**ECONOMIC DEVELOPMENT AND PLANNING**

1. - In accurate data

* Existence of large subsistence sector.
* Lack of qualified personnel.
* Problem of the private sector
* Reliance on donor funding
* Lack of domestic resources
* Failure to involve local people in planning

- Natural calamities***.***

***2. Four obstacles faced by the Kenyan government in realizing its development planning ;***

-Lack of accurate data

-Lack of qualified personnel

-Lack of resources

-Failure to involve stakeholders

-Bureaucracy

-Lack of political will

***3. Indicators of underdevelopment.***

-High level of poverty

 -High population growth rate

 -Poor diet/malnutrition/poor health

 - Dominance of foreign investors in the local economy

 -Rural-Urban migration

 -Balance of trade deficits

 -Unstable political/social institution

 -Poor infrastructure

 -Unequal distribution of income

 -High levels of unemployment

 -Low per capital income/low savings

 -Problems of dual economy

***4. --***High level of poverty

 -Disparity in income distribution

 -Low level of savings and investments

 -High population growth rate

 -Dominance of subsistence sector

 -Problem of unemployment

 Under utilization of natural resource

 -Dependence on the developed countries

 -Low labour productivity

5. - Elimination or reduction of poverty

- Provision of human needs

- Reduction of disparities in income distribution

- Provision of opportunities e.g. employment and self advancement

6. i) It ensures that a country’s resources are utilized to the maximum

ii) It helps to prioritize investment decisions

iii) The country is better able to negotiate with donors for foreign aid

iv) It buys about balanced development in the country

v) It ensures that there is more equitable distribution of income

vi) It ensures economic stability over a long period of time

7. - It should be comprehensive

* It should address problems facing the community
* Should set targets that are achievable
* Should be supported by the community
* Should be prepared based on the available resources
* Should be economical to prepare, implement and administer

Should be flexible

 **ECONOMIC DEVELOPMENT AND PLANNING**

***1. Principles of taxation;***

Evasion.-It should be difficult to avoid paying the tax other wise it might not achieve its objectives.

Simplicity- It should be easy to understand in terms of amount and methods of payment or else people will resist to pay.

Flexibility -The system should change with changes in economic situation or else it might not meet desired targets/revenue required.

Equality/fairness

The system should be fair to all otherwise it might over burden some members of the society.

Convenience-The time and mode of payment should be friendly to the tax payer hence avoiding complains/resistance to pay

Productivity- The system should generate greater revenue to the government for it to be justified and enable the government finance project.

***2. Distinguishing features between developing and developed countries.***

|  |  |
| --- | --- |
| ***DEVELOPING COUNTRIES*** | ***DEVELOPED COUNTRIES*** |
| -Low level of outland and  per capita income-Major foreign exchange is from agriculture-unequal distribution of income and wealth-Low level of mechanization-High level of unemployment-High population growth rate | -High level of output and per capita-Major foreign exchange is from industrial sector-Relatively more equal distribution of income and wealth-High level in mechanization-Low level of unemployment-Relatively low or moderate population growth rate |

***3. (a) Obstacles in implementations development plans***

(i) Personal – Lacking adequate and skilled manpower capable of implementing plans appropriately.

 (ii) Long/cumbersome procedure for decision making which limits the ability to plan.

 (iii) Costs – High cost of implementation causing delay.

 (iv) Data - Lack of sufficient data.

 (v) Resources - Lack of sufficient resources which leads to realization of the targets

 (vi) Rigidity - Proposed of powers may be followed strictly making it difficult for the plan to be

 fitted to changes in economic conditions***.***

***4. Obstacles to economic development;***

* Low natural resource endowments which form the basis of a country’s production capacity e.g. fertile land, favourable climate e.t.c
* In adequate capital hampering exploitation of resources, industrialization and creation of employment opportunities.
* Poor technology leading to low productivity
* Poor human resource endowment whereby manpower is composed of unskilled labour who are less productive
* Unfavourable political institutions where the government is corrupt and authoritarian scaring away investors
* Unfavourable social institutions where the traditional society is conservative and lacks innovativeness

***5. Factors that have turned to frustrate economic developments in a country like Kenya are;***

 (i) Lack of inducement of invest

Investment in an economy may be lowered by lack of effective demand for goods and services which means the market is small. Growth in national income will therefore be below, leading to lack of development

(ii)Lack of social infrastructure

- For example, when road and communication networks which link the various parts of a country are lacking, it becomes difficult to do business and hence economic growth is limited.

(iii) Lumpiness or indivisibility of capital/inadequate capital

The capital required for production may be large in terms of machinery and equipment and may also not be divisible into small quantities or sizes. Lack of such capital hampers production leading to low economic growth and thus slow development

 (iv) Inability to save/low per capita income

-When, the level of saving in the country is low then investment will also be low. This means that the level of national income is low and hence low income per capita is realized.

(v) Rapid population growth

When population is rising faster than incomes then development goals may not be realized since the country will still have a low level per-capita income and also low standard of living

(vi) Resource limitations

Production s hampered by the limited supply of resources e.g. minerals. This result into low income and health low living standards and eventually affecting a country’s economic development.

(vii) Use of inappropriate technology

Production is hampered by the limited supply of resources e.g. minerals. This results into low income and health low living standards and eventually affecting a country’s economic development

(vii) Use of inappropriate technology

The country technology that does not fit in with the local operations. This is reduced productivity and hence low economic development.

(viii) Altitudes and beliefs

For example some communities have a negative attitude towards some activities in the country e.g. jua kali sector. The negative attitudes and beliefs will therefore hinder economic development

(ix) Corruption and embezzlement of funds

* Some funds for certain projects that could easily spur a rapid economic growth are misappropriated by government employees.

(x) Lack of political will

* The government is reluctant to implement certain projects

(xi) Copying effect

* The rich people in LDCs tend to copy the consumption pattern of the rich people in DCs hence reducing their savings capacities arising from low levels of incomes in LCDs

(xii) Low natural resource endowment

1. Low human resource endowment

***6. Functions of the national budget as a tool of planning;***

* Outlining government expenditure – It details the various expenditure programmes the government plans to undertake over a given period of time
* Outlining government revenue – It gives details of the various sources of revenue for the government to finance its activities
* Enabling government planning – The government uses the budget to plan for various activities and programmes that lead to economic growth and development
* Introducing changes in taxation – The various taxes to be applied, the tax rate and the mode of application of the taxes are outlined in the budget
* Regulating money supply – It outlines the monetary systems to be instituted by the government to regulate money supply in the economy
* Stimulating economic activities – It is used to increase government expenditure in the economy which will spur economic activities in the country

***7. Challenges that Kenya is facing in the implementation of her development plans ;***

i) Lack of domestic workers ie. skilled labour, machines etc to implement the plans

ii) Continuous reliance on donor funding which at times fail to be remitted

iii) Natural calamity ie. the country may suffer from calamities like drought, floods etc which draw funds that were not planned for

iv) Lack of co-operate and co-ordinate between executive parties ie. ministry of finance and planning

v) Failure to involve local people hence making the plan to lack support from the local people as they view it to be imposed on them by few people at the top

vi) Lack of political will ie. Where political crisis is an obstacle to the achievement of the vision

***8.*** - Shift from agricultural to manufacturing sectors

* Reduction in illiteracy
* Increase in skilled man power
* Improvement in health facilities
* High level of technology and entrepreneurial ability
* Reduced unemployment due to increased industrialization
* Reduced infant mortality rate
* Improved life expectancy
* Increase and improvement of institutions that impart new methods of productive economic activities