



Dr. Blosa Science

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**Uganda East Africa**  
Senior one to senior six  
+256 778 633 682, 753 802709  
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## Economics paper 2 set 10 and marking guide

1(a) Study the table below showing income and quantity demanded of X and answer the questions that follow

Income (Ug. Shs.)	Quantity demanded (kg)
10,000	50
30,000	20

(i) Calculate the income elasticity of demand for X (2marks)

$$\begin{aligned} \text{Income elasticity of demand for X} &= \frac{\% \text{change in quantity demanded of X}}{\% \text{change in income}} \\ &= \frac{\frac{20-50}{50} \times 100}{\frac{30,000-10,000}{10,000} \times 100} = -0.3 \end{aligned}$$

(ii) What type of commodity is X? Give reasons for your answer (2marks)

X is an inferior or Giffen good because

- The quantity demanded for X falls as income increases
- Income elasticity of demand is negative

(b)(i) Define the term “production”

Production is a process of transforming raw materials into forms that yield satisfaction at particular time to the customer at a convenient place.

(ii) Mention any three agents of production in your country

- Labour
- Land
- Capital
- Entrepreneurship
- Organization

(c) State any four factors that have given rise to monopoly in your country

- **Legal barriers** comprising copyrights, licenses, patents, need for insurance
- **Product differentiation**
- **Red tape or bureaucracy** can prevent a new entrant into the market
- **Natural monopolies.** This occurs due to the ownership of resource such as power to control a natural resource or factor of production such as mineral deposits, fresh water, historical site for tourism

- **Person talent.** Talented individuals become specialists and therefore become monopolists when they emerge as the best suppliers of service e.g. athletes, musicians, footballer, dancers, designers etc.
- **Spatial monopoly.** This occurs when one become a monopolist because the prospective competitors are far. Or differences between producers of similar products
- **Product differentiation:** producers endeavour to give distinctions of their products by way of design, labelling, trade mark, brand names, packaging thereby becoming monopolists in their respective brand and design such phone service providers such as MTN, Airtel.
- **Advantages of large scale production which requires huge capital base.** This makes firms capable outcompeting others hence emerging as a single supplier of the product.
- **Government policy.** State or statutory firms e.g. examination bodies, electricity bodies enjoy state protection and hence emerge as single suppliers of their products and services.
- **Small market.** too small market may prevent entry of other competitors
- Local producers tend to enjoy monopolistic conditions by being protected from foreign competitors (imports) through heavy tariffs by government e.g. Mukwano group of companies in Uganda for soap, oils and laundry products.
- **Technical conditions such as standards and/or regulations.** In most cases, the prospective competitors fail to meet minimum technical requirement. This leads to technically competent firms to enjoy monopolistic conditions such as civil engineering contractors.
- **Entry restrictions.** Certain professional organizations tend to maintain difficult entry requirements e.g. accountancy, medical, legal professions keep their service in monopolistic situations
- The amalgamation of firms to form monopolies among themselves reduce the degree of competition e.g. SCOUTS.
- **Reputation.** A producer emerge as monopolist once his products have acquired high reputation because of high quality e.g. publisher of books.
- **Long period of training especially for professionals.** In the short run when it is impossible to train and acquire enough qualification it leads to monopolies of the already qualified ones.
- high starting cost make an entity a single seller of goods
- **Technological advantages and innovation** may sometimes result in monopolistic markets.
- **Manipulation:** A company wanting to monopolize a market may capture various kinds of deliberate action to exclude competitors or eliminate competition. Such steps include collusion, lobbying governmental administrators, and force
- **High Sunk costs;** costs that cannot be recovered when a business exist the market such advertising costs and specialist machinery.
- **Heavy advertising,** price cuts by existing companies can scare a new entrant into the market
- **Historic factors.**

(d)(i) What is meant by underdevelopment

Underdevelopment refers to the **low level of development characterized by low real per capita income, wide-spread poverty, lower level of literacy, low technology, low life expectancy and underutilization of resources etc.**

(ii) Features of underdevelopment

- Dominated by agriculture
- Low levels of income
- High population growth rate
- Low level of technology
- Existence of dualism

- Overdependence on external resource and trade
- High illiteracy rate
- Low life expectancy due to poor living conditions
- Low technology
- Wide spread poverty
- debt crisis
- rural-urban migration
- political instability
- excess capacity resource utilization
- low level of entrepreneurship
- low levels of diversification
- insufficient capital

(e) State any four roles of intermediate technology (4marks)

- exploitation of idle resources
- creation of linkages in production
- development of skills
- reduction of foreign dependence
- rural development
- fair income distribution
- increase in production

(f) Mention any four factors limiting agricultural mechanization in your country.

- Limited capital
- Insufficient skills
- Poor infrastructure
- High level of conservation
- Insecurity in some area
- Misuse of equipment
- Storage bottleneck
- Inappropriate land tenure system

(g) (i) what is meant by minimum wage legislation in your country? (2marks)

The minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.

(ii) State two reasons for minimum wage legislation in your country (2marks)

- to protect workers against unduly low pay
- To minimize brain drainage
- To reduce work's unrest
- To reduce wage fluctuation
- To encourage labour mobility
- To motivate workers and increase productivity

(h) Mention any four non-tariff barriers to trade in your country. (4marks)

- Quotas
- Licensing
- Total bans/embargo
- Quality control requirements
- Devaluation
- Direct administrative control

(i)(i) Define the term “liquidity preference.”

**Liquidity preference** is the desire by individuals or firm to prefer holding or keeping their assets or wealth in money or cash form.

(ii) State any three factors which influence liquidity preference in your country

- The price level
- Level of speculation
- The degree of uncertainty
- investment climate
- conservativeness
- Level of transaction in an economy
- Level of interest rate, low interest rates lead to high liquid preference
- Banking habits
- Level of monetization
- Time/season preference such as Christmas season people have high liquid preference.
- Precautionary motives
- Current prices of financial assets e.g. bills
- Level of saving
- Level of development of financial infrastructure
- the nature and duration of wage payment

(j) (i) What is meant by public revenue? (2marks)

Public revenue is government or state income from any/all sources

(ii) Give any two resources of public revenue in your country. (2marks)

- Direct and indirect taxation are the major sources of government revenue.
- Fees; these are charged on services rendered by the government e.g. license fee, stamp duties
- Borrowing internally or externally by selling securities or from World Bank
- Printing money by the Central Bank.
- Fines and penalties charged on law breakers such as traffic offences.
- Gifts and grants especially from abroad in form of cash and other items
- Gambling e.g. from National lottery
- Profits earned from public corporations
- Revenues from state properties e.g. forests and national parks
- Local authorities from property rates and government allocations.
- Grants
- Privatization
- Floating of government treasury bills

## SECTION B

2(a) Explain the methods of measuring national income in an economy.

There are three ways of measuring national income which are

(i) Income approach. Here the incomes received by factors of production are added. Such incomes include rent, salaries, wages, interest and profits.

(ii) The expenditure approach.

Here we add up the value spending on all final goods and services. Such expenditures include consumption, investment, government expenditure and net exports.

(iii) The product (output) approach.

In this method, all goods and services produced during the year in various industries are added up.

This is also known as value-added to GDP or GDP at the sector of origin's cost factor. It includes the following items: agriculture and allied services; mining; development, construction, the supply of electricity, gas, and water, transport, communication, and trade; banking and industrial real estate and property ownership of residential and commercial services and public administration and defence and other services (or government services). It is, in other words, the amount of the added gross value.

(b) Examine the problems encountered in compiling national income data in your country.

### **Limitations (Problems) of using income approach in estimating national income**

- Lack of information. Many people are self-employed and they are not willing to declare their income. This leads to under estimation of national income.
- 2. It is difficult to estimate incomes earned from abroad
- 3. Transfer payments are difficult to identify and yet when included lead to double counting.
- 4. Depreciation incurred during the year is difficult to determine yet an allowance for this must be included when estimating national income. Depreciation represents the cost of production since the asset must be replaced when it becomes completely worn out.
- 5. It is also difficult to identify incomes from illegal activities since they are not supposed to be included in estimating national income
- 6. Shortage of qualified and motivated manpower to compile data

### **Limitations (Problems) of using the expenditure approach**

- Government utilities like roads, security etc. are usually subsidized and thus it is difficult to determine their actual value.
- Net exports and income earned from abroad are not easy to determine. For example foreign exchange from smuggled output is unknown; some income earned abroad is not declared and therefore not recorded.
- There is insufficient funds and facilities to compile data
- Illegal activities e.g. prostitution, gambling, smuggling generate income which is difficult to measure.
- The effect of inflation is difficult to adjust and is likely to be misinterpreted to mean increase in output.
- It is difficult to differentiate between expenditure on final and intermediate goods yet it is only expenditure on final goods which must be included. This is because people do not keep

records.

- Lack of information on private consumption and investment expenditure
- Difficult to identify expenditure on transfer payments which is supposed to be excluded when estimating national income

### **Limitations (problems) of using the output approach**

- Non-monetary output; commodities which are not taken to market are difficult to give value e.g. subsistence output, work done by house wives, leisure foregone when work is done, houses built by owners.
- It is difficult to determine when output was produced e.g. perennial crops.
- The effect of inflation is difficult to adjust and is likely to be misinterpreted as increase in output.
- There are difficulties of determining what to include and what to exclude (subsistence output) and determine methods of valuing different items.
- Lack of information on what is produced by all enterprises or sectors within a year in the economy
- There is problem of double counting due to failure of distinguishing between intermediate goods and final goods. This results into counting the value of the item more than once hence over estimating national income.
- Problem of inventories. Inventories are goods produced but not sold in the previous period. The value of such goods is not supposed to be included when estimating the national income of the current year.

### 3 (a) Distinguish between an investment multiplier and an export multiplier

Investment multiplier is the number of times a given change in investment expenditure multiplies itself to generate a final change in income.

Export multiplier is the number of times a given in export earning multiplies itself to generate final change in national income.

### (b) Examine the factors limiting the effective operation of the investment multiplier in your country

- **High degree of income inequalities.** In developing countries, there are few rich people with high marginal propensity to save and low marginal propensity to consume. The majority of the people are low income earners. This reduces the aggregate demand hence low levels of investment.
- **Limited resources for investment.** In developing countries, there is limited capital and other resources like raw materials necessary for investment and this limits the multiplier process.
- **High population growth rates.** This results in high dependence burdens and low savings hence low levels investment in developing countries.
- **Limited credit facilities for investment.** In developing countries, there are few financial institutions and they are concentrated in urban areas. Most people do not have collateral security and therefore cannot access loans from the banks. This leads to low levels of investment.
- **Limited entrepreneur skills.** In developing countries, there is a limited number of entrepreneurs with the required skills to take on risks and increase investments. This limits the multiplier process.
- **Poor social and economic infrastructure.** Existence of poor social and economic infrastructure in

form of poor roads, poor health facilities and poor communication networks discourage investments in developing countries.

- **Limited domestic and foreign markets.** In developing countries; there is limited market for goods and services which discourages investment hence limiting the multiplier process.
- **High levels of corruption and mismanagement of funds.** The resources meant for investment are used for personal gains and some are mismanaged due to limited skilled personnel. This limits investment and the multiplier process in developing countries.
- **Overdependence on imported technology.** The use of inappropriate technology imported from developed countries in form of capital intensive technology leads to high levels of unemployment. This limits the number of people involved in production activities hence low levels of investment
- **High levels of liquidity preference.** Most people in developing countries prefer to keep their wealth in cash or near cash form instead of investing them in income generating activities. This limits the multiplier process.
- **Existence of the large subsistence sector in developing countries.** There are a limited number of economic activities and this leads to low incomes which cannot support meaningful investments. This limits the multiplier process in developing countries.
- **High levels of political instabilities.** These create a poor investment climate which discourages the potential investors hence limiting the multiplier process.
- **Unfavorable government policies in form of high taxation.** These together with other bureaucratic processes which are not clear discourage investments hence limiting the multiplier process.
- **Poor land tenure systems.** The system of ownership and use of land is mainly based on individuals and makes it difficult for the government to allocate land to potential investors. This limits investments and the multiplier process in general.
- **Unreliable natural factors** such as pests and animal disease, drought etc. directly affect agricultural export and increase unemployment hence affecting investment multiplier process
- **Protectionism** by most developed countries that limit the countries export leading to low foreign exchange earnings

4 (a) Describe the structure of the economy of your country>

Uganda's economy is characterized by the following

- **It is dominated by the agricultural sector (predominantly subsistence in nature).** Majority of Uganda's population is employed in the agricultural sector. It is also the major source of food and foreign exchange earner for the country.
- **It has small but growing industrial sector.** Most of the industries are small and mainly concentrated in urban areas. The few large industries are owned by foreigners. The industrial sector contributes less than 15% of GDP.
- **It is a mixed economy.** There is existence of both public and private ownership and allocation of resources. Investments which require huge capital are owned and controlled by the government.
- **It is a dual economy.** A dual economy is one where there is co-existence of two contradicting sectors where one is modern and desirable while the other is

traditional and undesirable. Uganda is technologically, socially, economically and regionally dualistic in nature.

- **It is an open economy.** Uganda interacts with other countries in terms of trade. It exports to and imports from other countries. Uganda's exports are mainly primary products while the imports are mainly oil products, capital and manufactured goods.
- **It is mainly a dependent economy.** Uganda greatly depends on other countries in terms of trade and other resources for survival. It mainly depends on international trade as a source of imports.
- **It is characterized by unskilled and semi-skilled labour force.** Uganda's labour force is characterized by high levels of illiteracy due to low levels of education and lack of experience for particular technical jobs.
- **It is mainly characterized by high population growth rate.** This is due to high fertility rates and lack of effective family planning programs. This leads to high dependence burden and pressure on social services especially in urban areas.
- **There is wide spread unemployment and under employment.** This is due to limited production, investment and other employment creating activities resulting from the high degree of resource underutilization.
- **It is mainly characterized by poorly developed and inadequate social-economic infrastructure.** This is in form of poor roads, poor health and educational facilities and inadequate power supply which limit investment in the country.
- **It is mainly characterized by poor entrepreneurship.** Uganda's economy is mainly comprised of incompetent entrepreneurs who lack the required skills to start and sustain business enterprises. This leads to resource misallocation and mismanagement.
- It is characterized by high imports and low exports due to low production
- It is characterized by excess capacity (underutilization of resources in several sectors)

(b) Examine the factors responsible for underdevelopment in your country

#### Internal factors

- **High population growth rates.** This discourages savings and investment due to high dependence burden which leads to a reduction in the per capita income hence low standards of living.
- **Vicious circle of poverty.** Developing countries are imprisoned by short comings arising from low incomes, low savings that lead to low investments and consequently low productivity and then back to low incomes.
- **Limited skilled manpower.** This is reflected in the limited number of people with critical entrepreneurial skills and knowledge. This is due to the poor colonial education system which aims at white color jobs making development of technical skills difficult yet they are required in the exploitation of natural resources that can assist in enhancing economic growth and development
- **Poor and inadequate social and economic infrastructure.** This is reflected in form of poor transport network, few power generation plants and limited financial institutions. This makes it difficult to produce and market the produced goods and services.
- **Low levels of technology.** Most developing countries use traditional, out dated and inefficient technology. This leads to resource underutilization and production of low output and of poor quality hence under development.
- **Economic instabilities.** These are in form of inflationary tendencies and exchange rate fluctuations and agricultural price fluctuations. Inflation increases the cost of production hence underdevelopment.

5. (a) Explain the causes of agricultural price fluctuations in your country

- **Perishability and difficulty of storage** this forces farmers to sell at any available price e.g. tomato, cabbage
- **Bulkiness of products** makes mobility of products to areas of high price difficult.
- **Long gestation period of agriculture products** restricts supply when prices are high.
- **Fluctuations of yield.** High yields leads to low prices and low yields lead to high prices
- **Low technology** limits value addition to increase demand
- **Technological advancement** in developed countries has promoted the raw material saving methods reducing demand for agricultural output.
- **Growing competition from synthetic substitutes**
- **Agricultural products are used as mere inputs industrial products** making absorption of excess supply leading to price instability.
- **The poorly planned production**
- **Dependence on natural factors** such climate for production that are not predictable
- **The price inelastic demand for agricultural products.** a big change in price brings about a small change quantity demanded.
- **Weak bargaining position on world market;** prices of agricultural products are dictated by importers in MDCs.
- **Lack access to market information**
- **Speculations of demand**
- **Change in the import-export policy;**
- **Inflation**
- **Seasonal nature of demand for certain products;** such as flowers in celebration seasons.

(b) What measures should be taken to solve this problem of agricultural price fluctuations

- **Buffer stocks.** The government should buy up part of the supply when output is in excess, store this surplus and later sells it to the consumer in times of reduced supply.
- **Stabilization fund.** The government through marketing boards can maintain or increase prices of agricultural products, depending on world market prices. If profits are made, they are saved and used to stabilize prices and incomes of the farmers.
- **Diversification.** A variety of agricultural activities should be introduced e.g. crop farming, poultry, animal husbandry etc. to reduce over dependence on one or a few sources of agricultural income in a bid to stabilize farmers' income.
- **Encourage formation of cooperatives** to bargain fair prices
- Introduce irrigation schemes to ensure continuous supply of agricultural products.
- **Stability in prices of agriculture** can also be attained by improving transport system to enable easy marketing
- There is a need to improve, develop and expand storage facilities to accommodate excess output in agriculture.

- **Price control.** Government should establish the minimum and maximum prices for agricultural output.
- **Market expansion.** Government should expand agricultural output market through economic integrations

6(a) Explain the Malthusian population trap theory.

The theory states that **food production will not be able to keep up with growth in the human population, resulting in disease, famine, war, and calamity.**

#### Observations made by Malthus

- According to Malthus, population grows at a geometric rate for example at  $2, 2^2, 2^3, 2^4$  etc.
- Food supply grows at arithmetic rate for example, 2, 4, 6, 8, etc.
- He observed that population growth depends on food supply, i.e. when food supply increase population growth increases
- He explained that time would come when the population growth rate would equal to food supply and if the population exceeds food supply there will be suffering and starvation.
- He attributed the increasing poverty, low wages and unemployment of that time to increase in population.
- He advises a need for world intervention to control population growth using preventive measures such as late marriage and family planning.
- He observed that if attempts are made to improve food supply, health care, shelter, etc. population growth may increase since people feel contented.
- He discourage foreign aid in catering for increasing population because people would escalate basing on this aid

(b) to what extent is this theory applicable to your country

- The theory suggested some measures to population growth such as family planning late marriage which are being implemented in Uganda
- Uganda are concerned about the danger of over population of which Malthus was mindful
- There are low wages, poverty, and unemployment in Uganda that could have resulted from high population growth.
- He predicted starvation, suffering and death and unemployment in Uganda that have their origin from over population.
- He assumed that land is fixed in supply. In Uganda, land productivity is fixed due to poor technology.
- He predicted mass starvation, suffering and death. These have been experienced in Uganda in one way or another, for example there have been several ways in Uganda since independence.
- In some parts of Uganda it is true that population growth rate is very high like in Kigezi and Bugisu, low of diminishing return is in operation hence justifying fears Malthus.
- In Uganda, it is true that population is growing at a faster rate than food production. This justifies Malthus observation that food grows at an arithmetic rate while population grows at geometric rate.
- He prophesized that an improvement in health care and food supply would lead to an increase in population. This is true in Uganda where immunization programs have led to an increase in population due to the fall in infant mortality rate.

However, to some extent, the theory is not applicable to Uganda due to the following facts

- He assumed that resources e.g. land are fixed and therefore food production cannot increase faster than population but ignored that the quality of resources can be improved.
- He ignored the fact that improvement in technology lead to increase in food production with use of agricultural mechanization there in an improvement of food production in Uganda
- The ignored the fact that continuous supply of food can obtained from international trade.
- He assumed that food is not the only determinant of population growth; there are other factors such as immigration, levels of education, and cultural beliefs.
- Foreign aid may not necessarily increase population in Uganda, because not all foreign aids are used in food production
- Malthus never indicated the time when the population trap would occur which means the theory is in waiting for the reality to occur.
- In spite of population increase, the standards of living of people have been raising in Uganda which is contrary to Malthusian theory due to improved education and healthy facilities.
- The modern medicine and public health programs have reduced the death rate and therefore population increase does not show a define relationship with income per capita.
- The theory was developed in Britain and has never been experimented in Uganda and probably not substantial.

7(a) What are causes of inflation in an economy

- **Rising prices in international market**
- **High cost of transport due to high cost of fuel**
- **Shortage of foreign exchange** causes reduction in imports and scarcity of goods leads demand pull inflation
- **Frequent devaluation.** This leads to high costs of imports and import inflation.
- **Excessive government expenditure** and much money that is not by supply of goods has given rise to price increase lead to demand pull inflation
- **Increasing population growth rate** which increases the demand for goods and services and increase in prices
- **Increase in wages;** persistent lead to increase in money supply in the circulation workers' purchasing power, demand and inflation
- **Political instability** leads to low investment and output causing demand pull inflation
- **Influence of trade unions.** Trade unions ask for higher wages that cause high cost of production leading cost push inflation
- **Monopoly tendency.** Monopolist lower their output in order to charge high prices leading to profit push inflation
- **Underdeveloped infrastructure.** Poor road network for example limits movement of goods and service causing scarcity in areas where goods are highly demanded leading to high prices
- **Reduced taxes.** Low taxes on income increase the level of disposable income which leads to increase in demand of goods and services resulting in high prices.
- **International crisis** such as that between Russia and Ukraine in 2022 leads scarcity of imported goods and services causing a rise in prices
- **Speculation**
- **Rise in taxes,** leads to cost push inflation.

(b) Examine the measure being taken to solve the problem of inflation in your country.

- **A tight monetary policy:** for example increase in bank rate, selling securities to public, increasing reserve ratios, credit squeeze.
- **Fiscal policy;** this includes the reduction of government expenditure and increase taxes to reduce aggregate demand
- **Reorganization of distribution channels of goods;** for example rationing of scarce commodities and nationalization of major distribution channels; e.g. former Foods and Beverages which used to supply scarce consumer goods at controlled prices in Uganda
- **Price and income policies** this includes control of wages, rent, interest and administered prices of commodities.
- **Production policy;** this includes provision of subsidies to producers of scarce commodities, removing bottlenecks, and improving transport and markets.
- **Import and export policies;** this includes limitation of exports of scarce commodities and encouragement of importation of scarce commodities into domestic market
- **Saving schemes** the government can popularize saving schemes like national lottery, old age saving schemes, this reduces money supply
- **Exchange rate policy;** foreign exchange should be availed to sectors producing scarce essential commodities to increase their supply
- **Reduction of imports;** imports from countries affected by inflation can be reduced by imposing high taxes on them. Local production of raw materials should be encouraged.
- **The marginal propensity to save should be increased.** As more income is saved, little will be left for consumption, thereby decreasing demand and prices in general.
- **Increase in credit to expand investment.** Credit facilities and foreign exchange possibilities should be relaxed to encourage investment with hope of increasing output. This is an attempt to solve inflation by credit policy.
- **Debt repayment/servicing** should be postponed or rescheduled until such a time when inflationary pressures are checked.
- **The excessive demand** could be as a result of large and increasing number of consumers. In this case the government is encouraged to reduce the ever increasing population growth rates
- **The government is advised to control and reduce rural-urban migration.** This would reduce the pressure on commodities especially in urban area
- **Labour productivity should be increased** and hard works, seriousness and devotion emphasized, in order to reduce tendencies of optimism, speculation and gambling to increase output
- **Promotion of technology through research** in order to increase productivity
- **Rehabilitation of the crippled industries** so as to increase production and output
- **Change of currency (currency reform)** both the nationals and foreigners to regain public confidence in the legal tender.

8(a) Why is it necessary to carry out development planning in your country?

- Regulation of Market and Private Sector by the State in order direct resources according to plan priorities.
- To correct market imperfection and price mechanism because they may not reflect the true opportunity cost of the entire country. For instance, a government may have to regulate the prices of goods, especially those of essential products such as drugs, milk, soaps, washing powder, cement, steel, petroleum products such as petrol, diesel, LPG etc.
- To allocate resources according to countries priorities.

- To reduce income inequality in most economies especially in LDCs.
- To create jobs and expand employment
- Carefully prepared development plans are necessary to attract foreign aid and international loans for funding.
- To promote exports.
- To prepare for present and future country's human capital development to increased productivity.
- To plan for infrastructures such as road, schools and health facilities to cope with population growth rate.
- To protect citizens against consumption of substandard and dangerous products. It ensures that goods produced by private sector and those imported are of good quality.
- To justify government involvement in risky, large and expensive programs like dams and irrigation schemes which need a lot of capital to convince the parliament pass their budget
- To encourage citizens to participate in national development. Good plans make it easy for the government to mobilize across the country.
- To ensure a rapid institutional transformation of the economy. From traditional agriculture to modern monetary industrialization and self-sufficient economy.
- To attain price stability so that there is no inflation or deflation.
- Facilitates employment and job creation
- Foster population management
- To ensure women and gender equity
- Encourage citizens to be active in their own development, in strengthening democracy and in holding their government accountable
- Accelerating Capital Formation and Economic Growth:

(b) Examine problems encountered in the formulation of development plans in your country

1. **Inadequate resources for plan implementation** in form of capital and other logistical materials. Such funds are limited in LDCs hence limiting the planning process.
2. **Lack of enough and necessary statistical data information.** In LDCs there is inadequate and unreliable data regarding the existing resources and this makes planning difficult.
3. **Weak administrative and implementation machinery.** In most LDCs, the planning machinery is dominated by unqualified, incompetent and unreliable people who are not fit for planning purposes.
4. **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.
5. **Over ambitious plans with unrealistic goals.** Most developing countries try to achieve so many goals at once within a short time without considering the available resources hence plan failure.
6. **Presence of unforeseen economic circumstances** (disturbances) beyond the country's capacity to control them. Such natural hazards like drought, earthquakes, bad weather etc. greatly affect planning in developing countries.
7. **Existence of a large private 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.
8. **Over dependence on foreign assistance (aid)** which is inadequate, inconsistent, uncertain and unreliable limits the planning process in developing countries.
9. **Persistent political instabilities and insecurity** in form of wars which lead to change in regimes. This limits plan implementation hence failure to achieve the planned objectives.
10. **Economic instabilities** in form of high levels of inflation and other market shortages limit the planning process.

11. **High degree of corruption and embezzlement** of funds meant for planning activities. This leads to shortage of funds hence plan failure.
12. **Poor social and economic infrastructure.** For example, poor roads, limited financial services etc. Such infrastructure is not enough to facilitate effective planning and plan implementation.

Thank you

Dr. Bbosa Science