning makes sequencing of projects possible. Through proper planning, projects that produce outputs to be used as inputs by other projects are implemented first. In this way, present activities are linked with future activities.
7. **For harmonious and consistent use of resources.**  
Planning leads to harmonious use of resources by avoiding duplication of projects that have similar objectives. It also ensures consistency in the use of resources by ensuring that the plans set are in line with the available resources.
8. **To encourage public cooperation in the development process hence winning political support.**  
Planning makes it possible for the members of the public to be involved in the development process of an economy by showing them their role in plan formulation and implementation. Planning also enables the government to win political support by showing the masses government programmes aimed improving their welfare as well as government successes in managing an economy.
9. **To attain and maintain price stability by influencing production levels.**  
It times of inflation, measures such as reducing government planned expenditure, increasing direct taxes to reduce aggregate demand and measures to stimulate production and aggregate supply are undertaken. During a deflation, government reduces direct taxes and undertakes expansionary monetary policies to increase aggregate and demand.
10. **To correct balance of payments problems.**  
Planning enables government to undertake strategies that aim at improving the country's earnings abroad e.g. export promotion strategies and undertake strategies that reduce importation like adoption of import restrictions to reduce expenditure abroad thereby reducing balance of payments problems.
11. **To determine the rate of economic growth and development.**  
Planning enables government to set growth targets and carryout measures of achieving them for instance by planning to offer attractive incentives to investors such as tax holidays.
12. **To reduce economic dependence/ to promote self-reliance.**  
Planning enables the country to reduce dependence on external resources by raising revenue locally to avoid borrowing from abroad, training labour locally to reduce dependence on imported labour, import substitution industrialisation to reduce dependence on imports and diversification of the economy to reduce sectoral dependence.
13. **To identify areas suitable for public and private investment.**  
Planning enables government to identify sectors which are highly profitable and attractive to private investors and those that are unprofitable but essential for a country's development such as provision of infrastructure and merits goods. The latter are indentified as suitable for public investment.

### **FACTORS THAT INFLUENCE THE IMPLEMENTATION OF ECONOMIC DEVELOPMENT PLANS IN DEVELOPING COUNTRIES**

1. **Availability of funds from within and abroad.**  
Ready availability of funds makes the implementation of plans much easier since it is very easy to obtain the required resources while limited funds make it difficult to obtain the required resources and logistics of implementation hence limiting successful plan implementation.
2. **Availability of statistical data/information.**  
Readily available information on matters such as population, incomes of people, growth rates makes implementation of plans faster because sound targets are set yet limited information limits the success of plan implementation because of the inability to set sound targets and objectives.

3. **The political climate.**

A favorable political climate ensures a suitable and conducive climate for plan implementation and ensures that facilities are easily kept without any destruction hence facilitating the success of plan implementation while political instabilities destroy facilities for plan implementation and scare the plan implementers hence limiting successful plan implementation.

4. **Availability of skilled manpower.**

Readily available skilled manpower makes it easier to implement the plans since identification of viable projects and the necessary project resources is easy while limited skilled labour limits plan implementation since it is difficult to identify viable projects.

5. **The level of external/foreign influence.**

A high level of external influence on the way plans are to be implemented limits plan implementation since approvals and funding come from donors while a low level of external influence enables implementers to quickly implement the plans with limited bureaucracy hence making plan implementation more successful.

6. **The economic climate/rate of inflation.**

A high rate of inflation limits successful implementation of plans since the money value keeps on falling making the amount budgeted for inadequate while price stability ensures the success of plan implementation because of the stability in the costs of resources needed.

7. **The rate of corruption.**

High rates of corruption by the plan implementers limit the success of plan implementation because it leaves insufficient resources for establishment of projects while a high degree of accountability ensures success of plan implementation because there is limited misuse of resources meant for the establishment of projects and contracts are given to competent people.

8. **Level of development of infrastructure.**

High level of infrastructural development facilitates easy and cheaper movement of resources and movement of manpower for plan implementation hence facilitating success for plans being implemented while low level of infrastructural development makes it very expensive and very difficult for resources to be moved to implement plans hence limiting the success of plan implementation.

9. **Natural factors.**

Conducive natural factors like good climate make it easy to realise the plan objectives especially in the agricultural sector while occurrence of natural hazards like drought and floods disrupt the process of plan implementation and makes it difficult to have realistic plans for the agricultural sector.

10. **Will by the people and government.**

High degree of will by the people and the government makes plan implementation successful since the masses easily rally behind the government to ensure success of the process while limited will by the people and government leads to resistance by masses towards plan implementation hence its failure.

11. **Degree of interference by politicians.**

A high degree of interference by politicians in plan implementation limits implementation of plans because they stop the implementation of ongoing projects in order to divert resources to other projects or areas that suit their private and political interests while support by politicians in the implementation of the ongoing projects enables the plan implementers to do their work without disturbance hence facilitating the success and faster implementation of plans.

12. **The degree of responsiveness of the private sector.**

Some of the plans made by the central authority are indicative. Government provides inducements such as tax incentives to the firms to invest in given industries or sectors but because private sectors are not under direct control of government and are profit driven, they sometimes do not respond to the inducements hence failure of indicative plans. However, plan implementation is successful where private sector firms respond positively to government inducements by investing in the desired sectors.

**13. The degree of ambitiousness of planning.**

Some plans require more resources than those that can be sourced both locally and abroad hence failure of plan implementation while plans that require minimal resources that can be sourced both locally and abroad become easier to implement hence success of plan implementation.

**FACTORS LIMITING EFFECTIVE IMPLEMENTATION OF DEVELOPMENT PLANS IN DEVELOPING COUNTRIES**

**1. Inadequate funds/ capital.**

Government has limited funds to be used for gathering data, hiring skilled man-power and purchasing the necessary equipment for plan formulation and implementation thereby limiting effective planning.

**2. Limited data/ information.**

Statistical data available is inaccurate and sometimes lacking due to poor record keeping and reluctance by people to give information about their bio data, incomes, expenditure and employment for purposes of privacy. Limited accurate data leads to under estimation of necessary resources for successful planning and unrealistic planning targets and objectives being set.

**3. Political instability.**

Some parts of developing countries are politically unstable and this creates an atmosphere of fear, loss of lives and property by project officials who keep away from insecure areas where plans are to be implemented.

**4. Shortage of skilled man-power.**

There is limited supply of skilled labour to identify viable projects to be undertaken, estimate project cost, set realistic project objectives as well as carrying out various technical activities in projects for example operating machines.

**5. Dependence on foreign aid which is uncertain/ inconsistent, inadequate and tied.**

Donors provide funds which are not sufficient for purchase of resources for project implementation. Conditionalities that the recipient country must meet are also set before aid is given. At times, aid is also tied to projects that are not central to the country's development leading to disagreements between donors and recipients over plan priorities hence delaying the planning process.

**6. High rate of inflation.**

High rate of inflation makes the amount budgeted for planning inadequate due to continuous increase in the general price level. Costs of resources at the time of plan implementation are much higher than at the time of plan formulation. This necessitates a review of plan costs as well as sourcing for more funds for plan implementation hence delaying planning.

**7. High levels of corruption and embezzlement of funds among planning officials.**

Corrupt planning officials fraudulently divert resources meant for projects to personal uses. This leaves insufficient resources for the planning activities like gathering data, purchase of facilities, hiring of labour, etc. This results in either poorly implemented projects or non-implementation of projects.

**8. Poorly developed infrastructure.**

Poorly developed infrastructure like bad roads, poor communication networks, etc complicate movement of project resources such as heavy machinery and labour and coordination between formulators and implementers especially in rural areas is also made difficult.

**9. Natural calamities e.g. landslides, floods, droughts, etc.**

These are difficult to control by the government leading to high degree of uncertainty especially in the agricultural sector making plan formulation and implementation difficult.

**10. Limited will or commitment by the people and government.**

Planning is also hampered by the limited will and commitment of the government officials and the public in general. People give limited attention to what is going on in their countries thinking that someone else should be responsible for the implementation of plans.

**11. Interference by politicians/ political sabotage.**

Politicians highly interfere in the work of the planners/ technocrats when they are formulating and implementing development plans and they sometimes force them to direct resources to other projects or areas to suit their private and political interests.

**12. Non-responsive (growing) private sector.**

The private sector in developing countries is growing at a high rate due to liberalization of the economies and privatisation of public enterprises. Some plans made by the central authorities are indicative but since private sector firms are not under direct control of the government and are mainly profit driven, they sometimes do not respond to government inducements to invest in the desired sectors.

**13. Plans being too ambitious.**

Some plans require more resources than those that can be sourced both locally and abroad hence failure of planning.

**MEASURES TO IMPROVE ECONOMIC DEVELOPMENT PLANNING**

**QN**

Suggest measures that can be taken to enhance effective implementation of development plans in Uganda.

**Solution**

**1. The government should raise sufficient funds.**

This can be achieved through increasing taxes, selling government enterprises, selling government securities among others. Sufficient funds make the implementation of plans much easier since it is very easy to obtain the required resources

**2. The government should ensure proper data collection.**

Proper statistical data collection methods should be designed and masses should be educated on proper record keeping. Accurate data can reduce dangers of over estimation or under estimation of necessary resources. This can make it possible to attain successful planning.

**3. The government should ensure a stable political atmosphere.**

A stable political atmosphere can lead to proper maintenance of productive infrastructure and it can also limit diversion of resources meant for planning to pacification purposes. This can enhance effective implementation of development plans in Uganda.

**4. The government should provide skills to planners.**

The government should organise training of labour to equip it with the necessary skills needed to identify viable projects to be undertaken, estimate project costs, set realistic project objectives as well as carry out various technical activities in projects like operating machines. This can enhance effective implementation of development plans in Uganda.

**5. The government should reduce dependence on foreign aid which is inconsistent, inadequate, tied, etc.**

Donors provide inadequate funds for the purchase of resources for project implementation which can delay the planning process. There should be an in-built internal mechanism of raising public revenue to reduce reliance on foreign aid and ensure timely implementation of plan priorities.

**6. The government should fight inflation.**

This may make the amount budgeted for planning adequate due to reduced divergence between costs of resources at plan formulation and plan implementation. This can enhance effective implementation of development plans in Uganda.

**7. The government should encourage proper accountability.**

There should be an initiative to ensure that planning officials do not fraudulently divert resources meant for projects to personal use. This may leave sufficient resources for planning activities like data collection, purchase of facilities, hiring labour, etc. This can result in properly implemented projects.

**8. The government should develop infrastructure**

Improvement in infrastructure can enable easy movement of project resources such as heavy machinery and labour. This can lead to commencement of project implementation and execution of activities on a timely basis. This can result in properly implemented projects.

**9. The government should minimise dependence on nature**

Modernisation of the agricultural activities should be undertaken to reduce the effects of severe natural hazards that tend to wipe out output from agriculture. This may make it possible to formulate realistic plans for the agricultural sector.

**10. There should be government commitment in planning.**

The government should commit sufficient resources for plan formulation and implementation.

**11. The government should discourage political interference in planning.**

The government should encourage politicians to support the implementation of ongoing projects by ensuring proper use of resources in various projects or areas of the country not necessarily those that suit their private and political interests.

**12. The government should sensitise the private sector on her role in planning.**

There should be sensitisation of the private sector firms to induce them to invest in the desired sectors of the economy for the sustainable development of the country.

**13. The government should avoid over ambitious planning.**

The government should identify viable projects that are within the financial means of the country. Consequently, medium term and long term development projects can become easy to formulate and implement within the resource envelope of the country.

**CANONS/ PRINCIPLES OF PLANNING**

**1. Comprehensiveness.**

A good plan should cover as many sectors as possible and it should cater for all regions of an economy. This helps to ensure that there are no lagging sectors and regions in a country thus reducing income and regional imbalance.

**2. Consistency.**

The aims of the plan should match with the available resources. The planners therefore have to consider the quantity and quality of the available natural, financial and human resources when determining the objectives to be achieved and the time it will take to achieve them.

**3. Compatibility.**

The objectives of the plan should not conflict with the objectives of the already existing projects or government ideology or socio-cultural mores of the people in a country. Compatibility of a plan is essential for its acceptance by politicians and people of the country.

**4. Sequence in plan implementation.**

A good plan should enable the establishment of projects in a timely manner in order to create linkages between projects, sectors and the economy as a whole. Projects whose outputs are to be used as inputs



by other firms should be established first. Thus short term plans should lead to medium term plans and medium term plans should bear relationship with long term plans.

**5. Politically acceptable.**

A good economic development plan should be accepted by all political stakeholders and the masses so as to avoid unnecessary resistance from the politicians and the general public that tends to cause delays in plan implementation.

**6. Socially relevant.**

A good economic development plan should address the concerns of the society for instance provision of safe water, improved health care, proper hygiene, education, poverty eradication, power generation and supply, employment creation especially among the youth, etc hence being able to stimulate economic growth and development.

**7. Economically feasible.**

A good plan should not be over ambitious but achievable within the targeted period given the economic, political and administrative resources of the economy.

**8. Proportionality in allocating resources.**

A good plan should follow priorities and plans should be implemented according to their importance in the economy. Sectors that contribute most to GDP should receive more resources than those that contribute little.

**9. Simplicity.**

The objectives of the plan should be very clear to all the stakeholders i.e. the plan formulators, implementers and the community as a whole.

**10. Internationally relevant.**

A good plan should be in line with donor demands such that it attracts donor funding.

**11. Optimality in the use of resources.**

A good economic development plan should aim at utilising the available resources most efficiently so to produce maximum possible output with minimum wastage. Economic growth should not be attained at the expense of the environment but at the same time resources should not remain idle.

**12. It should induce participation of the society.**

A good economic development plan should endeavor to attract the will/ participation of the masses in order to ensure faster and effective plan implementation

**NOTE**

Principles/ canons slightly differ from characteristics/ features in presentation

**Assignment**

Describe the features of a good economic development plan

**Solution**

**A good economic development plan;**

- ✓ Should be comprehensive
- ✓ Should be consistent
- ✓ Should be compatible
- ✓ Should be sequenced
- ✓ Should be politically acceptable
- ✓ Should be socially acceptable
- ✓ Should be economically feasible
- ✓ Should be proportional in allocating resources.
- ✓ Should be simple.
- ✓ Should be internationally relevant.

- ✓ Should be optimal in the use of resources.
- ✓ Should induce participation of the society.

### CLASSIFICATION OF PLANNING/ PLANS

#### 1. ACCORDING TO IMPLEMENTATION

##### a) DECENTRALISED PLANNING

This is one whereby economic decision making and implementation of plans in line with set targets are undertaken by the local government/ authorities instead of the central authority.

#### MERITS OF DECENTRALISED PLANNING

1. **It puts the local interests of the area into consideration** because it is drawn by the local people themselves. Since people know better what they actually want, it saves the country from drawing plans that are irrelevant to the people.
2. **It encourages utilisation of local resources** due to the fact that the local people know what they have and how to exploit such resources. The exploitation of the resources is also done in the interest of the local people.
3. **Provides employment to the local people.** Decentralised planning leads to increased employment opportunities for the locals through increased projects to utilise the local resources as well as placements in positions in the local government positions.
4. **It encourages public participation in development** as people struggle to develop their home areas hence promotes the sense of belonging and commitment.
5. **Reduces bureaucratic chain** since decision making is done by local authorities not central government.
6. **Controls rural-urban migration with its negative consequences** since all areas implement their own plans and most people get employment opportunities in their own regions and hence find no need to migrate to towns.
7. **It ensures efficiency in resource allocation.** Decentralised planning does not require a very big manpower to take economic decisions and implement the plans therefore a lot of resources are not spend on a big planning machinery therefore ensuring efficiency in resource use.
8. **Decentralised planning promotes effective control of the regions** by use of the locals to control the areas on behalf of the central authority thus appropriate where the country is large.
9. **Ensures balanced regional development.** Issues of marginalising some areas are done away with since each region caters for itself.
10. **Fights inequality in income distribution** because of the increased employment opportunities for the local people.
11. **It ensures that each area takes full advantage of its priorities.** Priorities are different for different areas and therefore local authorities are able to identify the needs of the people in their region and they address them when taking economic decisions.

#### DEMERITS OF DECENTRALISED PLANNING

1. **It promotes rampant corruption among the local leaders.** The local authorities use the available resources for their personal gains and some are bribed when giving contracts on different projects hence giving contracts to incompetent contractors.
2. **It promotes regional imbalance in development** as some local authorities tend to receive more resources than others.
3. **Promotes inefficiency in production** due to employment of a big administrative and support staff in local authorities hence using a lot of funds to maintain them leaving fewer resources for plan implementation.



- 4. Leads to wastage of resources** as a lot of funds are used by local leaders to achieve their political ambitions instead of being used for priority areas like roads, better sanitation and safe water for the wellbeing of the community.
- 5. Kills national cohesion/ integration** as different areas concentrate on only their issues.
- 6. Leads to duplication of resources.** Decentralised planning limits regional specialisation and thus leads to duplication of development projects as each region competes with the other.
- 7. It promotes plan inconsistency i.e.** the aims of the plan not matching with the available resources. This leads to straining of the limited resources.
- 8. Decentralised planning may not conform to proportionality and compatibility of plans** because the planners do not have a wider perspective of the national interests.
- 9. It encourages negligence of some regions by the central authority** making them to lag behind in development.

**b) CENTRALISED PLANNING**

This is one where the central authority/ state/ government plans/ allocates resources in the whole economy and it directs implementation of plans in line with the set target/ objectives.

**OR**

This is planning by the central government for the whole country.

**RATIONALE FOR CENTRALISED PLANNING IN AN ECONOMY**

- 1. To minimise wastage of resources/ to ensure efficient allocation of resources.**  
The central authority endeavors to allocate resources optimally than the regional planners that tend to misuse resources by duplicating projects.
- 2. To ensure proper coordination in sectoral development since the private sector is still weak.**  
Centralised planning encourages creation of linkages between sectors so that the development of one sector is related to the development of other sectors.
- 3. To ensure equitable distribution of resources/ to fight income inequality/ to ensure balanced regional development.**  
Under centralised planning, there is a possibility for resources to be distributed evenly between regions hence attaining fair/ balanced regional development and equity in income distribution.
- 4. For proper sequencing of projects in the economy.**  
Centralised planning makes it possible to establish projects in a timely and orderly manner one after another hence being able to create linkages.
- 5. To ensure consistency of plans.**  
Centralised planning ensures that planned targets are in line with the available resources. This is because central planners are conscious of the national natural resources.
- 6. To ensure proportionality and compatibility of plans.**  
Centralised planning allocates resources according to priority and also ensures that the objectives of the plan do not conflict with the objectives of the already existing projects or government ideology or socio-cultural mores of the people in a country
- 7. For easy mobilisation of resources/ foreign aid**  
Centralised planning enables government to indicate to the donors the set plans and the available resources together with shortfalls that induce the donors to offer their help.
- 8. To allow regional specialisation and thus avoid duplication of development projects.**  
Through centralised planning, the government ensures that each region undertakes activities which it can do best thereby avoiding duplication and wastage of resources.
- 9. To minimize divergence between social costs and private benefits.**

Through centralised planning, divergence between private benefits and social costs such as pollution and over exploitation of resources are avoided through regulated exploitation of resources for example through licensing.

**10. To solve the problem of shortage of manpower at local/ lower levels.**

Through centralised planning, government organises training of labour to equip it with the necessary skills needed to identify viable projects to be undertaken, estimate project costs, set realistic project objectives as well as carry out various technical activities in projects like operating machines at the local levels

**11. For political support.**

Planning enables the government to win political support by showing the masses government programmes aimed improving their welfare as well as government successes in managing an economy.

**12. To ensure price stability.**

It times of inflation, measures such as reducing government planned expenditure, increasing direct taxes to reduce aggregate demand and measures to stimulate production and aggregate supply are undertaken. During a deflation, government reduces direct taxes and undertakes expansionary monetary policies to increase aggregate and demand.

**13. To solve the unemployment problem.**

Through centralised planning, private investment is stimulated and public investment is undertaken to create employment for the masses.

**14. To promote self-reliance.**

Centralised planning enables the country to reduce dependence on external resources by raising revenue locally to avoid borrowing from abroad, training labour locally to reduce dependence on imported labour, import substitution industrialisation to reduce dependence on imports and diversification of the economy to reduce sectoral dependence.

**15. To achieve a pre-determined rate of economic growth.**

Centralised planning enables government to set growth targets and carryout measures of achieving them for instance by planning to offer attractive incentives to investors such as tax holidays.

**16. To identify areas suitable for public and private investment.**

Centralised planning enables government to identify sectors which are highly profitable and attractive to private investors and those that are unprofitable but essential for a country's development such as provision of infrastructure and merits goods. The latter are indentified as suitable for public investment.

**17. To relate present and future trends and targets.**

Planning makes sequencing of projects possible. Through proper planning, projects that produce outputs to be used as inputs by ot her projects are implemented first. In this way, present activities are linked with future activities.

**18. To correct deficiencies of price mechanism especially during situations of rapid situational changes.**

Price mechanism does not adequately provide for social and economic infrastructure which requires huge capital investment, emergencies like floods, harmonious development of all the sectors hence a need for centralised planning.

**19. To protect national interests.**

**DEMERITS OF CENTRALISED PLANNING**

- 1. It limits consumer sovereignty.** This is because consumer needs may not be catered for while undertaking centralised planning.

2. **It encourages bureaucracy or red tape** since consultations and approvals have to be made from different departments and approving institutions e.g. cabinet, parliament causing delays in decision making.
3. **It distorts the working of price mechanism.** Resource allocation is done by the central authority instead of through market forces of demand and supply hence inefficiency in production.
4. **It kills individual/ private institutions.** This is because plan formulation and implementation is in the hands of the central authority instead of allowing the private individuals to participate in economic decision making and plan implementation.
5. **It promotes political dictatorship.** Centralised planning makes the government of the day to formulate and implement plans that are politically biased and motivated and prolong their stay in power hence promoting political dictatorship.
6. **It is costly in terms of formulation, implementation and evaluation** because it is meant to cover the whole economy.
7. **It is associated with high levels of corruption and embezzlement of public resources** since there are so many officials involved and monitoring cash flow becomes difficult.
8. **Leads to wastage of resources** in form of production of commodities that are not so much needed by the consumers.
9. **Low quality output is produced** due to absence of competition.
10. **Low quantity of output is produced** hence low economic growth rate.

c) **DIRECTIVE PLANNING**

This is one where the central planning authority plans, directs, and orders the implementation of the plan in line with pre-determined targets and economic policies

**OR**

This is one where the allocation of resources is done through administrative directives issued by the central authorities.

**Demerits of directive planning**

- ☐ It is expensive i.e. requires a lot of capital
- ☐ It involves bureaucracy or red tape
- ☐ It does not provide incentives for the private sector.
- ☐ Denies people the freedom of choosing economic activities.
- ☐ Shortages of goods on the market due to inaccurate estimates
- ☐ Limited variety of goods and services are produced
- ☐ There is limited consumer sovereignty
- ☐ Limited innovations.
- ☐ Production of poor quality goods
- ☐ Results into high rates of corruption

d) **INDICATIVE PLANNING**

This a planning process where the government draws plan targets and provides (conducive) political, social and economic policies to guide the private sector but it does not participate in plan implementation

**2. ACCORDING TO COVERAGE**

a) **COMPREHENSIVE/ MACRO PLANNING**

This is one intended to cover the whole/ entire economy

**OR**

This is one intended to cover all sectors of an economy.

**NB**

**Comprehensive/ macro plan.**

This is one that covers the whole/ entire economy.

**OR**

This is one that covers all the sectors of an economy.

A comprehensive plan therefore caters for the public and private sectors, the agricultural, industrial and tertiary sectors all working hand in hand to bring about development of a country as a whole.

**Merits of comprehensive planning**

- o It promotes equity in income distribution.
- o Creates more employment opportunities.
- o It improves balance of payments position
- o Reduces dependence on imports in the long run.
- o It increases the utilisation of natural resources
- o It promotes inter-sectoral linkages in an economy
- o Promotes balanced region development
- o Increases government tax revenue due to widened tax base.
- o Increases output hence economic growth
- o Encourages public participation in the development process
- o Promotes infrastructural development
- o Controls inflation.

**NOTE**

For reasons or rationale; Apply:

- To
- For
- ing.

For example

\_\_\_To distribute incomes equitably

\_\_\_To solve the unemployment problem/ to provide employment opportunities

\_\_\_Etc.

**Demerits of comprehensive planning**

- o It is very expensive or costly.
- o Results in over taxation of the citizens.
- o Necessitates borrowing which results into heavy debt burden.
- o Leads to over production and hence wastage of resources
- o Leads to quick depletion of resources.
- o Leads to heavy losses because some projects fail to take off.
- o May be inflationary in the short run due to excessive government expenditure
- o Strains government planning machinery

**Limitations to comprehensive planning in developing countries**

- o \_\_\_ Inadequate funds to undertake investments in all the sectors of an economy
- o \_\_\_ Inadequate skilled manpower needed to do comprehensive planning
- o \_\_\_ Inadequate information about the different sectors
- o \_\_\_ Political instability
- o \_\_\_ Over ambitious plans
- o \_\_\_ Corruption by plan officials
- o \_\_\_ Interference by politicians.

**b) MICRO PLANNING**

This is one intended to cover one or a few sectors of an economy. It may be partial or sectoral.

**Partial planning** is one intended to cover part of an economy.

**OR**

This is one intended to cover a few sectors of an economy.

**Sectoral planning** is one intended to cover a particular/ specific sector of an economy.

**Micro plan**

This is one that covers one or a few sectors of an economy. It may be partial or sectoral.

**Partial plan**

This is one that covers part of an economy.

**OR**

This is one that covers a few sectors of an economy.

**Sectoral plan**

This is one that covers a particular/ specific sector of an economy.

For example the plan may cover only the industrial sector or agricultural sector.

**Merits of micro planning**

- o It encourages specialisation among sectors and parts of an economy
- o It helps to pull up lagging sectors and lagging areas of an economy i.e. through linkages.
- o It leads to efficient utilisation of limited resources.
- o It is suitable for developing countries that have limited capital.
- o It minimises over production and wastage of resources.

**Demerits of micro planning**

- o It limits the rate of employment creation.
- o Leads to regional imbalances in development
- o Worsens income inequality problem
- o It limits inter-sectoral linkages in an economy.
- o Widens income/ wealth inequalities
- o Leads to underutilisation of the available resources
- o Causes shortages on the market
- o Limits consumer choice/ reduces variety of output
- o Limits economic growth
- o Limits government tax revenue
- o Leads to economic dependence especially sectoral dependence and its negative consequences.
- o Some sectors that may not be catered for during the planning process end up lagging behind as far as development is concerned.
- o The plans may identify a wrong sector or less productive sector that may not benefit all the masses thereby leading to wastage of resources.

### **3. ACCORDING TO TIME FRAME**

#### **a) Short term/ operative/ annual plans**

These are plans in which targets are set to cover a period of one year or even less. For example the National budget.

#### **b) Medium term plans**

These are plans in which targets are set to cover a period between two and nine years.

#### **c) Long term (perspective) plan**

This is one whose targets and objectives are set to cover a long period of time like ten years or more.

### **PERSPECTIVE PLANNING**

This refers to long term planning covering a period of ten years or more.

### **Factors that limit perspective planning in Uganda**

- o Limited information or data
- o Natural hazards
- o Limited skilled labour
- o Limited government commitment
- o Difficulty in identifying viable projects
- o Limited financial resources
- o Corruption
- o Non-responsive private sector
- o Political instability
- o High rates of inflation
- o Over ambitious planning
- o Political interference
- o Conservatism.

### **MANPOWER PLANNING**

This is the long term projection of manpower supply and manpower demand so as to strike a balance between future supply and demand for labour so as to achieve the objectives of development.

#### **Manpower problems faced in Uganda**

- o High level of unemployment and underemployment
- o Discrimination in the labour market
- o Limited supply of skilled labour
- o Increased use of child labour
- o Misuse/ misplacement of labour
- o High cost of training labour
- o Low/ poor remuneration
- o High rates of brain drain
- o Negative attitude towards work
- o Poor working conditions
- o Poor health of many workers
- o Imbalanced supply of skilled labour in different fields.

### **THE ROLE OF PLANNING IN THE DEVELOPMENT OF AN ECONOMY**

#### **POSITIVE ROLES**

1. Minimizes wastage of scarce resources.
2. Determines the rate of economic growth.
3. Ensures equitable distribution of income and wealth.
4. Corrects deficiencies of price mechanism.
5. Helps in mobilizing resources/ attracts foreign aid.
6. Helps in identifying areas suitable for public and private investment.
7. Maintains price stability.
8. Corrects B.O.P problems.
9. Encourages public participation in the development process as well as soliciting for political support.
10. Ensures consistent and harmonious use of resources.
11. Helps to relate the present and future trends.

#### **NEGATIVE ROLES**

1. Distorts the working of price mechanism especially centralised planning.
2. It kills individuals'/ private initiatives.
3. It encourages bureaucracy and its related negative consequences.



4. Planning is very expensive/ costly for instance plan formulation, implementation, monitoring and evaluation.
5. It may lead to wastage of resources especially over ambitious plans i.e. plans far beyond the means.
6. Limits consumer sovereignty especially centralised planning which does not allow consumers to freely participate directly in plan formulation.
7. Corruption becomes rampant especially decentralised planning where implementation is done by the local authorities.
8. Promotes political dictatorship especially centralised planning whereby the central authority comes up with policies aimed at keeping themselves in power as resources tend to be channeled in areas where the government has much support.

### **GUIDING QUESTIONS**

1. a) What is meant by **economic development planning**? (01 mark)  
 b) Give any **three** factors that affect the implementation of development plans in Uganda. (03 marks)  
 UNEB 2013 P220/1
2. a) Define the term **economic development planning**. (01 marks)  
 b) Mention any **three** problems encountered in economic development planning in developing countries. (03 marks)  
 UNEB 2003 P220/1
3. a) What is meant by **economic planning**? (02 marks)  
 b) Differentiate between a **comprehensive plan** and a **partial plan**. (02 marks)  
 UNEB 2000 P220/1
4. a) What is meant by **economic planning**? (02 marks)  
 b) Distinguish between **comprehensive planning** and **perspective planning**. (02 marks)

5. a) Define economic **planning**. (01 mark) uneb 1998 p220/1  
b) State **three** pre-requisites for success of economic planning in Uganda. (03 marks) KEB 2018 P220/2
6. a) What is meant by the term **economic planning**? (01 mark)  
b) Give **three** conditions for the success of economic development planning in an economy. (03 marks) MEC 2017 P220/1
7. a) What is meant by **decentralised economic planning**? (01 mark)  
b) State any **three** merits of decentralised economic planning. (03 marks) UNEB 2008 P220/2
8. a) What is meant by the term **decentralised economic planning**? (01 mark)  
b) Mention **three** motives of decentralised planning in Uganda. (03 marks) KEB 2016 P220/2
9. a) Differentiate between **decentralised planning** and **centralised planning**. (02 marks)  
b) Give **two** constraints to decentralised planning in Uganda. (02 marks) UTEC 2015 P220/2
10. a) Differentiate between **directive planning** and **centralised planning**. (02 marks)  
b) Give any **two** limitations of centralised planning in developing countries. (02 marks) MEC 2016 P220/1
11. a) Distinguish between **centralised planning** and **indicative planning**. (02 marks)  
b) Give **two** factors that limit centralised planning in Uganda. (02 marks) KEB 2018 P220/2
12. a) Distinguish between **directive planning** and **comprehensive planning**. (02 marks)  
b) Give **two** importances of planning in Uganda. (02 marks) MEC 2017 P220/2
13. a) What is meant by the term **comprehensive plan**? (01 mark)  
b) Give any **three** merits of a comprehensive plan in an economy. (03 marks) WKS 2014 P220/1
14. a) Define the term **comprehensive planning**. (01 mark)  
b) State any **three** objectives of comprehensive planning in Uganda. (03 marks) KEB 2018 P220/2
15. a) What is meant by **comprehensive planning**? (01 mark)  
b) Mention **three** factors that limit comprehensive planning in developing countries. (03 marks) UMTA 2017 P220/1
16. a) Distinguish between **comprehensive planning** and a **perspective plan**. (02 marks)  
b) Mention any **two** demerits of comprehensive planning in Uganda. (02 marks) KEB 2016 P220/2
17. a) Differentiate between **comprehensive planning** and **perspective planning**. (02 marks)  
b) Mention **two** characteristics of a good development plan. (02 marks) NBTA 2015 P220/1
18. a) Distinguish between a **comprehensive plan** and a **perspective plan**. (02 marks)

- b) State **two** merits of a perspective plan. (02 marks)  
KEB 2018 P220/1
19. a) Differentiate between **partial planning** and **perspective planning**. (02 marks)  
b) Mention any **two** demerits of partial planning in an economy. (02 marks)  
UNEB 2015 P220/1
20. a) Distinguish between **partial planning** and **comprehensive planning**. (02 marks)  
b) State any **two** constraints to economic development planning in Uganda. (02 marks)  
UNEB 2007 P220/2
21. a) Distinguish between **partial planning** and **comprehensive planning**. (02 marks)  
b) State any **two** reasons for comprehensive planning in Uganda. (02 marks)  
MEC 2015 P220/2
22. a) Distinguish between **partial planning** and **sectoral planning**. (02 marks)  
b) Outline **two** advantages of sectoral planning in an economy. (02 marks)  
KEB 2016 P220/1
23. a) Distinguish between a **partial plan** and a **comprehensive plan**. (02 marks)  
b) Mention any **two** merits of a comprehensive plan. (02 marks)  
UNEB 2002 P220/1
24. a) Distinguish between a **sectoral plan** and a **comprehensive plan**. (02 marks)  
b) State any **two** obstacles to the effective implementation of economic development plans in Uganda. (02 marks)  
UNEB 2009 P220/2
25. a) Distinguish between **comprehensive planning** and **sectoral planning**. (02 marks)  
b) Mention any **two** demerits of sectoral planning in Uganda. (02 marks)  
WKS 2017 P220/2
26. a) What is meant by **perspective planning**? (01 mark)  
b) Mention **three** factors that limit **perspective** planning in Uganda. (03 marks)  
KSPA 2015 P220/2
27. a) Define the term **perspective plan**. (01 mark)  
b) Mention any **three** problems faced in formulating a perspective plan. (03 marks)  
UNEB 1999 P220/1
28. a) What is meant by a **perspective plan**? (01 mark)  
b) Give **three** qualities of a good plan. (03 marks)  
KEB 2018 P220/1
29. a) What is meant by a **perspective plan**? (01 mark)  
b) Outline **three** causes of failure of perspective plans in less developed countries. (03 marks)  
WKS 2016 P220/1
30. a) Differentiate between **perspective planning** and **indicative planning**. (02 marks)  
b) Mention **two** constraints to economic development planning in Uganda. (02 marks)  
WKS 2014 P220/2
31. What are the manpower problems faced by developing countries? (04 marks)  
KEB 2016 P220/1

## SECTION B

1. a) What is **economic development planning**? (04 marks)  
b) Why does Uganda carry out economic planning? (16 marks)  
UNEB 2000 P220/2
2. a) What is meant by the term **economic development planning**? (04 marks)  
b) Examine the factors that can limit effective implementation of development plans in an economy. (16 marks)  
KSPA 2015 P220/1
3. a) Why is it necessary for Uganda to prepare a national development plan? (10 marks)  
b) Examine the pre-requisites for successful planning in Uganda. (10 marks)  
JJB 2016 P220/2
4. a) Why is it necessary to formulate an economic development plan in a country? (08 marks)  
b) Explain the factors that limit the successful implementation of economic development plans in developing countries. (12 marks)  
UNEB 2014 P220/1
5. a) Why is there need for development planning in Uganda? (10 marks)  
b) What factors limit effective implementation of development plans in developing countries? (10 marks)  
UNEB 2001 P220/2  
UNEB 1998 P220/2
6. a) Account for economic development planning in Uganda. (10 marks)  
b) Discuss the factors limiting successful planning in Uganda. (10 marks)  
JJB 2015 P220/2
7. a) Examine the rationale for economic development planning in Uganda. (10 marks)  
b) Discuss the limitations to successful planning in Uganda. (10 marks)  
JJB 2017 P220/2
8. a) What are the benefits of economic development planning? (08 marks)  
b) Explain the factors that influence the implementation of economic development plans in Uganda. (12 marks)  
UNEB 2015 P220/2
9. a) Describe the pre-requisite for successful planning in developing countries. (10 marks)  
b) Explain the factors that limit successful planning in developing countries. (10 marks)  
UTEC 2015 P220/1
10. a) What are the elements of a good economic development plan? (10 marks)  
b) What are the reasons for undertaking development planning? (10 marks)  
KEB 2018 P220/1
11. a) Describe the features of a good economic development plan. (10 marks)  
b) Account for the failure by developing countries to effectively implement economic development plans. (10 marks)  
UNEB 2008 P220/1
12. a) Describe the features of a good economic development plan. (06 marks)

- b) Suggest measures that can be taken to enhance effective implementation of development plans in Uganda. (14 marks)  
WKS 2016 P220/2
13. a) Describe the features of a good economic development plan. (08 marks)  
b) Examine the merits and demerits of decentralised planning in an economy. (12 marks)  
WKS 2017 P220/1
14. a) What are the features of a good economic development plan? (06 marks)  
b) Explain the challenges faced in implementing economic development plans. (14 marks)  
UNSE 2015 P220/1
15. a) Explain the qualities of a good economic development plan. (10 marks)  
b) Account for the frequent failure to effectively implement economic development plans in developing countries. (10 marks)  
KEB 2018 P220/1
16. a) Differentiate between **decentralised planning** and **centralised planning**. (04 marks)  
b) Account for the existence of decentralised planning in developing countries. (16 marks)  
uneb 1998 p220/1
17. a) Discuss the merits of decentralised planning in Uganda. (10 marks)  
b) Explain the difficulties faced in the implementation of economic development plans in Uganda. (10 marks)  
UMTA 2017 P220/2
18. a) What is meant by **centralised planning**? (04 marks)  
b) Explain the rationale for centralised planning in an economy. (16 marks)  
UNEB 2012 P220/1
19. a) Differentiate between **centralised planning** and **decentralised planning**. (04 marks)  
b) Suggest measures that should be taken to improve implementation of economic development plans in Uganda. (16 marks)  
KEB 2018 P220/2
20. a) Distinguish between **centralised planning** and **indicative planning**. (04 marks)  
b) Explain the factors that limit the successful implementation of economic development plans in developing countries. (16 marks)  
UNEB 2005 P220/2
21. a) Distinguish between **centralised planning** and **indicative planning**. (04 marks)  
b) What are the factors that influence the effectiveness of economic development planning in developing countries? (16 marks)  
UNEB 2002 P220/1
22. a) Distinguish between a **comprehensive plan** and a **partial plan**. (04 marks)  
b) Examine the role of planning in an economy. (16 marks)  
UNEB 2004 P220/2
23. a) Distinguish between **partial planning** and **decentralised planning**. (04 marks)  
b) Why is development planning necessary in an economy? (16 marks)  
UNEB 2010 P220/1

24. a) Distinguish between a **sectoral plan** and a **comprehensive plan**. (04 marks)  
b) Explain the importance of economic development planning in an economy. (16 marks)  
UNEB 2005 P220/1
25. a) Define the term **perspective planning**. (04 marks)  
b) Explain the factors limiting economic development planning in developing countries. (16 marks)  
UNEB 2009 P220/1
26. a) Differentiate between a **perspective plan** and a **comprehensive plan**. (04 marks)  
b) Suggest measures that should be adopted to improve economic development planning in Uganda. (16 marks)  
UNEB 2016 P220/2
27. a) Distinguish between perspective **planning** and **comprehensive planning**. (04 marks)  
b) Discuss the factors influencing the effectiveness of development planning in LDCs. (16 marks)  
KEB 2018 P220/1