

STRUCTURE OF UGANDA'S ECONOMY

Economy refers to the resource base (*productive economic activities*) and the administrative framework of the country.

OR Refers to the wealth of a country, including natural resources, infrastructure, skilled labour etc and their management.

It is the social-economic arrangement of institutions and systems in relation to production in a country.

Structure of the economy refers to the basic or salient features of an economy, with regard to:

- the major sector(s) of the economy
- the pattern of social economic organization
- Ownership and control of resources
- The size , composition and strength of the sectors in the economy
- The quality and quantity of natural resources etc

Characteristics of Uganda's economy

1. Uganda is **mainly** an agricultural economy. Agriculture is the major contributor to the country's GDP and foreign exchange.
2. Uganda has a **small but growing** industrial sector. The industries are mainly small-scale industries, mainly processing and produce low quality goods.
3. It has a **mixed** economy, with government/ public sector and the private sector operating side by side.
4. Uganda has an **open** economy—it involves itself in trade with other countries, by importing and exporting.
5. Uganda is a **highly dependent economy**—it relies on developed/ other countries for trade, foreign decisions, foreign aid, foreign skilled manpower and few exports. It also depends mainly on the agricultural sector.
6. There is **underutilization** of resources/ there exists high level of unemployment and under employment.
7. **Under developed** human resource. Labour is mainly unskilled and semi-skilled.
8. There is a **growing** informal sector. This is an intermediate sector between the traditional and modern sector. It comprises of self-employed people (*such as local brewing, road-side sellers, drivers, hawkers etc*)
9. There are **under developed** infrastructures such as poor roads, railway lines, low power generation, poor buildings etc
10. Existence of **dualism** i.e. co-existence of two contrasting sectors, one modern and the other backward
11. **Uneven** income distribution—there is a high level of income inequality, with the majority being poor.
12. There is a **large** subsistence sector i.e. the commercial sector is still small with many households producing for own consumption.
13. The country has a **high** population growth rate. It currents stands at about 3% per annum.

Implications of the structure of Uganda's economy

- 1) **Worsens the balance of payment problems.** Uganda's mainly exports low priced agricultural products with low value added and thus lower foreign exchange earnings.
- 2) **Reduces the income levels of individuals.** This is due to a high level of unemployment and underemployment in the economy. Still the predominance of agriculture and small-scale production causes low incomes.
- 3) **Increases the production of poor quality products.** The products from the informal sector are usually poor quality with low value added, and great use of poor techniques /methods of production.
- 4) Results into **underutilization of resources.** This is mainly due to under developed infrastructure and thus many resources are not exploited, leading to production at excess capacity.
- 5) **Reduces government revenue from taxation.** This is due to a small industrial sector, high levels of unemployment and a big informal sector.
- 6) **Reduces the level of saving and investment.** This is due to the low income levels of the majority of the population who work in the agricultural and informal sector, and this limits capital accumulation.

- 7) **Limits the level of technological development.** This is due to dualism and the dominant use of rudimentary techniques due to conservatism and inadequate capital.
- 8) **Worsens income inequality.** Due to the high levels of unemployment, many people are not earning incomes while some few employed people earn high incomes.
- 9) Results into **poor terms of trade.** Import prices of manufactured goods rise faster than the export prices of primary products. This leads to poor terms of trade and this less benefit from international trade.
- 10) **Increases foreign dominance in the economy.** This is due to the reliance on decisions made by other countries, foreign expatriates, foreign technology; and this limits the political and economic independence.
- 11) **Repatriation of profits by foreign investors.** This is because the economy is open and the many foreign investors take huge sums of profits to their home countries and thus limits re-investment.
- 12) **Limits / Low level of gross domestic product (GDP).** This is due to production at excess capacity / many resources underutilized and thus less goods and services are produced.

Qn(a) What are the salient features of Uganda's economy (10mks)

(b) Explain the economic implications of the structure of Uganda's economy (10mks)

Ways in which agriculture is dominant in Uganda's economy

- 1) It is the main /major source of food the country's population i.e. provides food to the rural and urban population.
- 2) It is the major foreign exchange earner for the country
- 3) It is the major contributor towards the country's GDP, contributing over 50% to GDP
- 4) It is the biggest (major) employer of the labour force (both directly and indirectly).
- 5) Contributes about 80% to the export value of goods and services
- 6) It is the major land use, contributing about 60%.
- 7) Greatly contributes to industrialization i.e. It is the major source of inputs to agro-based industries.

Structure of the agricultural sector

1. There is a **large** subsistence sector, involving production for own consumption.
2. The agricultural sector is **mainly** rural-based.
3. Agriculture involves more extensive than intensive use of land.
4. The land tenure system involves-private peasant holdings and freehold, leasehold, customary and communal, and mailo land. (*land tenure refers to the pattern and structure of ownership and control of land in a given society*). The **majority** of the farmers do not own land and hence cannot use it to acquire loans from financial institutions.
5. The sector **mainly** uses rudimentary technology such as hand hoes, pangas, slashers, axes, etc. The sector largely uses simple tools.
6. The sector **largely** uses family labour, because it is cheap and readily available.
7. The sector **largely/mainly** operates on small scale (small-scale peasant farmers in the rural areas). There are few plantation/estate farms and these are mainly owned by foreigners.
8. There is **limited** variety of both food and cash crops are grown. Today however more cash crops are being developed such as sim sim, silk, flowers, maize etc (*The sector **mainly** produces food crops/ **narrow range** of cash crops*)
9. **Low levels** of productivity, with less application of scientific techniques. There is low output from the sector.
10. **Low** quality output is mainly produced in the sector. This is because poor methods of production are mainly used.
11. Agricultural production is **highly** dependent on natural factors and thus greatly affected by natural calamities such as drought, diseases.
12. Labour intensive methods of production are **highly** used and limited mechanization.
13. Commercial agriculture is **slowly on the increase**.
14. Livestock farming also exists and being continuously upgraded.

Implications/outcomes of the structure of agriculture in Uganda

Negative implications

- a) **Fluctuation/ low levels of output.** This is due to dependence on nature, low levels of technology and operation on small scale, and this limits the level of national income. (*Resources are underutilized in the agricultural sector*).
- b) *Results into **production at excess capacity** i.e. there is limited use of the available land. This is due to the great use of unskilled labour and dependence on nature.
- c) **Breeds/ increases the production of poor quality products.** This is due to the dependence on labour intensive methods of production and such products have limited market potential.
- d) **Limits government revenue through taxation.** This is due to the low level of output, limited range of commodities produced and fluctuations in the prices of agricultural products.
- e) **Low incomes to the farmers and therefore poor standards of living.** This is due to limited range of export crops, low quality and hence low prices for the agricultural commodities.
- f) **Perpetuates/worsens the income inequality in the country.** This is between the farmers who earn low and fluctuating incomes and industrialists who have continuous income throughout the year.
- g) **Unstable/ fluctuations in the incomes to the farmers.** This is due to fluctuations in the prices of agricultural products and this discourages many farmers.
- h) Results into **unemployment and underemployment of labour.** This is due to the dependence on nature and general poor performance of the sector. Seasonal unemployment since farmers are employed in some seasons and unemployed in other seasons.
- i) **Fluctuation in export earnings for the country, making government planning difficult.** It results into poor terms of trade, due to the fluctuation in the prices of agricultural products on the world market.
- j) **Worsens the balance of payment problems.** This is due to low export earnings from agricultural products compared to the high expenditure of the country abroad.
- k) Results into **rural urban migration and its negative effects.** The low productivity in rural agriculture forces many people to move to the urban areas and this causes overcrowding and high crime rate in the urban areas

*Positive implications

- a) Provides employment to many unskilled and semi-skilled people.
- b) Source of food to family members and the rural population. This is because subsistence production is emphasized.
- c) Increase in farmers' incomes due to the increase in cash crop production.
- d) etc

Factors determining the performance of the agricultural sector

1. Level of capital.
2. The land tenure system.
3. The level of technology.
4. Size of the market for the output produced.
5. Natural factors that affect agriculture.
6. Level of skills of the farmers
7. Government policy towards agriculture such as taxation and subsidization
8. Level of research in the agricultural sector
9. Level of accountability within the sector
10. Political climate
11. Level of infrastructural development
12. Availability of extension services
13. nature and topography of land

14. level of conservatism among farmers

Qn (a) Account for the poor performance of the agricultural sector in Uganda?

(b) What measures are being taken to improve the agricultural sector in Uganda?

INFORMAL SECTOR

Refers to an **intermediate sector** which exists between the traditional and the modern sector.

It comprises of mainly the self-employed people such as street hawkers, roadside vendors, peddlers, market stall vendors, shoe shiners, tax drivers and conductors, welding /metal fabrication, tailoring, food preparation, furniture workshops, mechanics, repairing, local brewing, etc

It is a growing sector between the modern (advanced) and the traditional sector whose activities are ignored, not supported and sometimes discouraged by government. Is an intermediate sector composed of self-employed people doing small-scale labour-intensive work.

Features/characteristics of the informal sector

1. Production is mainly on small scale/ the sector mainly uses small capital to start. The sector is mainly urban or semi-urban based.
2. The sector mainly employs unskilled and semi-skilled labour.
3. There is limited book-keeping/ there is limited accountability in business.
4. The sector mainly uses simple production techniques/ the sector mainly uses labour intensive methods of production.
5. The sector uses mainly local skills because it is operated by local individuals mainly.
6. The sector is characterized by low levels of output and basically low quality output.
7. The sector mainly uses local resources.
8. The sector mainly produces for the local market. Most commodities produced are consumed locally.
9. Composed of self-employed, most of whom are underemployed.
10. Dominated by low income earners
11. Mainly operate in semi-permanent structures
12. Mainly found in the outskirts (suburbs) of urban areas
13. There is limited (less or no) government control. For example some of the activities are not registered due to unstable location.
14. They are basically sole proprietorship type of business
15. Low contribution to tax revenue.

The informal sector is usually related to small-scale production due to the following:

- Both operate small sized plants/ firms and produce low output
- They require little capital to establish and maintain
- Both have low contribution to tax revenue
- They mainly use labour intensive methods of production
- Both operate in the private sector and at excess capacity
- Both use local inputs and low energy consumption
- Both have low employment capacity
- Both are widely scattered around the country
- The two sectors largely use local resources

- The two sectors mainly produce consumer goods for local market
- Private ownership is dominant in the two sectors
- On-job training is common in the two sectors
- The two sectors are mainly located in the urban and semi-urban areas
- etc

Advantages of the informal sector

1. **The sector creates employment opportunities to many people** (such as tax drivers, tax conductors, tailoring, repairing). This is because it is labour intensive and provides room for self-employment. This increases incomes and standards of living.
2. **Tries to reduce the income inequality in the country.** It leads to fairer distribution of income since the unskilled and semi-skilled are able to get jobs in the informal sector.
3. **Facilitates the production of cheap goods affordable to the locals.** The producers/sector normally charge low prices, which favour the low-income earners. This in turn improves people's standards of living.
4. **The sector acts as a training ground for local labour.** Individuals therefore gain skills due to on-job training in the informal sector and this labour is later employed by the large-scale firms due to increased productivity.
5. **Promotes development of local entrepreneurial skills,** since individuals are encouraged to start up other small businesses. Many people develop their inventive, innovative and managerial skills in particular activities. This promotes self-reliance.
6. **The sector contributes some revenue to the government through taxation.** The government to some extent charges some taxes from the informal sector activities and charges license fees, hence provision of social services.
7. **Facilitates utilization of local resources** such as natural resources, agricultural products, scrap materials, the abundant human labour, which reduces wastage.
8. **Contributes to technological development.** This is because of innovations and inventions undertaken in its various activities, and this in the long run leads to the development of appropriate technology.
9. **The sector facilitates development of industries especially small-scale industries** such as milling firms, bakeries etc. These later expand their scale of production and thus contributing to a self-sustaining economy.
10. **Contributes to increase in GDP and thus promoting economic growth.** The sector improves the productive capacity of an economy by increasing the level of output (amount of goods and services) from various activities.
11. **Promotes linkages with other sectors, hence development of an integrated economy.** The informal sector has both forward and backward linkages such as providing market for local agricultural output and providing inputs to the construction sector.
12. Promotes commercialization of the economy. This is because of the use of money as a medium of exchange in the activities of the sector.
13. The sector provides a variety of commodities. This widens consumers' choices and improves the standards of living.
14. Promotes local control and ownership in the economy. The sector does not require high capital as initial capital, which makes it easy to initiate by the local people.
15. Promotes self-sufficiency in the economy and reduced dependence on imported goods. This is because the sector mainly produces goods for local market and engages in a variety of activities.
16. Reduces in capital outflow. This is because ownership of businesses is mainly by indigenous/ local proprietors.
17. Enhances fairer distribution of income. Many people earn incomes from the informal sector activities and this reduces the income gap among the people gradually.

Disadvantages of the informal sector

1. **Increases pollution of the environment and its negative effects** on development such as contamination of air and water by fumes and chemicals respectively.

2. **Encourages duplication of commodities (goods and services), hence wastage of resources.** Very many people get involved in producing similar goods, and some of which have limited market potential in particular areas.
3. **Increases traffic congestion in the sub urban areas,** which limits the efficiency of business.
4. **Leads to overcrowding/congestion in sub-urban areas due to rural urban migration.** This has resulted into emergency of slums characterized by poor hygiene, spread of diseases etc
5. **Increases the production of poor quality products and hence reduced standards of living** of individuals/ slowing down the rate of development. The sector produces many sub-standard goods and expired goods dangerous to health since it is less monitored by government.
6. **Results into/ increases under employment and disguised unemployment.** Many people are involved in work but their marginal productivity is zero or negative. This results into low incomes and low standards of living.
7. **Causes instabilities in government revenue,** because it is difficult to levy taxes upon a given activity or persons consistently. This is because the government at times ignores them. Still much of the income from the sector is not taxed and it is associated with tax evasion.
8. **The sector is associated with high administration costs** such as during enforcement of taxation and registration process. This is because they are widely scattered and many of them are lacking permanent premises.
9. **The sector contributes less to GDP of the country.** This is because of low quality and quantity of output.
10. The sector encourages the youth to drop out of school to adopt its activities.
11. The sector attracts illegal activities such as theft, prostitution, and drug dealing and addiction in the sub-urban areas.

Constraints /limitations of the informal sector

1. Inadequate permanent premises and infrastructural facilities.
2. Inadequate capital to expand business
3. Limited market since they greatly rely on the local market.
4. *Poor marketing skills such as shouting to get attention of the public.
5. Investment is characterized by high risks and uncertainties. This limits the expansion of the sector.
6. Inadequate inputs / raw materials for production of output.
7. Limited entrepreneurial and managerial skills. This retards the expansion of the sector.
8. Small markets for commodities due to low purchasing power among individuals.
9. Limited research to improve on the quality.
10. Political insecurity in some parts of the country.
11. Limited integration of the sector with the formal sector which is organized.
12. Unstable prices for the products produced. This results into instabilities in incomes of producers.
13. Stiff competition from imports. This is because they are of better quality and thus reduced demand for locally produced goods.
14. High level of taxation by government on such businesses.
15. Harassment by corrupt government officials such as law enforcement agencies since most activities lack legal recognition by the government.
16. Ineffective application of patent rights. Original producers of commodities are not protected which leads to duplication of commodities.
17. Under developed infrastructure such power supply, ware housing, water supply, poor roads etc

Measures to solve problems of (to improve) the informal sector

1. Provision of credit facilities, at soft terms.
2. Construction of infrastructural facilities such as power supply, better roads, storage facilities etc
3. Construction of workshop centres by government, and for which it charges low rates.
4. Giving legal recognition to the activities of the informal sector such as by registration.
5. Improving the political climate in all parts of the country.
6. Protection of the local market for the commodities of the sector. This through increased import tariffs to reduce imports.

7. Expansion of market for the commodities. This is through carrying out market research and joining/strengthening regional cooperation like EAC.
8. Strengthening the investment agencies to coordinate the activities of the sector such as Uganda investment authority.
9. Training of manpower to acquire the required skills. This is through setting up polytechnic institutions to avail labour with appropriate skills and management techniques.
10. Maintenance of stable economic climate such as control of inflation and thus encouraging investments.
11. Importation of raw materials in short supply. This increases output produced.
12. Improvement in the level of technology used through research. This in turn results into quality output.
13. Fighting of corruption to reduce misallocation of funds. This is by establishing anticorruption laws and institutions.
14. Reduction of government taxation on businesses within the sector. It should charge low taxes on raw materials /inputs to keep them in business.
15. Encourage the formation of associations, through which they get information and assistance.

DUALISM

A **dual economy** is one/ an economy with two contrasting situations co-existing; one advanced, modern, superior and desirable while the other is backward, traditional, inferior and undesirable.

In a dual economy, the traditional pre-capitalistic sector exists alongside the modern capitalistic sector.

(Hence, define **dualism**—refers to the co-existence of two contrasting *socio-economic* situations, one being superior and desirable while the other is inferior and undesirable).

Forms of dualism (in Uganda)

1. **Economic dualism.** Co-existence of two contrasting economic situations in a country, one being superior and desirable while the other is inferior and undesirable. For example social income groups-- the rich alongside the poor.
2. **Cultural or social dualism.** Co-existence of backward/ traditional beliefs alongside modern beliefs. Such as the educated elite and literates alongside illiterate poor people, traditional values and culture alongside western culture and religion.
3. **Technological dualism.** Co-existence of two contrasting methods of production such as modern technology alongside rudimentary technology, capital intensive co-exists with labour intensive technology
4. **Sectoral dualism.** Co-existence of two different sectors at different levels of development one developed and the other under developed, such as the industrial sector alongside the agricultural sector, the urban sector alongside the rural sector, monetary sector alongside the subsistence sector etc
5. **Intra-sectoral dualism.** Co-existence within the same sector of two contrasting situations , one advanced and the other backward, such as in the agricultural sector there is monetary agriculture alongside subsistence agriculture, elite farmers alongside illiterate farmers, small scale farming versus/alongside large-scale farming etc
6. **International dualism.** Co-existence of developed economies and under developed economies. This is characterized by unequal exchange rates between the two contrasting economies.

Outline four features of dualism in your country (examples of dualism in Uganda)

- Co-existence of traditional beliefs and modernists
- The co-existence of traditional technology versus/alongside modern technology
- Co-existence of commercial alongside traditional/ subsistence sectors
- Co-existence of illiterate alongside the literates
- Co-existence of barter system and monetary exchange
- Co-existence of high income group/rich alongside the low income earners/ the poor
- Co-existence of developed alongside under developed regions

- *Modern technology alongside rudimentary/primitive technology*
- *Co-existence of small scale production alongside large scale production*
- *Co-existence of Formal and informal sectors*
- *Rural sector alongside the urban sector*
- *Production for home market alongside production for foreign markets*
- *etc*

***Causes of dualism in Uganda (developing countries)**

1. Income inequality in the country such as acquiring of education of the rich and the poor without/ very little.
2. Unequal international trade policies , which tend to favour MDCs putting the LDCs at a disadvantage such as LDCs tied to the primary products
3. Concentration of foreign investment activities of the multinational corporations in specific areas of interest.
4. The demonstration effect of luxurious consumption on the part of the wealth income class. This enhances western civilization values co-existing with the traditional values.
5. The importation of inappropriate science and technology, which leads to technological dualism.
6. Unbalanced distribution of social and economic infrastructure in the country.
7. Differences in the rate of economic growth among and between the different countries that may lead to international dualism.
8. Differences in the level of entrepreneur skills.

Negative effects of economic dualism

1. Usually accelerates rural urban migration. People especially the educated youth move to the urban areas to look for high paying jobs and this further undermines the development of rural agriculture.
2. Results into instability in the economy because dualism makes planning difficult. Government finds difficult in determining which sector/ activity to given priority during resource allocation.
3. Cultural dualism creates social conflicts/ unrest between the different groups such as poor and the rich, elite and illiterates etc. The well-off groups do not live in harmony with the disadvantaged groups.
4. Reduces government revenue due to low taxable capacity especially since the majority are poor.
5. Reduces the standard of living (economic welfare) of the poor majority and dominance of the few rich/wealthy class.
6. Dominance and exploitation of the developing countries by the MDCs/ developed countries such as poor terms of trade.
7. Promotes economic dependence of inferior economy to superior such as developing countries on developed countries.
8. Creates inferiority and superiority complexes such as in case of social and economic dualism. It increases the exploitation of the poor by the rich such as by paying them very low wages.
9. Retards the rate of economic growth especially by inferior sectors whose contribution is none or hard to ascertain
10. Misallocation of resources in the economy. Most resources are used for the production of commodities consumed by the rich with a high purchasing power and the poor are ignored. There is also importation and consumption of luxurious and harmful products due to preference of western values labeled 'modern'.
11. Reduces aggregate demand in the economy where a few are rich and majority suffering in the vicious circle of poverty. This limits the level of investment.
12. Increases the balance of payment deficits, due to importation of luxurious consumer goods for the rich, yet the exports are limited. There is high foreign exchange expenditure and yet the foreign exchange earnings are limited.

Features of the manufacturing sector in Uganda/ structure of industry

1. *Composition of output*
 - Mainly /dominated by small-scale industries (hence there are few medium and large-scale industries).
 - Mainly comprises of processing industries. Hence, there are few industries involved in manufacturing.
 - Mainly produces low quality manufactured goods

- Many industries are agro-based. They largely use agricultural inputs/ raw materials
 - Produces mainly consumer goods
 - Durable consumer goods industries are mostly/mainly assembling plants
 - Mainly import –substitution industries (they produce goods formerly imported)
 - The sector has high level of imported raw materials and intermediate products (*such as wheat, barley to produce alcohol*).
 - There are limited linkages with other sectors of the economy
2. *Size/ technology*
 - Mainly produce at excess capacity/ mainly low quantity of output.
 - Use of simple(labour-intensive) technology in most of the firms
 - *Predominance of small-scale firms/industries, and few medium and large-scale industries.
 3. *Location / regional distribution*
 - The sector is mainly/ basically urban—based
 4. *Ownership*
 - Most of the firms in the sector/industries are privately owned. Most of the industries are owned and run by private entrepreneurs.
 - Small scale (and cottage industries) are majorly owned by local people/ Ugandans while the medium and large-scale industries are majorly foreign-owned.
 5. *Contribution to GDP*
 - Contributes a small percentage to the country's GDP
 6. *Continuity*
 - Many industries are on and off (lack continuity)

Economic implications of the structure of industries in Uganda

Positive implications

1. **Promotes the use of local resources.** This is because most small-scale and cottage industries use locally available resources and this in turn enhances self-sufficiency in the economy.
2. **Generates employment opportunities to both the skilled and unskilled labour.** This is because most industries are labour intensive and the industrial sector is growing slowly.
3. **Develops the entrepreneurial and managerial skills.** This is especially in the small-scale and cottage industries which are dominant, and this in turn increases domestic production.
4. The small-scale /cottage industries are wide spread and thus promote **balanced regional development**.
5. **Provide market for other sectors due to Inter-sectoral linkages.** The small-scale industries mainly use local resources and are agro-based, such as maize mills provide market for local maize.
6. **Import-substitution industries promote self-sufficiency/ self-reliance in the long run.** Since industries are mainly import substitution, they produce commodities that would be imported from other countries and thus reduces dependence on imports.
7. **Increase in government revenue.** The growing of the industrial sector in Uganda increases government revenue, which is used to finance development programmes in the country.

Negative implications

1. **Increases rural urban migration and its negative effects.** Because the industries are mainly urban-based dominant, many people move from the rural areas to the urban areas to look for employment and this results into creation of slums, increase in urban crime rate.
2. **Repatriation of profits and income by the foreign investors.** Many medium and large scale industries are foreign owned and thus more profits are taken back to the mother countries and thus less ploughing back/ re-investment in Uganda.

3. **Encourages external economic dependence.** Many industries depend on imported raw materials, intermediate products and capital goods and thus over dependence on other countries / Heavy foreign exchange expenditure.
4. **Regional imbalance in development.** this is due to urban concentration of industries and thus the urban areas have more developed infrastructure than other less /non-industrial areas.
5. **Low contribution of the industrial sector to GDP (about 15%).** This is because it is still a small and growing sector which produces low level of output.
6. **Limits tax revenue to the government.** This is sector is mainly having the small-scale operation, and thus in turn limits the provision of social services in the country.
7. **Limited exportation of manufactured goods and thus low income or export earnings** to the country. The sector mainly operates on small scale, mainly produces poor quality and low quantity output.
8. Results into high operational costs of many industries since they do not enjoy economies of large-scale operation. Most of the industries operate on small scale.
9. Since many industries are agro-based, they are **subject to natural calamities in the agricultural sector.** Shortages in the agricultural sector such as due to drought, floods greatly impact on these industries.
10. **The expanding industrial sector is associated with environmental degradation/ social costs** such as air and water pollution. This is due to the increased disposal of industrial wastes and reclaiming of swamps for industrial use.
11. **Contributes a small percentage to employment in the country.** This is because the sector is still small and due to the dominance of small scale/ cottage industries
12. **Gives rise to technological unemployment in the longrun.** As firms expand they become capital intensive, hence substituting labour with machines especially in the medium and large scale industries.

Factors influencing the development of the industrial sector

1. Availability of raw materials
2. Government policy on industrial development/ the investment climate
3. Availability (size) of market
4. Level of infrastructural development
5. Size and quality of labour force/ level of skills of labour force
6. Level of capital
7. Availability of land/ land tenure system
8. Level of technology
9. Level of entrepreneurial ability of individuals
10. Political atmosphere
11. Level of economic stability/ rate of inflation
12. Level of accountability in the industrial sector
13. Level of conservatism

Reasons why rapid industrialization in Uganda has not been able to solve the unemployment problem

1. The technology employed in the industries is mainly capital-intensive technology.
2. The industries are mainly foreign-owned and hence end up employing foreigners/ expatriates
3. Many of the industries set up are small scale and hence having a low employment generation capacity.
4. Low/limited skills possessed by the available labour, rooted in inappropriate and theoretical training.
5. High population growth rates in developing countries
6. The industries are mainly urban-based yet the majority of the population live in rural areas.
7. Industrialization has also led to resource exhaustion –which in turn accelerates structural unemployment
8. Industrialization is taking place at a slow rate/pace /inadequate capital to expand the industries and hence difficult to create more jobs
9. High level of taxation by the government which reduces industrial development and thus less job creation

Problems /challenges to industrialization in Uganda

1. **Limited capital.** Due to limited capital , limited factor inputs are bought for use in the industries and this reduces industrial production and hence limits industrial growth.
2. **Limited skilled labour/ poor managerial skills.** Many workers are highly competent to run/ operate the industries and this often reduces efficiency in production/ reduces the quality and quantity of output in the sector. (This also discourages industrial investors to start or expand the industries)
3. **Underdeveloped infrastructure/ poor infrastructure.** It is difficult to run industries due to power shortages and difficult to transport raw materials to industries and finished goods to markets; which limits the growth of the industrial sector.
4. **Small market size/ stiff competition from foreign goods (high marginal propensity to import).** There is a general low purchasing power in the country; and still foreign goods are sometimes of better quality and cheaper than locally produced goods. This limits the profitability and discourages industrial investment.
5. **Limited/ weak entrepreneurial skills.** Many people are not able to organize the factors of production, bear risks to start new industries or expand the existing ones; and this limits the growth of the sector.
6. **Low levels of technology employed.** Many industries use labour intensive techniques/ methods of production which are less efficient and this limits the quality and quantity of industrial production.
7. **Political instabilities in some parts of the country.** Insecurity in some areas such as in form of riots, wars discourages the setting and expansion of industries due to fear of making losses/ destruction of the establishments and this limits industrial growth.
8. **Corruption and embezzlement in the industrial sector.** Some government officials demand for bribes from investors before approving their businesses or issuing licenses, which discourages many potential investors in the industrial sector.
9. **Poor land tenure system in some areas.** For example, Communal land ownership discourages the setting up and expansion of industries in such areas due to lack of personal control over land.
10. **Poor performance of the agricultural sector,** such as due to dependence on nature. Low production in the agricultural sector limits the supply of raw materials in the agro-based industries and thus low output from the industrial sector.
11. **Underdeveloped capital markets.** This limits the selling and buying of shares of industrial companies and thus less capital is mobilized from shares. Therefore, many industries remain operating on small scale for a long period.
12. **High levels of taxation by government.** High taxes increase the costs of production and this reduces the volume of production and the level of profits from the industrial sector. This in turn is a disincentive to industrialists.
13. **Limited basic/ strategic natural resources/ raw materials.** Many industries greatly depend on imported raw materials which are expensive. This increases the costs of production and reduces the profitability of the industrial sector.
14. **High level of bureaucracy.** There are long procedures in registration of industrial companies and certifying the products for sale. The process of clearing imported industrial raw materials is also complicated and this limits causes shortages of raw material supplies, thus limiting production.
15. **Poor investment climate/ Unfavourable government policy towards industrialization.** The government imposes high taxes on local industrial investors and yet gives foreign investors a lot of privileges like tax holidays. This limits the setting and expansion of industries especially by Ugandans.
16. **Foreign sabotage/ interference.** Many developed countries are unhappy with some import substitution industries established in Uganda, since limits the market of their export goods. They therefore use stringent policies to give aid as a way of retaining their high benefits.
17. **Profit repatriation by foreign investors.** Since many medium and large-scale industries are owned by foreign investors, they take back a large percentage of profits/ incomes to their home countries and this limits the rate of ploughing back/ re-investment in the industrial sector.
18. **Economic instabilities like price changes/instabilities.** During times of inflation the cost of production to the industrial firms and the cost of living of individuals increases and this reduces the profitability of the industrial sector.

Measures being taken to promote industrial development in Uganda (*same as the measures of increasing investment*)

- **Strengthening specialized institutions to promote industry.** For example, the government of Uganda is enforcing and supporting the Uganda Manufacturers Association (UMA), Uganda National Bureau of Standards (UNBS), which is increasing efficiency in industrial production.
- **Ensuring political stability in various parts of the country.** This is through peace talks and cooperation with the neighboring countries, which is increasing the confidence of industrial investors since they are assured of security of their investments.
- **Providing of affordable credit facilities for industrial investment.** Soft loans (carrying lower interest rates and long repayment periods) are being given to industrial investors and this is enabling the expansion of the capital base and level of output in the industrial sector.
- **Improving the land tenure system/ Carrying out land reforms.** The system of ownership, use and control over land is being improved such as setting aside industrial sites or assisting industrial investors to acquire land on leasehold, hence developing the industrial sector.
- **Improving the investment climate.** The government is providing tax holidays, tax reductions, allocating land for industries and other incentives. These are encouraging local and foreign investors to set more industries.
- **Liberalizing of the economy.** The government is removing various unnecessary state controls and interventions in the economy and thus allowing private individuals to participate in various economic activities such as industrial development.
- **Further privatization of public enterprises is being done.** More public enterprises are being transferred to private ownership and control. This is increasing private industrial investment and thus improving efficiency in production.
- **Developing infrastructure.** The road network is being improved which is encouraging the transportation of industrial raw materials and finished goods to the markets. This is encouraging more investors in the industrial sector.
- **Widening markets for industrial goods** by joining and strengthening regional integrations. Regional integrations such as the EAC are encouraging industrial investors since they are assured of an expanding market for their goods.
- **Training of the necessary skilled manpower by re-orienting education programs/ vocationalizing education.** The education system is being improved by integrating vocational/ practical industrial skills in the tertiary training programs. This is increasing the pool of skilled/ competent workers who are employed in industries as technicians, engineers, managers.
- **Improving the level of technology through technological development and transfer.** The government is encouraging industrial research to develop better methods of production and also supports the importation of some modern machines, which is increasing the volume and quality of output, hence wider markets.
- **Attracting more foreign investors.** The government is encouraging foreign industrial investors through international media, international conferences, embassies in other countries, delegates; and this is increasing capital inflow and the level of production in the industrial sector.
- **Fighting corruption at various levels.** The anti-corruption agencies are being strengthened and as such more money is saved by the government for developing the industrial sector such as by carrying out research, importing industrial machinery and setting up various industries.
- **Modernizing of agriculture, hence increasing raw material supply.** Mechanization, use of organic fertilizers and disease control are being emphasized in agriculture and this is increasing the supply of raw materials to the agro-based industries and thus reliable production.
- **Encouraging savings among the population.** The government and banking institutions are undertaking a campaign of encouraging the citizens to save more of their income and this is trying to increase investment especially in small-scale and medium industries.
- **Improving entrepreneurship skills.** The Uganda Industrial Research Institute and Uganda Investment Authority are training people to acquire better skills in starting and managing industrial enterprises. This is increasing innovativeness and inventiveness among people, hence setting up more and expanding industries.
- Protecting some infant industries such as using import tariffs
- Encouraging industrial diversification
- Carrying out extensive market research

Contribution of the private sector to industrialization in Uganda

1. Encourages technological development and transfer. Modern machinery used in industries are developed or imported by many private firms. This in turn increase the quality and quantity of industrial output.
2. The private sector trains labour which is employed / used in industries. Private institutions train managers, technicians, accountants who enable the industries to operate efficiently.
3. Private sector extends loans to the industrial sector. Private commercial banks and other financial institutions extend loans to industrial investors/firms which enables them to expand their activities using the borrowed capital.
4. Private sector promotes linkages with the industrial sector. Some private firms provide the industries with raw materials while others provide market for the industrial products.
5. The private sector increases capital inflows through foreign private investors who set up or take over local industries.
6. Safe guards industries against business risks. Private insurance companies guarantee compensation to the industrial owners in case of losses from insured risks. This increases the confidence among investors in the industrial sector.
7. Promotes entrepreneurship skills. The Private Sector Foundation (PSFU) in Uganda organizes training workshops for industrial entrepreneurs, managers and workers. This promotes innovative and managerial skills which in turn uplifts industrialization.
8. Develop basic infrastructure which is used by the industries. For example the private telecommunications companies have improved the communication infrastructure which is used by the industrial sector to widen the market.
9. Improves business information. For example the media provides information about potential markets both within and abroad and this boosts industrial investment.
10. Encouraged scientific innovations and research in industries. New methods of production and new products are developed by private firms through research.
11. Increases competition in production, thereby improving the quality of output. Quality production also expands the market for industrial commodities.

ECONOMIC DEPENDENCE

Economic dependence refers to a situation where a country/an economy is relying on other countries or a particular sector for economic resources and decisions (*whose failure will drastically affect the economy*).

[OR Economic dependence is the reliance of an economy on another economy or one/few economic activities/sectors for resources and economic decisions]

Note:

- **Economic independence**—refers to a situation where a country can produce and meet all her needs for economic development and survival. **OR** Refers to an economy which is basically and primarily uses its own locally available resources (raw materials and manpower) and has its own population as the primary market.
- **Economic interdependence**—refers to a situation where two or more countries rely on each other for their economic survival/ mutual benefits of all. However, economic interdependence is at varying degrees/ levels.

Uganda is a dependent economy and this can be justified below.

Forms of economic dependence

1) Sectoral dependence

Refers to the reliance of a country on one particular sector (*or few sectors*) for her economic development and survival.

2) Trade dependence

Refers to the extent to which a country relies on the sale of goods and services in foreign market for its income and imports from the countries to sustain her economic needs. (*A country depends on international trade for survival*). Uganda's trade dependence is characterized by:

- Dependence on a few traditional markets for export
- Dependence on export of a few primary products such as coffee, cotton
- Dependence on imported foreign manufactured consumer goods and capital goods, fuel etc

3) **External resource dependence** (*'economic resource dependence'*)

Refers to a situation where a country relies on foreign resources (*foreign factor services*) to supplement the domestic resources for economic development and survival. Examples include:

- Dependence on foreign aid, private foreign investments etc
- Dependence on foreign managerial and skilled manpower to supplement domestic manpower (expatriates)
- Dependence on imported raw materials from developed countries for the local/ domestic industries
- Dependence on foreign machinery and technology

4) **Direct economic dependence**

Refers to the reliance of a country on economic decisions and policies majorly designed by foreigners/ developed countries and agencies. For Uganda, it is noted that there is:

- Dependence on economic policies and decisions put up by developed countries in their effort to improve on the welfare of their own people.
- Some policies are formulated by foreign agencies such as IMF, IBRD (world bank) etc
- Economic policies are also influenced by foreigners owning private industries and shares in companies.

Causes of economic dependence in developing countries

1. *Shortage of skilled manpower and entrepreneurial skills*
2. *Inadequate capital due to rampant poverty*
3. *High population growth rates in developing countries which increases dependence burden and hence reduced investments*
4. *Over dependence on primary production and poor terms of trade*
5. *Limited trade among the developing countries themselves such as due to producing similar products*
6. *Frequent political instabilities*
7. *Limited basic/ strategic natural resources , hence not economically viable*
8. *Underdeveloped infrastructure*
9. *Low levels of technology*
10. *Conservatism and strong cultural beliefs*
11. *Poor economic planning*
12. *Limited tax revenue due to low economic activity*
13. *Natural calamities/ disasters such as drought, landslides etc*

Demerits /negative implications of economic dependence

1. ***Worsens the balance of payment problems.*** This is due to over reliance on expensive imports which take away a lot of foreign exchange and yet less is received from exports year after year.
2. ***Poor and deteriorating terms of trade.*** This is due to reliance on the exportation of primary (agricultural) products, which command low prices on the international market yet imports are highly priced.
3. ***Fluctuation of export earnings/ incomes.*** This is due to over dependence on a few exports of primary products/ agricultural products whose prices fluctuate a lot.
4. ***Increases/accelerates capital outflow.*** This is in form of ***profit repatriation*** due to dependence on direct foreign investments and foreign skilled manpower. This slows down the rate of economic development.
5. ***Worsens the external debt burden.*** This arises from over dependence on external resources in form of loans got from other countries and international agencies such as World Bank, IMF. These debts and interest accumulate and the country has to sacrifice a lot to pay the debts, hence limiting economic development.
6. ***Imported inflation is encouraged due to over importation from countries facing inflation.*** This affects the growth of the industrial sector in the country such as due to dependence on expensive imported raw materials.

7. **Heavy dependence on foreign capital discourages domestic savings and investment.** The citizens always hope for foreign aid or foreign capital resources which limits the level of local savings and hence limits the level of investment. (dependence syndrome)
8. **Limits the development of local natural resources/leads to underutilization of local raw materials (natural resources).** This is due to over reliance on specific sectors or dependence on foreign resources, hence neglecting many local natural resources. This results into low output and wastage of resources.
9. **Limits the growth of indigenous entrepreneurial skills (discourages local initiative).** Economic dependence leads to laziness among local individuals and hence they do not develop local methods of production or build local capital; because they are ever expecting foreign assistance.
10. **The country is subjected to inappropriate and undesirable external decisions/ policies.** Some foreign decisions and policies are difficult to implement and thus costly such as the need to import certain commodities or materials from a given country as a pre-condition for foreign aid.
11. **Worsens /causes unemployment and under employment of labour.** This is due to the use of foreign skilled labour/ expatriates, rendering a lot of local labour unutilized. Technological unemployment also results due to dependence on foreign technology which is usually capital intensive. This eventually worsens the standards of living.
12. **Breeds/ Increases the political and economic domination by foreigners.** This is because many activities are started or controlled by foreigners. Direct economic dependence involves adopting policies/ decisions designed by foreign countries or donor agencies. This results into loss of political and economic independence (encourages neo-colonialism)
13. **Results into erosion of social-cultural values in the country.** The nationals adopt foreign ways of life some of which are destructive of cultural human values such dress code, new languages etc
14. ***Limits local technological development.** Some of the imported technology is inappropriate or outdated for a country like Uganda.

[*Positive; Facilitates industrialization based on foreign capital and technology. Cover the technological gap. This comes through technological transfer and copying ideas from foreign countries leading to quality output. Enhances good relations between developing countries and developed countries. Developing countries acquire the rare skilled work force, not available locally, to improve production (covers the manpower gap). Enables the country to acquire goods and services that it cannot produce domestically. This improves the standards of living of individuals. Enhances economic growth for example through direct foreign investment. There is increase in output level.]

Ways/ policy measures of reducing external dependence

1. Promotion of import substitution industries. These produce goods formerly imported locally and hence save foreign exchange.
2. Diversification of the markets for commodities
3. Formation/strengthen regional integrations to discourage trade with exploitative developed countries. This allows the developing countries to trade between and among themselves.
4. Reforming the education system, so that it produces the required manpower with the skills to avoid over dependence on imported skilled manpower (*proper training of local labour*)
5. Technological research and development, to develop appropriate local technology.
6. Developing industrial program that utilizes the local raw materials available instead of depending on imported raw materials. It also helps to add value on exports to earn more foreign exchange.
7. Adoption of policies that raise the tax revenue to avoid dependence on foreign capital.
8. Liberalization of the economy, to encourage private local investments and production.
9. Diversification of the economy. For example promote a number of sectors, export a variety of commodities.
10. Encouraging savings and investment/ provision of investment incentives to local producers
11. Promotion of sectoral linkage so as to build an independent, integrated and self-sustaining economy; through proper economic planning.
12. Improving the political climate in various parts of the country

13. Implementing workable import restrictions such as import quotas, total ban

THE FOREIGN SECTOR

Uganda is an open economy because it trades with other countries of the world. This involves exports and imports.

Structure of exports in Uganda

1. Exports are **mainly** agricultural/ primary products such as coffee, cotton, tea, tobacco etc. (these are majorly the traditional exports). [*Mainly unprocessed or semi-processed goods are exported*].
2. The non-traditional exports are **slowly increasing** such as simsim, maize, eggs, vanilla, flowers etc
3. **Few services** are exported / exportation of services is increasing such as tourism, medical services, education services etc
4. **Limited** export of manufactured goods/ Exports are mainly/basically semi-processed/unprocessed (agricultural) products. / There is less value added on the export commodities.
5. There is **limited range** of export markets for Uganda exports. It exports mainly to a few developed countries like Japan, USA, china, UK etc
6. There is **limited variety** of export commodities / there is commodity concentration in export trade.
7. **Largely low** quality of export commodities
8. **Low volume / quantity** of export commodities
9. The prices of exports **generally low** and keep **fluctuating** in international markets.

Structure of imports

1. Imports are mainly highly priced/ expensive commodities compared to exports such as machinery, fuel, intermediate goods etc
2. Imports are mainly consumer-manufactured goods.
3. There are few capital goods and intermediate goods imported such as machines for industries.
4. There is high volume of imports
5. The imports are fairly of higher quality.
6. Many services are imported. For example imported medical services, education , banking services, forwarding and clearing services, insurance services.
7. There is also importation some skilled manpower i.e. expatriates in areas like banking , insurance, engineering etc
8. Uganda imports from various sources i.e. diversified sources

Implications of the structure of exports and imports

Negative

1. **Fluctuation of foreign exchange earnings** due to heavy dependence on exports of a few primary products whose prices fluctuate. This makes long-term planning difficult.
2. Low/ falling prices of agricultural products results into **low/ declining incomes to farmers** and this increases poverty and poor standards of living.
3. **Leads to trade dependence**, whereby Uganda relies on a few export markets in the developed countries which in most cases dictate the prices of Uganda's exports. This reduces the foreign exchange earnings.
4. Results into **poor and deteriorating terms of trade**. This is due to importation of highly priced goods and exportation of majorly under priced goods.
5. **Over reliance of foreign aid to fill the foreign exchange gap such as loans, grants**. For loans the increased debt crisis results. This is due to low foreign exchange earnings from exports and high foreign exchange expenditure.

6. **Worsens the balance of payment problems.** The structure of foreign trade results into much foreign exchange expenditure abroad due to high volumes of imports (*or importation of highly expensive commodities*) such as importation of machinery and intermediate goods among others.
7. Leads to **unfavourable exchange rates**, due to the fluctuations of the prices of exports.
8. **Imported inflation** results due to the importation of goods from expensive source or at times from countries experiencing inflation. This increases the cost of living.
9. Failure of development plans and economic instabilities due to fluctuating foreign exchange earnings.
10. **Limits industrialization in the economy/ undermines the growth of local industries.** This is due to the predominance of agricultural products for export. Also due to over reliance on the importation of high quality commodities or cheaper commodities, which limits the market of local producers.
11. Leads to underutilization of local resources, due to high dependence on imports.
12. Limits employment opportunities especially in the export sector, because of the limited variety and quantity of export commodities.
13. Use of inexperienced foreign 'expatriate' manpower.
14. The structure of imports and exports undermines attaining an independent, integrated and self-sustaining national economy.

Positive

1. **Increase in foreign exchange earnings** due to increased export of non-traditional exports.
2. **Generates government revenue** from import and export duties/ taxes.
3. **Encourages the transfer of technology from other countries.** This is through importation of industrial and other machinery such as computers. This in turn increases the quality and quantity of output.
4. Leads to **improvement in the skilled labour force** and **development of entrepreneurial skills** among individuals. This is due to getting exposure from other countries as they import or export commodities.
5. **Provision of more employment opportunities** in the import and export sectors. People are engaged in insuring, clearing goods, transporting goods. This improves their standards of living.
6. The importation of the commodities in short supply locally **limits demand pull inflation.**
7. The importation of a variety commodities **widens consumers' choice.** This improves the standards of living.
8. There is **widened market for the locally produced goods and services in the other countries.** This increases the level of investment and hence accelerates economic growth.
9. Import and export trade **strengthens international relations** with other countries. This in turn increases economic contacts and capital inflow.
10. **Promotes the development of infrastructure** which is necessary to support the import and export sectors.

Policy measures to change/improve the structure of Uganda's imports and exports (*ways to increase export earnings and reduce import expenditure in Uganda*)

1. Proper training of local manpower to improve on their skills and thus reduce on the importation of skilled labour.
2. Diversification of the exports to avoid over dependence on exportation of few exports. This implies having a variety of export products such as many agricultural products, emphasize non-traditional exports
3. Further development of tourism industry and other invisible exports like insurance, banking etc (*improving the invisible export sector*).
4. Diversifying the export markets. This involves looking for new markets through negotiations and increased publicity of the export products.
5. Widening of foreign markets by strengthening regional integrations such as COMESA, EAC etc
6. Promotion of export promotion industries. These process and add value to agricultural products before export /increase the quality of exports.
7. Promotion of Import-substitution industries, to manufacture goods previously imported locally to reduce on imports and hence increasing self-sufficiency.

8. Mobilizing capital to exploit local viable resources such as minerals, soils etc. This is to reduce the importation of raw materials.
9. Improvement/ Developing basic infrastructure such as power and energy, road net work, to increase the production of goods for export or to replace imports.
10. Strengthen/join international commodity agreements. These enable negotiations for better prices of the exports on the international market.
11. Ensuring political stability in various parts of the country
12. Further trade liberalization. This is intended to open up trade activities for both importers and exporters with minimum government control/ interference.

Measures that should be taken to increase export earnings in Uganda

- 1) Diversify the export products
- 2) Diversify the export markets through market research/ publicity
- 3) Strengthen regional integration
- 4) Increase the volume of exports/ produce more for export
- 5) Promote export promotion industries/ process primary products to add value
- 6) Strengthen commodity agreements
- 7) Campaign for the removal of trade barriers in export markets
- 8) Improve the quality of exports
- 9) Improve the infrastructure such as roads, railway, banking facilities, power supply
- 10) Ensure political stability in various areas of the country
- 11) Further trade liberalization

Independent, integrated and self-sustaining economy

A. Independent economy

Refers to an economy which basically/ primarily uses its own locally available resources (raw materials and manpower) and has its own population as the primary market.

B. Integrated economy

Refers to an economy in which all the major sectors are inter-linked and interdependent to enhance production and consumption of products. In the economy there exists backward , forward, vertical and horizontal linkages.

C. A self-sustaining economy

Refers to a self-propelling economy with no aid and no excessive importation and dependence reduced to the minimum. Still the resources are available within the country to sustain the development process.

Steps being taken to achieve an independent, integrated and self-sustaining economy

1. Systematic developing of social and economic infrastructure such a road network, power and energy, banks to provide the framework.
2. Modernizing of the agricultural sector in the country such as increased mechanization
3. Industrial development strategies are underway such import substitution strategy.
4. Strengthening the campaign for population control
5. Encouraging/ further privatization
6. Further liberalization of the economy
7. Emphasizing rural transformation programs
8. Widening the tax base and improve tax collections and administration
9. Ensuring political stability in all parts of the country
10. Reforming the education system, to emphasize managerial and entrepreneurial skills development

11. Proper and coordinated development planning
12. Encouraging the use of local resources
13. etc

UGANDA'S ECONOMIC SYSTEM

Uganda is a mixed economy, with public and private ownership and control of means of production (resources). The private sector is expanding partly due to the on-going privatization campaigns.

THE PUBLIC SECTOR

Refers to that part of the economy in which resources are owned, controlled and allocated by the state/ government. The government is directly and actively involved in the economic activities. The government sets public enterprises and parastatal bodies.

Public enterprises refer to business enterprises /companies which are started /owned and controlled by the state /government.

While

Public corporations (parastatal bodies) are state—owned corporations /bodies/ organizations established by the act of parliament (statutes) to perform certain defined functions (aims and objectives) on behalf of the state. For example national water and Sewerage Corporation, Uganda communications commission, Uganda railways corporation, Uganda Airlines Corporation. Sometimes called '*statutory enterprises*'

Features of the public sector

1. The public sector is development-oriented.
2. Public sector undertakes risky projects
3. There is a high degree of bureaucracy i.e. decision making involves long procedures.
4. The sector is dominated by medium and large-scale firms
5. Most of public enterprises have monopolistic tendencies
6. There is little dedication on the part of the employees
7. Tends to employ many people , most of them operating at excess capacity
8. Most of the activities are politically influenced.

Role of the public sector

Positive

1. **Provision of essential goods and services at fair prices. Such commodities** are economically less attractive to private investors. Such as collecting garbage, water supply. This in turn improves the standard of living.
2. **Controlling monopoly in the economy.** Public corporations provide a form of competition against private investors who would have exploited the public through high prices and poor quality.
3. **Provision of employment opportunities.** Public enterprises are usually large enough and hence employ many people as accountants , auditors, casual workers etc
4. **Protecting national interests.** There are certain goods and services that cannot be left in the hands of the private businessmen alone such as power generation, production and sale of firearms, maintenance of law and order. These are controlled / provided by state corporations.

5. **Promotion of national economic independence.** Private local investors usually lack sufficient funds to invest and hence public corporations mobilize adequate capital to start certain enterprises, hence avoid domination of the economy by foreigners.
6. **Generation of some income for the government.** Although they are not profit-oriented, successful corporations earn some profits which supplement government revenue to fulfill its responsibilities.
7. **Promoting social equity.** They provide some goods and services at reasonable /generally affordable prices to the majority of the population –hence reducing income inequality effects.
8. **Managing the economy/Undertaking strategic investments.** The government controls and regulates economic activities through public corporations such as controlling prices and level of unemployment, establishing and maintaining basic infrastructure (like dams, road network).
9. **Controlling foreign dominance of the economy.** The government establishes various enterprises which the local people may not afford to set up, and this promotes a self-sustaining national economy. (*Promote economic independence /reduce dependence*).
10. **Minimizes duplication and wastage of resources**
11. Protect nationals from exploitation by private firms
12. Compliments private sector, hence controlling monopoly
13. Undertaking ventures that require heavy capital investment
14. Promote balanced regional development.

Negative implications of the public sector/ public corporations

1. **The public sector is usually inefficient,** mainly due to excessive political interference in their operations. Politicians usually appoint their supporters to manage them.
2. **There is limited flexibility in the operation of public corporations.** There is slow adaption to changes in the economy such as changes in tastes and preference of the population.
3. **Increases government expenditure/ strain the government budget.** They require a lot of funding from government resources (to cover their persistent losses). As such the government at times diverts resources from other productive activities or leads to heavy debt burden.
4. **It is associated with a lot of Corruption and embezzlement of public funds.** Managers usually misuse the resources of public corporations for private benefit. This turns the corporations into a burden to the country.
5. **There exists a lot of bureaucracy, hence delayed /slow decision making and implementation.** A lot of steps /procedures are followed before decisions are made and this leads to inefficiency.
6. **At times creates monopoly.** Some corporations are the only ones allowed by law to deal in certain activities. Hence even as the corporation fails to perform, the people have no alternative.
7. **Lack of personal interest by employees.** Workers/employees in public corporations usually work with 'a To Whom It May Concern' attitude. They do not have personal interest in the success of these organizations since there is no direct owner/controller. This undermines performance.
8. **Discouraging private investors,** by undertakings production of similar goods at low cost and selling at lower prices than the private sector or by use of patent rights on certain activities.
9. **Heavily dependent on tax revenue for its operations and hence all the associated shortcomings** such as heavy tax burden on the citizens, making government unpopular etc
10. **Provision of poor quality goods and services due to lack of competition.**
11. Limits consumer sovereignty
12. Shortages occur in times of breakdown
13. Interfered with by politicians such as political appointments

Role of the government in the economy

- a) Influences, regulates and direct economic activities such as B.O.P position, inflation control etc to achieve the desired development goals.
- b) Provision of basic social services such as modern medical facilities, education, water supply etc
- c) Mobilization of financial, human and material resources from domestic and foreign sources for funding and implements recovery programs. It encourages savings, local investment, and soft-lending.
- d) Participates in the production and distribution of goods and services produced within the country. This is through public enterprises, which offer goods or services at reasonable prices.
- e) Creates an enabling environment for running of the economic activities , peace and stability, supportive policies
- f) Protects labour from being exploited by fixing old age pensions scheme, retirement benefits, compulsory savings schemes etc
- g) Tries to redistribute income in the economy such as through progressive taxation and ensuring social justice.
- h) Controls the activities of financial institutions such as banks, Forex bureaus, insurance companies etc
- i) Planning to allocate the scarce resources in the economy.
- j) Tries to widen market for the producers through market research and advocating for regional integrations
- k) Protects consumers from market exploitation such as through the Uganda national bureau of standards, weights and measures department etc
- l) Regulates property rights and enforces contractual obligations such as the people being legally obliged to pay their debts.

Reasons for the poor performance of parastatal organizations in Uganda

- **Limited capital/funds to facilitate the activities.** Many of them rely on government funding or subsidies which are not forthcoming. Still the parastatals are major consumers of products, hence increasing expenditure.
- **A lot of political interference in their operations.** Most appointments are politically-influenced and hence sometimes they are run by unqualified or non-experienced management.
- **Limited market for certain commodities produced, both local and foreign.** The high poverty levels in the country lead to low purchasing power, hence a narrow market for their products, making some of them to operate below capacity.
- **Parastatals have many objectives which they want to achieve** , and this reduces their effectiveness due not being specific in focus.
- *Limited skilled labour, hence mismanagement*
- *Poor accountability in the parastatals/ high levels of corruption and mismanagement of funds.*
- *A lot of bureaucracy in their operation, hence delayed decisions*
- *Political instabilities in some parts of the country*
- *Stiff competition from the private sector, causing wastages*
- *Under developed infrastructure such as road network, poor buildings*
- *Limited commitment and interest on the part of management /employees. The administrators lack the self-drive and motivation due to limited or no profit motive.*
- *Low level of technology used in the operation*

PRIVATE SECTOR

Refers to that part of the economy where resources are owned, controlled and allocated by private individuals, and the government influences the activities in the sector through mainly indicative planning.

The private sector is increasing partly due to the privatization process.

Features of the private sector

1. Dominated by the small scale individual owned enterprises
2. The sector profit-motivated rather than considering other objectives like welfare improvement.

3. The sector has many semi-skilled and unskilled entrepreneurs.
4. Concentrated in urban areas
5. There is high entrepreneurial motivation
6. Employs a small number of people, due to small-scale operation (to reduce costs and widen profits)
7. Low productivity in most firms, (*partly due to low levels of technology*).
8. Production is mainly for the local market
9. Dominated by local informal entrepreneurs
10. The sector has low autonomy due to government interference.
11. Most small scale businesses are owned by local entrepreneurs while the medium and large-scale production is dominated by foreign firms
12. Mostly produces consumer goods.
13. It is generally a weak sector due to limited capital
14. The private sector is more flexible than public sector i.e. private investors easily change the type/nature of business.

Advantages of the private sector (*Role/ contribution of the private sector*)

1. **Promotes efficiency in production due to competition.** There is high commitment and dedication among the managers and workers in order to increase the market share. Still the competition among producers leads to high quality production, which benefits consumers.
2. **Generates government revenue through taxation** of their activities and workers' incomes. This in turn facilitates government expenditure such as on provision of social services.
3. **Facilitates increased exploitation of natural resources**, hence minimizing wastage. The sector enables the exploitation of even the small-scattered resources by individual businessmen to maximize profits. This raises the volume of output, hence economic growth.
4. **Increases the volume of production/ the country's GDP.** The private sector contributes to the production of more goods and services; hence supplementing government limited productive capacity. This increases the economic base and thus economic growth.
5. **Facilitates capital formation.** In the private sector there is much re-investment of profits accruing to ensure enterprise expansion, and this builds the capital base of the country.
6. **Encourages capital inflow** in form of foreign private investments. The foreign investors use their capital to set up enterprises such as industries and this increases the level of investment in the economy.
7. **Encourages foreign skilled manpower to come into the country.** This in turn fills the skilled manpower gap and later facilitates the development of local skilled labour as they learn from the foreigners.
8. **Promotes the skills of local labour through training.** The private sector regularly trains the workers in form of training courses, workshops, conferences; which enables them to acquire the required skills leading to increase in productivity and efficiency of labour.
9. **Enhances development of entrepreneurial skills.** This is because it encourages individuals to start up small projects, hence acquiring innovative and managerial skills. This in turn increases economic growth and development.
10. **Provides a variety of goods and services.** This is through competition among the producers, which widens consumers' choice and in turn improves the standards of living.
11. **Generates more employment opportunities to the people, mostly in the long run.** This is because most small-scale enterprises are labour- intensive and create more jobs as they expand. Workers earn incomes which improves the standards of living of individuals.
12. **Facilitates technological development and transfer.** This is because the private firms undertake many innovations and inventions in order to increase the profit margin. They upgrade methods of production or import new machines. This in turn raises the quality and quantity of production
13. **Promotes monetization/commercialization of the economy.** This is because of increased use of money exchange in its activities. This reduces the size of the subsistence production, and promotes economic growth.

14. **Promotes industrialization in the economy.** This is due to freedom of enterprise, hence many local and foreign private investors set up agro-processing and manufacturing industries and thus increasing output level.
15. **Improves the balance of payment position of the country.** The private sector produces many goods and services formerly imported from abroad and this reduces the foreign exchange expenditure.
16. **Promotes economic diversification.** The private sector undertakes investment in various activities such as agriculture, manufacturing, tourism, and fishing. This in turn reduces dependence on a few economic activities or a few export items.
17. **Promotes infrastructural development** such as roads, schools, hospitals. The expansion of the private sector in the economy prompts the government and private players to set up more infrastructure to support the economic activities such as better roads for transporting products to the market.
18. Reduces corruption by promoting accountability, transparency and better financial management unlike the public sector.
19. Relieves the government from the scope of work, given that it requires less government supervision.

Disadvantages of the private sector

1. **The private sector has limited capital for expansion** since most of the enterprises operate on small-scale, and many have no collateral security to acquire loans from financial institutions—hence low level of capital accumulation.
2. **Promotes uneven distribution of income and wealth in society/ Results into income inequality.** For example inequality between the employed and the unemployed, industrialists and agricultural producers, urban sector and rural sector. (*This is partly due to the concentration of private sector activities in the urban areas*).
3. *The private sector is usually profit—motivated and thus charge high price levels, leading to the exploitation of consumers.
4. In some cases, **it leads to monopoly tendencies and the related disadvantages.** Some activities are undertaken by a few firms in the private sector and hence sometimes restrict output in order to maximize profits, leading to over charging the consumers.
5. **Increases profit repatriation,** since many private enterprises are owned by foreign investors. The foreign investors take more of the profits to their home countries and this reduces the level of re-investment in the economy.
6. **Increases foreign dominance and control of the economy.** This is because foreigners control a large part of the economy through the private enterprises (*especially the medium and large-scale firms*).
7. **Less willing to undertake risky ventures and non-profitable investments** such as road construction, yet these are crucial to society. This also undermines economic development.
8. **Increases rural-urban migration** since most of the private enterprises are urban-based. Many people move to the urban areas to look for jobs in the private sector leading to urban problems like crime and congestion.
9. **Makes the control of the economy by the government difficult** and this undermines systematic development plans. Private sector plans often conflict with national interests, since they are mainly profit-oriented.
10. **Many of the private enterprises operate at excess capacity** hence increased prices. More the private sector mainly produces for domestic market and this limits the foreign exchange earnings.
11. **Encourages duplication of goods and services,** leading to wastage of resources. More so it leads to poor quality duplicate goods, partly due to the poor technology employed in most of the private firms.
12. **Results into technological unemployment,** due the increasing use of capital-intensive techniques of production (more machines than labour) to maximize profits.
13. **Results into increased social costs such as pollution of the environment** (air, water and noise pollution), as the firms struggle to compete in the market and maximize profits. This negatively affects the standards of living in the country.

Problems/challenges faced by the private sector in Uganda

- 1) Inadequate capital start investments
- 2) Small markets due to low purchasing power
- 3) Limited skilled labor supply
- 4) Low level of technology used
- 5) Under developed infrastructures such as poor roads, power shortages
- 6) Poor land tenure system such as smallholdings, land being in the hands of a few people.

- 7) Political insecurity in some parts of the country
- 8) Corruption in the government regulatory bodies
- 9) Price fluctuations for many commodities
- 10) Unfavorable natural factors that especially affect agriculture such as floods, drought
- 11) Shortage of some basic raw materials
- 12) High taxation by the government on businesses
- 13) Limited entrepreneurial skills
- 14) Ineffective enforcement of patent rights. This results into duplication
- 15) A lot of bureaucracy in the government regulating bodies such as clearing imported inputs across borders, issuing of licenses.

Measures to improve the performance of the private sector

- Further liberalization of the economy
- Further privatization of public enterprises
- Develop strategic infrastructure
- Improve the investment climate such as use of tax holidays, investment sites etc
- Strengthen/ enforce copyright laws/ patent rights to protect private investors
- Increase manpower training to equip people with the necessary skills
- Encourage technological development and transfer
- Encourage importation of essential raw materials
- Strengthen the fight against corruption in the country/ encourage proper accountability
- Ensure political stability in all parts of the country and good cooperation with neighboring countries.
- Strengthen organizations/ institutions to improve the private sector such as UIA (Uganda Investment Authority)—which licenses investors, UMA—which creates dialogue between government and industrialists, PSFU(Private Sector Foundation)
- Encourage enterprise development programs/ improve entrepreneurship skills
- Provide affordable loans / credit facilities to private investors
- Widen local and foreign markets/ international publicity
- Improve/ reform the land tenure system

***Economic liberalization**

Refers to the removal of various state controls and interventions in the economy and thus allowing private individuals to participate in various economic activities.

PRIVATIZATION

Refers to the transfer of ownership and control/management of state/government enterprises to private individuals or companies.

OR Refers to the process/policy of converting public ownership of an asset to private ownership and control. It involves selling of formerly public enterprises to the private sector and setting measures and policies aimed at promoting private ownership.

Forms of privatization

1. Divestiture

This involves government selling all its shares to the private sector. The government sells off all its interests and shares in a corporation to private investors (e.g. Uganda grain milling company, BAT, NYTIL)

2. Partial privatization

This involves the government selling part of its shares (usually the largest percentage) to the private sector. The government retains a given number of shares in the company. (e.g. UEB to Eskom, UCB to Stanbic). This is usually a stepping-stone to full privatization.

3. Privatization by management

This involves the government retaining full ownership of the public enterprise but contracts management to the private sector, under terms agreed upon by both parties.

4. Privatization of auxiliary services

This involves government contracting certain services in a public enterprise to the private sector such as catering services in its institutions, cleaning in government hospitals, road infrastructure maintenance etc. This is through the tendering process.

5. Share issue privatization (SIP)

This involves the government selling shares on the stock exchange market to the public. The individuals and other firms buy the shares and gain ownership of the privatized company. However, the government may retain some shares.

6. Leasing—this is where the government reaches an agreement with interested person(s) in having or using public property with exclusive rights for a specific period of time and on specific terms. For the case of land-it can involve a short-term lease of 49 years or a long-term lease of 99 years.

7. Demonopolisation/ deregulation. This involves the government removal of restrictions on entry of private individuals to certain activities.

***Conditions necessary for success of privatization process**

- *Macro-economic stability such as stable prices, output stability etc*
- *Mass support of the population in the country*
- *Well developed capital markets*
- *Proper preparation of companies for sale e.g making them attractive*
- *Proper accountability in the privatization process*
- *Political stability in the country*
- *Proper valuation of public enterprises that are on sale*
- *Public sensitization on the intended reforms, to reduce opposition due to ignorance.*
- *Minimum costs should be incurred in the process*
- *Minimum political sabotage in the process*
- *Presence of a large market size, both internal and external.*

Reasons for privatization (of public enterprises)

1. **To increase efficiency in the enterprises.** It creates personal interest in the enterprises, and this increases the quality of goods and services / hence better service provision such as in health sector, banking etc. There is efficiency due to the need to make profits.
2. **To increase economic growth rate,** by increasing domestic output produced. Private companies produce more output in order to maximize profits. Increased local production also reduces dependence on imports.
3. **To reduce bureaucratic operations, hence easy decision-making and implementation.** It reduces the long chain of command/ red tape in business activities in the public sector. Privatization makes the firms to quickly respond to market needs/ demands (such as customer complaints).
4. **To reduce corruption and embezzlement of parastatal resources.** It promotes accountability, transparency and better financial management due to the need to maximize profits.
5. **To mobilize private investment in the delivery of services and the production of goods.** Privatization avails people who have the money opportunities/projects to invest in. This in turn **encourages capital inflow** in form of direct foreign investments (DFIs)/ by investors who buy the enterprises.
6. **To reduce government expenditure on public enterprises.** It relieves the local and central government of the financial burden of providing certain services, or providing subsidies to the public enterprises. Hence reducing budgetary deficits.

7. **To raise government revenue** from the sale of the public enterprises/ to widen the tax base. This revenue is used to finance the government budget. (*This in turn generates revenue to meet the recurrent and development expenditure*).
8. **To create more employment opportunities in the economy in the long run.** Due to efficient production the privatized companies are able to expand and create more jobs in the long run, hence improving the standards of living.
9. **To reduce political influence/ interference** and the government seeking popularity by putting the economy in people's hands. Public companies are often under political pressures such as retaining many inefficient employees for political motives (*e.g towards elections*). Privatization eliminates such political pressures.
10. **To reduce monopoly tendencies of the public enterprises.** Privatization opens production to the private sector since the restrictive rules are removed. The emergence of many firms widens the choices available to consumers.
11. **It is a pre-condition to acquire foreign assistance from international bodies** such as IMF, IBRD, and UNO. Privatization is one of the structural adjustment programmes put by IMF and hence it needs to be implemented in order to access funds from international agencies.
12. **To encourage competition/to promote innovations and inventions,** hence quality production. This is true in a bid to maximize the profit margin and this increased productivity. (*In turn, there is widened consumer choice due to the production of a variety of goods and services*).
13. **To attract the rare skilled personnel and in turn improve the technology in the country.** There is technological development and transfer due to the foreign investors who buy the privatized companies. (There is also improvement in the skills of the local workers).
14. To improve on the balance of payment positions of the country, by reducing imports and increasing exports.

Disadvantages of privatization

1. **Increases income inequality and regional imbalance in development.** The gap between capitalists who own resources and those individuals without resources increases. For example there is dismissal of some workers, hence loss of income for some people.
2. **It increases the number of foreign-owned firms** in developing countries and consequently **high rate of profit repatriation.** Many privatized companies are bought by foreigners. This capital outflow limits further investment in the economy.
3. **It emphasizes profitability at the expense other national objectives.** For example, they charge higher prices for the services or goods. Some companies close down the rural unprofitable branches yet the government wants the services to be near the people.
4. **Makes development planning by government difficult.** This is because the private sector is outside the direct control by the government.
5. **Leads to over exploitation of natural resources,** and thus depletion. This is due to the need to maximize output to meet market demand by the private investors.
6. **It increases social costs such as pollution.** Due to competition and the need to maximize out to satisfy demand, there is an increase in discharge of wastes and fumes from the firms, which are dangerous to the population.
7. **Results into foreign dominance in the economy,** due to foreign-owned enterprises. (It increases foreign control of the economy). The foreign companies normally follow guidelines from the home countries.
8. **The private sector is unwilling to provide public services** since they are risky ventures and non-profitable such as water supply, road sector etc.
9. **Results into wasteful competition among the private entrepreneurs** such as increased advertisement and duplication of products, leading to wastage of resources. The competition in the private sector makes some firms to produce commodity brands produced by other firms, which reduces the market share and sometimes compromises the quality.
10. **Increases consumer exploitation by the producers, through high prices charged and low quality products.** Private firms serve the interests of those who are able pay for the goods and services, and the majority low-income earners are not able to afford the higher prices.
11. **Increases unemployment in the short run.** This is through retrenchment/ dismissal of those workers who are considered inefficient/ incompetent during the restructuring process of the companies.

12. **Losses are incurred due to under valuation of some enterprises.** Sometimes the companies are sold out either too quickly or too cheaply, making the government to earn less from the sale. Some companies are sold to incompetent private individuals, just because they are well connected to government.
13. **The privatization process is costly to the government,** the government spends more in preparing companies for sale such as hiring specialists as advisers, advertising the companies, public education campaigns, and monitoring of the enterprises to be privatized.
14. **Increases exploitation of workers/ labour by the employers.** This is in form of low wages paid, poor working conditions. The workers are over worked yet they are lowly paid by the private investors.

Limitations to the privatization of public enterprises/ problems encountered in the privatization of public enterprises in developing countries

1. Opposition from groups/ public who stand to lose in the privatization process (with vested interests) or due to ignorance.
2. Political sabotage /opposition from politicians in the privatization process (*ideological differences among politicians*)
3. Fear of foreign dominance in the economy/Poverty among nationals/ inadequate local capital, leaving privatization dependent on foreign capital.
4. Under developed capital markets and stock exchange markets, through which the sale of shares to the public can be effected.
5. Limited entrepreneurial ability-technical skills among Ugandans.
6. Small domestic market discourages especially the local market. For example inadequate incomes/ poverty by nationals and thus most companies left to foreigners.
7. Corruption (and nepotism) and lack of transparency in the privatization unit. Most companies are not sold in transparent manner. Some have been sold to friends and individuals connected to government officials or selling to themselves or getting bribes from the buyers. Even the returns from the sales are not effectively accounted for. Hence lack of credibility. This renders privatization process complicated.
8. Unwillingness or reluctance of the private sector to produce non/less-profitable public services such as water supply.
9. Need by the government to retain control in some enterprises.
10. Poor state of some public enterprises/Some public enterprises are in a very 'sorry state', such that they are less attractive to potential investors. They earn losses year after year.(.)
11. Government ambitious plan of taxing private companies in the short run and thus a setback.
12. General ignorance of many people about the available opportunities such as shares in the public enterprises and how the process is carried out.
13. Poor valuation of the public enterprises such as undervaluation
14. Political instability in some parts of the country.

Measures to improve the privatization process in Uganda

1. Government should improve the social-economic infrastructure such as roads, stock-exchange markets, banks etc
2. Strengthen bodies/ organizations such as the privatization unit, to ensure coordinated and timely selling of enterprises, hence avoiding privatization in a hurry.
3. Encourage foreign investors with high entrepreneurial skills and far-developed technology
4. Improve the investment climate such as credit facilities, tax holidays, and other concessions to the private sector.
5. Further liberalization of the economy to complement privatization, hence reducing monopoly further
6. Selling manageable shares to the local people especially the partial privatization of enterprises like New Vision.
7. Ensure accountability and development of projects from the revenue accruing.
8. Regulate the number of foreign investors buying shares or companies to create a balance with the indigenous people. This is to reduce foreign dominance.1.
9. Encourage collective buying of shares in public enterprises by among the local people instead of individual effort.

Nationalization

Refers to the process by which the government takes over the ownership, management and operation of a firm that was initially privately owned.

Nationalization may be done to control monopoly power, to control the production of sensitive commodities such as electricity, security and also due to other strategic reasons of government. Nationalization however discourages private entrepreneurs who may fear to expand their enterprises for fear of being nationalized. (*Nationalization contrasts with privatization*).

Structural adjustment programs (SAPs) of IMF in Uganda

Structural adjustment programmes refers to the policy measures undertaken by the government to change/ restructure structural features of the economy, with the purpose of accelerating economic growth rates or achieve certain economic objectives.

These are economic policies set by IMF (International Monetary Fund) which countries must follow as a precondition to obtain loans and make debt repayments among other benefits.

The SAPs of IMF include:

1. Privatization
2. Liberalization of the economy
3. Investment policy such as tax holidays, fair laws etc
4. Fiscal policy implementation, involving reduction in government expenditure, to fight corruption in the civil service, strengthening tax collections etc
5. *Retrenchment/ Demobilization/ cost-sharing
6. Foreign exchange policy such liberalization of the foreign exchange market
7. Monetary policy such as regulating money supply, security markets,
8. Infrastructural development policy
9. Agricultural modernization
10. Export diversification
11. *Devaluation

Guiding questions

SECTION A

1. What are the basic features of Uganda's economy? (4mks)
2. Outline any four(4) problems developing countries face in their effort to export manufactured goods (4mks)
3. (a) Define the term absorptive capacity
(b) Give three reasons for the low absorptive capacity in developing countries
4. Mention any four merits of the informal sector (4mks)
5. Outline the features of dualism in your country (4mks)
6. (a) Define the term economic dependence (1mk)
(b) Mention any three effects of economic dependence (3mks)
7. (a) Distinguish between economic dependence and economic interdependence (2mks)
(b) Identify two instances of economic dependence (2mks)
8. (a) What is meant by external resource dependence? (1mk)
(b) Give three demerits of external resource dependence (3mks)
9. What is the role of government in the development of an economy? (4mks)

10. (a) What is a parastatal organization? (1mk)
(b) Give three reasons for the poor performance of parastatal organizations in your country (3mks)
11. (a) Define the term privatization (1mk)
(b) Outline the objectives of privatization in your country (3mks)
12. Mention any four features of Uganda's exports (4mks)
13. Identify any four structural adjustment programmes of IMF in developing countries (4mks)
14. (a) Define structural adjustment programmes (1mk)
(b) What are the structural adjustment programmes that Uganda has implemented? (3mks)
15. Identify any four objectives of International Monetary Fund (4mks)

SECTION B

1. (a) What are the salient features of Uganda's economy (10mks)
(b) Explain the economic implications of the structure of Uganda's economy (10mks)
2. (a) In which ways is your country economically dependent? (8mks)
(b) Suggest measures that can be undertaken to improve Uganda's economy (12mks)
3. (a) Describe the structure of Uganda's economy
(b) What structural reforms would you recommend for your government to improve the economy?
4. (a) Describe the structure of the agricultural sector in Uganda (10mks)
(b) Explain the demerits of such a structure to the economy of your country (10mks)
5. (a) Explain the ways in which agriculture is dominant in Uganda's economy (8mks)
(b) What measures are being taken to modernize the agricultural sector in Uganda? (12mks)
6. (a) Define the term agricultural modernization (2mks)
(b) Explain the factors limiting agricultural modernization in your country (18mks)
7. (a) Explain five (5) salient features of Uganda's economy
(b) What changes would you consider necessary for such an economic structure?
8. (a) Explain how agriculture is a dominant sector in your country's economy (6mks)
(b) What steps have been taken to promote the agricultural sector in your country? (14mks)
9. (a) Describe the structure of industry in Uganda (10mks)
(b) Examine the implications such as a structure on the economy of Uganda?
10. (a) Outline the features of Uganda's industrial sector (8mks)
(b) Discuss the factors which have influenced the development of the industrial sector in Uganda (12mks)
11. (a) Explain the contribution of the private sector in the industrialization process in your country (10mks)
(b) What policy measures have been adopted to expand the industrial sector in your country? (10mks)
12. (a) Explain the meaning of informal sector (4mks)
(b) What are the advantages and disadvantages the existence of the informal sector in your country? (16mks)
13. (a) What are the features of the informal sector in your country? (10mks)
(b) Suggest measures which can be taken to improve the performance of the informal sector in Uganda (10mks)
14. (a) Outline the features of a dual economy (8mks)
(b) Explain the negative effects of economic dualism in your country (12mks)
15. (a) Describe the structure of import and export trade in your country (10mks)
(b) What are the implications the above structure in your country? (10mks)
16. (a) Outline the structure of Uganda's foreign trade
(b) What problems arise out of such a structure of foreign trade?
©Suggest possible remedies to such problems
17. (a) In what ways is your country economically dependent? (8mks)
(b) What are the implications of such economic dependence in your country? (12mks)
18. (a) Distinguish between economic dependence and economic interdependence (4mks)
(b) Examine the implications of economic dependence in your country (16mks)

19. (a) Distinguish between trade dependence and technological dependence (4mks)
(b) What are the likely consequences of economic dependence?
20. (a) Explain the forms of economic dependence in your country (8mks)
(b) Suggest measures that should be taken to reduce economic dependence in your country (12mks)
21. (a) Define the terms:
(i) An independent economy
(ii) Integrated economy
(iii) Self-sustaining economy
(b) What steps is your country undertaking to achieve an independent, integrated and self-sustaining national economy?
22. (a) What is a public corporation? (4mks)
(b) Assess the role of public corporations in an economy (16mks)
23. (a) Differentiate between a public enterprise and public corporation (4mks)
(b) Account for the establishment of public enterprise in your country (16mks)
24. (a) What are the basic features of the public sector in Uganda? (8mks)
(b) Explain why the public sector in your country has failed to achieve its objectives (12mks)
25. (a) Discuss the major factors that influence investment decisions in the private sector of your country (10mks)
(b) What measures should be taken to improve the performance of the private sector in your country? (10mks)
26. (a) What is the role of the private sector in the economic development of an economy? (10mks)
(b) Discuss policy measures that have been adopted to promote the private sector in your country? (10mks)
27. (a) Distinguish between liberalization and privatization
(b) Explain the reasons for the privatization of public enterprises in developing countries.
28. (a) Explain the various forms of privatization
(b) What are the arguments for and against privatization in developing countries?
29. (a) Explain the limitations to the privatization process in Uganda
(b) What measures can be taken by the government of Uganda to achieve a successful privatization process?
30. (a) Account for the divestiture of public enterprises in your country (10mks)
(b) What are the problems faced in the divestiture of public enterprises? (10mks)