

STRUCTURE OF UGANDA'S ECONOMY

This refers to the basic/salient features of the economy of Uganda.

When we are looking at the structure of Uganda's economy, the following are always put into consideration;

- The pattern of social economic organization.
- The major sectors of the economy e.g. agriculture, industry, public, private sector etc.
- Composition of the major sector.
- The stock of human and non- human resources.

BASIC/SALIENT FEATURES OF UGANDA'S ECONOMY:

Uganda's economy can be described as follows;

1. It is predominantly an agricultural economy. Agriculture is the major sector/production activity because it contributes a big percentage of the country's GDP and employs a bigger proportion of the country's labour force. It is also the major source of food and foreign exchange earner for the country.
2. It is basically a mixed economy. This means that resources are owned and allocated to different uses by both the government and private individuals.
3. Uganda's economy has got a small but growing industrial sector with most industries involved in processing.
4. It is a dual economy. Elements of dualism in Uganda include; Co-existence of the poor people alongside the rich, rural areas alongside urban areas, the educated alongside the illiterate people, subsistence sector alongside the monetary sector etc.
5. It is an open economy. This implies that Uganda participates in international trade.
6. It is a highly dependent economy. Uganda relies heavily on foreign economics for financial and human resources. It also relies on agricultural sector for her exports and employment.
7. Uganda's economy is characterized by high levels of unemployment and under employment. This is due to abundant supply of unskilled and semi-skilled labour force in the country'
8. Uganda's economy is characterized by a high population growth rate, this is due to the high birth rates and low death rates.
9. The labour force is predominantly unskilled due to the low levels of education.
10. It is characterized by a growing informal sector. This is an intermediate sector existing between the modern and traditional sector.

11. It is characterized by a large subsistence sector i.e. most producers produce for home consumption.
12. It is characterized by poorly developed social and economic infrastructure e.g. roads are in a poor state but improving, there is shortage of power and inadequate communication facilities.
13. Excess capacity exists in many sectors of the economy. This means that most firms produce at less than full capacity due to poor technology, inadequate capital, limited market size etc.
14. The employment pattern is such that the majority of labour force is in the primary sector especially the agriculture sector. Few Ugandans are engaged in manufacturing and very few of the labour force is found in the tertiary sector (service industry).

ECONOMIC IMPLICATIONS/EFFECTS OF THE STRUCTURE OF UGANDA'S ECONOMY

The following are the social and economic implications of the structure of Uganda's economy.

Balance of payments deficit. This is due to the high expenditure on importation of manufactured products which are highly priced and low earning from exports which are mainly agricultural products that fetch low prices on the world market hence causing a B.O.P deficit.

Heavy debt burden. This arises from over dependence on foreign aid in form of loans which require paying back.

Low tax base and low tax revenue. This is due to the presence of a large subsistence sector and a small industrial sector whose activities are not taxed.

Low labor productivity. This is due to dominance of unskilled labour force.

High levels of poverty among people. This is due to low incomes resulting from a large subsistence sector.

There failure of government plans. This is due to dependence on foreign aid which is inadequate and sometimes unreliable.

It implies unfavorable terms of trade. This is because of dependence on primary agricultural exports which fetch low prices on the world market yet Uganda mainly imports manufactured goods which are highly priced.

Fluctuation in foreign exchange earnings of the country. This is due to the dominance of agricultural product exports whose prices are unstable.

Low levels of savings and investment. This is due to a high dependence burden arising from a high population growth rate.

Low rate of economic growth and development. This is because most of the country's natural resources are under-utilized.

There is diminishing returns on land due to dependence on agriculture i.e. decline in productivity of land arising from over utilization of land.

Income inequality among people. This is due to high levels of unemployment and dominance of subsistence sector where producers earn low income compared to the few engaged in monetary products and the employed who earn high incomes.

Low levels of technological advancement. This is caused by technological dualism in Uganda. There is still predominance of rudimentary/ backward skills of production in many parts of the country because of conservatism among people and limited capital.

MEASURES THAT CAN BE TAKEN TO IMPROVE UGANDA'S ECONOMY

- 1. Develop infrastructure.** The government can construct and rehabilitate the infrastructure especially the road network. This can enable easy movement of raw materials to production centres and finished goods to market areas and at reduced cost. This can encourage more investment in the economy and thus improve Uganda's economy.
- 2. Widen market both local and foreign.** The government can expand the market through joining regional economic integration like East African Community, COMESA, etc. This can encourage more investments and production in the country because of the assured market for goods.
- 3. Provide affordable capital for investment.** The government can offer loans at low interest rate for investment. This can help to expand the capital base of the investors and result into increase in investment and output.

4. **Stabilize the political climate.** The government can ensure relative peace in different parts of the country through strengthening of defense. This can give confidence to investors since there are assured of safety for life and property thereby creating an increase in the level of investment and production.
5. **Provide investment incentive like tax holidays, allocation of land for industries etc.** This can reduce the cost of doing business and thus encourage investors to set up more production units in the country.
6. **Control population growth rate.** This can be done through promoting family planning in order to reduce the dependence burden on the working population. This can increase the level of savings and investments in the country.
7. **Improve the techniques of production through research.** The government can encourage technological development and transfer as a way of promoting better techniques of production that can cause increase in the volume of output and improvement in the quality of output.
8. **Improve the land tenure system.** The government can carry out land reforms to give investors easy access to land and chance to buy land on which to set up production units. This can promote investment and commercial production.
9. **Modernize agriculture.** The government can encourage the transformation of agriculture from subsistence production to commercial oriented production. This can reduce subsistence production activities in agriculture and increase incomes of produces and the supply of raw materials and food in the country.
10. **Diversify the economy.** The government can encourage the starting up of many economic activities in the country. This can reduce dependence on agriculture and its negative effects
11. **Provide labour with skills through training.** This can enable labour to acquire the necessary skills for production and thus increase labour productivity and efficiency.
12. **Improve entrepreneurship skills.** This can help in ensuring proper organization and coordination of factors of production in order to increase output.

Questions:

- a) Describe the structure of Uganda's economy.
- b) What are the implications/impacts/effects/consequences of the structure of Uganda's economy?
- c) Explain measures that can/should/may be taken to improve the structure of Uganda's economy.

THE AGRICULTURAL SECTOR

Agriculture consists of crop husbandry, forestry, fishing and livestock keeping. It is the backbone of Uganda's economy. Over 75% of the people in Uganda are dependent on agricultural activities for their livelihood.

THE STRUCTURE OF AGRICULTURAL SECTOR IN UGANDA:

1. It is dominated by small scale farming activities due to the poor land tenure system.
2. The agricultural sector mainly uses unskilled and semi-skilled labour.
3. It is dominated by food crops. It has a narrow range of cash crops.
4. It is dominated by subsistence production i.e. most of the farmers grow crops and rear animals for home consumption.
5. The agricultural sector mainly uses simple/rudimentary technology inform of hand hoes, pangas etc.
6. Mainly labour intensive i.e. the sector mainly uses labour in production activities.
7. There is high dependence on family labour in production i.e. parents and the children are the major sources of labour in agricultural production.
8. The agricultural sector is mainly rural based. This means most agricultural productions activities take place in rural areas.
9. The agricultural sector mainly produces low quality output. This is due to the use of poor techniques of production.
10. Uganda's agricultural sector mainly produces for the domestic market. It has a narrow range of export crops.
11. There are low levels of industrialization within the agricultural sector.
12. The agricultural sector basically produces for the local /domestic market i.e most of the output produced is sold with in Uganda.

IMPLICATIONS/IMPACTS/EFFECTS OF THE STRUCTURE OF AGRICULTURAL SECTOR IN UGANDA.

POSITIVE EFFECTS:

Provides employment opportunities. This is because agricultural sector mainly uses labour intensive techniques of production which employ more labor units than capital.

It encourages effective utilization of land resources which reduces wastage of resources. This is because majority of the people in Uganda are engaged in agricultural sector and thus more land is put to use.

Increases GDP/output levels hence economic growth. This is because a bigger percentage of the population is engaged in farming which leads to high output hence promoting economic growth.

Reduces dependence on food imports. This is due to the dominance of food crop production.

Provides of revenue to the government. This arises from the taxes which are imposed on agricultural output as well as incomes of workers employed in the agricultural sector.

Promotes development of infrastructure especially roads. Infrastructure inform of roads are set up to facilitate agricultural production and marketing of agricultural output.

Provides foreign exchange earnings to the economy. This is through exportation of agricultural products such as cotton, coffee, tea, tobacco etc.

Provides market for industrial products. This is because agricultural sector uses inputs inform of chemicals, fertilizers and firm implements which are provided by the industrial sector.

Promotes balanced regional development. This is because agriculture is carried out by many people in various parts of the country hence promoting balanced regional development.

Provides raw materials for the industrial sector. Agro-processing industries such as sugar industry and the soft drinks industry use agricultural output as their input hence promoting industrial development.

Reduces income inequality between the rural people and the urban people. This is because the agricultural sector provides employment and incomes to the rural people since it is mainly rural based.

It reduces rural- urban migration with its negative effects. This is because the agricultural sector is mainly rural based and therefore employs rural population which reduces rural- urban migration with its evils such as open urban unemployment, high crime rate etc.

NEGATIVE EFFECTS:

It leads to low output level hence low rate economic growth. This is because most farmers use rudimentary technology which is inefficient.

Leads to seasonal unemployment. This is due to dependence on nature by most farmers which makes them unemployed during the unfavorable season. e.g. prolonged drought conditions.

Low government revenue is realized. This is because of the pre-dominance of subsistence farming which leads to a narrow tax base.

Worsens income inequality. This is due to the dominance of subsistence farming that leads to low earnings among many farmers compared to those engaged in commercial farming earning high incomes.

Causes structural inflation. This is due to dependence on nature for production which causes shortage of goods in the domestic market when natural conditions are unfavorable.

Results into high poverty levels in a country. This is because of the dominance of subsistence farming which results into low output and low income.

Discourages technological development. This is because the agricultural sector mainly uses simple tools and most of the farmers are conservative.

It leads to unfavorable balance of payments position. This is because of exportation of mainly agricultural products that are of low value, quantity and limited variety which fetch low foreign exchange earnings yet foreign exchange expenditure is high due to importation of highly priced manufactured goods.

Results into unfavorable terms of trade. This is because of exportation of mainly agricultural products at low prices due to low quality yet the country imports highly priced manufactured goods.

Persistent price fluctuations. This is because of dependence on nature by most farmers which causes instability in output and prices.

Limits employment opportunities. This is because of the dominance of small scale farming activities.

Qns:

1. (a) Describe the structure of Uganda's agricultural sector.
(b) Examine the effects/implications/consequences/impacts of the structure on the agricultural sector in Uganda.
(c) Explain the steps that can be taken to improve on the structure of agricultural sector in Uganda.
2. Assess the role/contributions of the agricultural sector to the economic development of Uganda.
3. Why is there a need to change the structure of Uganda's agricultural sector.

STEPS THAT CAN BE TAKEN TO IMPROVE ON THE STRUCTURE OF AGRUCULTURAL SECTOR IN UGANDA

The following are the steps/measures that can be taken to improve the structure of agricultural sector in Uganda/ To improve performance of Uganda's agricultural sector;

- **Undertake land reforms.** This can increase access to land for commercial farming leading to high output levels.
- **Improve infrastructure such as roads and storage facilities.** This will enable easy movement of agro- inputs of firms and also facilitate easy marketing of agricultural output thus promoting commercial farming.
- **Modernize Agriculture.** This can be done through use of irrigation farming, application of fertilizer, pesticides. This can reduce dependence on nature resulting into increased output.
- **Provide extension services to farmers.** This will enable farmers to adopt modern farming methods which are more productive since it breaks conservatism and improves on the skills of farmers.
- **Ensure political stability in the country.** This can reduce the risk of loss of lives and property and give confidence to investors to invest in the agricultural sector thus promoting commercial.
- **Affordable credits should be provided to farmers.** This will enable farmers to buy adequate inputs such as better seed, pesticides, fertilizers and other required farm implements which can enable them expand production.
- **Encourage formation of co-operative societies by farmers.** This can enable farmers to market their produce collectively and access loans collectively thus facilitating commercial production.

- **Diversify the agricultural sector.** This can be done through introduction of new crops, economic activities within agriculture i.e. floriculture, bee keeping, agro-forestry, fish farming etc. which will reduce dependence on few crops and production activities within the agricultural sector. Diversified agriculture will reduce on effect of price fluctuation and also increase incomes of farmers.
- **Improve technology.** This can be done through research into better methods of production and technological transfer by way of importing modern production equipment from developed countries. This can increase efficiency in agricultural production.
- **Encourage setting up of agro-based industries.** This can be done through provision of investment incentives to investors in agro- processing. These industries can add value to agricultural output and thus make them fetch high and stable prices on the world market.
- **Improve skills of labour.** This can be done through education and training. This will increase productivity and efficiency in farming /agricultural sector hence expanding commercial farming.

REASONS WHY THE STRUCTURE OF AGRICULTURAL SECTOR SHOULD BE CHANGED IN UGANDA:

- **To increase output levels /productivity hence economic growth.** This is achieved through encouraging research into modern techniques of production and also research into better yielding crop varieties and animal breeds hence increasing agricultural output.
- **To expand employment opportunities and hence reduce on the problem of disguised and seasonal unemployment.** This is through undertaking agriculture modernization inform irrigation farming that reduces dependence on nature thus enabling farmers to carryout production throughout the year.
- **To widen the tax base/to increase revenue of government through taxation.** This is through encouraging commercial production which increases revenue from taxes imposed on large scale firms, taxes imposes on workers employed in commercial farming.
- **To increase incomes of rural people.** This is through encouraging commercial production which increases incomes of rural farmers there by reducing rural poverty.

- **To improve on the balance of payments position in the country.** This is through increasing the value and variety of agricultural exports as a result of commercialization and diversification of agriculture hence increasing the foreign exchange earnings from agricultural exports.
- **To improve on the terms of trade.** This is achieved through promoting agricultural research, agro processing which results into value addition and production of high quality products which fetch high prices on the world market.
- **To control structural inflation.** This is achieved through mechanization and irrigation farming that lead to increased output levels hence stabilizing the domestic prices of agricultural products.
- **To encourage investment in the agriculture and hence increase utilization of land resources.** This is achieved through expansion of the market for the agricultural output and commercialization of agriculture which attracts more investment in the agricultural sector and thus put land resources to effective use.
- **To promote the growth of the industrial sector.** This is through increasing supply of agricultural raw materials through diversification and commercialization of agriculture.
- **To enable effective economic planning based on stable earnings from agricultural output.** This is achieved through improving on the quality and increasing of the quantity of agricultural output for both foreign and domestic market resulting into stable earning.
- **To ensure food security and a healthy population.** This is attained through modernization of agriculture which increases quantity and quality as well as the variety of agricultural output.
- **To expand market for industrial output.** This is due to the linkage between agriculture and industry where by the development of agricultural sector results into increase in demand for industrial equipment such as hand hoes, wheel barrows and other chemicals which are used as inputs by the agricultural sector.
- **To encourage monetization of the economy/ To reduce on the size of the subsistence sector.** This is achieved through encouraging modern and commercial agricultural production activities.

Qns:

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

(b)Explain the measures that have taken to improve performance of agricultural sector in Uganda.

THE STRUCTURE OF INDUSTRIAL SECTOR IN UGANDA:

The industrial sector in Uganda can be described as follows;

1. The industrial sector in Uganda is mainly composed of small scale industries.
2. Most of manufacturing industries use imported raw materials.
3. The industrial sector in Uganda mainly produces low quality goods.
4. The industrial sector mainly comprises of agro processing industries i.e. most industries use agricultural raw materials.
5. The industrial sector mainly produces for the domestic market.
6. Most of the industries produce at excess capacity due to low levels of technology used and limited market size.
7. The industrial sector mainly produces consumer goods e.g. soft drinks, soda etc.
8. The industrial sector mainly uses the HEP to run the machinery.
9. The industrial sector in Uganda is mainly urban based i.e. most industries are located in towns.
10. The industrial sector in Uganda mainly uses labour intensive technology.
11. The industrial sector is dominated by import substitution industries i.e. most firms in industrial sector produces goods which were formally imported.
12. Most of the industries produce at excess capacity due to low levels of technology used and limited market size.

IMPLICATIONS /IMPACTS/EFFECTS OF THE STRUCTURE OF UGANDA'S INDUSTRIAL SECTOR

Positive effects (positive contributions/role of the industrial sector towards development)

1. **Provides employment opportunities.** This is because most industries use labour intensive technique of production which reduces on the rate of unemployment.
2. **Provides a variety of goods and services to people which widens consumer choice.** This is because most firms are involved in production of different products especially consumer goods.
3. **Widens the country's tax base which leads to increased government revenue.** This is because government imposes taxes on firms in the industrial sector and also on incomes of workers employed in the sector.

4. **Promotes inter sectoral linkages which leads to development of other sectors especially agriculture in the economy.** This is through provision of market for agricultural output since most firms are involved in agro- processing. In addition to this, the industrial sector provides inputs to the agricultural sector in form of fertilizers, chemicals, farm implements.
5. **Increases utilization of natural resources in the country.** This is because the industrial sector mainly uses local raw materials and this reduces wastage of resources.
6. **Increases output levels/GDP hence economic growth.** This is because of the many firms which are involved in industrial commercial production activities leading to high output level hence economic growth.
7. **Promotes economic diversification.** This is because industrial production activities provide alternative means of income generation to the economy thus reducing dependence on one sector especially agriculture.
8. **Improves on the balance of payments position of the country.** This is because most industries are import substitution i.e. produce goods which were formerly imported which reduces on the expenditure on imports.
9. **It encourages self reliance/reduces dependence on other countries for imports.** This is because most industries produce goods for the domestic market and also produce goods that are previously imported.
10. **Promotes development of infrastructure especially roads and electricity.** This is because infrastructure is set up to facilitate industrial production activities.
11. **The industrial sector improves on the labour skills.** This is through on-job training since most industries use labour intensive techniques of production which increases productivity of labour.
12. **Increases capital inflow.** This is because most large scale industries are owned by foreign investors who bring capital into the country hence increasing investment in the industrial sector.

NEGATIVE EFFECTS:

- **Increases rural urban migration with its negative effects** such as high crime rates, open urban unemployment etc. This is because most industries are urban based which attracts people from rural areas to move to urban areas to search for employment.
- **Leads to high social costs inform of pollution of air and water.** This is because of emission of dangerous fumes into the atmosphere by industries and also dumping of industrial wastes into water bodies especially in urban areas where most industries are concentrated.
- **Leads to regional imbalance in development.** This is because most industries are located in urban centers which makes them develop faster as the rural areas where industries are limited lag behind.
- **Results into low levels of output.** This is because of the sector is dominated by small scale industries and operation at excess capacity by most industries.
- **Low quality of output is produced.** This arises from use of simple technology by most industries.
- **Encourages dependence on foreign market for capital and other intermediate goods.** This is because of existing industries mainly produce consumer goods and therefore country has to import capital goods from other countries resulting into dependence on other countries.
- **Worsens the problem balance of payments.** This arises from high expenditures on imported capital goods and raw materials for use in the industrial sector compared to the low earnings from exports since they are of low quality and quantity.
- **Low revenue to government.** This is due to the dominance of small scale industries and some not taxed at all.
- **Causes technological unemployment.** This is because some industries especially manufacturing industries use capital intensive technology where labour is replaced by machines.
- **Leads to increased capital outflow inform of profit repatriation.** This is because foreigners own most of the large scale industries and therefore take profits made back to their countries.
- **Industries tend to produce highly priced goods.** This is due to high production costs inform of high taxes, high costs of raw materials. Etc.

- **Leads to high government expenditure on subsidization of import substitution industries and small scale industries.** This is because such industries need to be protected against competition with imports to enable them continue in the production process. This is done through provision of financial assistance by government to enable them produce at reduced cost and compete with imports.

Questions:

1. (a) Describe the structure of industrial sector in Uganda.
(b) What are the implications of the structure of the industrial sector to Uganda's economy?
2. Examine/Assess the contributions of the industrial sector to the development of Uganda.
3. (a) Account for the poor performance of Uganda's industrial sector.
(b) Suggest the measures that should be taken to develop the industrial sector in Uganda.

FACTORS THAT INFLUENCE THE DEVELOPMENT OF THE INDUSTRIAL SECTOR IN UGANDA

1. Availability of raw materials.

Increased availability of raw materials especially for the agro-based industries leads to high level of industrial production hence high industrial development and limited raw materials for the agro-based industries results into low industrial production thereby leading to slow growth of the industrial growth of the industrial sector in some areas.

2. Availability of market for industrial goods.

A widened market for industrial goods encourages more investors to set up industries since they are assured of market for their goods thereby leading to high levels of industrial development while limited market results into wastage of resources used in the production of industrial products thereby discouraging investment in the industrial sector.

3. Government policy on industrial development e.g. taxation and land allocation.

Favorable government policy on industrial development through provision of tax holidays and land allocation reduces the cost of production and increases profitability of investments thereby leading to high industrial development while unfavorable government policy on industrial development in form of high taxes increases production costs which results into low profits for industrial investors thereby slowing the growth of the industrial sector in Uganda.

4. Level of technology.

The use of improved techniques of production e.g. capital intensive techniques results into large scale industrial operation and production of quality output thereby leading to high industrial development while increased use of poor techniques of production in form of labour intensive techniques encourages small scale operation and production of poor quality output that are not competitive thereby leading to low industrial development.

5. Political climate.

Stable political climate gives confidence to entrepreneurs to set up industrial plants since they are assured of safety for their lives and property thereby leading to high industrial development while political instability creates fear among people because they are not sure about the security of their life and industrial property thereby leading to low industrial development.

6. Level of infrastructural development.

High level of infrastructural development in form of good roads increases accessibility to raw materials for industries and market for industrial products thereby leading to industrial development while poor infrastructure in form of poor roads limits access to raw materials for industrial output thereby leading to low industrial development.

7. Level of capital stock.

Increased capital stock enables better machinery and more factor inputs to be purchased thereby leading to high industrial development while limited capital stock results into acquisition of poor machinery and few factor inputs thereby leading to slow growth of the industrial sector.

8. Availability of land or the existing land tenure system.

A favorable land tenure system where there is private ownership of land leads to high level of industrial development because of increased access to land resources while poor land tenure system e.g. communal ownership of land hinders the setting up of industries due to lack of access to the land resources thereby leading to low industrial development.

9. Level of accountability in the industrial sector.

High level of corruption results into diversion of funds meant for industrial projects and denial of licenses to set up industries which leads to low industrial development while high level of accountability result into adequate financing for industrial activities thereby leading to high industrial development.

10. Size and quality of labour force.

High levels of skills of the labour force make it possible to effectively run industries thereby leading to high industrial development while limited skills of the labour force result into inefficiency and production of poor quality output that is not competitive thereby limiting industrial development in the country.

11. Level of entrepreneurial skills.

High level of entrepreneurial skills enable proper organization of other factors of production thereby leading to high industrial development while low level of entrepreneurial skills results into poor organization of other factors of production thereby limiting industrial development in the country.

12. Level of economic stability/ rate of inflation.

High rates of inflation increase the cost of production thereby making the acquisition of raw materials and power expensive thus limiting industrial development while low rates of inflation increase the profitability of the industrial investment due to the low cost of production incurred by investors thereby leading to high industrial development.

FACTORS THAT HINDER THE DEVELOPOMENT OF THE INDUSTRIAL SECTOR IN UGANDA: (Causes of the poor performance of the industrial sector in Uganda)

- **Limited domestic market.** This is due to low level of income among people which discourages industries from producing on a large scale due to fear of making losses.
- **Limited capital.** This makes it difficult for industrialists to purchase industrial machinery and other inputs thus making them operate at excess capacity.
- **Poor technology used in production.** This leads to inefficiency in production hence limiting industrial development.
- **Limited supply of skilled labour.** This leads to low productivity of firms and also makes some firms to use expatriates who are costly hence limiting industrial development.
- **Shortage of strategic raw materials.** This makes some industries to rely of imported raw materials which are costly and makes some industries to operate at excess capacity.
- **Under developed infrastructure e.g. roads.** This makes it difficult to transport raw materials to production centres and finished goods to market centres which reduces on the level of profits thus hindering industrial development.
- **Political instability in some parts of the country.** This scares away investors due to fear of loss of life and property thus limiting industrial development.
- **Unfavourable government policy on investment.** This is inform of high tax rates on industries. This increases the cost of production which reduces the profit margin thus limiting industrial expansion. Thus limiting industrial development.

- **Poor land tenure system.** This makes it difficult for investors to access land for industrial establishment and expansion.
- **High rate of inflation.** This increases the costs of production which reduces the profit margin thus limiting industrial expansion.
- **Low level of accountability /high rate of corruption.** This results into diversion of funds meant for industrial projects and denial of licenses to set up industries which leads to low industrial development.

Steps being taken to develop the industrial sector:

- Market is being expanded through economic integration and market research.
- Government is providing affordable credit to industrialists.
- Political climate is being stabilized.
- Land tenure system is being reformed
- Government is improving on infrastructure
- Labour skills are being improved through education and training.
- The economy is being further liberalized.
- Government is providing investment incentive to industrialists.
- Inflation is being controlled.
- Proper accountability is being ensured
- Technology is being improved through technological transfer and research
- Skills of entrepreneurs are being improved
- Government is privatizing some public enterprises
- Supply of industrial inputs is being increased through modernization and commercialization of agriculture.

THE INFORMAL SECTOR IN UGANDA

The informal sector is an intermediate sector which exists between the traditional sector and the modern sector.

It is mainly made up of economic activities which have slowly developed from traditional form of production and are slowly being modernized.

Examples of businesses /activities include;

Tailoring, road side trader, petty trading by hawkers and street vendors, small furniture making units, small metal welding units, car washing units, shoe shiners, motor and bicycle mechanic workshops etc.

FEATURES OF UGANDA'S INFORMAL SECTOR:

- The informal sector basically uses local resources/ raw materials e.g. clay, timber etc
- Output produced is mainly of low quality due to the use of simple technology.
- The informal sector business mainly operate under semi- permanent structures.
- Businesses under the informal sector mainly operate under sole proprietorship.
- Informal sector mainly produces for local or domestic market.
- The informal sector mainly produces consumer goods e.g. food stuffs.
- The informal sector mainly uses poor/simple technology due to little capital involved in business.
- There is limited government control over the informal sector businesses.
- The informal sector is dominated by unskilled or semi-skilled labour due to low levels of education among local people.
- The informal sector is characterized by poor or no book keeping.
- The informal sector is mainly dominated by unregistered businesses.
- Informal sector businesses activities are mainly semi urban based / mainly take place in outskirts of cities and towns.
- Production is mainly on a small scale because people employed in the informal sector have less capital.

ROLES /CONTRIBUTIONS OF THE INFORMAL SECTOR IN THE DEVELOPMENT OF UGANDA'S ECONOMY:

Positive Contributions:

- **Creates employment opportunities.** This is because informal sector businesses employ labour intensive techniques of production which reduces the problem of unemployment.
- **Facilitates increased utilization of local resources.** This is because businesses in the informal sector mainly use local raw materials and this reduces resource wastage.
- **It reduces income inequality among people.** This is because many people are employed in the informal sector since it is labour intensive and requires less capital to engage in business.
- **Provides a variety of goods which widens the consumer choices.** This is as a result of many production activities that people are engaged in the informal sector.

- **It provides a cheap training ground for local labour force.** As people work in the informal sector, they gradually learn new skills on jobs which leads to development of local skills in the long run.
- **The sector provides locally affordable goods and services.** This is because of the use of local raw materials which are less costly and the low production costs involved.
- **To some extent the informal sector contributes revenue to government.** Business owners in the informal sector pay license fee to government in order to be allowed to do business and some pay taxes to government.
- **Promotes commercialization of the economy.** This is because the informal sector produces goods which are sold in exchange for money thereby expanding the monetary sector of the economy.
- **Develops of entrepreneurial skills.** Through the informal sector, people learn to organize the available factors of production and how to bear risks in business which gives them confidence to set up business activities.
- **Increases the level of output produce in the country.** This is because of the many people involved in different business activities under the informal sector.
- **Facilitates development of small scale industries in the country.** These are inform of welding and metal fabrication plants, clay works, carpentry and joinery workshops which are set up since they require little capital to start the business.

Negative implications

1. Creates congestion in urban and sub-urban areas.

This is because the sector is dominant in semi-urban areas thereby attracting many people in such areas. This results into a high crime rate and open urban unemployment.

2. Results into duplication of services due to wasteful competition.

Many people get involved in one line of activity or one line of operation within the informal sector and yet they all serve the same market. This creates wasteful competition which finally results into resource wastage.

3. Causes pollution of the environment.

Informal sector activities lead to air and water pollution especially in the areas of their operation due to poor disposal of wastes e.g. in Katwe and Kisenyi, metal scrap fabricators pollute the environment.

4. It causes public revenue instabilities.

The informal sector is not a reliable and significant source of revenue to the government due to the unstable incomes of the operators and the poor record keeping that makes tax assessment difficult.

5. It is associated with high administrative costs.

Sometimes the government uses local authorities like KCCA to remove businesses of the informal sector from particular areas and this involves a high on the part of the government.

6. Hampers provision of low quality services because the informal sector uses poor technology and unskilled labour. This results in production of poor quality commodities that are sold at low prices.

7. Gives rise to disguise unemployment and under-employment.

This is because of the small nature of the business activities in the informal sector.

PROBLEMS FACED BY THE INFORMAL SECTOR IN UGANDA

- Narrow/limited domestic market. This results into losses hence limiting expansion of production activities in the informal sector.
- Inadequate capital. This makes it difficult for business men in informal sector to buy adequate input hence limiting expansion.
- Political instability in some urban centers. This scares away people from doing business due to fear of loss of life and property and at times it increases cases of theft resulting into losses and limited expansion .
- Poor technology. Informal sector mainly uses simple technology which is inefficient and results into production of low quality goods hence limiting expansion.
- Unfavourable natural factors. During the rainy season those who operate business in open places are disrupted and some of their goods are damaged hence limiting expansion.
- Lack of legal recognition. This leads to harassment from the law enforcement officers e.g. KCCA and also limits access to credit from commercial banks which limit business expansion.
- Price fluctuation. This makes it difficult for them to plan as a source of revenue keeps on fluctuating.
- Limited entrepreneurship skills. This results into poor coordination and organization of other factors of production hence causing inefficiency in business which limits expansion.

MEASURES THAT SHOULD BE TAKEN TO IMPROVE/TRANSFORM THE INFORMAL SECTOR IN UGANDA

- Government should lower taxes on raw materials used in the informal sector. This will help in reducing production costs which will enable businesses to expand.
- Government should provide necessary facilities such as water, electricity etc. at a subsidized rate to the informal sector. This will enable them carry out business activities with ease and at reduced costs.
- Infrastructure in form of roads should be improved. This will enable producers in the informal sector to easily transport raw materials and finished goods at reduced cost.
- Affordable credit should be provided to the informal sector businesses. This will enable them purchase the required inputs and expand their businesses.
- Technological schools should be set up and existing ones expanded. This will provide appropriate skills to the informal sector operators which will lead to production of better quality products.
- Informal sector business operators should be encouraged to form co-operative societies. This will make it easier for them to mobilize funds i.e. to access loans in groups and expand their business operations.
- Political stability should be ensured. This will reduce on the risk of doing business e.g. risk of loss of life and property which will give them confidence to expand their business.
- Government should set up permanent structures and rent them to informal sector business operators at affordable rates. This will enable them acquire permanent premises for their businesses which will reduce on the losses and disruptions experienced during the rainy season.

Relationship between the informal sector and small scale industries:

- Both mainly produce consumer goods
- Both operate on a small scale
- Both mainly use simple technology
- Both mainly produce goods for the home or domestic market.
- Both employ semi- skilled or unskilled labour
- Both require little capital to set up business.
- Both produce low quality output.

- Both operate at excess capacity/produce low output
- There is limited formal book keeping in both sectors.
- On-job training is common aspect in both sectors.
- Both contribute low revenue to government.

FEATURES OF THE FORMAL SECTOR IN UGANDA:

- It is made up of predominantly registered business
- It mainly has proper book keeping
- Businesses are mainly governed by government laws.
- It mainly provides paid employment.
- Mainly uses skilled labour
- Production is mainly for commercial purposes
- Basically produces improved quality output.
- Dominated by corporate ownership of resources.
- Basically has employees and employers unions or associations.

QUESTIONS:

- 1) (a) What are the features of the informal sector in Uganda
 (b) Assess the contributions of the formal sector in the development of Uganda.
- 2) (a) Explain the challenges/problems faced by the informal sector in Uganda.
 (b) Suggest the measures which can be taken to improve performance of the informal sector in Uganda.

THE CONCEPT OF DUALISM IN UGANDA'S ECONOMY

Dualism is the co-existence of two contrasting social economic situations/structures in an economy one being superior and undesirable and the other being inferior and undesirable.

The two situations exist side by side in an economy.

A dual economy is an economy where there is co-existence of two contrasting sectors or economic structures one being superior and desirable and the other being backward/inferior and undesirable.

FORMS/TYPES OF DUALISM

1. Technological Dualism

This involves co-existence of modern technology which is superior and desirable alongside traditional technology which is inferior and undesirable. e.g. the use of tractors alongside hand hoes in agriculture.

2. Sectoral dualism

This involves co-existence of two contrasting sectors in an economy where one is superior and desirable while the other is inferior and undesirable e.g. co-existence of the formal sector alongside the informal sector, the industrial sector alongside the agricultural sector.

3. Intra-sectoral dualism

This is the co-existence of two contrasting structures within a given sector whereby one is superior while the other is inferior. e.g. co-existence of commercial agriculture alongside subsistence agriculture within the agricultural sector.

4. Exchange dualism

This involves co-existence of two contrasting mediums of exchange. e.g. barter exchange alongside monetary exchange.

5. Regional dualism

This involves the co-existence of developed regions alongside under developed regions with in the country e.g. urban areas existing alongside rural areas.

6. Income dualism

This involves the co-existence of high income earners alongside the low income earners i.e. the poor alongside the rich people.

7. Literacy dualism

This involves co-existence of the literate people alongside the illiterate people e.g. the educated people alongside the uneducated.

8. Social –cultural dualism

This is the co-existence of the modern culture which is desirable alongside the traditional culture which is undesirable i.e. the co-existence of modern religions that embrace Christianity and Islam alongside the traditional shrines.

9. International dualism

This involves co-existence of developed economies alongside less developed economies e.g. the co-existence of more developed countries alongside less developed countries.

10. Labour dualism

This involves co-existence of skilled labour which is desirable alongside unskilled labour which is undesirable.

FEATURES OF DUALISM /EXAMPLES OF DUALISM IN UGANDA’S ECONOMY

- Co-existence of modern technology alongside traditional technology.
- Co-existence of literate people alongside the illiterate people.
- Co-existence of barter exchange alongside the monetary exchange.
- Co-existence sector of rich alongside the poor people
- Co-existence of commercial sector alongside subsistence sector with in agriculture.
- Co-existence of rural areas alongside the urban areas.
- There is co-existence of traditional cultural alongside the modern culture.
- Co-existence of skilled labour alongside unskilled labour.
- There is co-existence of the formal sector alongside the informal sector.
- There is co-existence of developed economies alongside less developed economies.

QUESTIONS:

1. (a) How far can Uganda’s economy be described as a dual economy?

Or

Explain the elements of dualism that exist in Uganda economy

CAUSES OF ECONOMIC DUALISM IN UGANDA

1. Differences in the level of education among people.
This creates social classes in the economy e.g. the co-existence of illiterate people alongside the literate people.
2. Differences in natural resource endowment in regions.
This makes regions which are endowed with adequate natural resources to develop faster than the regions that lack natural resources hence causing regional dualism.
3. Differences in the level of development among sectors and regions as a result of negligence of some sectors by government and the private sector. This makes sectors that are neglected to lag behind hence causing sectoral dualism.
4. Limited implementation of policies meant to reduce on the undesirable economic situations. This makes the undesirable structures to persist hence causing dualism.
5. Political influence in resource allocation. This leads to the development of regions and sectors that are favored by government in power while the other regions and sectors that are not favoured lag behind hence causing sectoral and regional dualism.
6. Difference in the rate of economic growth among countries. This results into international dualism.
7. Difference in accessibility to credit. This leads to income dualism because those who have access to credit obtain capital and use it to create more wealth whereas those who have limited access to credit remain poor.
8. Conservatism among some people. This leads to technological dualism and social cultural dualism because the conservative people stick to traditional methods of production and culture since they refuse to adopt modern technology and culture.

ADVANTAGES OF ECONOMIC DUALISM

(Merits of a dual economy)

1. It increases employment opportunities. This is because both the formal and informal sectors provide jobs.
2. It enables government to raise more revenue. This is through imposing taxes on the modern sector and the rich people.
3. It awakens the government to its responsibilities of providing facilities to less developed regions/inferior structures and planning to cater for the poor.
4. It promotes diversification in /of the economy. This is due to the existence of firms in both the formal and informal sectors which are involved in different production activities.

5. It encourages factor mobility from a traditional sector which is less productive to the modern sector which increases productivity of labour and other factors of production.

DISADVANTAGES:

1. It leads to rural urban migration with its negative effects. This results from regional dualisms that make people to shift from rural areas to urban areas in search for better economic activities/opportunities hence causing high crime rates, development of slums and open urban employment.

2. It makes planning by government difficult. This is because government finds it hard to determine which sector should be boosted first i.e. choosing between agriculture and industry, rural areas and urban etc.

3. Leads to unemployment. This is because of technological dualism where the use of modern technology in form of machines replaces labour in the production process resulting into technological unemployment.

4. Leads to poor standard of living among the undesirable structures e.g. the poor people cannot afford to buy the basic needs hence causing low standards of living.

5. Leads to under exploitation of economic resources. This is because the inferior structures e.g. the subsistence sector, unskilled labour, uses of rudimentary technology results into operation at excess capacity.

6. Leads to exploitation of the poor by the rich. This is because the poor are subjected to low pay/low wages and poor working conditions by the rich as the poor struggle to earn income for survival from the rich.

7. Creates conflicts and social discontent between the poor and the rich, traditionalists and the modernists because the rich look at the poor as people with low status.

8. Dominance of the inferior structures such as the poor, the illiterate, rudimentary technology etc makes government unpopular because people blame government for failing to improve on the inferior structures.

Questions

1. (a)What is meant by economic dualisms?
(b)Describe the forms of dualism in Uganda's economy.
(c) Explain the causes and effects of economic dualism.

THE CONCEPT OF ECONOMIC DEPENDENCE

Economic dependence is a situation in which an economy relies either mainly on a specific sector or on other countries for decisions and resources for her economic survival and development.

Forms/Types of Economic Dependence:

- Direct economic dependence
- External resource dependence
- Direct trade dependence
- Sectoral dependence

1. Direct economic dependence

This is the reliance of an economy on economic and political decision dictated by other countries or foreign funding bodies. Such as the World Bank etc.

E.g. some of the policies that are being implemented in Uganda such as privatization, liberalization of the economy, cost sharing etc were given to Uganda as a conditionality by the world bank.

2. External resource dependence

This is where a country relies on foreign factor services such as technology, expatriates and foreign capital in form of loans, grants etc. to supplement her productive resources.

3. Trade dependence

This is where a country relies on internal trade in form of imports or exports for her economic survival e.g. Uganda relies on imported manufactured products which are consumer and capital goods.

It also relies on few countries for her export market and relies on few products for her exports.

4. Sectoral dependence.

This is the reliance of a country on majorly one sector or few sectors for her economic survival /development. e.g. Uganda relies mainly on the agricultural sector for her economic development.

CAUSES OF ECONOMIC DEPENDENCE IN UGANDA.

- 1. Poor education system.** This results into high levels of unskilled labour hence making a country to rely on expatriates/highly skilled labour force especially in fields of medicine and engineering.
- 2. Underdeveloped infrastructure.** This makes Uganda to rely on foreign capital in form of loans to develop and expand her infrastructure such as roads, railway etc.
- 3. Occurrence of natural calamities** Such as drought, landslides, floods, epidemic diseases etc. This results into high dependence on relief aid from the world food programme, red cross etc.
- 4. Under developed technology.** This is due to the use of traditional technology and low levels of invention and innovation in the country hence resulting into reliance on imported technology in form of machines.
- 5. Under development industrial sector.** This results into reliance on imported manufactured goods.
- 6. Low tax base and tax revenue.** This leads to reliance on foreign capital in form of loans and grants in order for the country to supplement her local revenue and meet her recurrent and development expenditures.
- 7. High population growth rate in the country.** This results into high government expenditure to cater for the increasing population which calls for foreign resources in form of loans, grants and donations in order for government to provide social services e.g. education, and health to the increasing population.
- 8. Limited domestic market.** This makes Uganda to depend on external markets for her exports hence causing trade dependence.
- 9. Low levels of entrepreneurship skills and abilities.** This results into dependence on foreign capital and foreign direct investments.
- 10. Exportation of limited variety of goods which are basically of low quality.** This leads to low foreign earnings hence causing the need for foreign resources so as to reduce on the balance of payment deficit.

DANGERS/NEGATIVE IMPLICATIONS/DEMERITS OF ECONOMIC DEPENDENCE

1. It worsens balance of trade payments problem. This arises from reliance on imported manufactured goods which are highly priced resulting into increased foreign exchange expenditure yet the earnings from the exports are low due to dependence on agricultural exports.
2. It encourages laziness/discouraged local initiatives. This results from reliance on foreign capital and technology that makes people reluctant to develop their own technology and create more capital through saving.
3. The economy is subjected to inappropriate and undesirable external decisions as a result of direct economic dependence e.g MDC's and international agencies such as the world bank dictate on how and where the aid should be used leaving the priority areas such as agricultural underdeveloped.
4. It leads to economic domination of Uganda by foreigners. This is because the foreign countries especially MDCs on which Uganda relies for foreign capital and direct foreign investors dictate on economic policies hence having economic control over Uganda's economy.
5. It results into fluctuation of prices of agricultural products. This is due to reliance on agricultural sector whose output is unstable since the sector relies on natural conditions.
6. It leads to low volume of imports. This is due to low export earnings arising from limited variety and low quality exports making the country to have shortages of foreign exchange.
7. It leads to culture decay. This arises from reliance on foreign investors and other countries for finished consumer goods that makes the local people to adopt foreign cultures at the expense of traditional cultures.
8. It accelerates outflow of capital. This is inform of profit repatriation by foreign investors due to reliance on foreign capital.
9. It worsens the external debt burden. This is because of reliance on external resources inform of loans obtained from the world bank and other countries have to be paid back with interest and in the process the country has to forego development of some sectors.
10. It causes technological unemployment. This arises from reliance on foreign technology inform of machines which replaces labour especially in the industrial sector.
11. Results into underutilization of domestic resources. This is because of reliance on external raw materials and finished goods which discourages domestic firms.

MEASURES THAT SHOULD BE TAKEN TO REDUCE ON ECONOMIC DEPENDENCE IN UGANDA

1. Undertake economic diversification. This can be done through developing the industrial sector, tourism, banking etc. This can reduce on reliance on agricultural sector since it provides alternative sources of income.
2. Train the local labour force. This will improve on labour skills hence reduce reliance on foreign skilled labour.
3. Promote and develop local technology. This is through encouraging research, innovations and investments in the economy which will reduce reliance on imported technology.
4. Increase the tax base and improve on tax administration. This can be done through identifying new taxable economic activities and equipping tax officials with relevant skills. This can increase tax revenue which reduce dependence on foreign capital inform of loans.
5. Control population growth rate. This can reduce on the dependence burden which encourages local savings and promotes local investment thus reducing dependence on foreign resources.
6. Undertake proper planning and allocation of resources. This can expand on productive activities which can increase income thus reducing reliance on external resources.
7. Maintain political stability. This can minimize expenditure on military equipment hence reducing reliance on foreign capital inform of loans to finance such expenditure.
8. Encourage local savings and investments. This can be done through offering high interest on savings, reducing interest on loan and providing other investment incentives to local entrepreneurs. This will reduce dependence on foreign private investor and dependence on loans from foreign institutions.
9. Fight corruption and mismanagement of public funds or ensure proper accountability. This will ensure that domestic revenue is put to proper use which reduces dependence on foreign capital in form of loans acquired by people.
10. Promote import substitution industries. This can enable the country to produce the goods locally that were formerly imported hence reducing dependence on other countries for imports..
11. Encourage establishment of export promotion industries. This will increase the volume, variety and quality of exports which can increase foreign earnings hence reducing on reliance on foreign capital.

12. Diversify the economy. This can be done through economic integration and carrying research which reduces on reliance on few countries for the export market.

QUESTIONS;

1. (a)What is meant by economic dependence?
(a)Explain the causes of economic dependence in Uganda.

2. (a)What are the adverse effects of economic dependence in Uganda
(b)Explain the measures that should be taken to reduce economic dependence in Uganda.
(c) Why is economic dependence undesirable?

ECONOMIC INDEPENDENCE

This is a situation in which economy is self-sustaining/self-reliant i.e. the economy does not rely heavily on other countries for her economic development /survive.

FEATURES OF ECONOMIC INDEPENDENCE:

- There is limited importation of goods.
- Most of the economic needs of people are provided by the country domestically.
- Most productive sectors /enterprises are owned and managed by the local people.
- Economic decisions are mainly made by the nationals and government with no direct foreign influence.
- Most of the government projects are financed using domestic revenue.

Economic interdependence is an economic situation in which two or more countries rely on each other for mutual benefit.

Geographical concentration of trade._This is where a country relies on exports to a few markets.

Commodity concentration of trade._Is where a country relies on a few traditional exports e.g. coffee, cotton.

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

Features/Traits of Uganda's Exports:

1. Exports are mainly agricultural products e.g. coffee, cotton, tea etc.
2. Exports are mainly semi- processed goods or unprocessed goods.
3. The exports are mainly of low quality i.e. have low value added on them.
4. Uganda exports few manufactured consumer goods.
5. Uganda exports few services e.g. labour, electricity, education etc.
6. Prices of exports are mainly low and fluctuating
7. Exports are mainly of low volume/quantity.
8. Export prices are mainly determined by the importers
9. There is limited variety /range of exports.
10. The export market is mainly limited to few countries i.e. developed countries like USA, Britain, China and the regional market comprising of Kenya, Tanzania Rwanda, and South Sudan etc.

Features of Uganda's imports:

1. Imports are mainly comprised of finished consumer goods and manufactured capital goods.
2. Imports are mainly of high value and high quality since they are mainly processed.
3. Prices of imports are mainly high and stable.
4. Imports are mainly of high volume/quantity.
5. Imports are of a wide variety e.g. consumer goods, electronics, capital goods etc.
6. Many services are imported e.g. there is importation of highly skilled labour force in the fields of medicine, research, engineering etc.

IMPLICATIONS OF STRUCTURE OF IMPORTS AND EXPORTS IN UGANDA

Positive Effects/implications:

1. The country earns foreign exchange. This is mainly through exportation of agricultural products.
2. Expansion employment opportunities. People are employed in transporting good, ware housing, clearing and forwarding.
3. It promotes international friendship/co-operation. This is because of the need to import from other countries and export to other countries which creates basis for cooperation.
4. Increases output hence economic growth. This is because of the widened market for the locally produced goods which helps consumers to increase output levels so as to earn revenue.
5. Leads to production of better quality goods. This is because of competition between imports and locally produced goods that make domestic producers to improve on quality so as to complete with imports.
6. It increases government revenue. This is through taxing imports and exports.
7. It widens consumer choices. This is due to importation of variety of consumer goods from other countries.
8. Improves technology in Uganda. This is through importation of industrial machinery which leads to transfer of better technology from MDC's to Uganda.
9. It fills the manpower gap. This is through importation of skilled labour which supplements on the locally available skilled labour force hence reducing man power gap.
10. Promotes innovations and inventions. This is because of the need to compete in global market that makes the country adopt modern methods of production hence increasing efficiency in production.

Negative Effects/implications:

1. It leads to poor terms of trade. This is because exports are mainly of poor quality and semi-processed resulting into low prices on the world market yet imports are highly priced manufactured capital and consumer goods.
2. Leads to collapse of local firms. This is due to stiff competition with imports which are of high quality that make local firms fail to compete on the world market.
3. Promotes dependence on other countries for export. This is risky because in case countries relied on get a problem, supply is cut off and market for exports is closed.

4. There is fluctuation in foreign exchange earnings. This is due to exportation of mainly agricultural products whose prices fluctuate in the world market.
5. Leads to unfavorable balance of payments position. This is due to limited goods exported that lead to low foreign exchange earnings yet foreign exchange expenditure is high.
6. Results into high levels of capital outflow. This is due to high expenditure on imported manufactured goods which are highly priced.
7. Underutilization of domestic resources. This is due to reliance on capital and consumer goods which would have been produced locally using domestic resources.
8. Leads to unemployment. This is due to importation of highly skilled labour force that replaces the local labour force and also importation of modern machinery/capital goods that replace labor in the production process.

**MEASURES THAT SHOULD BE TAKEN TO IMPROVE THE STRUCTURE
OF UGANDA'S IMPORT AND EXPORT TRADE**

(To increase export earnings and reduce expenditure on imports)

1. Diversification of exports should be undertaken. This can increase the variety and volume of exports hence increasing earnings from exports.
2. Establish value addition industries. This will improve on the quality of exports which enables them fetch high prices hence increasing foreign exchange earnings.
3. Expand market for exports. This can be done through economic integration and penetrating new markets such as China and India. This can reduce dependence on few countries for export market hence increasing foreign exchange earnings.
4. Encourage establishment of export promotion industries. This can be done through providing incentives to investors. Export promotion industries can increase the volume and value of goods produced for the export market hence increasing foreign exchange earnings.
5. Modernize agriculture through irrigation farming and mechanization. This can improve on the quality and increase the volume of agricultural products for the export market hence increasing earnings from exports.
6. Encourage establishment of import substitution industries. These produce goods that were formerly imported and hence reduce expenditure on imports.

7. Venture into new export sources e.g. tourism by setting up more facilities such as hotels, transport, and infrastructure etc. This will increase on the variety of exports and reduce on reliance on few export commodities.
8. Strength commodity agreements such as the international coffee agreement. This will enable the country to bargain for better prices in the world market hence increasing export earnings.
9. Intensify publicity of Uganda's products in the foreign markets /advertise Uganda's products in the foreign market. This can increase on demand for exports thus improving export earnings.
10. Campaign for the removal of trade barriers in the export markets such as removal of total ban, quotas, this can be done through the government negotiation with other trade partners to remove unnecessary restrictions on goods from Uganda. This will increase the market and hence increase export earnings.
11. Allow the local currency to depreciate. This will result into a fall in exchange value of local currency which will lower prices for exports and increase volume of exports hence increasing earnings.

NB: write down these notes.

END