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SENIOR SIX TERM 3

TOPIC 2/2: Economic Development Planning

Competency: The learner demonstrates the ability to analyse economic development plans, propose strategies to address development needs, and suggest alternative development plans for an economy.

Economic development

Economic development planning is the deliberate effort by governments to allocate scarce resources toward achieving targeted economic, social, and political objectives over a specific period of time.

Types of plans

Development plans are classified as follows;

Classification of plans according to the length of the planning period

- Long term (perspective) plans.** These are plans covering a period of 10 years and above. Such plans include industrial plans, education plans, population plans etc.
- Medium term plans.** These are plans that cover a period of 3 - 7 years. They act as a link between long term and short term plans.
- Short term (Operational / Annual) plans.** These are plans which cover a period of 1 year. For example the National Budget.

Classification of plans according to coverage

- Comprehensive (macro) plans.** These are plans drawn to cover all sectors and resources of the economy considering the inter-sectoral linkages.

Advantages (merits) of a comprehensive plan

- Holistic approach:** Covers all sectors of the economy (agriculture, industry, health, education, infrastructure), ensuring balanced development.

- (ii) **Efficient resource allocation:** Guides governments to allocate scarce resources to priority areas, reducing wastage and duplication.
- (iii) **Long-term vision:** Provides a roadmap for sustained growth and structural transformation rather than short-term fixes.
- (iv) **Coordination among sectors:** Ensures that policies in different sectors (e.g., agriculture and industry) complement each other instead of conflicting.
- (v) **Reduces regional imbalances:** Promotes equitable development by targeting underdeveloped regions and marginalized groups.
- (vi) **Encourages investment:** A clear plan attracts both domestic and foreign investors by showing stability and direction.
- (vii) **Improves policy consistency:** Prevents ad hoc or contradictory policies by offering a unified framework for development.
- (viii) **Facilitates monitoring and evaluation:** With clear goals and timelines, progress can be measured and adjustments made when necessary.
- (ix) **Strengthens bargaining power:** Countries with comprehensive plans can negotiate better with donors, lenders, and trade partners by showing clear priorities.
- (x) **Promotes social welfare:** By including health, education, housing, and employment, comprehensive plans improve overall living standards.

Example

- (i) Uganda's **National Development Plans (NDPs)** are comprehensive, covering sectors like agriculture, industry, ICT, and social services.
- (ii) This helps align government, private sector, and donor efforts toward common national goals.

Disadvantages (demerits) of a comprehensive plan

- (i) **High cost of preparation:** Designing a plan that covers all sectors requires extensive research, data collection, and expert input, which is expensive.
- (ii) **Complexity in implementation:** Coordinating multiple sectors and regions can be difficult, leading to delays and inefficiencies.
- (iii) **Rigidity:** Comprehensive plans often lock governments into long-term strategies, making it hard to adapt quickly to changing economic conditions.
- (iv) **Risk of unrealistic targets:** Ambitious goals may be set without considering resource limitations, leading to failure or partial achievement.
- (v) **Administrative burden:** Requires strong institutions and skilled personnel, which many developing countries may lack.
- (vi) **Political interference:** Plans may be influenced by political interests rather than economic priorities, reducing effectiveness.
- (vii) **Slow decision-making:** Because many stakeholders are involved, consensus can take time, delaying urgent actions.
- (viii) **Dependence on external aid:** Comprehensive plans in developing countries often rely on foreign funding, which may not always be reliable.

- (ix) **Possibility of uneven benefits:** Some regions or sectors may benefit more than others, leading to imbalances and dissatisfaction.
- (x) **Difficulty in monitoring and evaluation:** Tracking progress across all sectors is complex, and weak monitoring systems can undermine accountability.

Example

In many African countries, **National Development Plans** face challenges because they are too ambitious, rely heavily on donor funding, and are slowed down by weak institutions and political interference.

- (b) **Partial/ (micro/ sectoral) plan.** This is a plan drawn to cover part of the economy. It can be one sector or a few sectors of the economy. For example, agricultural sector plan, industrial sector plan etc.
- (c) **Project planning.** This is a form planning for a specific project. For example; road construction, railway construction, rice scheme etc.

Advantages of partial planning

- (i) **Flexibility:** Partial plans focus on specific sectors or regions, making it easier to adjust policies when conditions change.
- (ii) **Lower cost of preparation:** Unlike comprehensive plans, partial plans require fewer resources, data, and expertise, making them cheaper to design.
- (iii) **Ease of implementation:** Since they cover limited areas, partial plans are simpler to execute and monitor compared to nationwide comprehensive plans.
- (iv) **Quick results:** Targeting specific sectors (like agriculture or education) can yield faster improvements without waiting for long-term outcomes.
- (v) **Focus on priority areas:** Governments can direct resources to urgent or strategic sectors (e.g., energy, transport, health) without spreading them too thin.
- (vi) **Encourages experimentation:** Partial plans allow governments to test policies in specific areas before scaling them up nationally.
- (vii) **Reduces administrative burden:** Managing a smaller scope requires fewer institutions and less bureaucracy, making coordination easier.
- (viii) **Political feasibility:** Easier to gain consensus and approval since they deal with limited issues rather than broad national reforms.
- (ix) **Better monitoring and evaluation:** With fewer sectors involved, progress can be tracked more accurately and adjustments made quickly.

Example

- (i) A country may adopt a **partial plan focusing on agriculture**, aiming to modernize farming techniques and boost food security.

- (ii) This targeted approach is easier to implement and monitor compared to a comprehensive plan covering all sectors at once.

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Disadvantages (demerits) of partial planning

- (i) **Lack of coordination:** Since partial plans focus on specific sectors or regions, they may conflict with other policies, leading to inefficiencies.
- (ii) **Neglect of other sectors:** Concentrating on one area (e.g., agriculture) may cause underinvestment in other vital sectors like health, education, or infrastructure.
- (iii) **Failure to achieve balanced development:** Partial planning often results in uneven growth, with some regions or industries advancing while others lag behind.
- (iv) **Short-term focus:** Partial plans may prioritize immediate needs without addressing long-term structural transformation.
- (v) **Duplication of efforts:** Different partial plans may overlap or contradict each other, wasting resources.
- (vi) **Limited impact:** Because they cover only a portion of the economy, partial plans may not significantly improve overall national development.
- (vii) **Risk of regional inequality:** Focusing on certain regions can widen disparities between developed and underdeveloped areas.
- (viii) **Weak bargaining power:** Countries relying on fragmented plans may struggle to negotiate effectively with donors or trade partners compared to those with comprehensive strategies.
- (ix) **Difficulty in monitoring overall progress:** Tracking development becomes harder when plans are scattered across sectors without a unified framework.

Example

If Uganda adopts a **partial plan focusing only on agriculture**, it may improve food security but neglect industrialization, education, and healthcare, resulting in unbalanced development.

Classification of planning according to Implementation

- (a) **Indicative (Capitalist) planning.** This is the form of planning where the government (planning authority) uses indirect policies to influence the planning process in the private sector towards the desired government objectives/targets. That is, the government provides incentives and information to private individual economic units in line with the set government targets without influencing their decisions directly.
- (b) **Centralized (authoritarian) planning.** This is the form of planning where the central planning authority/ body is responsible for resource allocation in the economy in order to achieve certain set objectives.
- (c) **Decentralized planning.** This is the form of planning which involves decision making by different administrative units at various levels. For example district plans. These plans can

later be incorporated into the central government plan.

- (d) **Bottom to top planning.** This is planning that begins from the local authorities upwards to the central planning body.
- (e) **Top to bottom planning.** This is the form of planning that begins from the central planning body downwards to the local levels.

Prerequisites for good planning

- (i) **Reliable statistical data:** Accurate and up-to-date information on population, income, resources, and production is essential for realistic planning.
- (ii) **Clear objectives:** Plans must have well-defined goals such as poverty reduction, industrialization, or employment creation.
- (iii) **Strong institutional framework:** Effective institutions are needed to design, implement, monitor, and evaluate plans.
- (iv) **Political stability and commitment:** Governments must be stable and committed to carrying out plans without frequent policy reversals.
- (v) **Adequate resources:** Financial, human, and natural resources must be available to support planned activities.
- (vi) **Skilled manpower:** Qualified planners, economists, and administrators are necessary to prepare and execute plans effectively.
- (vii) **Public support and participation:** Citizens should understand and support planning efforts to ensure smooth implementation.
- (viii) **Flexibility:** Plans must allow adjustments to respond to unforeseen circumstances like global recessions or natural disasters.
- (ix) **Coordination among sectors:** Different sectors (agriculture, industry, health, education) must be harmonized to avoid conflicts and duplication.
- (x) **Monitoring and evaluation mechanisms:** Systems must be in place to track progress, identify challenges, and make corrections during implementation.

Example

Uganda's **National Development Plans (NDPs)** rely on statistical data from the Uganda Bureau of Statistics (UBOS), political commitment from government, and donor support to ensure effective planning.

Characteristics (features/qualities) of a good development plan

- (i) **Clear objectives:** The plan must have well-defined goals such as poverty reduction, industrialization, or employment creation.
- (ii) **Comprehensive coverage:** It should address all major sectors of the economy (agriculture, industry, health, education, infrastructure) to ensure balanced growth.
- (iii) **Realistic and achievable:** Targets must be practical, based on available resources and capacities, not overly ambitious.

- (iv) **Flexibility:** A good plan allows adjustments to respond to unforeseen circumstances like global recessions, natural disasters, or political changes.
- (v) **Efficient resource allocation:** Ensures scarce resources are directed to priority areas, minimizing waste and duplication.
- (vi) **Time-bound:** Plans should have a clear timeframe (short-term, medium-term, or long-term) with measurable milestones.
- (vii) **Reliable statistical foundation:** Must be based on accurate data about population, income, resources, and production to avoid unrealistic assumptions.
- (viii) **Strong institutional framework:** Requires capable institutions and skilled manpower to design, implement, and monitor effectively.
- (ix) **Public support and participation:** Citizens should understand and support the plan, ensuring smooth implementation and accountability.
- (x) **Equitable distribution of benefits:** A good plan promotes inclusive development, reducing regional and social inequalities.
- (xi) **Monitoring and evaluation mechanisms:** Built-in systems to track progress, identify challenges, and make corrections during implementation.

Example

Uganda's **National Development Plans (NDPs)** are designed with clear objectives (industrialization, job creation, human capital development), timeframes (five years each), and monitoring mechanisms to track progress.

Principles of planning

- (i) **Clear objectives:** Plans must have well-defined goals such as poverty reduction, industrialization, or employment creation.
- (ii) **Comprehensiveness:** A good plan should cover all major sectors of the economy (agriculture, industry, health, education, infrastructure) to ensure balanced development.
- (iii) **Realism:** Targets must be practical and achievable, based on available resources, manpower, and technology.
- (iv) **Flexibility:** Plans should allow adjustments to respond to unforeseen circumstances like global recessions, natural disasters, or political changes.
- (v) **Efficiency in resource allocation:** Scarce resources must be directed to priority areas to maximize impact and minimize waste.
- (vi) **Time-bound framework:** Plans should have clear timelines (short-term, medium-term, or long-term) with measurable milestones.
- (vii) **Statistical and factual basis:** Planning must rely on accurate data about population, income, resources, and production to avoid unrealistic assumptions.
- (viii) **Coordination:** Different sectors and regions must be harmonized to prevent duplication and conflicts.
- (ix) **Equity and inclusiveness:** Plans should aim for fair distribution of benefits, reducing regional and social inequalities.

- (x) **Participation:** Public involvement and support are essential to ensure smooth implementation and accountability.
- (xi) **Monitoring and evaluation:** Built-in mechanisms must track progress, identify challenges, and allow corrective measures during implementation.

Example

Uganda's **National Development Plans (NDPs)** follow these principles by setting clear objectives (industrialization, job creation), ensuring inclusiveness (regional balance), and embedding monitoring systems to track progress.

The need (rationale/case for) development planning in LDC's

- (i) **Scarcity of resources:** LDCs face limited financial, human, and natural resources. Planning ensures efficient allocation to priority sectors like health, education, and infrastructure.
- (ii) **Correcting market failures:** Free markets in LDCs often fail to allocate resources optimally due to monopolies, lack of information, or weak institutions. Planning helps overcome these inefficiencies.
- (iii) **Structural transformation:** Most LDCs rely heavily on agriculture and primary commodities. Planning guides the shift toward industrialization and diversification of the economy.
- (iv) **Employment creation:** High unemployment and underemployment require deliberate strategies to expand industries and services. Planning helps design job-creation programs.
- (v) **Poverty reduction and social welfare:** Planning ensures resources are directed toward reducing poverty, improving healthcare, education, and housing.
- (vi) **Balance of payments stability:** LDCs often face trade deficits and foreign exchange shortages. Planning helps manage imports, promote exports, and stabilize external accounts.
- (vii) **Mobilization of resources:** Development planning helps mobilize domestic savings and attract foreign investment or aid for national priorities.
- (viii) **Infrastructure development:** Roads, energy, and communication systems require long-term coordinated investment, which planning makes possible.
- (ix) **Political legitimacy and stability:** A clear plan demonstrates government commitment to development, strengthening public trust and reducing political unrest.
- (x) **Guidance for donors and partners:** Development plans provide a framework for international organizations and donors to align their support with national priorities.
- (xi) **Equitable distribution of resources.** Proper comprehensive planning enables an equal distribution of incomes and wealth among individuals and regions in an economy. This promotes balanced regional development
- (xii) **Means of soliciting for foreign aid.** A detailed development plan with specific objectives can be used to solicit for foreign assistance and to persuade donors that their money will be used as laid down in the plan

Example

- (i) Uganda's **National Development Plans (NDPs)** provide a roadmap for industrialization, human capital development, and poverty reduction.
- (ii) Without such planning, resources would be scattered, and structural transformation would be much slower.

Bottlenecks (limitations) of planning in developing countries

- (i) **Inadequate statistical data:** Lack of reliable and up-to-date information makes it difficult to design realistic plans.
- (ii) **Scarcity of resources:** Limited financial, human, and technological resources constrain the implementation of ambitious plans.
- (iii) **Political instability:** Frequent changes in government, corruption, and weak institutions undermine continuity and commitment to plans.
- (iv) **Over-dependence on foreign aid:** Reliance on external funding makes plans vulnerable to donor priorities and conditionalities.
- (v) **Weak administrative capacity:** Shortage of skilled personnel and inefficient bureaucracies hinder effective execution and monitoring.
- (vi) **Rapid population growth:** High population growth rates strain resources and make it difficult to achieve planned targets.
- (vii) **Inflation and external shocks:** Global recessions, commodity price fluctuations, and inflation disrupt planned economic activities.
- (viii) **Regional and social inequalities :** Plans often fail to address disparities, leading to uneven development across regions and social groups.
- (ix) **Rigid planning frameworks:** Plans may be too ambitious or inflexible, making it hard to adapt to changing circumstances.
- (x) **Poor coordination among sectors:** Lack of harmonization between agriculture, industry, health, and education policies reduces effectiveness.
- (xi) **Limited public participation:** Citizens are often excluded from the planning process, reducing ownership and accountability.
- (xii) **Implementation gap:** Even well-designed plans often fail due to weak enforcement, corruption, and lack of monitoring.
- (xiii) **Limited political will and commitment by both the public and the government.** This is because some development plans are not in line with the social economic needs of the people.
- (xiv) **Existence of a large informal sector.** Large parts of most **LDC** economies are not directly controlled by the planning authority. This makes it difficult to coordinate and implement plans by the planning authority.
- (xv) **High degree of corruption and embezzlement** of funds meant for planning activities. This leads to shortage of funds hence plan failure.

Example

In Uganda, **National Development Plans (NDPs)** sometimes face challenges like inadequate funding, weak institutional capacity, and reliance on donor support, which slow down their effectiveness.

Revision exercise

Section A questions

- 1 (a) Differentiate between a comprehensive plan and partial plan.
(b) Mention two advantages of comprehensive planning in your country.
(c) Give two advantages of partial planning in an economy
- 2 State any four qualities (features) of good development plan
- 3 Distinguish the following;
 - 2 (a) Regional planning and sectoral planning.
(b) A long term plan and a short term plan.
 - 4 (a) Distinguish between bottom-up planning and top-bottom planning
(b) Outline two objectives of planning.
 - 5 (a) Define Economic Development planning
(b) Mention three benefits of economic development planning in your country.
 - 6 (a) Distinguish between directive planning and decentralized planning
(b) State two demerits of directive planning in an economy
3. Distinguish between the following terms:
 - (a) A perspective plan and an annual plan
 - (b) Macro planning and micro planning
 - (c) Sectoral plan and project plan
 - (d) Indicative planning and corrective planning

Section B questions

- 1 (a) Explain why planning is indispensable in your country.
(b) Explain the limitations to successful implementation of development plans in developing countries.
- 2 (a) Distinguish between sequencing and optimality principles of planning.
(b) Examine the factors that influence the implementation of development plans in your country.
- 3 (a) Differentiate between decentralized planning and centralized planning.
(b) Account for centralized planning in developing countries.
- 4 (a) Explain the pre-requisites for planning.
(b) Explain why development plans often fail to achieve their objectives in developing countries.
- 5 (a) Assess the role of economic development planning in your country.
(b) Explain the measures that should be taken to improve economic development planning in your country.
- 6 (a) Distinguish between a planned economy and unplanned economy.
(b) Why does your country carry out economic development planning?

Thank you
Dr. Bbosa Science