

Topic 5: STRUCTURE OF UGANDA'S ECONOMY

An economy refers to the collection of all the productive activities of a country (both monetary and non-monetary productive activities).

NB:Structure of Uganda's economy involves the basic/salient features of the economy of Uganda. It concerns the social and economic organization, and the interdependence of the different productive activities in the country.

The features of the economy of Uganda

Dominance of agriculture. Agriculture is the major economic activity in Uganda.

Uganda is an open economy. It highly participates in international trade for its development.

Uganda is a mixed economy.Resource ownership, control and resource allocation, and economic decision making are by both the state and individuals.

Uganda is highly a dependent economy. It highly relies on other economies for its development.

High level of unemployment and underemployment. Many people who are able and willing to work at the current wage rate do not find jobs.

Uganda is a dual economy/high level of economic dualism. There is coexistence of two sectors, one being modern and advanced and the other being traditional and backward.E.g. co-existence of modern technology and rudimentary technology applied in production, co-existence of the poor and the rich, co-existence of subsistence production and commercial production etc.

High rate of illiteracy in Uganda. Many people in Uganda do not know how to write and read due to low level of education.

High population growth rate. The population size increases/ grows at a very high rate of about 3% per year.

High level of unskilled and semi-skilled labour. This is due to high rate of illiteracy and low level of education.

Under developed infrastructure.Both social economic infrastructures are under developed due to the high cost of infrastructural development.

High existence of excess capacity/underutilisation of the available resources.Many sectors or production units produce at excess capacity, or underutilise the available resources in the economy.

Small but growing industrial sector. The industrial sector is still dominated by small scale industries, but the sector is growing at a high rate.

Large informal sector. There is high/ increased investment in the informal sector due to low levels of income of the majority population, thus limited investment in the formal sector.

Effects/economic implications of the structure of Uganda's economy Leads to low economic growth/GDP. This is due to the high level of excess capacity, high employment of unskilled and semi-skilled labour, high use of poor technology, under developed industrial sector etc.

Leads to the production of poor quality goods and services. This is due to high employment of unskilled and semi-skilled labour and high use of poor technology in production.

Worsens BOP problem. This is due to high dependence on foreign capital, which increases foreign debt servicing by government. BOP is also worsened due to high population growth rate which leads to high import requirements and high import expenditure.

Encourages brain drain. This is due to high level of unemployment in the economy.

Leads to unfavourable terms of trade. This is due to high dependence on expensive manufactured goods, and high exportation of agricultural products in raw form and at low prices.

Leads to high economic dependence. This is because Uganda is highly a dependent economy.

Leads to heavy external debt servicing by government. This is due to high dependence on external resources/capital by the government.

Leads to low government tax revenue. This is due to high level of unemployment, underdeveloped industrial sector, high level of economic dualism, large subsistence agriculture, underdeveloped infrastructure etc.

Worsens the problem of income inequality. This is due to high level of unemployment, high level of economic dualism, high illiteracy rate etc.

Limits technological advancement. This is due to high rate of illiteracy, high employment of poor technology in production, and high employment of unskilled and semi-skilled labour.

Limits the development of entrepreneurship. This is due to underdeveloped infrastructure, high population growth rate, and high dependence on foreign investment.

Encourages heavy reliance on other economies. This is because Uganda is highly a dependent economy.

Encourages economic dominance by foreign investors. This is because Uganda is highly a dependent economy, thus high reliance on foreign investment.

Encourages political dominance. This is due to high reliance on foreign political decision making.

Limits domestic investment. This is due to high population growth rate and high reliance on foreign investment.

Structure of the industrial sector

QN; Describe the features of the industrial sector in Uganda

- Mainly urban based/most industries are located in urban areas.
- Industrial sector is dominated by small scale industries.
- Industrial sector mainly employs unskilled and semi-skilled labour.
- The sector mainly employs labour intensive techniques of production/simple technology.
- The industries mainly produce poor quality goods and services.
- Most of the industries are processing industries, with few manufacturing industries.
- The sector mainly produces for home/local/domestic market.
- Many of the industries are agro-based industries i.e. relying on agricultural raw materials.
- The sector mainly produces consumer goods, with very few industries producing capital goods.
- Most of the industries produce at excess capacity/the industries mainly produce low quantity output.

- Most industries are privately owned, with very few industries owned by government.
- Durable consumer goods industries are assembling industries i.e. the spare parts are imported and then assembled in Uganda e.g. TV industry, car industry, bicycle industry etc.
- There is high importation of raw materials and intermediate products, especially by large scale industries.
- There is limited linkage between the industrial sector and other sectors of the economy.

Economic implications of the structure of the industrial sector in Uganda QN; Assess the economic implications of the structure of the industrial sector in Uganda

Positive implications

Provision of large employment opportunities to the people. This is because most of the industries are small scale industries, and most of them employ labour intensive techniques of production

Provides wide variety of consumer goods which widen consumers' choices. This is because the industrial sector mainly produces consumer goods.

Encourages production at low cost. This is because the industrial sector mainly employs simple/labour intensive technology, and the labour employed is mainly unskilled and semi-skilled labour which is paid low wages.

Promotes improved management/organization in production process, resulting into increased efficiency and large output of better quality goods and services. This is because most industries are privately owned, thus encouraging self-initiative due to profit motive.

Promotes resource utilisation thereby minimising resource wastage. This is because most of the industries are small scale industries which highly depend on locally available resource as source of their raw materials **Encourages the growth and development of the agricultural sector.** This is because many industries are agro-based industries hence providing market for agricultural raw materials, and this promotes agricultural development

Encourages /promotes capital inflow. This is because most industries are privately owned and this attracts large number of private investments in the industrial sector, resulting into increased capital inflow.

Promotes linkage with agricultural sector. This is because many industries are agro-based industries.

Provision of high government tax revenue. This is because most of the industries are privately owned and this increases government taxes on the output and profits of the industries

Negative implications

Leads to high rural-urban migration and its problems. This is because of urban concentration of industries, which causes rural-urban migration.

Causes unbalanced regional development. This is due to urban concentration of industries thereby attracting more economic activities in urban areas.

Encourages the production of poor quality industrial products. This is because most of the industries employ simple/labour intensive technology, and there is high employment of unskilled and semi-skilled labour.

Worsens the problem of balance of payment. This is because most of the industries produce for home/local market, and there is high importation of raw materials and intermediate products, especially by large scale industries.

Limits employment opportunities to the people. This is because most of the industries produce at excess capacity, and most of them operate on small scale.

Limits capital accumulation/formation. This is because most of the industries produce consumer goods, with very few industries producing capital goods.

Encourages underutilization of the available resource, causing their wastage. This is due to the dominance of small scale industries, and because most industries operate at excess capacity.

Leads to low economic growth/low GDP. This is because most industries operate at excess capacity, and most of them are small scale industries.

Leads to fluctuations in the supply and prices of industrial products. This is because many industries are agro-based industries, thus depending on agricultural products for raw material, but the supply of agricultural output is highly affected by natural factors.

Increases capital outflow. This is because most industries are privately owned, thereby attracting large number of foreign investors who repatriate profits, and this increases capital outflow.

The role of the industrial sector to the economic development

QN 1 Explain the role of the industrial sector to the economic development of Uganda

QN 2 Assess/Examine the role of the industrial to the economic development of Uganda

Positive role /contribution

Creates large employment opportunities to the people. This is due to the increased number of industries, which promotes high production and high demand to hire labour.

Source of government revenue. This is through taxation.

Promote the development of labour skills. This is through the training facilities provided to labour in the industries.

Promotes the development of entrepreneurial skills. This is through the training facilities provide to entrepreneurs in the industries.

Promotes technology transfer and technology development. This is due to the high use of capital intensive techniques of production, especially in large scale industries.

Improves BOP position. This is due to increased industrial output for export, thus increased foreign exchange earnings. BOP position is also improved due to increased domestic industrial output which reduces the demand for imports, thereby reducing import expenditure.

Improves the terms of trade. This is due to the value added to industrial products, which leads to increased prices of the industrial exports.

Promotes the development of infrastructure. This is due to the increased number of industries and increased industrial production thereby attracting the construction of better infrastructure to facilitate the mobility of inputs and final products.

Facilitates resource utilization thereby minimising resource wastage. This is due to the increased number of industries and high increase in the output produced, thus high demand to increase the supply of raw materials by exploiting the available resources.

Promotes economic growth/high GDP. This is due to the increased number of industries and high increase in the amount of industrial products produced.

Promotes the production of high quality goods and services. This is due to high competition amongst producers in the industrial sector.

Encourages/attracts capital inflow. This is due to high increase in the number of foreign investments in the industrial sector.

Reduces economic dependence. This is due to the high increase in the amount of domestic industrial products, thereby reducing dependence on imported manufactured goods.

Provides market for agricultural products thereby promoting agricultural development. This is because agro-based industries get their raw materials from agricultural sector.

Promotes economic diversification thereby reducing sectoral dependence. This is because industrialization promotes linkage in the economy, which results into the development of different sectors.

Promotes stability in prices in the economy. This is due to high stability in the supply of industrial products.

QN; Why is there need to promote industrialization in developing countries?

- To create more employment opportunities.
- To promote the development of labour skills.
- To promote the development of entrepreneurial skills.
- To increase government revenue.
- To facilitate infrastructural development.
- To stabilise prices of goods and services.
- To promote economic growth /high GDP.
- To encourage the production of high quality goods and services.
- To improve BOP position.
- To improve the terms of trade.
- To diversify the economy.
- To attract foreign investment/capital inflow.
- To encourage technology transfer and technology development.
- To promote linkage between the different sectors of the economy.
- To promote agricultural development/to provide market for agricultural products.

- To reduce economic dependence/to promote self-reliance.

Negative contribution/role of the industrial sector

Causes rural urban migration with its problems. This is due to high industrial concentration in urban areas, thereby attracting rural population.

Encourages over exploitation of the available resources, thus leading to their depletion. This is due to the increased number of industries, increased production of goods and services, thus high demand to exploit the available resources to acquire raw materials.

Causes (technological) unemployment. This is due to high or increased use of capital intensive techniques of production in the industrial sector where labour is replaced with machinery in the production process.

Creates high social costs like pollution and environmental degradation. This is through the fumes emitted by the industries and increased industrial wastes.

Encourages external resource dependence. This is due to high importation of raw materials and intermediate products for industrial development.

Increases capital out flow in form of profit repatriation by foreign investors. This is due to high increase in the number of foreign investors in the industrial sector.

Encourages unbalanced regional development. This is due to high industrial concentration in urban areas.

Encourages economic dominance by foreign investors. This is due to the large number of industries established and controlled by foreign investors.

Causes increase in the prices of goods and services in the economy/causes inflation. This is due to high or increased cost of industrialization.

Worsens the problem of income inequality. This is due to high industrial concentration in urban areas, which attracts high economic activities and more incomes in urban areas.

The returns in the industrial sector are not immediate thereby leading to shortage of goods in the short run. This is because it takes time to build industries before production begins.

Factors that influence the development of the industrial sector in developing countries

Size/level of capital. Limited capital discourages the acquisition of machinery/equipment, which limits the establishment and expansion of industries thereby discouraging industrial development, while large amount of capital leads to high acquisition of machinery/equipment for the establishment and expansion of industries, hence promoting industrial development.

The land tenure system. Poor land tenure system makes it difficult for individuals/investors to acquire land, which limits investment/production in industrial sector thereby discouraging industrial development, while proper land tenure system enables easy access to land by investors, which attracts high investment/production and this promotes industrial development.

The skills of labour. Limited labour skills result into low labour efficiency/productivity and low output of poor quality industrial products, thus discouraging industrial development, while high labour skills result into high efficiency/productivity of labour, which promotes the production of large output of high quality industrial products and this encourages industrial development.

Level of entrepreneurial skills. Limited entrepreneurial ability leads to poor organization in production and limited risk under takings thereby leading to low investment/production and low industrial development, while high entrepreneurial ability leads to proper organization in production and high risk under takings, which results into high investment/production and high industrial development.

Political climate/atmosphere. Political instability/unrest creates fear in investors about the loss of lives and property, which discourages investment/production thereby limiting industrial development, while political stability creates confidence in investors about the safety of lives and property, which attracts more investment/production thereby promoting industrial development.

Level of infrastructural development. Poor or underdeveloped infrastructure leads to high cost production and limited mobility of inputs and final products, which discourages investment/production thereby limiting industrial development, while improved or developed infrastructure leads to low cost of production and high mobility of inputs and final products, which attracts more investment/production thereby promoting industrial development.

The technology used in production. Use of poor technology leads to inefficiency in production, which results into low output of poor quality goods and services and this discourages investment/production thereby limiting industrial development, while improved/better technology applied leads to high efficiency in production, which results into large output of better quality goods and services, thereby promoting industrial development.

Government policy on investment/government policy of taxation and subsidization. High government taxes and limited subsidies result into high cost of production, which leads to low investment and low industrial development, while tax holidays and subsidies given to investors reduce the cost of production, which attracts more investment/production thereby promoting industrial development.

Inflation rate. High inflation rate leads to high cost of production, which discourages investment/production thereby limiting industrial development, while low inflation rate leads to low cost of production, which attracts more production/investment thereby promoting industrial development.

Market size. Small or limited market size leads to low sales and low profits realised by producers, which discourages investment/production thereby limiting industrial development, while large market size leads to high sales and high profits realised by producers, which attracts more investment/production and this promotes industrial development.

Level of resource exploitation. Limited exploitation of the available resources leads to limited supply of raw materials, which discourages production and this limits industrial development, while high resource exploitation increases the supply of raw materials, which attracts more production and this promotes industrial development.

Level of corruption/accountability in the industrial sector. High level of corruption/limited accountability leads to increased diversion of the available funds for personal benefits, which limits the expansion of industries, thus discouraging industrial development, while low level of corruption limits the diversion of the available funds for personal benefits and this promotes the expansion of industries, thus promoting industrial development.

Degree of capital/income out flow. High level of capital outflow in form of profit repatriation by foreign investors limits capital accumulation, which discourages the expansion and the development of foreign owned industries, while limited

profit repatriation leads to high capital accumulation, which promotes the expansion and development of foreign owned industries.

Degree of conservatism/cultural attachment. High level of conservatism discourages the adoption of new or better methods of production, which leads to inefficiency in production thereby limiting industrial development, while low level of conservatism encourages the adoption of new or better methods of production, which results into high efficiency in production thereby promoting industrial development.

The degree of linkage with other sectors. Limited linkage between industrial sector and the other sectors of the economy leads to limited harmony/ interdependence of the sectors, which discourages industrial development, while high linkage between industrial sector and the other sectors leads to increased harmony or interdependence of the sectors, which promotes industrial development.

Level of enforcement of patent laws. Limited enforcement of patent laws encourages duplication of activities/services in the industrial sector, which results into the collapse of weak firms and this limits the development of the industrial sector, while high enforcement of patent laws discourages duplication of activities/services in the industrial sector, and this limits the collapse of weak firms thereby promoting the development of the industrial sector.

Problems/challenges faced by the industrial sector in developing countries/factors limiting the development of the industrial sector

- Limited capital.
- Limited labour skills.
- Limited entrepreneurial skills.
- Poor land tenure system.
- Small market size.
- Political instability/unrests.
- Poor technology used.
- Poor/underdeveloped infrastructure.
- Unfavourable government policy on investment/unfavourable government policy of taxation and subsidization.
- High rate of inflation/instabilities in prices.
- Limited resource exploitation/limited supply of raw materials.
- High level of corruption/limited accountability.

- High level of conservatism/cultural attachment.
- Limited linkage with other sectors.
- High capital outflow in form of profit repatriation.
- Weak enforcement of patent laws.

Measures that should/can be taken to promote industrial development in developing countries

Land reforms should be encouraged. This should be done to enable easy access to land by investors/individuals, and this can attract more investment/production, which will promote industrial development.

Labour skills should be developed. This will increase labour efficiency/productivity and it can result into the production of large output of high quality goods and services, thereby promoting the development of the industrial sector.

Entrepreneurial skills should be developed. This should be done to promote proper organization in the industrial sector, which can encourage high investment/production and high development of the industrial sector.

Affordable loans/credit facilities should be given to investors. This can enable the acquisition of machinery/equipment for the establishment and development of the industrial sector.

Market size should be expanded/widened. This can increase the sales and profits of the manufacturers, which will attract more investment/production in the industrial sector, thereby promoting industrial development.

Political stability can be improved or maintained. This will create confidence in the investors about the safety of their lives and property, which can attract more investment/production and therefore industrial development will be promoted.

Infrastructure should be developed. This should be done to minimise the cost production and to promote the mobility of inputs and final products, which can attract more investment/production in the industrial sector and this will lead to high level of industrial development.

The available resources should be exploited. This should be done to increase the supply of raw materials, which will attract more investment/production in the industrial sector, thus promoting its development.

Investment incentives inform of tax holidays and subsidies should be given to investors. This can reduce the cost of production and this will increase the establishment and development of more industries, thus promoting the development of the industrial sector.

Inflation rate should be controlled. This should be done to reduce the cost of production, which can attract more investment/production in the industrial sector and this will lead to industrial development.

Corruption should controlled/fought. This should be done to minimise the diversion of funds for personal benefits, which will encourage the expansion of industries and this can promote industrial development.

Technology transfer and technology development should be encouraged. This can lead to high efficiency in production and this will encourage the production of large output of high quality goods and services, thereby promoting industrial development.

The privatisation of public enterprises should be encouraged. This can be done to promote efficiency of the firms, which will result into the production of large output of high quality industrial products, thereby encouraging industrial development.

Trade/economic liberalisation should be encouraged. This can reduce the cost of production, which will encourage more investment/production in the industrial sector, thereby promoting industrial development.

Patent laws should be enforced. This is to minimise the duplication of activities, which will limit the collapse of weak firms in the industrial sector, thereby promoting the development of the industrial sector.

The general public should be sensitised against conservatism. This can be done to encourage the adoption of new/better methods of production, which will lead to high efficiency in production, thereby promoting large output of high quality industrial products and this can lead to industrial development.

QN; 1 Explain the measures that have been taken to promote industrial development in Uganda

2 Discuss the measures being taken to promote industrialisation in

Uganda

The structure of agriculture

The salient/major features of the agricultural sector are as follows;

- Agriculture is mainly carried out in rural areas.
- Mainly employs unskilled and semi-skilled labour.
- Mainly depends on nature.
- Mainly employs labour intensive techniques of production/poor technology.
- Mainly produces poor quality products.
- Mainly produces low quantity output.
- Agriculture high employs family labour.
- Agricultural production is largely or mainly for subsistence.
- Mainly produces food crops/stuffs.
- There is limited/narrow range of agricultural products for export.
- Production in agricultural sector is mainly for home/domestic market.

Economic implications of the structure of the agricultural sector

Positive implications

Provides large employment opportunities. This is due to the dominant small scale agriculture and high employment of labour intensive techniques of production.

Minimises the cost of production, which results into low agricultural prices for the consumers. This is due to high employment of family labour, unskilled and semi-skilled labour, and high employment of simple or labour intensive technology, all at low cost.

Provision of large amounts of food to the population, which minimises hunger/famine. This is because agricultural sector mainly produces food stuffs/crops.

Reduces income/wealth inequality. This is due to the large employment opportunities created, resulting into increased incomes of many people in the rural areas.

Reduces rural urban migration and its negative effects. This is due to the large employment opportunities created to many people in the agricultural sector in the rural areas.

Promotes the utilization of the available resources in the rural areas, thereby minimising resource wastage. This is because agricultural production is mainly in the rural areas.

Minimises the effects of price fluctuations in the agricultural sector. This is due to the large subsistence agriculture.

Negative implications

Leads to increased unemployment problem. This is due to the large subsistence agriculture, high employment of family labour not for wage, and due to the dominant small scale peasant agriculture.

Encourages the production of poor quality agricultural output. This is due to high employment of family labour, unskilled and semi-skilled labour, and high use of poor or simple technology in agricultural production.

Encourages low output production, hence low economic growth/GDP. This is due to the large subsistence agriculture, dominant small scale peasant agriculture, and high employment of poor/simple technology, high employment of unskilled and semi-skilled labour and high dependence on family labour.

Worsens BOP problem. This is due to limited/narrow range of agricultural products for export, dominant poor quality agricultural products for export, which limit export earnings.

Leads to unfavorable terms of trade. This is due to the dominant poor quality agricultural products for export which fetch/command low prices in foreign market.

Encourages underutilization of the available resources, resulting into resource wastage. This is due to the dominant small scale peasant farming and the large subsistence agriculture.

Leads to low government tax revenue. This is due to the large subsistence production and low agricultural output produced.

Leads to instabilities in the supply and in the prices of agricultural products. This is because agriculture highly depends on nature which affects the output produced.

Worsens income/wealth inequality. This is due to the large subsistence agriculture which is carried on small scale, and this leads to low incomes of the rural population as compared to the incomes of the urban population.

Limits the monetization of the economy. This is because agricultural production is mainly for subsistence.

Limit the development of infrastructure. This is because agricultural production is mainly for subsistence.

Limits the development of the industrial sector. This is because agricultural production highly depends on nature, which leads to fluctuations in the supply of agricultural products used as raw materials in agro-based industries.

Agricultural dominance in Uganda

Agriculture is the major economic activity in Uganda, thereby making it the dominant sector. The dominance of agriculture as the major economic activity is reflected in the following areas;

- Agriculture is the major source of employment in Uganda. Most of the population in Uganda is engaged in farming.
- Agriculture is a major source of foreign exchange earnings in Uganda. This is because agricultural products form a high proportion of Uganda's export base.
- Agriculture is a major source of raw materials for the industrial sector. This is because many industries in Uganda are agro-based industries.
- Agriculture is the major source of food in Uganda. The sector mainly produces food stuffs for the local population, thereby increasing food security.
- Agriculture is the major land use in Uganda. Most of the rural land is for farming.
- Agriculture contributes a high percentage of Uganda's GDP.
- Agriculture contributes a high percentage of Uganda's tax revenue.

Factors limiting agricultural development in Uganda

Poor land tenure system. This makes it difficult for individuals/investors to access/acquire land, thereby discouraging large scale farming and this limits agricultural development.

Limited capital/income. This discourages the acquisition of machinery/equipment, which makes it difficult for farmers to undertake large scale agriculture/farming.

Limited labour skills. This leads to low efficiency/productivity of labour, which results into low output of poor quality agricultural products and this discourages agricultural development.

Limited entrepreneurial skills. This leads to poor organisation and limited risk investment in agricultural production, thereby discouraging agricultural development.

Small market size. This leads to low sales and low profits realised by farmers, which discourages investment in agriculture, thereby limiting agricultural development.

Poorly/under developed infrastructure. This leads to increased cost of production and limited mobility of inputs and final products, which discourages production and this limits agricultural development.

Use of simple/poor technology in production. This creates high level of inefficiency in agricultural production and this leads to low output of poor quality agricultural products, thus discouraging the development of agriculture.

Political instability in some parts of the country. This creates fear in farmers/ investors about the loss of their lives and property, which discourages production/investment, thereby limiting agricultural development.

High level of corruption in agricultural sector. This leads to the diversion of the available funds for personal benefits by some individuals, thereby limiting the amount of funds for agricultural development.

High natural hazards/calamities affecting agricultural output. Natural hazards destroy agricultural output and the available infrastructure, which discourages investment/ production and this limits agricultural development.

High level of conservatism/cultural rigidities. This discourages the adoption of new/better methods of production, which results into inefficiency in agricultural production, thereby limiting agricultural development.

High level of price fluctuations of agricultural products. This leads to fluctuations in farmers' incomes, thereby discouraging investment in agriculture, and this limits the development of agriculture.

Limited subsidies given to farmers. This leads to high cost of production, which discourages investment in agriculture, thereby limiting agricultural development.

Poor land scape/poor topography. This discourages the use of machinery in agricultural production in some areas of the country, thereby limiting agricultural mechanization, and this leads to low agricultural development.

QN; Discuss the factors that influence the development of the agricultural sector in Uganda

- The land tenure system.
- Size/level of capital.
- Labour skills.
- Level of entrepreneurial skills.
- Market size.
- Political climate/atmosphere.
- The technology used.
- Infrastructural development.
- Government policy on investment.
- Level of corruption/accountability.
- Degree of conservatism/cultural attachment.
- The land scape/topography.
- Natural factors affecting agricultural output.
- Level of agricultural price fluctuations.

Measures being taken to promote agricultural development in Uganda

Land reforms are being encouraged. This is being done to create easy access to land by individuals/investors, which attracts more production and increased agricultural development.

Affordable loans/credit facilities are being given to farmers. This enables the farmers to acquire machinery/equipment, which is promoting large scale farming, thereby encouraging agricultural development.

Infrastructure is being developed. This reduces the cost of production and promotes the mobility of inputs and final products, which attracts high production and increased agricultural development.

Developing labour skills. This leads to high efficiency/productivity of labour, which encourages the production of large output of better quality agricultural products and this promotes agricultural development.

Entrepreneurial skills are being developed. This is being done to encourage proper organization and increased risk undertakings in agricultural sector, and this promote agricultural development.

Expanding/widening the market size. This increases the sales and profits of the farmers, thereby attracting more investment/production and this promotes agricultural development.

Maintaining political stability. This is being done to create confidence in the safety of the lives and property of investors/farmers, which encourages more production and high agricultural development.

Fighting corruption in agricultural sector. This is being done to minimise the diversion of funds for personal benefits by some individuals, which is increasing the availability of funds for the expansion and development of the agricultural sector.

Promoting the development of the industrial sector. This is being done to provide market for agricultural products which act as raw materials for agro based industries. This is encouraging more agricultural production and high agricultural development.

Encouraging agricultural modernization. This is being done to reduce over dependence on nature, which helps to increase agricultural output and therefore promote agricultural development.

Research into better methods of production in agriculture is being encouraged. This is minimising the effects of natural hazards affecting agricultural output, thereby promoting agricultural development.

Subsidizing farmers' incomes. This is being done to reduce the cost of production, which helps to attract more production/investment in agriculture, thereby promoting agricultural development.

Sensitising farmers against conservatism/cultural rigidities. This is being done for easy adoption of new/improved methods of production, which is encouraging increased efficiency in agricultural production, thereby promoting agricultural development.

Encouraging the formation of farmers' cooperative societies. This is being done to enable farmers to acquire agricultural inputs and loans at low cost, which is promoting commercial agriculture thereby encouraging agricultural development.

Joining/strengthening commodity agreements. This is being done to increase the bargaining power of agricultural producers in the world market for

high and stable prices of agricultural products, thereby promoting agricultural development.

Encouraging agricultural diversification. This is being done to encourage stability in farmers' incomes, thereby attracting more production and high agricultural development.

Strengthening agricultural institutions like NAADS. This enables farmers to acquire seeds/ seedlings at low cost or freely, which increases production and this leads to high agricultural development.

QN; 1) Explain the measures that have been taken to promote agricultural development in Uganda

2)Suggest measures that can/should be taken to promote agricultural development in developing countries

The role/contribution of the agricultural sector to the economic development

Positive role/contribution

- Source of government revenue through taxing commercial agriculture.
- Creates employment opportunities to many people due to the high application of labour intensive techniques of production in agricultural sector.
- Promotes equitable income distribution/reduces income inequality due to the large number of people employed in agriculture.
- Contributes to economic growth/increased GDP due to increased production in agricultural output.
- Provides raw materials for the development of the industrial sector because of the large number of agro-based industries.
- Provides market to the industrial sector through buying agricultural inputs manufactured in the industries.
- Generates foreign exchange earning thereby reducing BOP problem due to increased amount of agricultural products for export.
- Source of food to the population because agricultural sector mainly produces food stuffs for the local population.
- Promotes balanced regional development because agricultural sector is mainly in rural areas, which attracts infrastructural development, thus promoting rural development.

- Supplies labour to other sectors of the economy because labour trained in agriculture is sometimes shifted to worker in the other sectors.
- Promotes resource utilisation thereby minimising resource wastage. This is due to increased commercial agriculture which is carried out on large scale, thus promoting the utilisation of the available land.
- Reduces external dependence due to increased domestic food production.
- Promotes research which results into improved methods of production. This is due to the need to reduce over dependence on nature in agricultural development.

Problems of over relying on agriculture/negative role of the agricultural sector

- Causes seasonal unemployment due to the high level of seasonal/climatic changes, limiting the employment of farmersthroughout the year.
- Leads to low government revenue due to the large subsistence agriculture and high natural hazards which destroy agricultural output.
- Limits economic growth/ GDP due to the large subsistence agriculture and high natural hazards which destroy agricultural output.
- Causes BOP deficit due the large subsistence agriculture, low quality agricultural products for export, limited amount and limited variety of agricultural products for export, thus low export earnings.
- Worsens the terms of trade due to poor quality agricultural products for export.
- Discourages infrastructural development due to the large subsistence agriculture and the dominant small scale peasant agriculture.
- Discourages industrial development. This is because agriculture highly depends on nature, hence natural hazards limit the supply of raw materials used in agro-based industries.
- Causes instabilities in farmers' incomes due high agricultural price fluctuations.
- Limits the monetization of the economy thereby discouraging trade/commerce because of the large subsistence agriculture.
- Limits the development of labour skills, resulting into low labour efficiency/productivity. This is due to the high employment ofpoor technology, family labour and unskilled and semi-skilled labour.

- Leads to limited innovations and inventions due high level of cultural rigidities in agricultural production and high employment of rudimentary technology.

The informal sector

Informal sector is an intermediate sector of the economy, existing between the modern/advanced/formal sector and the traditional/backward sector. OR it is an economic sector involving small scale businesses/investments/firms without formal establishment. E.g. hawker business, handcraft industry, blacksmith, brick laying, small scale bakery industry etc.

Features of the informal sector

- The sector is dominated by small scale firms/the capital used for starting, and for the running of the firms is mainly small.
- Production is mainly for local/domestic market.
- Dominated by sole proprietorship.
- Firms mainly produce consumer goods.
- The sector is mainly found in sub/semi- urban areas.
- The sector mainly produces poor quality products.
- The sector mainly produces low quantity output.
- Mainly employs unskilled and semiskilled labour.
- Mainly employs labour intensive techniques of production/simple technology.
- There is limited book/record keeping.
- The sector mainly depends on the available local resources as source of raw materials.
- There is limited government control of firms.

NB Formal sector is modern/advance sector, involving large scale firms with formal establishment i.e. registered firms/companies.

Features of the formal sector

- Mainly employs modern/capital intensive technology.
- Mainly produces improved/better quality goods and services.
- Mainly urban based.
- Mainly profit oriented.

- Mainly employs skilled labour.
- Dominated by registered businesses.
- Mainly provides wage employment.
- Produces for both local and foreign markets.
- Dominated by corporate ownership of resources.
- Have employees' and employers' unions.
- Businesses are mainly governed by law/Act of parliament.
- Proper record keeping.

The role /contribution of the informal sector to the economic development QN; Assess the contribution of the informal sector to the economic development of Uganda

Positive contribution/role

Creation of employment opportunities to the people. This is due to high employment of labour intensive techniques of production in the informal sector.

Encourages the utilisation of the available resources, thereby minimising resource wastage. This is because informal sector largely depends on locally available resources as source of raw materials.

Leads to increase in the GDP/economic growth. This is due to the high increase in the number of investments in the informal sector, which results into increased amount of goods and services produced.

Contributes revenue to government. This is through taxing businesses in the informal sector.

Promotes the development of entrepreneurial skills. This is through on- job training where entrepreneurs are able to acquire more experience in their business operations.

Promotes the development of labour skills. This is though on-job training where labour is able to gain more experience in production process.

Provides affordable goods and services to low income people. This is because of the low cost of production, leading low prices charged for the products.

Increases consumers' choices for goods and services. This is due to the increased number of investments, which leads to wide variety of goods and services produced/provided.

Reduces income inequality. This is due to the increased number of people employed in the informal sector, leading to increase in the incomes of many people.

Encourages industrial development. This is because informal sector attracts the establishment of many small scale industries which eventually expand into large scale industries.

Encourages technological development. This is because the sector mainly depends on local technology, which encourages innovations and creativity amongst the producers for improved methods of production.

Promotes commercial production, thereby reducing subsistence economy. This is because informal sector involves business activities carried out with the objective of making profits.

Minimises capital outflow/foreign exchange outflow. This is because the sector mainly depends on the locally available resources as source of raw materials.

Negative contribution/role

Leads to high wastage of resources. This is due to unnecessary completion and duplication of activities or services.

Causes unemployment and under employment. This is because the sector is dominated by small scale investments/businesses, which leads to limited production and limited job opportunities.

Causes underutilization of the available resources, leading to their wastage. This is because the capital invested is very small, which leads to limited production and limited resource utilization.

Limits economic growth/GDP. This is because the capital invested is very small, which results into limited output produced.

Encourages the production of poor quality output of goods and services. This is because of high employment of unskilled and semi-skilled labour, and high employment of poor technology.

Causes rural urban migration and its problems. This is because the sector is mainly urban based, thereby attracting the rural population in urban areas.

Limits government revenue. This is due to small-scale operations and high tax avoidance in informal sector.

Causes social costs like pollution and environmental degradation in sub-urban areas. This is through the littering of the environment, and noise pollution.

Increases government/administrative cost. This is because government is forced to spend money/income in the process of trying to relocate some of the activities in the informal sector. E.g. relocating vendors operating on the streets.

Causes congestion and accidents in urban areas. This is because the sector is mainly semi-urban based, which attracts many people and many activities in urban areas.

Problems faced by the informal sector/factors limiting the operations of the informal sector in Uganda

Limited capital which discourages the acquisition of machinery/equipment, thereby limiting the expansion and the development of the informal sector.

Small/limited market size. This leads to low sales and low profits of producers/traders, thereby discouraging investment in the informal sector.

High use of poor technology in the informal sector. This creates high level of inefficiency in production, which leads to the production low output of poor quality goods and services, thereby discouraging investment in the informal sector.

Limited labour skills. This leads to low labour efficiency/productivity and low output of poor quality goods and services produced, thereby discouraging the development of the informal sector.

Limited entrepreneurial skills. This leads to poor organization and limited risk undertakings, thereby discouraging production, which limits the development of the informal sector.

Poor/underdeveloped infrastructure. This leads to high cost of production and limited mobility of inputs and final products, thereby discouraging the development of the informal sector.

Poor land tenure system. This makes it difficult to access/ acquire land by individuals, thereby discouraging the establishment and expansion of businesses in the informal sector.

Political instability/unrests. This creates fear in individuals/investor about the loss of lives and property, which limits production/investment in the informal sector thereby discouraging its development.

Harassment by government authorities. This creates fear in individuals about the loss of property, thereby discouraging the development of the informal sector.

High-level of conservatism/cultural tendencies. This discourages the adoption of better methods of production, which leads to inefficiency in production, thereby limiting the amount and quality of goods and services produced, thus discouraging the development of the informal sector.

QN; Suggest measures that can be taken to promote the development of the informal in Uganda

- Market size can be expanded.
- Affordable loans/credit facilities should be given to individuals/investors.
- Labour skills can be developed.
- Entrepreneurial skills can be developed.
- Land reforms should be encouraged.
- Political stability should be improved.
- Harassment by government authorities should be minimised.
- The general public should be sensitised against cultural rigidities.
- Subsidies should be given to individuals in the informal sector.
- Infrastructure can be developed.
- Trade liberalization can be encouraged.

Structure of Uganda's exports

- Mainly agricultural products for export
- Mainly poor quality export products.
- Mainly un-processed and semi-processed products for export.
- Mainly low quantity output for export.
- Limited variety of export products.
- Very few services for export.
- Very few manufactured consumer goods for export.
- Mainly consumer goods for export.
- High level of geographical concentration of export market/limited range of export market.

- High levels of price fluctuations in the export market/exports mainly fetch low prices.

Structure of imports of Uganda

- Mainly manufactured consumer and capital goods that are imported.
- Wide variety of imported products.
- Mainly high quality products are imported.
- High importation of advanced technology.
- Limited range of import market i.e. few countries from which imports are acquired.
- High prices of imported goods.
- Mainly large quantity output of goods and services are imported.

Effects of the structure of Uganda's export- import sector

- Worsens the terms of trade due to high exportation of low quality products and high importation of expensive manufactured products.
- Worsens BOP problem due to limited variety of export products, high exportation of poor quality products, and high amount of imported manufactured products which are expensive.
- Leads to price fluctuations of the export products due to high dependence on agricultural exports.
- Causes unemployment due to high importation of manufactured goods, which discourages the development of local industries, thus limiting local production. Unemployment is also caused due to high importation of advanced technology, leading to technological unemployment.
- Leads to high economic dependence due to limited variety of export products and large amounts of imported manufactured goods.
- Leads to high capital outflow/foreign exchange expenditure on the importation of expensive manufactured goods.
- Discourages the development of local technology due to high importation of advanced technology.
- Discourages the utilization of the available local resources, causing their wastage. This is due to high importation of manufactured goods, which limits the development of local firms/industries, thus discouraging local production and local resource utilization.

Measures that can be taken to increase export earnings in Uganda

- Join/strengthen regional/economic integration so as to create more market for exports in the neighbouring countries.
- Join/strengthen international commodity agreements so as to increase the bargaining power for high and stable export prices in the world market.
- Encourage export promotion strategy so as to increase the quantity and quality of export products.
- Encourage industrial development so as to add value to export products instead of exporting the products in raw form.
- Undertake intensive advertising of the export products so as to create more demand/market for exports.
- Seek/negotiate for the removal of trade barriers put against the exports by the buyers.
- Encourage the diversification of export market through identification of new countries where the exports can be sold.
- Control inflation rate so as to reduce the cost of production so that the prices of export products can be lowered to attract more demand for them.
- Promote political stability so as to create confidence in the investors about the safety of lives and property, which can attract more production in the export sector, thus increasing export volume and export earnings.
- Reduce export tariffs so as to encourage the exporters to increase the volume of exports.
- Fight against trade malpractices so as to minimise the smuggling of goods outside the country.

Economic dependence

Economic dependence refers to a situation where an economy relies on other economies for its development or survival. The economy relies on other economies in terms of resources, decision making and trade, for its development or survival.

NB; Economic dependence may also take the form of an economy relying on one or a few major sectors for its development. E.g. Uganda relies heavily on agriculture for its development.

NB: Economic interdependence is a situation where economies rely on each other for mutual benefit.

Forms of economic dependence

External resource dependence. This refers to a situation where an economy relies on foreign resources for its development or survival. E.g. relying on foreign capital, foreign skilled labour, foreign technology, foreign investment and foreign relief aid.

Direct economic dependence. This is a situation where an economy relies on external/foreign decision making for its development or survival.

Trade dependence. This is where an economy relies on international trade for its development, but when there is high level of geographical concentration of export trade and commodity concentration of export products, while importing large amounts of manufactured consumer and capital goods.

Sectoral dependence. This is a situation where an economy relies on one or a few major sectors for its development.

Examples/types of economic dependence •

High dependence on foreign skilled labour.

- High dependence on foreign capital.
- High dependence on foreign technology.
- High dependence on foreign investment.
- High dependence on foreign decision making.
- High dependence on agriculture as a major economic activity.
- High dependence on few export products and limited export market, while importing large amounts of expensive manufactured consumer and capital goods.

Effects of economic dependence

Negative effects/demerits of economic dependence

Encourages underutilization of the available local resources, causing their wastage. This is due to the increased inflow of foreign resources into the economy.

Leads to high economic dominance by foreign investors. This is due to high or large number of foreign investments in the economy.

Discourages local initiative/encourages laziness amongst the citizens. This is due to high reliance on foreign resources for survival.

Increases capital outflow. This is through profit/income repatriation by foreign investors and by foreign skilled labour.

Worsens the terms of trade. This is due to high reliance on poor quality exports which fetch very low prices in the world market, while importing expensive manufactured consumer and capital goods.

Worsens BOP problem. This is due to high reliance on limited variety of export products, high exportation of poor quality export products, leading to low export earnings, and high dependence on expensive manufactured goods, leading to high import expenditure.

Causes unemployment in the economy. This is due to high reliance on foreign advanced technology which results into technological unemployment.

Leads to foreign political dominance/loss of political sovereignty. This is due to high reliance on foreign political decision making.

Erodes cultural/traditional values. This is because some of the foreign aid/assistance is given with social conditions attached by the donors, and some of the products imported have negative effect on traditional values.

Leads to low foreign exchange earnings, thereby limiting economic growth and economic development. This is due to high reliance on very few exports of poor quality products.

Positive effects of economic dependence

- Promotes economic growth through increased foreign investment.
- Increases government revenue through increased foreign loans, grants and donations.
- Closes man power gap due to dependence on foreign skilled labour.
- Encourages technology transfer and technology development/closes technological gaps due to high importation of advanced technology.
- Closes foreign exchange gap.

Reasons for the high level of economic dependence in developing countries

- High reliance on foreign skilled labour due to the poor education and high employment of unskilled and semi-skilled labour.
- High reliance on foreign relief aid due to high level of natural hazards.
- High reliance on foreign capital due to low tax base and low tax revenue.
- Underdeveloped/ poor technology, resulting into high reliance on foreign advanced technology.

- Underdeveloped industrial sector which encourages high reliance on imported manufactured consumer and goods and high reliance on foreign investors for industrial development.
- High cost of infrastructural development, resulting into high government reliance on foreign capital for the development of infrastructure.
- High population growth rate, resulting into high dependence on imported goods to supplement domestic output.
- High government external debt servicing, resulting into limited foreign exchange reserves, which forces government to borrow more money, thus leading to high dependence on foreign capital.
- High level of corruption/ limited accountability by government officials, limiting the amount of government revenue and this leads to high reliance on foreign capital.
- Political instability/ unrest which encourages heavy reliance on foreign military equipment.
- Low levels of incomes of the nationals, which limits the amount of local savings and investments, thereby leading to high dependence on foreign investors.

Measures that can be taken to minimise economic dependence in an economy

- Economic diversification can be taken to reduce sectoral dependence.
- Education reforms can be taken to develop labour skills, which can reduce the dependence on foreign skilled labour.
- Tax base can be increased and tax administration should be improved so as to increase tax revenue, which can reduce the reliance on foreign capital.
- Population control measures can be encouraged to reduce the dependence on imported goods which are used to supplement domestic output.
- Political stability should be maintained so as to minimise government expenditure on imported military equipment.
- Import substitution industrial development strategy can be encouraged to promote the growth of local manufacturing industry to produce goods which were formally imported.
- Export promotion industrial development strategy can be encouraged so as to increase export volume and export earnings, which can reduce the reliance on foreign capital.

- Corruption should be fought so as to minimise the diversion of public funds for personal benefits, which can reduce the dependence on foreign capital.
- Research into innovations and inventions can be undertaken to improve local production methods, which can minimise the dependence on imported technology.
- Government expenditure on unproductive ventures/activities should be discouraged so as to minimise public debt, thereby limiting high dependence on foreign capital.
- Local firms/industries should be subsidized so as to reduce the cost of production, which can promote the development of the firms, thus reducing the reliance on imported goods.

QN: To what extent is Uganda a dependent economy?

Economic dualism

A dual economy is an economy in which there is co-existence of two sectors, one being traditional and backward and the other being modern and advanced. NB; The two sectors do exist side by side but have nothing in common i.e. conflict each other.

Economic dualism is a situation where there is co-existence of two sectors in the economy, in which one is traditional and backward and the other is modern and advanced. The traditional sector is the pre-capitalist sector and the modern sector is the capitalist sector.

Forms of economic dualism

- Technological dualism (co-existence of traditional and modern technology).
- Social dualism (co-existence of traditionalists and modernists).
- Sectoral dualism (co-existence of commercial and subsistence sector).
- Income dualism (co-existence of the rich and the poor).
- Exchange dualism (co-existence of barter and monetary exchange).
- Regional dualism (coexistence of more developed and less developed regions).
- International dualism (co-existence of more developed countries and less developed countries).
- Literacy dualism (co-existence of illiterates and literates).

Examples/ features of economic dualism

- Co-existence of traditional technology and modern technology.
- Co-existence of commercial sector and subsistence sector.
- Co-existence of the poor and the rich.
- Co-existence of barter exchange and monetary exchange.
- Co-existence of illiterates and literates.
- Co-existence of traditionalists and modernists.
- Co-existence of more developed areas and less developed areas in the country.
- Co-existence of more developed countries and less developed countries.

Merits of economic dualism

- Promotes research into increased innovations and inventions so as to improve the methods of production.
- Leads to increased government revenue through progressive tax on the modern sector and on the rich.
- Government is awakened to its responsibility of providing utilities/services to less developed regions, and to the poor.
- Encourages factor mobility from traditional sector to modern sector.
- Increases employment opportunities in both formal and informal sector.
- Promotes economic diversification due to existence of both formal and informal sectors of the economy.

Demerits of economic dualism

- Encourages the production of low quality output of goods and services.
- Worsens BOP problem.
- Leads to underutilization of the available resource, causing their wastage.
- Worsens income inequality.
- Discourages economic growth/ leads to low GDP.
- Increases unemployment problem.
- Increases unbalanced regional development.
- Encourages rural urban migration and its problems.
- Discourages industrialization.
- Discourages infrastructural development.
- Worsens the terms of trade.

Measures that can be taken to reduce economic dualism in an economy

- Encourage education reforms.
- Sensitise the general public about the dangers of cultural tendencies.
- Encourage technology transfer and technology development.
- Control population growth rate.
- Promote the monetisation of the economy.
- Adopt progressive income tax.
- Government can provide services to the poor.
- Discourage barter exchange in the economy.