- # ECONOMIC DEVELOPMENT AND PLANNING

**Economic Growth**

This is the increase in the productivity of a country which can be seen in the continued increase in the national income over a period of years.

It can be measured by taking the average percentage of increase in national income over a period of time (number of years) and be assumed to be the average rate of economic growth in the country

**Economic Development**

This is the quantitative change or increase in a country's national income over the years, accompanied by favorable changes in the structures within the country that leads to general improvement of the individual well being, as well as the entire nation

A country may experience economic growth without experiencing economic development. This is because the increase in the national income may be as a result of people working for long hours without any time for rest, recreation and other development to occur in their body. This will make them not to have better living, despite the fact that the national income shall have increased.

The expected structural changes to be realized in a case of economic development include;

i) Shifting from depending on agricultural sector to manufacturing sector in the economy
ii) Reducing illiteracy levels
iii) Increase in skilled manpower in the economy
iv) Improvement in health facilities within the country
v) Increase in technology and improvement of entrepreneurial ability
vi) Increase and improvement of institution that handles new methods of productive economic activities

Outline the differences that exist between economic growth and economic development

| Economic Growth | Economic Development |
|---|---|
| i) An increase in size of the country's National income | i) An increase in the size and quality of the country's National income |
| ii) Number of people living in absolute poverty can increase despite the increase in national income | ii) Number of people living in absolute poverty does not increase |
| iii) Increase in national income could be due to increase in income of only few people | iii) Increase in national income is attributed to general increase of incomes of majority of the people in the country |
| iv) No tendency to bridge the gap between the rich and the poor | iv) Tends to bridge the gap between the rich and the poor |

## Underdevelopment

This refers to a situation whereby the economic growth is in the negative direction (decreasing) accompanied by uneven distribution of wealth and decrease in quality and quantity of the factors of production available

## Characteristics of Underdevelopment

- High level of poverty. This is characterized by most of the people in the country depending on mainly subsistence, or lives below the poverty levels. Their per capita income is lower as compared to the developed countries
- High disparity in income distribution. The income in this countries are not evenly distributed with the few rich people earning so much while the poor majority earns so little
- Low levels of savings and investments. They have very little if at all exist to save and invest for their further development, making them to continue being poor. This is well illustrated in the vicious circle of poverty
- High population growth rates. This is due to some of them not being able to afford, ignorant about or simply refusing to use the modern birth control methods since they find consolation on their high number of children
- Dominance of subsistence sector. This is due to their inability to raise capital for indirect production
- Problem of unemployment. The high population growth rate leads to high supply of labour that the country's economy cannot afford to absorb all, leading to unemployment
- Under utilization of natural resources. This may be due to lack of capital in this countries or in appropriate technology they use
- Dependence on the developed countries. This is due to their in ability to sustain themselves financially, which makes them keep on calling upon the developed partners for financial assistance
- Poor infrastructure. Their roads and communication networks are not properly maintained due to the in availability of adequate resources to improve them

## Goals of Economic Development

The following are the changes that economic development seeks to put in place, which in Kenya they have been joined together in what is referred to as the millennium development goals. They includes

1. Eradicate extreme poverty and hunger

2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

   Some includes
   - Reducing income disparity in distributions
   - Reducing unemployment
   - Provision of important basic needs such as food, shelter, etc

**Factor which may hinder development in a country**

The rate of a country's economic development may be influenced negatively by the following factors

i. Low natural resource endowment. Absence or inadequacy of natural resources such as raw materials, fertile land for agriculture, etc may slow the pace of the country's economic development
ii. Inadequate capital. This reduces the rate at which they exploit their natural resources, or produce in the economy
iii. Poor technology used. The traditional methods of production that they use cannot sustain their requirement any more
iv. Poor human resource endowment. Their inability to train adequate skilled manpower together with their inappropriate system of education leads to their slow development
v. Unfavorable domestic environment. Their political, social and economic institutions within their countries are not structured to favour economic development. For example
   - Their political system is characterized by corruption, authoritarian kind of leadership with lengthy procedures and bureaucratic controls that scares the investors
   - Their social environment is still full of outdated or retrogressive cultural values and negative attitude towards work and investment, leading to slow development
   - Their Economic institutions has allowed their markets to be influenced so much that that leads to interference in their smooth operations

**Development Planning**

This is the process through which the country establishes their objectives to be achieved, identify the resources that will be required and put in place the strategies or methods of acquiring the resources and achieving their pre-determined objectives.

In most cases their objectives or goals are the goals of economic development

The plan will prioritize the objectives to be achieved and even brake it down in to targets that if achieved with the planned strategy and resources, the objective shall have been achieved.

**Need for economic planning**

It enhances the following

a. Appropriate resource allocation, where resources are allocated according to the need of the objective and in a most productive way
b. Stimulation of effort of people in the desired direction. The plan outlines including the possible outcomes which persuade people to move to that direction
c. Support foreign aid bargain. Since it shows including the objective that the country seeks to achieve, it is capable of convincing the donor to finance it in the country
d. Project evaluation, by assisting on checking whether the predetermined targets or objectives are being achieved
e. Long term decision making, as it will show what each and every sector of the economy will require in the future to make it stable.
f. Avoiding duplication of industries in different parts of the country, for it will show the ones that have been set in those parts and even enhance balancing
g. Promote balancing in regional development by ensuring that they are not concentrated in only one region, ignoring other regions

## Problems encountered in development planning

***Problems at the planning stage***

i) Lack of accurate or detailed data for planning. This may lead to in appropriate plan being developed, as it entirely depends on the quality and availability of the data
ii) Existence of large subsistence sector, which make the planning unrealistic
iii) Lack of qualified personnel to assist in planning. This may make the country to rely on foreign experts who do not fully understand the country
iv) Problem of the private sector which will always require incentives for them to follow the plan
v) Transfer of inappropriate development plan. As some planners may simply borrow a plan that they feel may have worked for a given country, yet the condition in those countries may not be the same

***Problems at the implementation stage***

i. Over reliance on donor funding, which if they don't receive, the plan may not be implemented
ii. Lack of domestic resources such as skilled personnel, finance and capital may make the implementation a problem
iii. Failure to involve the local people in planning. This will make them not to be willing to implement it, for they will not be understanding it or rebelling for the fact that they were not included
iv. Natural calamities such as diseases, floods, drought, etc may make the funds that had been set a side for implementation be diverted to curb them
v. Over-ambitious plans which are a times just made to impress the donors to release their funds but may not be easy to implement

vi. Lack of co-operation among the executing parties which may make the work not to kick off. For example a conflict between the ministry of finance and that of planning of the amount to be released

vii. Inflation which may make the estimated value of implementation not to be adequate, bringing a problem of finances

viii. Lack of political will and commitment in implementing the plan. This may frustrate the implementation.