

ECO405

ECONOMIC PLANNING



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Course Code: ECO 405

Course Title: ECONOMIC PLANNING

Course Units: 3 units

Foundations and Rationale of Economic Planning

Objectives, Components, and Policy Formation in Planning

Types and Models of Economic Planning

Planning Machinery, Processes, and Implementation

Development Planning in Nigeria, Africa, and Issues of Underdevelopment

Main Parts and SubParts

1.1 Origins of Economic Planning

- 1.1.1 Historical background of planning
- 1.1.2 Evolution of planning in modern economies

1.2 Rationale for Economic Planning

- 1.2.1 Economic justification for planning
- 1.2.2 Social and political justification for planning

1.3 Technical Foundations of Planning

- 1.3.1 Input-Output model
- 1.3.2 Planning performance and evaluation

1.4 Objectives of Economic Planning

- 1.4.1 Growth and development objectives
- 1.4.2 Resource allocation objectives
- 1.4.3 Social welfare objectives

Introduction

Economic planning is a deliberate and organised effort by governments to guide the direction of national economic activity. It emerged historically as a response to crises such as the Great Depression, when market forces alone could not ensure stability or growth. The background of



planning shows how societies moved from spontaneous market-driven systems to structured approaches that sought to balance growth, equity, and welfare.

The aim of this Series is to provide learners with a strong foundation for understanding why planning is necessary, how it began, and what it seeks to achieve. Learners will first explore the historical origins of planning, then examine the rationale behind it, followed by technical foundations such as the input-output model, and finally consider the objectives of planning.

Sequentially, this Series sets the stage for later discussions on components, types, processes, and regional applications of planning. By the end of this Series, learners will appreciate the foundational role of planning in shaping economic development strategies.

Series learning outcomes

By the end of this Series, learners should be able to:

SLO 1.1: Define the historical origins of economic planning and explain its evolution in modern economies.

SLO 1.2: Analyse the rationale for economic planning from economic, social, and political perspectives.

SLO 1.3: Explain technical foundations of planning, including the input-output model and performance evaluation.

SLO 1.4: Evaluate the objectives of economic planning in relation to growth, resource allocation, and welfare.

1.1 Origins of Economic Planning

1.1.1 Historical background of planning

Economic planning is the deliberate organisation of economic activity by a central authority to achieve defined objectives. It first gained prominence during the Great Depression of the 1930s, when market forces alone could not guarantee stability or growth. Governments began to intervene directly, setting production targets and allocating resources to stabilise economies.

In many countries, wartime mobilisation also demonstrated the effectiveness of planning, as governments coordinated industries, labour, and resources to meet urgent national needs. After the war, these methods were adapted to peacetime development, especially in newly independent nations seeking rapid industrialisation.

In-text question (ITQ): Economic planning first gained prominence during the _____.

1.1.2 Evolution of planning in modern economies

In modern economies, planning evolved from emergency measures into long-term development strategies. Developed nations used planning to maintain stability and growth,



while developing nations adopted it to accelerate industrialisation, reduce poverty, and restructure their economies.

For example, five-year plans became common in many countries, providing a framework for investment, employment, and infrastructure development. Planning thus shifted from short-term crisis management to comprehensive national development programmes.

ITQ: In many developing countries, planning became a tool for accelerating _____.

Pilot questions 1.1

Economic planning is best defined as:

- a) Random allocation of resources
- b) Conscious effort to direct economic activity
- c) Market-driven resource allocation
- d) None of the above

The Great Depression contributed to the rise of:

- a) Free markets
- b) Economic planning
- c) Agricultural dominance
- d) Trade liberalisation

Wartime mobilisation demonstrated the effectiveness of:

- a) Market forces
- b) Economic planning
- c) Trade liberalisation
- d) Agricultural expansion

1.2 Rationale for Economic Planning

1.2.1 Economic justification for planning

Economic planning is necessary because markets alone often fail to allocate resources efficiently. Rational allocation of resources means distributing scarce resources in a way that maximises output and welfare. Planning helps to stabilise economies, reduce unemployment, and control inflation. It also ensures that investment is directed towards sectors that contribute most to national development.

In-text question (ITQ): Rational allocation of resources means distributing _____ efficiently to maximise output and welfare.



1.2.2 Social and political justification for planning

Beyond economics, planning is justified on social and political grounds. It promotes equity, reduces poverty, and strengthens national unity. By deliberately targeting disadvantaged groups and regions, planning helps to reduce inequality. Politically, it demonstrates government commitment to development and provides a framework for accountability.

ITQ: Planning demonstrates government commitment to ____.

Pilot questions 1.2

Which of the following is an economic justification for planning?

- a) Promoting equity
- b) Rational allocation of resources
- c) Strengthening national unity
- d) Reducing poverty

Planning demonstrates government commitment to:

- a) Development
- b) Trade liberalisation
- c) Market deregulation
- d) None of the above

Which of the following is a social justification for planning?

- a) Reducing poverty
- b) Stabilising inflation
- c) Directing investment
- d) Controlling unemployment

1.3 Technical Foundations of Planning

1.3.1 Input-Output model

The Input-Output model is a quantitative technique developed by economist Wassily Leontief. It analyses the interdependence of industries within an economy by showing how the output of one sector becomes the input of another. This model helps planners to identify bottlenecks, forecast demand, and design balanced growth strategies.



For example, if the steel industry increases production, the construction and automobile industries benefit directly. The model therefore provides a framework for understanding how sectors are linked and how resource allocation decisions affect the entire economy.

In-text question (ITQ): The Input-Output model was developed by ____.

1.3.2 Planning performance and evaluation

Planning performance refers to the measurement of how well planned targets are achieved. Evaluation involves comparing actual outcomes with planned objectives, such as growth rates, employment levels, and social indicators.

Performance evaluation ensures accountability and helps planners to adjust policies when targets are not met. It also provides feedback for future planning cycles, making the process dynamic rather than static.

ITQ: Planning performance is assessed by comparing actual outcomes with ____.

Pilot questions 1.3

The Input-Output model was developed by:

- a) Adam Smith
- b) Wassily Leontief
- c) John Keynes
- d) Karl Marx

The Input-Output model shows:

- a) How industries compete for resources
- b) How industries are interdependent
- c) How governments allocate taxes
- d) How consumers make choices

Planning performance is assessed by:

- a) Growth rates
- b) Employment levels
- c) Social indicators
- d) All of the above



1.4 Objectives of Economic Planning

1.4.1 Growth and development objectives

One of the primary aims of economic planning is to accelerate economic growth and achieve sustainable development. Growth refers to the increase in national output, while development encompasses improvements in living standards, education, health, and infrastructure. Planning provides a structured path to achieve these goals by setting clear targets and mobilising resources.

In-text question (ITQ): Growth refers to the increase in national _____, while development includes improvements in living standards.

1.4.2 Resource allocation objectives

Planning ensures that scarce resources are directed towards priority sectors such as infrastructure, health, and education. This prevents wasteful use of resources and promotes balanced development. Resource allocation is the process of distributing resources to sectors that yield the highest social and economic benefits.

ITQ: Resource allocation involves distributing scarce _____ to sectors that yield the highest benefits.

1.4.3 Social welfare objectives

Economic planning also seeks to improve social welfare by reducing inequality, promoting social justice, and raising living standards. Welfare objectives ensure that growth benefits are shared equitably across society, preventing marginalisation of vulnerable groups.

ITQ: Social welfare objectives aim to reduce _____ and promote social justice.

Pilot questions 1.4

Which of the following is not an objective of economic planning?

- a) Accelerating growth
- b) Promoting social justice
- c) Random allocation of resources
- d) Improving living standards

Resource allocation in planning ensures:

- a) Scarce resources are directed to priority sectors
- b) Resources are wasted on non-productive uses
- c) Growth benefits are ignored



d) None of the above

Social welfare objectives in planning include:

- a) Reducing inequality
- b) Promoting social justice
- c) Raising living standards
- d) All of the above

Series summary

In this Series, learners explored the foundations of economic planning. The discussion began with the historical background, showing how planning emerged during crises such as the Great Depression and evolved into modern development strategies. The rationale for planning was then examined, highlighting both economic justifications such as rational allocation of resources and social-political reasons such as equity and national unity.

The Series also introduced technical foundations, including the Input-Output model developed by Wassily Leontief, which explains inter-industry relationships, and the importance of evaluating planning performance against set targets. Finally, the objectives of planning were considered, focusing on growth, resource allocation, and social welfare.

Overall, this Series established the essential groundwork for understanding economic planning as both a technical and social process. It prepares learners to engage with more advanced topics in subsequent Series, such as components, types, processes, and regional applications of planning.

Glossary of terms

Economic planning: The deliberate organisation of economic activity by government or central authority to achieve defined objectives such as growth, stability, and welfare.

Great Depression: A severe worldwide economic downturn in the 1930s that highlighted the limitations of market forces and encouraged governments to adopt planning.

Rational allocation of resources: The efficient distribution of scarce resources to sectors that maximise output and social welfare.

Equity: Fairness in the distribution of economic benefits, ensuring that disadvantaged groups are not excluded.

Input-Output model: A quantitative technique developed by Wassily Leontief that analyses inter-industry relationships by showing how the output of one sector becomes the input of another.

Planning performance: The measurement of how well planned targets are achieved, often assessed through growth rates, employment levels, and social indicators.

Social welfare objectives: Goals of planning aimed at improving living standards, reducing inequality, and promoting social justice.



Concept check questions 1

(Linked to SLO 1.1) Short-answer: Explain how the Great Depression influenced the rise of economic planning.

(Linked to SLO 1.1) Objective: Economic planning first gained prominence during:

- a) The Industrial Revolution
- b) The Great Depression
- c) The Cold War
- d) The Oil Crisis

(Linked to SLO 1.2) Essay-type: Analyse the economic and social justifications for planning in developing countries, giving examples of how planning addresses market failures and inequality.

(Linked to SLO 1.3) Objective: The Input-Output model was developed by:

- a) Karl Marx
- b) Adam Smith
- c) Wassily Leontief
- d) John Maynard Keynes

(Linked to SLO 1.4) Short-answer: Evaluate the objectives of economic planning in relation to national development, focusing on growth, resource allocation, and welfare.

Answers to pilot questions 1

Pilot questions 1.1

- b) Conscious effort to direct economic activity
- b) Economic planning
- b) Economic planning

Pilot questions 1.2

- b) Rational allocation of resources
- a) Development
- a) Reducing poverty

Pilot questions 1.3

- b) Wassily Leontief
- b) How industries are interdependent
- d) All of the above



Pilot questions 1.4

- c) Random allocation of resources
- a) Scarce resources are directed to priority sectors
- d) All of the above

References and Attributions 1

Leontief, W. (1936). Quantitative input-output relations in the economic system. Harvard University Press.

Todaro, M. P., & Smith, S. C. (2015). Economic development (12th ed.). Pearson Education Limited.

Course document: ECN 405 Economic Planning (institutional material).

Illustration placeholders and attributions

Figure 1.1 Historical emergence of economic planning: Suggested AI prompt: “Generate a timeline infographic showing the rise of economic planning from the Great Depression to modern development strategies.” Tool/platform: Microsoft Copilot Image Generation.

Figure 1.2 Input-Output model schematic: Suggested AI prompt: “Create a simple diagram showing inter-industry relationships in an economy using the Input-Output model.” Tool/platform: Microsoft Copilot Image Generation.

Table 1.1 Objectives of economic planning: To be created internally, based on course content. No external source required.

Open Educational Resources (OERs) consulted/suggested

United Nations Development Programme (UNDP). (2017). Human development reports. Retrieved from <https://hdr.undp.org>

World Bank. (2020). World development indicators. Retrieved from <https://databank.worldbank.org>



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Main Parts and SubParts

2.1 Objectives of Economic Planning

- 2.1.1 Growth and development objectives
- 2.1.2 Resource allocation objectives
- 2.1.3 Social welfare objectives

2.2 Components of Economic Planning

- 2.2.1 Physical and financial components
- 2.2.2 Sectoral components (agriculture, industry, services)
- 2.2.3 Human resource and institutional components

2.3 Policy Formation in Planning

- 2.3.1 Policy design and formulation
- 2.3.2 Policy instruments (fiscal, monetary, trade)
- 2.3.3 Policy implementation and monitoring

2.4 Challenges in Policy Formation

- 2.4.1 Political constraints
- 2.4.2 Economic and resource limitations
- 2.4.3 Institutional and administrative challenges



2 Objectives and Policy Formation in Economic Planning

Introduction

Economic planning is not only about setting broad national goals, it also involves identifying specific objectives, defining the components that make up a plan, and establishing clear policies to guide implementation. Objectives provide the direction, components form the structure, and policies act as the instruments through which plans are realised.

This Series aims to help learners understand how objectives are framed, what components are essential for a comprehensive plan, and how policies are designed, formulated, and implemented. The discussion begins with objectives, moves to components, then explores policy formation, and finally considers the challenges that arise in policy design and execution.

Sequentially, this Series builds upon the foundations introduced in Series 1, moving from the rationale for planning to the practical aspects of how plans are structured and translated into action. By the end of this Series, learners will be able to critically evaluate the objectives of planning, identify its components, and analyse the processes of policy formation and implementation.

Series learning outcomes

By the end of this Series, learners should be able to:

SLO 2.1: Define the objectives of economic planning and explain their relevance to national development.

SLO 2.2: Identify and analyse the major components of economic planning, including physical, financial, sectoral, and institutional aspects.

SLO 2.3: Examine the processes of policy design, formulation, and implementation within planning frameworks.

SLO 2.4: Evaluate the challenges of policy formation, including political, economic, and institutional constraints.

2.1 Objectives of Economic Planning

2.1.1 Growth and development objectives

Economic planning seeks to accelerate economic growth and achieve sustainable development. Growth refers to the increase in national output, while development encompasses improvements in living standards, education, health, and infrastructure. Planning provides a structured path to achieve these goals by setting clear targets and mobilising resources.



In-text question (ITQ): Growth refers to the increase in national _____, while development includes improvements in living standards.

2.1.2 Resource allocation objectives

Planning ensures that scarce resources are directed towards priority sectors such as infrastructure, health, and education. This prevents wasteful use of resources and promotes balanced development. Resource allocation is the process of distributing resources to sectors that yield the highest social and economic benefits.

ITQ: Resource allocation involves distributing scarce _____ to sectors that yield the highest benefits.

2.1.3 Social welfare objectives

Economic planning also seeks to improve social welfare by reducing inequality, promoting social justice, and raising living standards. Welfare objectives ensure that growth benefits are shared equitably across society, preventing marginalisation of vulnerable groups.

ITQ: Social welfare objectives aim to reduce _____ and promote social justice.

Pilot questions 2.1

Which of the following is not an objective of economic planning?

- a) Accelerating growth
- b) Promoting social justice
- c) Random allocation of resources
- d) Improving living standards

Resource allocation in planning ensures:

- a) Scarce resources are directed to priority sectors
- b) Resources are wasted on non-productive uses
- c) Growth benefits are ignored
- d) None of the above

Social welfare objectives in planning include:

- a) Reducing inequality
- b) Promoting social justice
- c) Raising living standards
- d) All of the above



2.2 Components of Economic Planning

2.2.1 Physical and financial components

Economic planning requires both physical components (such as infrastructure, machinery, and technology) and financial components (such as budgets, investment flows, and credit availability). Physical resources provide the tangible means of production, while financial resources ensure that projects are adequately funded and sustained.

In-text question (ITQ): Physical components of planning include infrastructure, machinery, and ____.

2.2.2 Sectoral components

Planning must address different sectors of the economy—agriculture, industry, and services. Each sector contributes uniquely to national development, and balanced growth requires coordinated investment across them. For example, agricultural planning ensures food security, industrial planning drives manufacturing, and service-sector planning supports education, health, and commerce.

ITQ: Sectoral components of planning include agriculture, industry, and ____.

2.2.3 Human resource and institutional components

Human resources are central to planning, as skilled labour and effective institutions determine the success of policies. Institutional components include government agencies, planning commissions, and regulatory bodies that coordinate and monitor implementation. Without strong institutions and trained personnel, even well-designed plans may fail.

ITQ: Institutional components of planning include government agencies, planning commissions, and ____.

Pilot questions 2.2

Which of the following is a physical component of planning?

- a) Budget allocation
- b) Infrastructure
- c) Credit availability
- d) Investment flows

Sectoral components of planning include:

- a) Agriculture, industry, and services
- b) Agriculture, trade, and politics



- c) Industry, services, and governance
- d) None of the above

Institutional components of planning include:

- a) Government agencies
- b) Planning commissions
- c) Regulatory bodies
- d) All of the above

2.3 Policy Formation in Planning

2.3.1 Policy design and formulation

Policy formation begins with designing and formulating policies that align with national objectives. This involves identifying priorities, setting targets, and drafting strategies that guide economic activities. Effective policy design requires consultation with stakeholders, analysis of economic data, and consideration of social and political realities.

In-text question (ITQ): Policy design begins with identifying _____ and setting targets.

2.3.2 Policy instruments

Policies are implemented through various instruments, including:

Fiscal policy: Government spending and taxation to influence economic activity.

Monetary policy: Regulation of money supply and interest rates to maintain stability.

Trade policy: Tariffs, quotas, and agreements to regulate international trade.

These instruments provide governments with tools to achieve planning objectives such as growth, stability, and equity.

ITQ: Fiscal policy influences economic activity through government _____ and taxation.

2.3.3 Policy implementation and monitoring

Once policies are formulated, they must be implemented and monitored. Implementation involves translating policy goals into actionable programmes, while monitoring ensures that progress is tracked and adjustments are made when necessary. Monitoring mechanisms include performance indicators, audits, and periodic reviews.

ITQ: Monitoring mechanisms in policy implementation include performance indicators, audits, and _____.



Pilot questions 2.3

Policy design begins with:

- a) Identifying priorities and setting targets
- b) Random allocation of resources
- c) Ignoring stakeholder input
- d) None of the above

Fiscal policy influences economic activity through:

- a) Government spending and taxation
- b) Regulation of money supply
- c) Tariffs and quotas
- d) None of the above

Monitoring mechanisms in policy implementation include:

- a) Performance indicators
- b) Audits
- c) Periodic reviews
- d) All of the above

2.4 Challenges in Policy Formation

2.4.1 Political constraints

Policy formation is often hindered by political constraints such as conflicting interests, lack of consensus, and short-term political agendas. Governments may prioritise policies that yield immediate popularity rather than long-term development, leading to inconsistencies in planning.

In-text question (ITQ): Policy formation may be hindered by conflicting interests and short-term _____ agendas.

2.4.2 Economic and resource limitations

Limited financial resources, inadequate infrastructure, and external economic shocks can restrict effective policy formation. Developing countries, in particular, face challenges in mobilising sufficient funds to support ambitious plans. Resource scarcity often forces policymakers to compromise on objectives.

ITQ: Resource scarcity often forces policymakers to compromise on _____.



2.4.3 Institutional and administrative challenges

Weak institutions, bureaucratic inefficiencies, and lack of skilled personnel undermine policy formation and implementation. Without strong administrative capacity, even well-designed policies may fail to achieve their intended outcomes. Effective institutions are therefore critical to successful planning.

ITQ: Weak institutions and lack of skilled personnel undermine _____ formation and implementation.

Pilot questions 2.4

Which of the following is a political constraint in policy formation?

- a) Conflicting interests
- b) Short-term agendas
- c) Lack of consensus
- d) All of the above

Economic and resource limitations in policy formation include:

- a) Inadequate infrastructure
- b) External economic shocks
- c) Limited financial resources
- d) All of the above

Institutional challenges in policy formation include:

- a) Bureaucratic inefficiencies
- b) Weak institutions
- c) Lack of skilled personnel
- d) All of the above

Series summary

In this Series, learners examined the practical aspects of economic planning beyond its foundations. The discussion began with the objectives of planning, highlighting growth, resource allocation, and social welfare as the guiding aims. It then explored the components of planning, including physical, financial, sectoral, and institutional elements that provide the structure for effective plans.

The Series further addressed policy formation, showing how policies are designed, formulated, and implemented through instruments such as fiscal, monetary, and trade policies. Finally,



the challenges of policy formation were analysed, focusing on political constraints, economic and resource limitations, and institutional weaknesses.

Overall, this Series provided a comprehensive understanding of how objectives, components, and policies interact to shape economic planning. It prepares learners to engage with more advanced discussions in subsequent Series, such as types of planning, processes, and regional applications.

Glossary of terms

Objectives of planning: The guiding aims of economic planning, including growth, resource allocation, and social welfare.

Resource allocation: The process of distributing scarce resources to sectors that yield the highest social and economic benefits.

Social welfare: Improvements in living standards, reduction of inequality, and promotion of social justice through planning.

Physical components: Tangible resources such as infrastructure, machinery, and technology that support economic activity.

Financial components: Monetary resources such as budgets, investment flows, and credit availability that fund planning.

Sectoral components: The division of planning into agriculture, industry, and services to ensure balanced development.

Institutional components: Organisations such as government agencies, planning commissions, and regulatory bodies that coordinate and monitor planning.

Policy instruments: Tools used to implement policies, including fiscal, monetary, and trade policies.

Fiscal policy: Government spending and taxation measures used to influence economic activity.

Monetary policy: Regulation of money supply and interest rates to maintain economic stability.

Trade policy: Tariffs, quotas, and agreements used to regulate international trade.

Policy monitoring: Mechanisms such as performance indicators, audits, and reviews used to track policy implementation.

Political constraints: Challenges in policy formation arising from conflicting interests, lack of consensus, or short-term agendas.

Economic limitations: Restrictions caused by inadequate infrastructure, limited financial resources, or external shocks.

Institutional challenges: Weak institutions, bureaucratic inefficiencies, and lack of skilled personnel that undermine policy formation.



Concept Check Questions 2

(Linked to SLO 2.1 – Short-answer)

Explain why growth and development objectives are central to economic planning.

(Linked to SLO 2.1 – Objective)

Which of the following is a social welfare objective of planning?

- a) Reducing inequality
- b) Increasing random resource allocation
- c) Ignoring vulnerable groups
- d) None of the above

(Linked to SLO 2.2 – Essay-type)

Discuss the importance of sectoral components in economic planning, with examples from agriculture, industry, and services.

(Linked to SLO 2.3 – Objective)

Which of the following is a policy instrument used in planning?

- a) Fiscal policy
- b) Monetary policy
- c) Trade policy
- d) All of the above

(Linked to SLO 2.4 – Short-answer)

Identify two major challenges in policy formation and explain how they affect planning outcomes.

Answers to pilot questions 2

Pilot questions 2.1 (Objectives of planning)

- c) Random allocation of resources
- a) Scarce resources are directed to priority sectors
- d) All of the above

Pilot questions 2.2 (Components of planning)

- b) Infrastructure
- a) Agriculture, industry, and services
- d) All of the above



Pilot questions 2.3 (Policy formation)

- a) Identifying priorities and setting targets
- a) Government spending and taxation
- d) All of the above

Pilot questions 2.4 (Challenges in policy formation)

- d) All of the above
- d) All of the above
- d) All of the above

References and Attributions 2

Leontief, W. (1986). Input-output economics (2nd ed.). Oxford University Press.

Todaro, M. P., & Smith, S. C. (2015). Economic development (12th ed.). Pearson Education Limited.

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World Bank. (2020). World development indicators. Retrieved from <https://databank.worldbank.org>

Illustration placeholders and attributions

Figure 2.1 Objectives of economic planning: Suggested AI prompt: “Create an infographic showing growth, resource allocation, and social welfare objectives of planning.” Tool/platform: Microsoft Copilot Image Generation.

Figure 2.2 Components of economic planning: Suggested AI prompt: “Generate a diagram showing physical, financial, sectoral, and institutional components of planning.” Tool/platform: Microsoft Copilot Image Generation.

Figure 2.3 Policy instruments in planning: Suggested AI prompt: “Illustrate fiscal, monetary, and trade policy instruments with simple icons.” Tool/platform: Microsoft Copilot Image Generation.

Table 2.1 Challenges in policy formation: To be created internally, based on course content. No external source required.

Open Educational Resources (OERs) consulted/suggested

International Monetary Fund (IMF). (2019). Fiscal policy and development. Retrieved from <https://www.imf.org>



Organisation for Economic Co-operation and Development (OECD). (2020). Policy instruments for sustainable growth. Retrieved from <https://www.oecd.org>

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Main Parts and SubParts

3.1 Types of Economic Planning

3.1.1 Perspective planning vs. annual planning

3.1.2 Centralised vs. decentralised planning

3.1.3 Indicative vs. imperative planning

3.2 Processes of Economic Planning

3.2.1 Identification of objectives and priorities

3.2.2 Data collection and analysis

3.2.3 Drafting and approval of plans

3.2.4 Implementation and monitoring

3.3 Institutional Framework for Planning

3.3.1 Role of planning commissions and agencies

3.3.2 Coordination among ministries and sectors

3.3.3 Monitoring and evaluation mechanisms



3.4 Challenges in Planning Processes

3.4.1 Political and administrative bottlenecks

3.4.2 Resource and capacity limitations

3.4.3 External shocks and global influences

3 Types and Processes of Economic Planning

Introduction

Economic planning takes different forms depending on the context, objectives, and institutional arrangements of a country. Understanding the types of planning helps us distinguish between approaches such as centralised versus decentralised, or indicative versus imperative planning. Each type reflects how authority, decision-making, and flexibility are distributed in the economy.

Beyond types, the processes of planning are equally important. These processes involve identifying objectives, collecting and analysing data, drafting plans, securing approval, and implementing and monitoring progress. The institutional framework—planning commissions, ministries, and agencies—plays a critical role in coordinating these processes.

Finally, planning is not without challenges. Political bottlenecks, resource constraints, and external shocks often complicate the planning process. By studying both the types and processes of planning, learners gain a comprehensive view of how economic planning is structured, executed, and adapted to real-world conditions.

Series Learning Outcomes

By the end of this Series, learners should be able to:

SLO 3.1: Differentiate between the major types of economic planning (perspective vs. annual, centralised vs. decentralised, indicative vs. imperative).

SLO 3.2: Explain the processes involved in economic planning, from objective-setting to implementation and monitoring.

SLO 3.3: Analyse the role of institutions and agencies in coordinating and executing planning processes.

SLO 3.4: Evaluate the challenges that affect planning processes, including political, resource, and external constraints.

3.1 Types of Economic Planning

3.1.1 Perspective planning vs. annual planning

Perspective planning refers to long-term plans, often spanning 10–20 years, aimed at setting broad developmental goals and strategies.



Annual planning focuses on short-term objectives, usually within a fiscal year, ensuring immediate priorities are addressed.

Perspective plans provide vision, while annual plans ensure continuity and adaptability.

In-text question (ITQ): Perspective planning usually spans _____ to _____ years.

3.1.2 Centralised vs. decentralised planning

Centralised planning places decision-making authority in a central body, such as a national planning commission.

Decentralised planning distributes authority to regional or local governments, allowing flexibility and responsiveness to local needs.

Many countries adopt a mixed approach, combining central oversight with local participation.

ITQ: Centralised planning places decision-making authority in a _____ body.

3.1.3 Indicative vs. imperative planning

Indicative planning provides guidelines and forecasts without binding directives, leaving room for private sector initiative.

Imperative planning involves binding targets and directives, often used in command economies.

Indicative planning is common in mixed economies, while imperative planning is typical of centrally planned economies.

ITQ: Imperative planning involves binding _____ and directives.

Pilot questions 3.1

Perspective planning usually spans:

- a) 1–2 years
- b) 5–7 years
- c) 10–20 years
- d) None of the above

Centralised planning places authority in:

- a) Local governments
- b) Regional councils
- c) A central body



d) None of the above

Indicative planning provides:

a) Binding directives

b) Guidelines and forecasts

c) Random targets

d) None of the above

3.2 Processes of Economic Planning

3.2.1 Identification of objectives and priorities

The first step in planning is to identify objectives such as growth, employment, and poverty reduction.

Priorities are set to ensure scarce resources are directed to the most critical sectors.

This stage provides the foundation for all subsequent planning activities.

ITQ: The first step in planning is to identify _____ and set priorities.

3.2.2 Data collection and analysis

Reliable data is essential for effective planning.

Governments collect information on population, resources, production, and consumption patterns.

Data analysis helps planners forecast future trends and design realistic policies.

ITQ: Data collection and analysis help planners to forecast future _____.

3.2.3 Drafting and approval of plans

Draft plans are prepared by planning commissions or agencies.

These drafts undergo review, debate, and approval by legislative or executive authorities.

Approval ensures legitimacy and alignment with national goals.

ITQ: Draft plans must be reviewed and _____ by legislative or executive authorities.

3.2.4 Implementation and monitoring

Implementation translates plans into programmes and projects.



Monitoring tracks progress, identifies challenges, and ensures accountability.

Adjustments are made based on feedback and performance indicators.

ITQ: Monitoring ensures accountability and allows for necessary _____ to plans.

Pilot Questions 3.2

The first step in economic planning is:

- a) Drafting plans
- b) Identifying objectives and priorities
- c) Monitoring progress
- d) None of the above

Data collection and analysis help planners to:

- a) Forecast future trends
- b) Ignore population statistics
- c) Waste resources
- d) None of the above

Draft plans must be:

- a) Ignored by authorities
- b) Reviewed and approved
- c) Randomly implemented
- d) None of the above

Monitoring in planning ensures:

- a) Accountability
- b) Adjustments to plans
- c) Tracking progress
- d) All of the above

3.3 Institutional Framework for Planning

3.3.1 Role of planning commissions and agencies

National planning commissions or equivalent agencies are responsible for drafting, coordinating, and supervising economic plans.



They provide technical expertise, set priorities, and ensure alignment with national development goals.

These institutions act as the backbone of planning, bridging government objectives with implementation strategies.

ITQ: National planning commissions are responsible for drafting, coordinating, and _____ economic plans.

3.3.2 Coordination among ministries and sectors

Effective planning requires coordination among ministries (e.g., finance, agriculture, industry) and sectors.

Coordination ensures that policies are consistent, resources are shared efficiently, and duplication of efforts is avoided.

Sectoral ministries translate national plans into specific programmes for their respective areas.

ITQ: Coordination among ministries ensures that policies are consistent and resources are used _____.

3.3.3 Monitoring and evaluation mechanisms

Institutions establish monitoring and evaluation (M&E) systems to track progress and measure outcomes.

M&E mechanisms include performance indicators, audits, and periodic reviews.

These systems help identify gaps, improve accountability, and guide adjustments to plans.

ITQ: Monitoring and evaluation mechanisms include performance indicators, audits, and _____.

Pilot Questions 3.3

Planning commissions are responsible for:

- a) Drafting plans
- b) Coordinating plans
- c) Supervising plans
- d) All of the above

Coordination among ministries ensures:

- a) Consistency of policies
- b) Efficient use of resources



- c) Avoidance of duplication
- d) All of the above

Monitoring and evaluation mechanisms include:

- a) Performance indicators
- b) Audits
- c) Periodic reviews
- d) All of the above

3.4 Challenges in Planning Processes

3.4.1 Political and administrative bottlenecks

Planning processes are often slowed down by political interference, conflicting interests, and lack of consensus.

Administrative bottlenecks such as excessive bureaucracy and weak governance structures reduce efficiency.

These challenges can lead to delays, inconsistencies, or even abandonment of plans.

ITQ: Planning processes are often slowed down by political interference and excessive ____.

3.4.2 Resource and capacity limitations

Limited financial resources, inadequate infrastructure, and shortage of skilled personnel hinder effective planning.

Developing countries face particular difficulties in mobilising funds and technical expertise.

Resource constraints force policymakers to compromise on objectives or scale down projects.

ITQ: Resource constraints often force policymakers to compromise on ____.

3.4.3 External shocks and global influences

External shocks such as global recessions, pandemics, or geopolitical conflicts can disrupt planning processes.

Dependence on international trade and aid makes economies vulnerable to global fluctuations.

Effective planning requires flexibility to adapt to these external influences.

ITQ: External shocks such as global recessions and pandemics can disrupt ____ processes.



Pilot Questions 3.4

Political and administrative bottlenecks in planning include:

- a) Political interference
- b) Conflicting interests
- c) Excessive bureaucracy
- d) All of the above

Resource and capacity limitations in planning include:

- a) Limited financial resources
- b) Inadequate infrastructure
- c) Shortage of skilled personnel
- d) All of the above

External shocks that disrupt planning processes include:

- a) Global recessions
- b) Pandemics
- c) Geopolitical conflicts
- d) All of the above

Series Summary

In this Series, learners explored the different types of economic planning and the processes involved in executing them. The discussion began with the distinction between perspective and annual planning, highlighting the balance between long-term vision and short-term adaptability. It then examined centralised versus decentralised planning, showing how authority can be concentrated or distributed, and the contrast between indicative and imperative planning, reflecting flexibility versus binding directives.

The Series also analysed the processes of planning, including identification of objectives, data collection, drafting and approval, and implementation with monitoring. Learners gained insight into the institutional framework, focusing on the role of planning commissions, coordination among ministries, and monitoring and evaluation mechanisms. Finally, the challenges of planning processes were addressed, such as political bottlenecks, resource limitations, and external shocks.

Overall, this Series provided a comprehensive understanding of how planning is structured, executed, and adapted to real-world conditions. It equips learners with the ability to critically



assess both the types and processes of economic planning, preparing them for deeper exploration in subsequent Series.

Glossary of Terms – Series 3

Perspective planning: Long-term planning, usually spanning 10–20 years, aimed at setting broad developmental goals.

Annual planning: Short-term planning, typically covering one fiscal year, focused on immediate priorities.

Centralised planning: A system where decision-making authority is concentrated in a central body, such as a national planning commission.

Decentralised planning: A system where authority is distributed to regional or local governments, allowing responsiveness to local needs.

Indicative planning: Planning that provides guidelines and forecasts without binding directives, common in mixed economies.

Imperative planning: Planning that involves binding targets and directives, typical of command economies.

Planning process: The sequence of steps in economic planning, including objective-setting, data collection, drafting, approval, implementation, and monitoring.

Data analysis: The examination of economic and social data to forecast trends and design realistic policies.

Planning commission: A national institution responsible for drafting, coordinating, and supervising economic plans.

Coordination: The harmonisation of policies and programmes among ministries and sectors to ensure consistency and efficiency.

Monitoring and evaluation (M&E): Mechanisms such as performance indicators, audits, and reviews used to track progress and measure outcomes.

Political bottlenecks: Challenges in planning caused by political interference, conflicting interests, or lack of consensus.

Administrative inefficiencies: Bureaucratic delays and weak governance structures that undermine planning effectiveness.

Resource limitations: Constraints such as inadequate infrastructure, limited financial resources, and shortage of skilled personnel.

External shocks: Disruptions to planning processes caused by global recessions, pandemics, or geopolitical conflicts.



Concept Check Questions – Series 3

(Linked to SLO 3.1 – Short-answer)

Differentiate between perspective planning and annual planning, giving one example of each.

(Linked to SLO 3.1 – Objective)

Which of the following best describes indicative planning?

- a) Binding directives and compulsory targets
- b) Guidelines and forecasts without binding directives
- c) Random allocation of resources
- d) None of the above

(Linked to SLO 3.2 – Short-answer)

List the four main steps in the process of economic planning.

(Linked to SLO 3.2 – Objective)

Draft plans must be:

- a) Ignored by authorities
- b) Reviewed and approved by legislative or executive bodies
- c) Randomly implemented without review
- d) None of the above

(Linked to SLO 3.3 – Essay-type)

Discuss the role of planning commissions and agencies in coordinating national economic planning.

(Linked to SLO 3.4 – Objective)

Which of the following is an external shock that disrupts planning processes?

- a) Global recessions
- b) Pandemics
- c) Geopolitical conflicts
- d) All of the above

Answers to Pilot Questions – Series 3

Pilot Questions 3.1 (Types of planning)

- c) 10–20 years



- c) A central body
- b) Guidelines and forecasts

Pilot Questions 3.2 (Processes of planning)

- b) Identifying objectives and priorities
- a) Forecast future trends
- b) Reviewed and approved
- d) All of the above

Pilot Questions 3.3 (Institutional framework)

- d) All of the above
- d) All of the above
- d) All of the above

Pilot Questions 3.4 (Challenges in planning processes)

- d) All of the above
- d) All of the above
- d) All of the above

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Illustration placeholders and attributions

Figure 3.1 Types of planning: Suggested AI prompt: “Create a comparative chart showing perspective vs. annual, centralised vs. decentralised, and indicative vs. imperative planning.” Tool/platform: Microsoft Copilot Image Generation.



Figure 3.2 Processes of planning: Suggested AI prompt: “Generate a flowchart showing steps in planning: objectives, data collection, drafting, approval, implementation, monitoring.” Tool/platform: Microsoft Copilot Image Generation.

Figure 3.3 Institutional framework: Suggested AI prompt: “Illustrate the role of planning commissions, ministries, and monitoring agencies in economic planning.” Tool/platform: Microsoft Copilot Image Generation.

Table 3.1 Challenges in planning processes: To be created internally, based on course content. No external source required.

Open Educational Resources (OERs) consulted/suggested

International Monetary Fund (IMF). (2019). Fiscal policy and development. Retrieved from <https://www.imf.org>

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Course Code: ECO 405

Course Title: ECONOMIC PLANNING

Course Units: 3 units

Foundations and Rationale of Economic Planning

Objectives, Components, and Policy Formation in Planning

Types and Models of Economic Planning

Planning Machinery, Processes, and Implementation

Development Planning in Nigeria, Africa, and Issues of Underdevelopment

Main Parts and SubParts

4.1 Planning Models: An Overview

4.1.1 Input–output model

4.1.2 Linear programming model

4.1.3 Growth models (Harrod–Domar, Solow)

4.2 Techniques of Economic Planning



4.2.1 Forecasting techniques

4.2.2 Cost–benefit analysis

4.2.3 Project appraisal methods

4.3 Application of Models and Techniques

4.3.1 Sectoral planning (agriculture, industry, services)

4.3.2 National income estimation

4.3.3 Resource allocation and prioritisation

4.4 Limitations and Criticisms of Planning Models

4.4.1 Data and measurement problems

4.4.2 Assumptions and simplifications

4.4.3 Practical challenges in application

Introduction

Economic planning requires both conceptual models and practical techniques to translate national objectives into actionable strategies. Models provide the theoretical framework for understanding how economies grow, allocate resources, and respond to policy interventions. Techniques, on the other hand, offer the practical tools for forecasting, evaluating projects, and ensuring efficient resource use.

In this Series, learners will explore key planning models such as the input–output model, linear programming, and growth models (Harrod–Domar, Solow). These models help planners understand inter-sectoral linkages, optimise resource allocation, and project long-term growth patterns.

The Series also examines techniques of planning, including forecasting, cost–benefit analysis, and project appraisal methods. These techniques are essential for evaluating the feasibility and impact of development projects. Learners will further study the applications of these models and techniques in sectoral planning, national income estimation, and resource prioritisation.

Finally, the Series highlights the limitations and criticisms of planning models, such as data constraints, unrealistic assumptions, and practical challenges in implementation. By the end of this Series, learners will appreciate both the strengths and weaknesses of planning models and techniques, and understand how they are applied in real-world economic planning.



Series Learning Outcomes – Series 4

By the end of this Series, learners should be able to:

SLO 4.1: Describe the major models of economic planning, including input–output, linear programming, and growth models.

SLO 4.2: Apply key techniques of planning such as forecasting, cost–benefit analysis, and project appraisal.

SLO 4.3: Illustrate how models and techniques are used in sectoral planning, national income estimation, and resource allocation.

SLO 4.4: Evaluate the limitations and criticisms of planning models and techniques, particularly in relation to data, assumptions, and practical challenges.

4.1 Planning Models: An Overview

4.1.1 Input–output model

Developed by Wassily Leontief, this model analyses the interdependence among different sectors of the economy.

It shows how output from one industry becomes input for another, creating a network of linkages.

Useful for identifying bottlenecks, sectoral dependencies, and the impact of investment in one sector on others.

ITQ: The input–output model was developed by ____.

4.1.2 Linear programming model

A mathematical technique used to optimise resource allocation subject to constraints.

Helps planners determine the best combination of activities to maximise output or minimise costs.

Widely applied in transportation, production scheduling, and agricultural planning.

ITQ: Linear programming is used to optimise ____ allocation subject to constraints.

4.1.3 Growth models (Harrod–Domar, Solow)

Harrod–Domar model: Emphasises the role of savings and investment in driving economic growth.

Solow model: Introduces technological progress and diminishing returns to capital, highlighting long-term growth sustainability.



These models guide policymakers in understanding the dynamics of capital accumulation, productivity, and growth.

ITQ: The Harrod–Domar model emphasises the role of _____ and investment in growth.

Pilot Questions 4.1

The input–output model was developed by:

- a) Adam Smith
- b) Wassily Leontief
- c) Robert Solow
- d) None of the above

Linear programming is used to:

- a) Optimise resource allocation
- b) Randomly distribute resources
- c) Ignore constraints
- d) None of the above

The Harrod–Domar model emphasises:

- a) Technological progress
- b) Savings and investment
- c) Government expenditure
- d) None of the above

4.2 Techniques of Economic Planning

4.2.1 Forecasting techniques

Forecasting involves predicting future economic trends based on historical data and current indicators.

Techniques include time-series analysis, regression models, and scenario building.

Forecasting helps planners anticipate demand, supply, and potential shocks.

ITQ: Forecasting techniques are used to predict future _____ trends.



4.2.2 Cost–benefit analysis (CBA)

CBA compares the expected costs of a project with its anticipated benefits.

It helps determine whether a project is economically viable and socially desirable.

Widely applied in infrastructure, health, and education projects.

ITQ: Cost–benefit analysis compares expected costs with anticipated ____.

4.2.3 Project appraisal methods

Project appraisal evaluates the feasibility, sustainability, and impact of proposed projects.

Methods include financial appraisal, economic appraisal, and social appraisal.

Ensures that projects align with national priorities and deliver maximum value.

ITQ: Project appraisal evaluates the feasibility and ____ of proposed projects.

Pilot Questions 4.2

Forecasting techniques are used to:

- a) Predict future economic trends
- b) Ignore historical data
- c) Randomly allocate resources
- d) None of the above

Cost–benefit analysis compares:

- a) Costs with anticipated benefits
- b) Random figures
- c) Political interests
- d) None of the above

Project appraisal methods evaluate:

- a) Feasibility
- b) Sustainability
- c) Impact
- d) All of the above



4.3 Application of Models and Techniques

4.3.1 Sectoral planning (agriculture, industry, services)

Models and techniques are applied to design plans for specific sectors.

For example, input–output analysis helps identify linkages between agriculture and industry, while forecasting predicts demand in services.

Sectoral planning ensures balanced growth and resource distribution across the economy.

ITQ: Sectoral planning ensures balanced _____ and resource distribution across the economy.

4.3.2 National income estimation

Growth models and forecasting techniques are used to estimate national income trends.

These estimates guide policymakers in setting targets for GDP growth, employment, and investment.

Accurate estimation is crucial for monitoring progress and adjusting policies.

ITQ: National income estimation guides policymakers in setting targets for _____ growth.

4.3.3 Resource allocation and prioritisation

Linear programming and cost–benefit analysis are applied to allocate scarce resources efficiently.

Prioritisation ensures that critical projects (e.g., infrastructure, health, education) receive adequate funding.

This application helps maximise social and economic returns.

ITQ: Cost–benefit analysis helps allocate scarce resources by comparing costs with _____.

Pilot Questions 4.3

Sectoral planning ensures:

- a) Balanced growth
- b) Resource distribution
- c) Both a and b
- d) None of the above

National income estimation guides policymakers in setting targets for:

- a) GDP growth



- b) Employment
- c) Investment
- d) All of the above

Resource allocation and prioritisation involve:

- a) Linear programming
- b) Cost–benefit analysis
- c) Both a and b
- d) None of the above

4.4 Limitations and Criticisms of Planning Models

4.4.1 Data and measurement problems

Planning models rely heavily on accurate data, but in many economies, data is incomplete or unreliable.

Errors in measurement can distort forecasts and lead to poor policy decisions.

This limitation is especially critical in developing countries with weak statistical systems.

ITQ: Planning models often face challenges due to incomplete or unreliable ____.

4.4.2 Assumptions and simplifications

Models often depend on assumptions (e.g., constant technology, linear relationships) that may not hold in reality.

Simplifications make models easier to use but reduce their accuracy in complex economies.

Over-reliance on unrealistic assumptions can misguide policymakers.

ITQ: Over-reliance on unrealistic ____ can misguide policymakers.

4.4.3 Practical challenges in application

Implementing models requires technical expertise, institutional capacity, and political will.

Resource constraints, bureaucratic inefficiencies, and resistance to change hinder effective application.

Models may not adapt well to external shocks such as global recessions or pandemics.



ITQ: Effective application of planning models requires technical expertise, institutional capacity, and _____ will.

Pilot Questions 4.4

Planning models often face challenges due to:

- a) Incomplete data
- b) Measurement errors
- c) Weak statistical systems
- d) All of the above

Over-reliance on unrealistic assumptions can:

- a) Improve accuracy
- b) Misguide policymakers
- c) Simplify reality without consequences
- d) None of the above

Practical challenges in applying models include:

- a) Resource constraints
- b) Bureaucratic inefficiencies
- c) Resistance to change
- d) All of the above

Series Summary

In this Series, learners examined the models and techniques that underpin economic planning. The discussion began with an overview of planning models, including the input–output model, linear programming, and growth models such as Harrod–Domar and Solow. These models provide theoretical frameworks for understanding inter-sectoral linkages, resource optimisation, and long-term growth dynamics.

The Series then explored techniques of planning, such as forecasting, cost–benefit analysis, and project appraisal methods. These techniques equip planners with practical tools to evaluate projects, anticipate future trends, and ensure efficient resource allocation.

Learners also studied the applications of models and techniques in sectoral planning, national income estimation, and resource prioritisation. This highlighted how theoretical models and practical tools are integrated into real-world planning processes.



Finally, the Series addressed the limitations and criticisms of planning models, including data and measurement problems, reliance on unrealistic assumptions, and practical challenges in implementation. These limitations remind us that while models and techniques are valuable, they must be applied with caution and adapted to specific contexts.

Overall, this Series provided a balanced understanding of both the strengths and weaknesses of planning models and techniques, preparing learners to critically evaluate their use in economic planning.

Glossary of Terms – Series 4

Input–output model: A framework developed by Wassily Leontief to analyse inter-sectoral linkages in an economy.

Linear programming: A mathematical technique used to optimise resource allocation subject to constraints.

Harrod–Domar model: A growth model emphasising the role of savings and investment in economic growth.

Solow model: A growth model highlighting technological progress and diminishing returns to capital in long-term growth.

Forecasting: The process of predicting future economic trends using historical data and statistical methods.

Cost–benefit analysis (CBA): A technique that compares the expected costs of a project with its anticipated benefits.

Project appraisal: Evaluation of the feasibility, sustainability, and impact of proposed projects before implementation.

Sectoral planning: Designing plans for specific sectors (e.g., agriculture, industry, services) to ensure balanced growth.

National income estimation: The process of calculating the total income generated in an economy, often using growth models and forecasting.

Resource allocation: The distribution of scarce resources among competing projects or sectors to maximise returns.

Data constraints: Limitations caused by incomplete, unreliable, or inaccurate statistical information.

Assumptions: Simplifications used in models that may not reflect real-world complexities.

External shocks: Unforeseen global or domestic events (e.g., recessions, pandemics) that disrupt planning processes.



Concept Check Questions – Series 4

(Linked to SLO 4.1 – Short-answer)

Explain the difference between the Harrod–Domar and Solow growth models in terms of their assumptions about capital and technology.

(Linked to SLO 4.1 – Objective)

The input–output model was developed to analyse:

- a) Political institutions
- b) Inter-sectoral linkages
- c) Consumer behaviour
- d) None of the above

(Linked to SLO 4.2 – Short-answer)

List three techniques of economic planning and briefly describe their purpose.

(Linked to SLO 4.2 – Objective)

Cost–benefit analysis is primarily used to:

- a) Compare political interests
- b) Compare expected costs with anticipated benefits
- c) Ignore project feasibility
- d) None of the above

(Linked to SLO 4.3 – Essay-type)

Discuss how planning models and techniques can be applied in sectoral planning, with examples from agriculture and industry.

(Linked to SLO 4.4 – Objective)

Which of the following is a limitation of planning models?

- a) Data and measurement problems
- b) Unrealistic assumptions
- c) Practical challenges in application
- d) All of the above



Answers to Pilot Questions – Series 4

Pilot Questions 4.1 (Planning Models: An Overview)

- b) Wassily Leontief
- a) Optimise resource allocation
- b) Savings and investment

Pilot Questions 4.2 (Techniques of Economic Planning)

- a) Predict future economic trends
- a) Costs with anticipated benefits
- d) All of the above

Pilot Questions 4.3 (Application of Models and Techniques)

- c) Both a and b
- d) All of the above
- c) Both a and b

Pilot Questions 4.4 (Limitations and Criticisms of Planning Models)

- d) All of the above
- b) Misguide policymakers
- d) All of the above

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Illustration placeholders and attributions

Figure 4.1 Planning Models: Suggested AI prompt: “Create a diagram comparing input–output, linear programming, and growth models.” Tool/platform: Microsoft Copilot Image Generation.

Figure 4.2 Techniques of Planning: Suggested AI prompt: “Generate a flowchart showing forecasting, cost–benefit analysis, and project appraisal methods.” Tool/platform: Microsoft Copilot Image Generation.

Figure 4.3 Applications of Models: Suggested AI prompt: “Illustrate how models and techniques are applied in sectoral planning, national income estimation, and resource allocation.” Tool/platform: Microsoft Copilot Image Generation.

Table 4.1 Limitations of Planning Models: To be created internally, based on course content. No external source required.

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Course Code: ECO 405

Course Title: ECONOMIC PLANNING

Course Units: 3 units

Foundations and Rationale of Economic Planning

Objectives, Components, and Policy Formation in Planning

Types and Models of Economic Planning

Planning Machinery, Processes, and Implementation

Development Planning in Nigeria, Africa, and Issues of Underdevelopment

Proposed Outline

5.1 Concept and Importance of Sectoral Planning

5.1.1 Definition and scope

5.1.2 Role in national development

5.1.3 Linkages between sectors

5.2 Agricultural Planning

5.2.1 Objectives (food security, employment, rural development)

5.2.2 Tools and techniques (input-output, project appraisal)

5.2.3 Challenges (climate, resource constraints)

5.3 Industrial Planning

5.3.1 Structural transformation and industrialisation

5.3.2 Resource allocation and investment priorities

5.3.3 Role of technology and innovation

5.4 Social Sector Planning (Education, Health, Infrastructure)

5.4.1 Human capital development

5.4.2 Planning for health services and infrastructure

5.4.3 Equity and inclusiveness

5.5 Challenges of Sectoral Planning

5.5.1 Resource constraints and competing demands



5.5.2 Inter-sectoral conflicts

5.5.3 External shocks (global crises, pandemics)

5 Approaches to Sectoral Economic Planning

Introduction

Economic planning becomes more effective when it is tailored to the specific needs of individual sectors. While national planning provides the overall framework, sectoral planning ensures that agriculture, industry, and social sectors such as health and education receive targeted attention. This approach helps achieve balanced growth, reduces structural imbalances, and promotes inclusiveness.

In this Series, learners will first explore the concept and importance of sectoral planning, understanding how sectoral strategies complement national development goals. The Series then examines agricultural planning, focusing on food security, rural development, and employment generation. Next, learners will study industrial planning, which drives structural transformation, technological advancement, and resource allocation. The Series also covers social sector planning, highlighting the role of education, health, and infrastructure in building human capital and promoting equity.

Finally, the Series addresses the challenges of sectoral planning, including resource constraints, inter-sectoral conflicts, and external shocks such as global crises. By the end of this Series, learners will appreciate how sectoral planning integrates into national strategies and why it is essential for sustainable economic growth.

Series Learning Outcomes – Series 5

By the end of this Series, learners should be able to:

SLO 5.1: Explain the concept and importance of sectoral planning and its role in national development.

SLO 5.2: Analyse the objectives, tools, and challenges of agricultural planning in achieving food security and rural development.

SLO 5.3: Discuss the role of industrial planning in structural transformation, resource allocation, and technological advancement.

SLO 5.4: Evaluate social sector planning approaches in education, health, and infrastructure, with emphasis on human capital development and equity.

SLO 5.5: Identify and assess the challenges of sectoral planning, including resource constraints, inter-sectoral conflicts, and external shocks.



5.1 Concept and Importance of Sectoral Planning

5.1.1 Definition and scope

Sectoral planning refers to the design of development strategies for specific sectors of the economy such as agriculture, industry, health, and education.

It ensures that each sector contributes effectively to national development goals.

Scope includes resource allocation, project prioritisation, and policy coordination within sectors.

ITQ: Sectoral planning refers to the design of development strategies for specific _____ of the economy.

5.1.2 Role in national development

Sectoral planning complements national planning by focusing on sector-specific needs.

It helps achieve balanced growth, reduces structural imbalances, and promotes inclusiveness.

Ensures that critical sectors like agriculture and health receive adequate attention.

ITQ: Sectoral planning complements national planning by focusing on _____ needs.

5.1.3 Linkages between sectors

Sectors are interdependent: growth in one sector often stimulates growth in others.

Example: Agricultural development supports industrial growth through raw materials, while industry provides inputs like fertilisers and machinery to agriculture.

Effective sectoral planning recognises and strengthens these linkages.

ITQ: Growth in one sector often _____ growth in others.

Pilot Questions 5.1

Sectoral planning refers to:

- a) Designing strategies for specific sectors
- b) Ignoring sectoral needs
- c) Random allocation of resources
- d) None of the above

Sectoral planning complements national planning by:

- a) Focusing on sector-specific needs



- b) Eliminating national goals
- c) Ignoring inclusiveness
- d) None of the above

Linkages between sectors imply that:

- a) Sectors are independent
- b) Growth in one sector stimulates growth in others
- c) Sectors do not interact
- d) None of the above

5.2 Agricultural Planning

5.2.1 Objectives (food security, employment, rural development)

Agricultural planning aims to ensure food security by increasing production and reducing dependence on imports.

It promotes employment generation, especially in rural areas where agriculture is the main livelihood.

Supports rural development by improving infrastructure, access to credit, and modern farming techniques.

ITQ: Agricultural planning aims to ensure _____ security and promote rural development.

5.2.2 Tools and techniques (input–output, project appraisal)

Input–output analysis helps identify linkages between agriculture and other sectors (e.g., industry).

Project appraisal methods evaluate the feasibility of agricultural projects such as irrigation schemes or mechanisation.

Forecasting techniques predict future demand for food and agricultural products.

ITQ: Project appraisal methods are used to evaluate the _____ of agricultural projects.

5.2.3 Challenges (climate, resource constraints)

Agriculture is highly vulnerable to climate change, droughts, and floods.

Resource constraints such as limited access to credit, land, and technology hinder productivity.



Policy inconsistencies and weak infrastructure also pose challenges to effective agricultural planning.

ITQ: Agriculture is highly vulnerable to _____ change and resource constraints.

Pilot Questions 5.2

Agricultural planning aims to:

- a) Ensure food security
- b) Promote employment
- c) Support rural development
- d) All of the above

Project appraisal methods in agriculture are used to:

- a) Evaluate feasibility of projects
- b) Ignore project sustainability
- c) Randomly allocate resources
- d) None of the above

Challenges of agricultural planning include:

- a) Climate change
- b) Resource constraints
- c) Policy inconsistencies
- d) All of the above

5.3 Industrial Planning

5.3.1 Structural transformation and industrialisation

Industrial planning focuses on shifting the economy from agriculture-based to industry-driven growth.

It promotes structural transformation, creating jobs, diversifying production, and increasing exports.

Industrialisation is often seen as the engine of long-term economic development.

ITQ: Industrial planning promotes structural _____ and industry-driven growth.



5.3.2 Resource allocation and investment priorities

Industrial planning involves directing resources to priority industries such as manufacturing, energy, and technology.

Helps identify strategic sectors that can drive growth and reduce dependence on imports.

Encourages investment in infrastructure, research, and innovation to support industrial expansion.

ITQ: Industrial planning directs resources to priority _____ such as manufacturing and technology.

5.3.3 Role of technology and innovation

Technology enhances productivity, efficiency, and competitiveness in industry.

Innovation drives new product development, industrial diversification, and global competitiveness.

Industrial planning must integrate policies that encourage research, development, and adoption of modern technologies.

ITQ: Innovation in industry drives new _____ development and competitiveness.

Pilot Questions 5.3

Industrial planning promotes:

- a) Structural transformation
- b) Industry-driven growth
- c) Both a and b
- d) None of the above

Resource allocation in industrial planning involves:

- a) Directing resources to priority industries
- b) Ignoring strategic sectors
- c) Random distribution of resources
- d) None of the above

Technology and innovation in industry help:

- a) Enhance productivity
- b) Drive diversification



- c) Improve competitiveness
- d) All of the above

5.4 Social Sector Planning (Education, Health, Infrastructure)

5.4.1 Human Capital Development

Education and health are central to building human capital, which drives productivity, innovation, and long-term growth.

Education planning involves expanding access, improving quality, and aligning curricula with labour market needs.

Health planning focuses on preventive care, equitable access, and strengthening healthcare systems.

ITQ: Social sector planning in education and health focuses on building _____ capital.

5.4.2 Planning for Health Services and Infrastructure

Health sector planning ensures adequate hospitals, clinics, and medical personnel.

Infrastructure planning includes roads, electricity, and water supply, which support both economic and social development.

Effective planning reduces inequalities and improves living standards.

ITQ: Health sector planning ensures adequate hospitals, clinics, and _____ personnel.

5.4.3 Equity and Inclusiveness

Social sector planning must address disparities in access to education, healthcare, and infrastructure.

Policies should target vulnerable groups such as rural populations, women, and the poor.

Inclusiveness ensures that development benefits are widely shared across society.

ITQ: Social sector planning must address disparities in access to education, healthcare, and _____.

Pilot Questions 5.4

Social sector planning in education and health focuses on:

- a) Building human capital
- b) Ignoring productivity



- c) Reducing innovation
- d) None of the above

Health sector planning ensures:

- a) Adequate hospitals and clinics
- b) Availability of medical personnel
- c) Improved healthcare systems
- d) All of the above

Equity and inclusiveness in social sector planning involve:

- a) Addressing disparities
- b) Targeting vulnerable groups
- c) Ensuring shared development benefits
- d) All of the above

5.5 Challenges of Sectoral Planning

5.5.1 Resource constraints and competing demands

Limited financial, human, and natural resources make it difficult to meet all sectoral needs.

Governments often face trade-offs between investing in agriculture, industry, and social sectors.

Competing demands can lead to underfunding of critical areas.

ITQ: Sectoral planning faces challenges due to limited _____, human, and natural resources.

5.5.2 Inter-sectoral conflicts

Different sectors may compete for resources, leading to conflicts in priorities.

Example: Industry may demand more energy, while agriculture requires water and land.

Effective coordination is necessary to balance sectoral interests.

ITQ: Inter-sectoral conflicts arise when different sectors compete for limited _____.

5.5.3 External shocks (global crises, pandemics)



External shocks such as global recessions, pandemics, or geopolitical tensions disrupt sectoral plans.

Agriculture may suffer from supply chain disruptions, while industry faces reduced demand.

Social sectors like health and education are particularly vulnerable during crises.

ITQ: External shocks such as pandemics and recessions can disrupt _____ plans.

Pilot Questions 5.5

Resource constraints in sectoral planning involve:

- a) Limited financial resources
- b) Limited human resources
- c) Limited natural resources
- d) All of the above

Inter-sectoral conflicts occur when:

- a) Sectors cooperate
- b) Sectors compete for limited resources
- c) Resources are abundant
- d) None of the above

External shocks such as pandemics and recessions:

- a) Strengthen sectoral planning
- b) Disrupt sectoral plans
- c) Have no impact
- d) None of the above

Series Summary – Series 5

In this Series, learners explored the sectoral dimension of economic planning, which ensures that agriculture, industry, and social sectors contribute effectively to national development.

The Series began with the concept and importance of sectoral planning, highlighting its role in achieving balanced growth, reducing structural imbalances, and promoting inclusiveness.

Learners then examined agricultural planning, focusing on objectives such as food security, employment generation, and rural development. Tools like input-output analysis and project



appraisal were discussed, alongside challenges such as climate change and resource constraints.

The Series also covered industrial planning, emphasising structural transformation, resource allocation, and the role of technology and innovation in driving competitiveness and diversification.

Attention was given to social sector planning, where education, health, and infrastructure play a central role in building human capital, reducing inequalities, and ensuring equity and inclusiveness.

Finally, the Series addressed the challenges of sectoral planning, including resource constraints, inter-sectoral conflicts, and external shocks such as global crises and pandemics.

Overall, this Series demonstrated how sectoral planning integrates into national strategies, ensuring that development is balanced, inclusive, and sustainable.

Glossary of Terms – Series 5

Sectoral planning: The process of designing development strategies for specific sectors of the economy.

Food security: Ensuring reliable access to sufficient, safe, and nutritious food for all citizens.

Rural development: Policies and programs aimed at improving living standards and infrastructure in rural areas.

Input–output analysis: A technique used to study linkages between sectors, such as agriculture and industry.

Project appraisal: Evaluation of the feasibility, sustainability, and impact of proposed projects before implementation.

Structural transformation: The shift of an economy from agriculture-based to industry-driven growth.

Industrialisation: Expansion of industries to drive economic growth, employment, and diversification.

Human capital: The skills, health, and education of a population that contribute to productivity and innovation.

Equity: Fair distribution of resources and opportunities across different groups in society.

Inclusiveness: Ensuring that vulnerable and disadvantaged groups benefit from development policies.

Resource constraints: Limitations caused by insufficient financial, human, or natural resources.



Inter-sectoral conflicts: Competition between sectors for limited resources, leading to policy or planning challenges.

External shocks: Unforeseen events such as global recessions, pandemics, or geopolitical crises that disrupt planning.

Concept Check Questions – Series 5

(Linked to SLO 5.1 – Short-answer)

Explain why sectoral planning is important for achieving balanced and inclusive national development.

(Linked to SLO 5.1 – Objective)

Sectoral planning ensures:

- a) Balanced growth
- b) Inclusiveness
- c) Both a and b
- d) None of the above

(Linked to SLO 5.2 – Short-answer)

Identify three main objectives of agricultural planning and explain how they contribute to rural development.

(Linked to SLO 5.2 – Objective)

Project appraisal methods in agriculture are used to:

- a) Evaluate feasibility of projects
- b) Ignore sustainability
- c) Randomly allocate resources
- d) None of the above

(Linked to SLO 5.3 – Essay-type)

Discuss the role of industrial planning in structural transformation, resource allocation, and technological advancement.

(Linked to SLO 5.3 – Objective)

Industrial planning promotes:

- a) Structural transformation
- b) Industry-driven growth



- c) Both a and b
- d) None of the above

(Linked to SLO 5.4 – Short-answer)

How does social sector planning in education and health contribute to human capital development?

(Linked to SLO 5.4 – Objective)

Equity and inclusiveness in social sector planning involve:

- a) Addressing disparities
- b) Targeting vulnerable groups
- c) Ensuring shared development benefits
- d) All of the above

(Linked to SLO 5.5 – Essay-type)

Analyse the major challenges of sectoral planning, including resource constraints, inter-sectoral conflicts, and external shocks.

(Linked to SLO 5.5 – Objective)

External shocks such as pandemics and recessions:

- a) Strengthen sectoral planning
- b) Disrupt sectoral plans
- c) Have no impact
- d) None of the above

Answers to Pilot Questions – Series 5

Pilot Questions 5.1 (Concept and Importance of Sectoral Planning)

- a) Designing strategies for specific sectors
- a) Focusing on sector-specific needs
- b) Growth in one sector stimulates growth in others

Pilot Questions 5.2 (Agricultural Planning)

- d) All of the above
- a) Evaluate feasibility of projects
- d) All of the above



Pilot Questions 5.3 (Industrial Planning)

- c) Both a and b
- a) Directing resources to priority industries
- d) All of the above

Pilot Questions 5.4 (Social Sector Planning)

- a) Building human capital
- d) All of the above
- d) All of the above

Pilot Questions 5.5 (Challenges of Sectoral Planning)

- d) All of the above
- b) Sectors compete for limited resources
- b) Disrupt sectoral plans

References and Attributions – Series 5

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Illustration placeholders and attributions

Figure 5.1 Concept of Sectoral Planning: Suggested AI prompt – “Create a diagram showing the role of agriculture, industry, and social sectors in national planning.” Tool/platform: Microsoft Copilot Image Generation.



Figure 5.2 Agricultural Planning: Suggested AI prompt – “Generate a flowchart illustrating objectives, tools, and challenges of agricultural planning.” Tool/platform: Microsoft Copilot Image Generation.

Figure 5.3 Industrial Planning: Suggested AI prompt – “Illustrate industrial planning with focus on structural transformation, resource allocation, and technology.” Tool/platform: Microsoft Copilot Image Generation.

Figure 5.4 Social Sector Planning: Suggested AI prompt – “Create a diagram showing education, health, and infrastructure as pillars of human capital development.” Tool/platform: Microsoft Copilot Image Generation.

Table 5.1 Challenges of Sectoral Planning: To be created internally, based on course content.

Open Educational Resources (OERs) consulted/suggested

International Monetary Fund (IMF). (2019). Macroeconomic Policy Frameworks. Retrieved from <https://www.imf.org>

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