

Factors that influence effectiveness of economic planning	Conditions necessary for the success of economic planning	Factors limiting the implementation of economic planning	Measures that can ensure success of economic planning	Ingredients expected in the explanation
1. Availability of data / information.	Availability of adequate statistical data / Existence of a pool of reliable and sufficient (statistical) data.	* Inadequate (statistical) data / limited information	❖ Ensure proper data collection / gather sufficient information.	
2. The political atmosphere / climate.	The political atmosphere should be stable / stable political climate.	* Poor political atmosphere / political instability in some parts of the country.	❖ Ensure peaceful / stable political atmosphere / stabilise the political atmosphere.	
3. Availability of funds from within and abroad.	Availability of adequate or sufficient funds / minimise reliance on foreign aid which is tied, inadequate, inconsistent etc.	* Limited funds / limited financial resources needed for the planning process	❖ Raise / provide sufficient funds.	

4. Availability of trained manpower to administer the plan (labour skills).	Adequate supply of skilled or qualified labour / skilled, experienced and committed labourforce / efficient planning machinery.	★ Limited skills of plan formulators / limited skilled manpower to design or make appropriate plans.	❖ Improve labour skills.	
5. Political will and support of the masses (people) / the level of government commitment / the level of conservatism.	High level of government commitment / there should be political will by politicians to support the plan	★ Limited public support or will / limited government commitment	❖ Ensure government commitment in planning.	
6. Availability and effectiveness of the planning machinery / the efficiency of the implementation machinery.	Sufficient and efficient planning and implementation machinery (existence of a Planning Commission).	★ Weak planning machinery	❖ Ensure efficiency of the planning machinery (authority) / provide skills to planners.	

7. The degree of external interference into the planning process.	Limited external influence.	★ Interference of foreign agencies and donors / dependence on foreign aid which is uncertain, inadequate, inconsistent and tied.	❖ Minimise or reduce or avoid dependence on foreign aid which is inconsistent, inadequate, unreliable, tied etc.	
8. The rate of inflation / the price level.	Low rates of inflation / price stability.	★ High rate of inflation	❖ Stabilise prices / fight or control inflation.	
9. The (level of) population growth rate.	Low and stable population growth rate.	★	❖	
10. The degree of accountability .	Planning officials should not be corrupt or should be incorruptible / High level of accountability .	★ High level of corruption in the planning units / corruption on the part of plan formulators.	❖ Encourage proper accountability .	
11. The level of infrastructural development.	Availability of well-developed socio-economic infrastructure .	★ Poor or underdeveloped infrastructure which hinders coordination.	❖ Develop infrastructures.	

<p>12. The level of dependence on nature / the conduciveness of natural factors.</p>	<p>Contingency measures for natural factors should be put in place / all established mechanisms of dealing with natural factors / there should be no reliance on natural factors / the level of reliance on natural factors should be low.</p>	<p>★ Limited control over natural factors or phenomena (leading to uncertainty especially in agriculture).</p>	<p>❖ Minimise or avoid dependence on nature.</p>	
<p>13. The ambition of planning relative to the means or the degree of ambitiousness of planning.</p>		<p>★ Over ambitious plans.</p>	<p>❖ Avoid over-ambitious planning.</p>	

14. The degree of political interference.	Limited interference by politicians in the activities of the planning authority / the planning authority should be free from political interference / planning authority should be autonomous.	★	❖ Promote autonomy of the planning authority / discourage political interference in planning.	
15. The degree of responsiveness of the private sector.	The private sector should be responsive	★ Non-responsive private sector.	❖ Sensitise the private sector on its role in planning	
		★	❖ Provide more incentives (and disincentives) to the private sector.	

	✚ A population which is willing to co-operate or participate in planning	★	❖ sensitise the population on the benefits of given projects and their role in the planning / involve the population in planning; for example, in identifying projects to be set, setting project objectives, targets and location of projects.	
	✚ Viable projects should be identified	★ Difficulty in identifying viable projects	❖	
	✚ Set clear and specific planning objectives / planning objectives should be specified	★	❖	
	✚ Specify the time period for planning	★	❖	

Measures that have been taken to improve	Measures being taken to improve economic	Measures that should be taken to improve / ensure successful economic	Possible line of explanation:
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economic development planning in Uganda	development planning in Uganda	development planning in developing countries	
Raised / provided sufficient funds for plan implementation.	Raising sufficient funds both locally and abroad through taxation and borrowing.	Raise / provide sufficient funds.	used for data or information gathering, hire and retention of skilled labour and purchase of facilities required for plan implementation
Ensured proper data collection / gathered sufficient data or information on people's bio data, income, expenditure and employment.	Improving data collection.	Ensure proper data collection / gather sufficient information.	reduce dangers of over-estimation or under-estimation of necessary resources making it possible to attain successful planning / to ensure realistic planning targets and objectives being set.
Promoted / ensured autonomy of the National Planning	Promoting autonomy of the planning authority i.e.	Promote autonomy of the planning authority / discourage	ensure that politicians support the implementation of

Authority i.e. discouraged political interference in planning.	discourage political interference in planning.	political interference in planning.	ongoing projects by ensuring proper use of resources in various projects or areas of the country not necessarily those that suit their private and political interests.
Ensured government commitment in planning / Ensured political will through dialogue or parliamentary approval.	Ensuring government commitment in planning.	Ensure government commitment in planning.	ensure / provide sufficient funds necessary for acquisition of resources necessary for formulation of plans and project implementation.
Ensured / improved efficiency of the planning machinery / provided skills to planners / improved the skills of the labour.	Training more planners.	Ensure efficiency of the planning machinery (authority) / provide skills to planners.	through training of labour to acquire the necessary skills needed to identify viable projects to be undertaken , estimate project costs , set realistic project

			objectives, carry out various technical activities in projects etc.
Ensured peaceful climate / stabilised the political atmosphere.	Improving political climate.	Ensure peaceful / stable political atmosphere / stabilise the political atmosphere.	stop diversion of funds for plan implementation and inject the funds in productive economic activities / to ensure proper maintenance of productive infrastructures hence supporting planning or productive activities
Stabilised prices / fought or controlled inflation.	Attaining price stability.	Stabilise prices / fight or control inflation.	reduce divergence between costs of resources at the time of plan implementation and costs of resources at the

			time of plan formulation / to reduce costs of plan implementation
Mobilised the population to participate in plan implementation / sensitised the population on the benefits of participating in the implementation of projects in their locality.	Involving the masses in planning process.	Sensitise the population on the benefits of given projects and their role in the planning / involve the population in planning; for example, in identifying projects to be set, setting project objectives, targets and location of projects.	through creating a favourable attitude in citizens towards government programmes which is possible through decentralisation of planning processes such that local interests are clearly catered for.
Avoided over-ambitious planning.	Avoiding over-ambitious plans.	Avoid over-ambitious planning.	by identifying viable projects that are within the financial means of the country

Minimised or reduced or avoided dependence on external resources for planning (i.e. foreign aid which is inconsistent, inadequate, unreliable, tied etc.)	Minimising or reducing or avoiding dependence on foreign aid which is inconsistent, inadequate, unreliable, tied etc.	Minimise or reduce or avoid dependence on foreign aid which is inconsistent, inadequate, unreliable, tied etc.	through building internal / local mechanisms of raising or generating revenue to reduce reliance on foreign aid and ensure timely implementation of plan priorities and the setting up of projects.
Minimised or avoided dependence on nature through modernisation of agriculture.	Encouraging modernisation of agriculture so as to reduce dependence on nature.	Minimise or avoid dependence on nature.	reduce disruption of production activities especially in the agricultural sector that leads to project failure / to reduce the unpredictability and limited control of natural factors and make it possible to formulate realistic plans

			for the agriculture sector
Developed infrastructures.	Improving infrastructure.	Develop infrastructures.	ease movement of project resources and implementers to areas where projects are to be set up / enable the movement of planners to collect data / monitor projects in different areas
Sensitised the private sector on its role in planning / provided inducements / continued to provide incentives to (firms) in the private sector.	Sensitising the private sector on its role in planning.	Sensitise the private sector on its role in planning	through provision of incentives to lower costs so that the private sector sets up enterprises / projects and sensitising private sector firms to invest in a number of sectors in the economy for the sustainable development of the country.
Encouraged proper	Improving accountability	Encourage proper accountability.	to ensure that planning officials

accountability in planning units.	through fighting corruption.		do not fraudulently divert / misuse resources meant for projects to personal uses hence leave sufficient resources for planning and properly implement projects / in order for resources to be used effectively.
Fought conservatism through sensitisation.		Improve labour skills.	
	.	Provide more incentives (and disincentives) to the private sector.	

Essentials / Features / Characteristics of a Good Development Plan	Principles of Planning	Description / relevant explanation
It should be comprehensive	<i>Comprehensiveness</i>	It should cover all sectors and all regions of the economy.
It should be economically feasible	<i>Feasibility</i>	A plan should be achievable within the available economic means and the set time period.

It should be socially relevant	<i>Social relevance</i>	It should address the macro economic and social problems of the country i.e. should address the needs of the people for effective implementation.
It should be politically acceptable	<i>Acceptability</i>	It should be acceptable to politicians to ensure allocation of resources to the plan as well as to avoid interference in planning. A plan should be acceptable to the masses to ensure their participation in plan implementation.
It should have an element of proportionality in the allocation of resources	<i>Proportionality</i>	Resources should be allocated to sectors or projects according to their significance to the economy or contribution to GDP.
It should be sequenced	<i>Sequence / sequencing</i>	It should enable the establishment of projects in a timely manner in order to create linkages between projects, sectors and the economy as a whole.
It should have an element of compatibility	<i>Compatibility</i>	The plan objectives should not conflict with the objectives to the already existing projects or government ideology or and socio-cultural mores of the people in the country.
It should be optimal in the use of resources	<i>Optimality</i>	A plan should aim at utilising the available resource most efficiently so as to produce maximum possible output with minimum wastage.
It should have an element of continuity	<i>Continuity</i>	A good plan should not be suddenly ended because the authorities of the day cannot identify with it despite its social and economic relevance.
It should be consistent	<i>Consistency</i>	A good plan should be in line or match with the targets and objectives of development and the financial and manpower resources available.

It should be internationally acceptable and relevant		A good plan should be acceptable to donors for possible funding and should take into consideration international forces that are likely to affect its effective implementation.
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Factors that determine a country's standard of living	An increase in per capita income may not lead to an improvement in standard of living because although PKY has increased, there may also be:	Problems of using per capita income to determine standard of living within a country	Limitations of using per capita income to compare standard of living within a country over time	Limitations of using per capita income to compare standard of living between different countries
The (nature of) income distribution.	<i>High level of income inequality.</i>	It does not take into account the distribution of national income or wealth.	It does not take into account changes in the distribution of national income or wealth.	Differences in the nature (pattern) of income distribution between countries.
The (government) expenditure patterns.		It does not take into account the pattern of government expenditure.	It does not take into account changes in the pattern of government expenditure.	Differences in the nature of government expenditure patterns between countries.
Nature / type of goods produced whether capital goods or consumer goods.	<i>Increased production of capital goods.</i>	It does not take into account the composition or type of goods produced.	It does not take into account changes in the composition or type of goods produced.	Differences in the nature or type of goods produced between countries, that is, capital goods or consumer goods.

Availability of time for leisure/ the length of leisure time / amount of leisure time every year / working hours (reflected by changes in average hours worked).	<i>Reduced or low leisure time or long (increased) working hours.</i>	It does not take into account the amount of leisure enjoyed or number of hours offered for work.	It does not take into account changes in the amount of leisure foregone.	Differences in the amount of leisure enjoyed (length of leisure hours / length of working time) between countries.
The working conditions or employment hazards.	<i>High or increased level of employment hazards / poor working conditions.</i>	It does not take into account the working conditions for example the occupational hazards.	It does not take into account changes in the working conditions for example the occupational hazards.	Differences in conditions of work / employment hazards between countries.
Quality and quantity of goods produced.	<i>Production of poor quality goods.</i>	It does not take into account the quality of goods and services produced.	It does not take into account changes in the quality of goods and services produced.	Differences in the quality of goods produced between countries.

The state of the (natural) environment / environmental quality / levels of environmental pollution or degradation.	<i>High levels of environmental degradation and therefore, a large amount of GDP is being spent on cleaning the environment instead of being used for financing consumption to improve the quality of life hence many people are unhealthy</i>	It does not take into account social costs for example pollution which takes place in the country.	It does not take into account changes in social costs for example pollution.	Differences in social costs (state of the environment) between countries.
The level of taxation and subsidisation.	<i>High level of or increased direct tax rates.</i>	It does not take into account the level of taxation on people's income and wealth.	It does not take into account changes in the level of taxation on income or wealth.	Differences in levels of taxation (and subsidisation) between countries.
	<i>Decline in subsistence output or sector / increased monetisation of the economy.</i>	It does not consider the level of subsistence sector i.e. the omission of the non-marketed output.	It does not consider changes in the size of subsistence sector i.e. the omission of the non-marketed output / the exclusion of non-market activities that increase economic well-being.	Differences in the size of the subsistence sector between countries.

Political climate/ the level of security (safety) for people and property (affects feelings of security to life and property and therefore quality of life).	<i>High levels of political instability or limited (reduced) political freedoms.</i>	It does not take into account the political climate i.e. political instability.	It does not take into account changes in the political climate i.e. political instability.	Differences in political climate (level of security of persons and their property) between countries.
The general price level in the economy / Rate of inflation.	<i>High rate of inflation / rising cost of living / rising price level</i>	It does not consider the price levels / inflation.	It does not consider changes in price levels.	Differences in price levels or rate of inflation / price structures between countries.
Level of employment in the economy / quality and availability of employment .	<i>Rising or high levels of under-employment and unemployment.</i>	It does not consider the level of unemployment	It does not take into account changes in the unemployment levels.	Differences in the levels of unemployment (employment) between countries.

	<i>Inaccuracies / corruption in data produced by the country, for example, GDP or population figures may be inaccurately higher than what the statistics actually are due to problems of measurement.</i>	Inaccurate statistical data for example population figures and national income figures.	It does not consider variation in data collection.	Differences in the degrees of accuracy in national income figures between countries.
		It does not take into account the		Differences in requirements between countries due to climatic differences.
		It does not take into account	It does not consider changes in tastes and preferences.	Differences in tastes and preferences between countries.
The life expectancy i.e. the average life period a normal person is expected to live.		It does not take into account the	.	Differences in the value of currencies coupled with the problem of exchange rates between countries.

Level of education and skills / the level of literacy (improving job prospects and increasing earning capacity).	<i>High levels of illiteracy.</i>	It does not take into account the		Differences in the level of illiteracy between countries.
Quality of social amenities / level of development of infrastructure .	<i>Poorly developed or underdeveloped infrastructure.</i>			Differences in transport costs or costs of production between countries.
The level of research and access to modern technology.				Differences in boundary of production and the methods of compiling national income between countries.
Degree of political and religious freedom.				
Level of income / the per capita income.	<i>High population growth rate therefore low / falling per capita income</i>			

	<i>Underdeveloped infrastructures</i>			Differences in the level of development of infrastructure between countries.
The level of savings.	<i>Increased or high levels of savings.</i>			Differences in the level of saving between countries.
The level of control of the economy by foreigners.	<i>High level of capital or income outflow due to domination of the economy by foreigners.</i>			Differences in the degree of control of the economy by foreigners between the countries.

Column 1 is for point statement for columns 3, 4 and 5

Column 2 is the idea to be used in explanation

<p>Factors that determine a country's standard of living</p> <ul style="list-style-type: none"> ★ The general price level in the economy / Rate of inflation. ★ The (nature of) income distribution. ★ Level of income / the per capita income. ★ Level of education and skills / the level of literacy (improving job prospects and increasing earning capacity). ★ Nature / type of goods produced whether capital goods or consumer goods. ★ Political climate/ the level of security (safety) for people and property (affects feelings of security to life and property and therefore quality of life). ★ Level of employment in the economy / quality and availability of <u>employment</u>. ★ Degree of political and religious freedom. ★ Availability of time for leisure/ the length of leisure time / amount of leisure time every year / working hours (reflected by changes in average hours worked). ★ Quality of goods produced. ★ Quality of social amenities / level of development of infrastructure. ★ The (government) expenditure patterns / the pattern of expenditure. ★ Availability of goods in terms of quantities and variety. ★ The state of the (natural) environment / environmental quality / <i>levels of environmental pollution or degradation</i>. 	<p>Suggested measures that can be taken to improve the standard of living (Possible ways to improve the standard of living in a country include:)</p> <ul style="list-style-type: none"> • Create employment individual well-being as it promotes better quality of life and provides access to paid work that increases the social welfare) • Develop infrastructures / Improve healthcare (1) reduce death rates/people more fit for work (1) <i>raise productivity (1) raise output/generate economic growth</i> / improve the QoL of its citizens and lead to a healthy, working citizenry with increased productivity gains (1) / Better quality housing (1) can reduce illness (1) <i>raise productivity (1) raise output/generate economic growth</i>. • Improve quality of goods • Improve working conditions • Control inflation/stabilize prices • Promote equity in income distribution 	<p>An increase in GDP or economic growth may not lead to an improvement in standard of living because although GDP has increased, there may also be:</p> <ul style="list-style-type: none"> ■ High rate of inflation / rising cost of living / rising price level (lower consumption of goods and services). <i>Because of inflation, the cost of living increases leading to a decrease in the standard of living. The loss of welfare due to this decrease is not taken into consideration /</i> people are spending more to live but not earning enough money to cover these increases ■ Increased production of capital goods (which may reduce the availability of consumer goods in the short run) <i>whose production increases the monetary value of production, but they do not add directly to the welfare of the population.</i> ■ High population growth rate therefore low / falling per capita income (increase the dependency ratio (1) reducing resources available to e.g. improve housing conditions). ■ Increased or high expenditure on demerit goods. ■ Reduced or low leisure time or long (increased) working hours (leading to stress (1) less leisure time / involve the reduction of leisure time). ■ High levels of environmental degradation and therefore, a large amount of GDP is being spent on cleaning the environment instead of being used for financing consumption to improve the quality of life hence many people are unhealthy / <i>affect human health and lead to ecological degradation. GDP fails to consider the costs or valuations of such factors /</i> increased output may come at the cost of environmental damage or
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<ul style="list-style-type: none"> ★ The level of taxation and subsidisation / the disposable income / level of income taxes. ★ The level (degree) of control of the economy by foreigners. ★ The life expectancy i.e. the average life period a normal person is expected to live. ★ The health of the population. ★ The level of savings. ★ The working conditions / environment or employment hazards. ★ The level of research and access to modern technology. 	<ul style="list-style-type: none"> • Reduce direct taxes (especially on low income earners) • Clean the environment/protect the environment form pollution • Increase quantity and diversify goods available to consumers all over the country (increased access to more goods and services to satisfy their needs and wants) • Increase consumer income (enabling people to buy more goods and services (1)) • spend money on healthcare (1) education (1) enabling people to live longer / be more productive) /increase per capita income(1) allowing people to consume more goods and services • Control population growth rate • Minimize outflow of income/Reduce the level of control of the economy by foreigners • Improve the political climate/Improve the quality of security provided to people and properties 	<p>other <u>external costs</u> such as noise.</p> <p>High levels of political instability or limited (reduced) political freedoms.</p> <p>High level of or increased direct tax rates.</p> <p>Production of poor quality goods.</p> <p>High or increased level of employment hazards / poor working conditions (reducing the health of workers / tend to have lower life expectancy (1) health care tends to be less readily available / lower quality.</p> <p>Increased or high levels of savings.</p> <p>Rising or high levels of under-employment and unemployment (leads to lower average incomes hence lower domestic consumption)</p> <p>Decline in subsistence output or sector transactions that do not come under monetary terms i.e. non-monetary exchanges, particularly in rural areas / increased monetisation of the economy (reducing output per head).</p> <p>High levels of depreciation of capital.</p> <p>GDP or population figures may be inaccurately higher than what the statistics actually are due to problems of measurement. we do not have very accurate population figures with which to divide total income</p> <p>High level of capital or income outflow due to domination of the economy by foreigners.</p> <p>High levels of illiteracy (children likely to have fewer years at school / attend university / gain well paid employment / more productive).</p> <p>Poorly developed or underdeveloped infrastructure.</p> <p>High level of income inequality (a large share of the gains in real GDP per capita will go to a relatively small percentage of the population hence reducing the goods and services the</p>
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	<ul style="list-style-type: none"> Discourage consumption of demerit goods/encourage consumption of essential goods/increase government expenditure on provision of essential services 	people can buy thus resulting in most people's living standards falling). The increase in aggregate national income may be a result of the increase in income of a few individuals. Thus, this may lead to false interpretation of social welfare.
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Benefits of employment in Uganda	Costs or negative effects or demerits of unemployment in an economy	Reasons for the Control of Unemployment Problem in Uganda
<i>Give the 'how' in the explanation</i>	<i>Give the 'why' in the explanation</i>	<i>Note: you are changing a problem to a solution / objective</i> <i>In the explanation focus on the anticipated outcome not the <u>cause</u></i>
Helps to maintain / sustain and improve acquired skills.	Leads to deterioration or decline in the level of acquired skills / people lose their working skills.	To increase the level of acquired skills among the labourforce / to control or minimise or reduce decline in the level of acquired skills.
Leads to high (increase in) aggregate demand for goods and services.	Leads to small market size / low aggregate demand for goods and services / lower	To increase the level of aggregate demand for goods and services / in order to avoid a decline in

	total (aggregate) demand	aggregate demand for the goods and services
Minimises severe inequities in income and wealth distribution	Worsens income and wealth inequality	To reduce / control income and wealth inequality.
Leads to high level of output.	Results into low production or low output hence low economic growth rate	To promote increased production / output hence economic growth / in order to avoid low production or low GDP or low economic growth rates (due to increase in labour productivity).
Minimises the dependency of the unemployed on the employed.	Leads to dependency burden / increases the dependency burden of the unemployed on the employed / strains the working population leading to low savings.	To reduce the dependency burden.
Leads to increase in government revenue through taxing incomes	Leads to low government revenue	To increase government revenue / to increase the tax base / to raise more revenue to the government / to avoid a reduction in government revenue (due to increase in the tax base).

Leads to a reduction in crime rates and social evils (immorality) / avoids the problem of crime and immorality arising from no income.	Leads to high crime rates and social evils (immorality) / leads to crime and immorality	To reduce the level of immorality / to reduce crime rates and social evils like prostitution and theft associated with the lack of job opportunities.
Minimises brain drain.	Leads to brain drain.	To reduce / minimise / avoid brain drain with its negative effects on the economy.
Minimises rural-urban migration and associated problems.	Leads to rural-urban migration with its associated evils.	To reduce rural-urban migration with its associated evils / negative effects.
Leads to low government expenditure on the unemployed.	Leads to high government expenditure (on the unemployed).	To reduce government expenditure on supporting the unemployed / to avoid increase in government expenditure.
Minimises the problem of misery of the population	Leads to low standards of living (well-being), stress and much human misery	To minimise / reduce misery and low levels of living due to low or no incomes.
Leads to increased utilisation / exploitation of productive	Leads to under-exploitation (under-utilisation) of productive resources hence	To encourage exploitation of productive resources hence reducing wastes / to increase the rate of utilisation of productive

resources hence avoiding wastage.	wastage / a waste of scarce resources	resources hence avoiding wastage / to avoid underutilisation of resources which results in wastage.
Low level of political tension.	Creates political tension or leads to political unrest / instability.	To minimise political unrest or tension / to ensure peace and stability because of having a contented population.
Encourages investment in education	Discourages investment in education	To promote or encourage investment in education / in order to avoid discouraging investment in education.
Gives rise to social stability in families / minimises social unrest.	Leads to increased social unrest / instabilities in families	To promote family stability / to reduce or avoid social unrest / instabilities in families that tend to increase due to lack of incomes.

SUMMARY OF PRICE INDICES

The uses of consumer price index	Reasons for computing price indices in Uganda:
Used to measure change in money value i.e. used to determine the level of inflation or deflation	Measuring changes in the value of money / determining the level of inflation or deflation.
Used for deflating national income (GDP / GNP) figures i.e. adjustment of (nominal) national income figures to give real national income or to measure the purchasing power in an	Deflation / adjustment of nominal national income figures to give

economy	real national income.
Used for wage adjustment to account for cost-of-living / wage determination (through the practice of indexing wages to the CPI)	To assist in wage determination.
Used for comparing / determining cost of living i.e. assessing price changes against the cost of living	Comparison / determination of cost of living.
Used for setting interest rates. Used for determining level of taxation / used to adjust income taxes / used to establish tax brackets / used as widening of tax bands / used to uprate tax thresholds in line with increases in the cost of living. <ul style="list-style-type: none"> • Used for determining the terms of trade CPI is used to adjust Social Security and disability benefits	<ul style="list-style-type: none"> • For determining tax rates / levels.
Used in contracts by businesses and government to adjust payments and/or charges to take account of changes in categories of prices.	
How the cost of living index is computed i.e. it involves;	Difficulties encountered when computing consumer indices in Uganda:
Selecting a basket of goods which is representative of the consumption habits of majority of the people in the area sampled.	Difficulty in getting a suitable base year with stable prices (due to price changes).
Choosing a base year, one where prices were relatively stable; giving the base year an index of 100. Getting (collecting) prices of goods in the basket in both the base year and current year.	Difficulty in selecting a representative basket of goods (because of changes in tastes and preferences). Limited data / information (e.g. limited data on people's expenditure patterns making it difficult to select a market basket / about prices of goods making it difficult to attach prices / about weights making it difficult to attach weights)
Calculating the simple price index / price relative for each commodity; using the formulae $\text{Price relative} = \frac{\text{Current year price} \times 100}{\text{Base year price}}$	Difficulty in attaching weights to goods and services in the basket (due to changes in tastes and preferences / changes in spending habits that result in a change in the basket of goods consumed).

<p>Calculating the Average simple price index; using the formulae</p> $\text{Average simple price index} = \frac{\sum \text{Price Relative}}{\text{Number of commodities}}$	<p>Changes in the level of prices over-time / price instability (making it difficult to attach prices to the goods and services in the basket).</p> <p>Absence of standard weights, that is, products sold in tins, heaps and baskets (making it difficult to attach weights to goods and services in the basket).</p> <p>Emergence of new goods and exit of old ones (due to changes in purchasing patterns making it difficult to select a representative basket of goods and services).</p>
<p>Attaching weights to each commodity in the basket.</p> <p>Calculating the weighted price index or weighted price relative for each commodity; using the formulae Hence; Weighted price index = Price relative × Weight</p> <p>Calculating the average weighted price index; using the formulae</p> $\text{Average weighted index} = \frac{\sum \text{Price relative} \times \text{Weight}}{\sum \text{Weights}}$	<p>Absence of standard / uniform prices due to use of bargaining in price determination (making it difficult to attach prices to the goods in the basket)</p> <p>Variation in prices in different regions/ areas (making it difficult to attach prices to the goods in the basket)</p> <p>Limited facilities for collecting, resourcing and storing data (making it difficult to process and store data on prices, the goods in the basket and weights).</p> <p>Limited personnel with appropriate / necessary skills needed for compiling relevant information (e.g. price collectors, surveyors of household spending etc. making it difficult to get a wide range of information to be used in determining the contents of the CPI basket).</p> <p>Changes in tastes and preferences (consumption habits) leading to continuous change in consumer spending patterns (making it difficult to select a representative basket of goods and services)</p> <p>Improvement in the quality of the product which usually affects prices of the commodities (therefore the index has to be adjusted for the quality change hence making it difficult to attach prices to the goods in the basket).</p>

A description of the structure of the agriculture sector in Uganda - a summary

Mainly dependent on family labour

Mainly small scale

Mainly rural based

Uses mainly unskilled and semi-skilled labour

Mainly dependent on nature

Production is mainly for subsistence / dominated by subsistence production

Quantity of output produced is mainly / generally low

Production is mainly for the local market

Mainly food crops (food stuffs) / narrow range of cash crops produced

Narrow range of products for exports / narrow range of production is for exports

Mainly low quality of output

Mainly labour intensive care

An assessment of the implications of the structure of the agriculture sector in Uganda

Positive implications of the structure of the agriculture sector in Uganda

Negative implications of the structure of the agriculture sector in Uganda

Promotes infrastructural development (because it is rural based hence development of road network in rural areas to ease transportation of agricultural output to where it's needed)	Low / limited revenue to government (because production is mainly for subsistence / low levels of monetisation of the sector)
Provides employment (mainly labour intensive technology therefore hires labour)	Low quality of output (mainly labour intensive / unskilled labour)
Utilises idle land resources / encourages utilisation of land resources (mainly rural based hence making use of the vast land resources)	Low output or low quantity of output hence low economic growth (due to production on a small scale and at a subsistence level)
Foreign exchange earnings (due to exportation of some products of the sector)	Low foreign exchange earnings (due to low value, quantity and variety of exports)
Provides some revenue to government (in form of market dues and taxes imposed on farmers carrying out commercial production)	Unfavourable / poor terms of trade (due to low value / quality of exports from the sector)
Promotes equity in income distribution (mainly rural based hence enabling farmers raise incomes)	Seasonal unemployment and under-employment (due to dependence on nature and wide use of family labour)
Means of forging balance in regional development (mainly rural based hence enabling the	Fluctuations in prices / leads to structural inflation (due to dependence on nature for production)

improvement in living conditions in various regions)	
Promotes food security at the household level (due to production of mainly food crops (food stuffs))	Under-development of the industrial sector / limited linkages with other sectors ()
Minimises / reduces dependence on food imports (due to production of mainly food crops (food stuffs))	Income inequality (production is mainly for own consumption i.e. subsistence production hence low incomes for people engaged in agriculture)
Promotes growth and development of the industrial sector (because the sector is the major supplier of raw materials to agro processing industries / provides a large proportion of the raw materials for industry)	Limited technical development / low level of innovations and inventions (due to large subsistence sector / use of simple tools in farming)
Promotes economic growth (due to production of food crops and cash crops that leads to increase in output)	Limits infrastructural development (mainly subsistence)
Provides market to the output /products of the industrial sector (e.g. fertilizers, tractors, manufactured goods required by the workers, etc.)	Declining returns to land / exhaustion of land / land degradation (due to increased pressure on the land resources for subsistence production /exacerbated by low and unreliable rainfall, frequent drought and precarious water supply)

	Conservatism (due to subsistence production and dependence on nature)
	Food shortages or insecurity (due to dependence on nature / seasonal production)
	Under-utilisation of resources hence operation at excess capacity (due to production on a small scale and at a subsistence level)
	Limited markets for products (due to poor quality products from the sector)
	Accelerates or exacerbates economic dependence (due to the narrow range of exports from the agricultural sector)

Suggested measures that can encourage agricultural development	Reasons for changing /transforming the structure of the agriculture sector in Uganda (In explanation: This is achieved.....)
<i>Undertake land reform policies</i>	To stabilise prices in agriculture sector / economy (<i>Offering subsidised inputs to farmers</i>)
<i>Provide credit facilities to farmers</i>	To facilitate increase in output hence economic growth (through increasing access to and use of critical farm inputs / encouraging agriculture research that avails high yielding crop varieties and animal breeds thereby increasing on the quantity of output from the sector)

<i>Carry out research into new breeds of animals and varieties of crops and relevant technologies</i>	To enable mechanisation of agriculture (through up scaling the transfer and utilization of food-production and labour-saving technologies and providing of appropriate farm power such as tractors)
<i>Provide incentives to farmers</i>	To increase the quality of output from agriculture sector (through improved agricultural research on better crop varieties & animal breeds and technology development / through improvement of the stock and quality of storage facilities for crops, livestock and fish products to minimize post-harvest wastage and enhance quality maintenance)
<i>Encourage agricultural diversification</i>	To reduce commodity concentration (through promoting and encouraging agricultural diversification)
<i>Encourage agricultural mechanisation which expands food production</i>	To monetise the economy (through encouraging commercial production by procuring and distributing various agricultural inputs, planting materials (seeds/seedlings) and stocking materials which facilitates growth of commercial sector)
<i>Improve infrastructure</i>	For raising more export revenue through exports of processed food products
<i>Emphasize industrialization within agriculture</i>	To prepare ground for industrialization / in order to increase value-addition to agricultural products (to promote a dynamic agro-industrial sector, which would have as its driving force the agricultural foodstuffs industries and mainly use raw materials from local commercial crops / promoting contract farming or outgrower schemes for high-value produce in order to enhance large scale agro-processing and ensure a steady supply of quality produce that provides a wide range of raw materials).
<i>Train labour / farmers</i>	To create sectoral interdependence / linkages (through promoting and supporting private investment in agro-processing of various agricultural products)

<i>Offer subsidised inputs to farmers</i>	To stabilise agricultural output by making it less vulnerable to the natural conditions (through adaptation of modern irrigation technologies)
<i>Improve the political climate / stabilise the political atmosphere</i>	To improve the balance of payments position (through promoting agricultural diversification and the use of improved techniques of production that increases output for foreign markets hence more foreign earnings)
<i>Provide / strengthen extension services</i>	To stabilise / increase producers' incomes (through increasing access to agricultural finance so as to encourage commercial production that increases the producer's income because of increased marketed output / <i>improving market access for agricultural exports through regional trade agreements / Offering subsidised inputs to farmers</i>)
<i>Stabilise prices</i>	To minimise seasonal unemployment (through encouraging agricultural modernization e.g. irrigation that ensures continuity in production thereby expanding employment opportunities)
<i>Encourage commercialisation of agriculture</i>	To promote food security and ensure a healthy population (<i>Encouraging agricultural mechanisation which expands food production</i>)
<i>Promote co-operatives</i>	To generate more revenue for government (through expanding the scale of commercial production / <i>Encouraging commercialisation of agriculture</i> on which taxes are imposed)
<i>Widen market / improve market access for agricultural exports through regional trade agreements</i>	To improve terms of trade (through encouraging agricultural research that results in production of high quality agricultural products for the export market thereby fetching high prices on the world market)

Structure of the industrial (manufacturing) sector in Uganda	An assessment of the economic implications of the structure of the industrial sector in Uganda
A summary	Positive economic implications of the structure
<ul style="list-style-type: none"> Mainly dominated by small scale industries / mostly small and medium scale. 	Provides employment to many people (labour intensive manufacturing)
<ul style="list-style-type: none"> Mainly comprises of processing industries / mainly engaged in processing. 	Provision of tax revenue to the government (mainly privately owned)
<ul style="list-style-type: none"> Most of the firms in the sector are privately owned / mainly privately owned. 	Utilises idle resources hence avoidance of wastage / addition of value (mainly engaged in processing / strongly agro-based)
<ul style="list-style-type: none"> Most of the firms in the sector use labour intensive techniques of production. 	Provision of linkages to other sectors of the economy (mainly engaged in processing / strongly agro-based)
<ul style="list-style-type: none"> The sector is mainly urban based. 	Development of entrepreneurial skills (mainly small scale)
<ul style="list-style-type: none"> Production of mainly low quality manufactured goods. 	Low government expenditure on subsidisation (industries are mainly privately owned)
<ul style="list-style-type: none"> Many of the industries are agro-based / strongly agro-based. 	Reduced dependence on imports (mainly production for the domestic market)
<ul style="list-style-type: none"> Mainly import substituting industries / production is mainly for the domestic market. 	Reduced expenditure abroad (mainly import substitution industries)
<ul style="list-style-type: none"> Durable consumer goods industries are mostly assembly plants /mainly final stage plants. 	
<ul style="list-style-type: none"> High level / component of imported raw materials and intermediate product content. 	Negative economic implications of the structure
<ul style="list-style-type: none"> Limited linkages with other sectors in/of the economy. 	Poor terms of trade (low quality of products)
<ul style="list-style-type: none"> Mainly produces low quantity output /mainly produce at excess capacity / low productivity / low employment. 	Sectoral imbalance in development (limited linkages with other sectors of the economy)

<ul style="list-style-type: none"> Mainly unskilled and semi-skilled labour employed. 	High prices of final products (high component of imported inputs)
<ul style="list-style-type: none"> Production of mainly consumer goods / final products. 	Promotes income inequality (unequal sizes of firms with dominance of small scale production)
	Capital outflow (large scale industries are foreign owned)
	High level of environmental degradation in urban centres (mainly urban based / owned by profit driven individuals who avoid cost of waste management)
	Dependence on external resources (high component of imported inputs)
	Balance of payments (BOP) problems (high component of imported inputs / low volume of exports because production is for local consumption)
	Low output hence low economic growth (mainly low quantity of output is produced)
	Low quality of output (mainly labour intensive / unskilled labour)
	Imbalance in regional development (mainly urban based)

ECONOMIC DEPENDENCE: is a situation in which an economy **relies** either mainly **on a specific sector (productive activity)** for her survival or **relies on other (developed) countries** for decisions and resources for her economic survival as well as stimulate her own economic growth (development).

Economic inter-dependence: refers to a situation in which two or more economies rely on each other for mutual benefit of all. This is mainly achieved when countries agree to integrate their economies.

Economic independence: refers to the reliance of an economy on her own resources for survival / development.

Form of economic dependence (STED):	Theoretical Meaning / definition:	Application paper P220/2
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Sectoral dependence	is the <u>reliance</u> of a country on one major sector or a few sectors for her economic survival	Uganda mainly relies on agricultural sector for economic development or survival
Trade dependence	is one where an economy relies on a few traditional exports, export to a few markets and importation of consumer and intermediate products.	Uganda relies on the exportation of agricultural products as its major export earner for economic survival or development.
External resource dependence	is where a country <u>relies</u> on foreign factor services such as foreign technology , foreign skills (expatriates) and foreign capital from other countries to supplement her productive resources	Uganda relies on other countries like USA for resources like foreign aid, foreign capital for survival or development.
Direct economic dependence	involves reliance of an economy on economic and political decisions dictated by other countries or foreign funding bodies.	Uganda relies on decisions and policies made by foreigners and foreign bodies like IMF for economic survival and development.

Costs of economic dependence in Uganda.

- **Balance of payment (s) deficit / problems** (because of the export of mainly low quality and lowly priced products therefore low export earnings / importing large volumes of high quality and highly priced goods therefore high expenditure abroad).
- **Leads to poor terms of trade** (because of the export of lowly priced products / import of highly priced products).
- **Underutilisation of idle / natural resources hence wastage** (because reliance on imports leads to underutilisation of local resources that would have been used for local production of goods).
- **Leads to under employment and unemployment** (because of reliance on imported technology which leads to the substitution of labour with machines).
- **Leads to cultural erosion** (because of trade dependence which encourages importation of entertainment products /).
- **Discourages / kills local initiatives / encourages laziness / stagnates the development of local technology** (because it encourages reliance on foreign resources such as technology hence killing local innovations and inventions).
- **The economy is subjected to inappropriate and undesirable decisions** (because of).
- **Leads to price fluctuations** (because of sectoral dependence on agriculture whose prices fall and rise due to fluctuations in supply)/ **leads to inflation** (because of trade dependence which causes depreciation or fall in the value of local currency in terms of other currencies).

- **Retards the development / survival of local industries/ firms** (because of reliance on imports).
- **Leads to domination of the economy by foreigners** (because dependence on foreign capital results in a big proportion of productive activities in the economy being in the hands of foreigners).
- **Accelerates capital outflow** (because of repatriation of wages and profits and repayment of interest).
- **Discourages domestic savings and investment** (because of).
- **Leads to fluctuation in incomes (of producers)** (because sectoral dependence leads to rise in incomes from sales of output when prices rise and fall in incomes from sales of output when prices fall).
- **Limits import capacity** (due to low export earnings / because reliance on foreign capital leads to outflow of income, for example, through profit repatriation which incomes would have been used to pay for imports / leads to repayment of loans and interest yet such funds should have been used for paying for imports).
- **Leads to political interference in the economy by foreigners** (because of).

WAYS OF REDUCING ECONOMIC DEPENDENCE IN UGANDA

- ★ **Encouraging economic diversification**
- ★ **Training of local labour**
- ★ **Promoting and developing of local or appropriate technology.**
- ★ **Improving on the tax base and tax administration.**
- ★ **Controlling population growth rate**
- ★ **Undertaking proper planning**
- ★ **Fighting against corruption and mismanagement** of the limited funds
- ★ **Stabilising the political climate.**
- ★ **Encouraging export promotion** industries
- ★ **Providing tax incentives to investors**
- ★ **Promoting diversification of markets** / expanding the number of markets that a country exports to
- ★ **Promoting import substitution industrial development strategy**
- ★ **Encouraging domestic savings** to generate funds to be used as capital for investment.

THE STRUCTURE OF UGANDA'S IMPORTS AND EXPORTS (FOREIGN TRADE SECTOR)

FEATURES OF IMPORT AND EXPORT TRADE IN UGANDA; a summary

EXPORTS	IMPORTS
Exports are mainly primary / agricultural products	Imports are mainly industrial products
Limited variety of exports	Imports are of wide variety

Basically semi-processed or unprocessed products are exported / exports are mainly of low value while	Imports are mainly of high value / mainly fully processed
Limited range of markets for exports / exports are mainly to few countries while	Imports are mainly from few countries (geographical concentration of trade)
Few manufactured consumer goods are exported while	Imports are mainly manufactured consumer and intermediate goods
Exports are mainly of low quality while	Imports are mainly of high quality
Few services are exported while	Many services are imported
Prices of exports are mainly low and fluctuating while	Prices of imports are mainly high and stable
Exports are mainly of low volume / quantity while	Imports are mainly of high volume / quantity

IMPLICATIONS OF THE FEATURES OF IMPORT AND EXPORT TRADE IN UGANDA

POSITIVE IMPLICATIONS

- Increases foreign exchange earnings. This is got from the export of agricultural products.
- Leads to economic growth. There is widened market for locally produced goods in other countries, this increases output thereby contributing to economic growth.
- Promotes international friendship and trade (co-operation). There is improvement in international relations because of the need to import from other countries as well as exporting locally produced goods to other countries.
- Leads to utilisation of idle resources. This is due to utilisation of the land resources to produce more agricultural products for export.
- Provision of revenue to the government. Revenue is generated by the government through taxing some imports and exports

- Provides employment opportunities. There is provision of more employment opportunities in the import and export trade sector for example people involved in clearing goods and forwarding, insurers, transporters.)
- Promotes innovations and inventions in order to compete in the global market. The importation of industrial machines leads to transfer of better technology from other countries, this facilitates increased output as well as improving the quality of goods in Uganda.
- Widens consumer choices due to importation of a variety of goods. High variety of goods imported leads to a wider consumer choice for goods and services in the country hence better standard of living.
- Fills the technological gap / resource gap due to importation of intermediate products and capital goods. It encourages technological development and technology transfer because of high importation of capital goods.
- Fills the manpower gap. It supplements the locally available skilled labour due to the importation of high level of foreign skilled manpower.
- Improved quality of output due to competition with high quality imports. The high quality manufactured imports help to improve the standards of living of the citizens.
- Increased efficiency of local firms due to competition from better quality imports.

NEGATIVE IMPLICATIONS

- ✚ Leads to poor terms of trade because of exporting mostly poor quality, unprocessed primary products that fetch low prices and importing expensive manufactured goods.
- ✚ Leads to unfavourable Balance of payments position due to limited variety of exports and high variety of imported goods.
- ✚ Vulnerability to foreign domination due to geographical concentration of trade.
- ✚ Under-utilisation of some resources due to narrow range of exports.
- ✚ High level of unemployment due to collapse of local industries as a result of competition from high quality imports.
- ✚ Dependence on some countries, for example, for markets, supplies etc. It leads to trade dependence where by Uganda relies on a few export markets in the developed countries. The developed countries in most cases dictate prices at which they buy Uganda's exports
- ✚ High level of capital / income outflow due to importation of intermediate goods.
- ✚ Low foreign exchange earnings due to low price, low quality, low quantity and limited variety of exports.
- ✚ Collapse of local firms due to out-competition from imports of high quality.
- ✚ Leads to income inequality. Falling export prices of agricultural commodities lead to declining incomes of farmers and exporters, this again worsens income inequalities in Uganda.

- ✚ Fluctuations in foreign exchange earnings due to fluctuations in prices of agricultural exports.