Economic Chapter 7: Choice of development strategy

Economic development process

This refers to the accumulative improvement in the living standards of people characterized by the increase in the real income per capita of the country over a long period of time.
There should be improvement in the entire social-economic system and the country should attain most of the ideals of modernization. The economy must be transformed from a backward to a modem advanced economy with industries producing durable and consumer goods.

Economic development strategy

This is the broad policy guidelines initiated and followed by the country in formulating and implementing long term social and economic policies for national development.

Components (Elements) of an economic development strategy

1. Choice of broad objectives. That is economic growth, price stability, infrastructural development etc.
2. Choice f technology. That is either capital intensive, labour intensive or intermediate technology
3. Choice of trade orientation. That is either inward looking strategy, (import substitution industrialization strategy) or outward looking strategy (export promotion industrialization strategy)
4. Choice of the leading sector that will achieve either balanced growth or unbalanced growth and development. That is either industrial development or agricultural development
5. Choice of social - economic system. That is market, command or mixed economy.
6. Choice of the source of investment finance. That is either domestic savings or external sources.
7. Choice the implementation machinery. That is either private, public, joint ventures or community based projects.

Uganda's development strategy

1. **On the choice of objectives,** Uganda emphasizes achieving economic growth, price stability, fair income distribution, high employment levels, infrastructural development etc.
2. **On the choice of social- economic system**, Uganda is a mixed economy where resources are owned and economic decisions made by both the private and public sectors.
3. **On the choice of the leading sector**, agriculture is still the leading sector Uganda. However emphasis is also being put on industries and service sector. This means that Uganda is undertaking unbalanced development strategy.
4. **On the choice of the source of investment finance**, Uganda relies mainly on domestic savings and foreign aid from IMP, World Bank and friendly countries.

5. **On the choice of the technique of production**, Uganda is emphasizing labour intensive techniques in order to utilize the available surplus of labour. However there are few medium and large scale industries using capital intensive technology.
6. **On the choice of trade orientation**, Uganda relies on foreign trade because it is not self-sufficient. However, import substitution industries are being set up to reduce dependence on imports.
7. **On the choice of implementation machinery**, both public and private sectors participate in resource allocation and economic decision making.

Development goals

Development goals refer to targets or objectives which have to be met in a given time in order to achieve economic development. They are divided-into short term, medium term and long term goals.

Development goals for developing countries (Uganda)

1. **To increase the availability and widen the distribution of basic needs of life** such as shelter (Housing), food, water; healthcare, clothing, education and protection (security).
2. **To improve and raise the standards of living of the people**. This is achieved through increased income generation and distribution, creation and provision of jobs, better education, improved health care and greater attention to cultural human values all of which can improve on the material wellbeing of the population.
3. **To reduce poverty and unemployment** levels such that people can work and get enough income to improve on their living standards. This is achieved by promoting broad based and sustainable private sector led economic growth that is adequate to reduce poverty.
4. **To reduce income and wealth inequalities among individuals and regional imbalance in the country.** This is done by increasing production and fair distribution of goods and services that are relevant to the needs and preferences of people.
5. **To improve on managerial and entrepreneurial skills** and to build a strong man power base by equipping the local manpower with the necessary skills. This is aimed at increasing the productivity of labour in all sectors of the economy.
6. **To reduce on the illiteracy levels through the provision of minimum education through education for all programs.**
7. **To improve and transform people's attitude towards life**. This is aimed at overcoming the problems of conservatism or traditional beliefs tinder which individuals are rooted into cultural beliefs and norms that hinder development.
8. **To improve on the social and economic infrastructure**. For example energy, transport, medical, financial and educational infrastructure. This is aimed at facilitating the production of more quality goods.
9. **To enhance macroeconomic management and ensure accountability and transparence in institutions that influence production and resource allocation**. That is, the private and public administrative structures should be improved to facilitate production of more quality goods and efficient service delivery.
10. **To expand local and external markets**. This is aimed at encouraging production of goods and services through the utilization of the local resources hence economic growth and development.

11\. **To achieve a technology and science driven economy**. This is aimed at promoting investments, production of high quality output for exports and for the domestic market hence improving the welfare of the population.

11\. **To achieve high levels of economic growth**; through increased exploitation of local natural resources.

13\. **To reduce on the severe balance of payment problems**. This achieved through increased production of high quality goods and services for export (value addition) and reduction in the importation of goods from abroad

14. **To maintain foreign exchange stability and a competitive real exchange rate that supports export led growth**.
15. **To maintain macroeconomic stability particularly price stability through the use of fiscal and monetary policies**
16. **To maintain political stability through good governance based on democratic principles and justice**.
17. **To transform the economy from the subsistence sector to a highly monetized economy**. This is aimed at encouraging commercial production hence economic growth and development
18. **To promote environmental sustainability through the use of better environmental conservation practices like afforestation, use of scientific methods of production, soil conservation etc.**

Balanced, unbalanced and big push growth strategies

Balanced growth strategy

- This strategy involves the simultaneous allocation of resources in all sectors of the economy so that all sectors grow at the same pace and complement each other in terms of market and supply of raw materials. It calls for a balance between consumer and capital goods, industry and agriculture, production for domestic markets and for exports etc.
- According to the theory, there must be critical minimum effort (**minimum level of investment)**.
  The critical minimum effort refers to a certain minimum level of investment capital required to ensure simultaneous and harmonious development of all sectors and sub-sectors of the economy after which they become independent and self-sustained.

Advantages (merits) of balanced growth strategy

1. **It increases employment opportunities**. This is because the strategy emphasizes massive investment in all sectors of the economy which increase production and other economic activities hence more employment opportunities.
2. **It increases government revenue through taxation**. The balanced growth strategy widens the tax base in form of employment opportunities created and various production activities undertaken hence generating more tax revenue to the government. The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.
3. **It promotes economic diversification**. Developing various sectors leads to the production of a variety of high quality goods and services in the economy. This widens the choice of consumers at reduced prices hence better standards of living.
4. **It improves the balance of payment position of the country**. The wide economic base created increases the production of goods and services for the domestic market and for export. This helps the country to save the scarce foreign exchange earnings which would be used for import purposes hence improved balance of payments position.
5. **It leads to the development of social and economic infrastructure**. The balanced growth strategy leads to the development of the social and economic infrastructures in form of roads, communication facilities, schools, hospitals, financial institutions etc. necessary for linking the
6. **It facilitates the exploitation and utilization of the idle local resources.** This helps to improve on the productive capacities in the various sectors of the economy hence economic growth and development.
7. **It increases the rate of economic growth in the economy**. This is due to increase in production and

economic activities which increases trade in the economy hence high levels of national income.

8. **It promotes inter sectoral linkages among the various sectors of the economy**. For example the agro-based industries provide factor inputs to the agricultural sector and market for the products from the agricultural sector in form of raw materials.
9. **It reduces the dependence of the economy on other economies**. Due to investment in various sectors of the economy, a number of formally imported goods and services are locally produced. This leads to an increase in self-reliance and sustenance of the economy.
10. **It promotes balanced regional development**. For example the simultaneous and harmonious development of the industrial sector and the agricultural sector is translated into development of urban and rural areas. This ensures balanced distribution of economic- opportunities and incomes.
11. **It increases capital inflow in the country.** This is because most of the large scale investments are owned by foreign investors who bring in capital and efficient technology. This increases the level of investment in the country.
12. **It helps to control rural urban migration and its associated negative effects in form of slums, open urban unemployment, increased crime rate and poor living conditions in general**. This is due to simultaneous development of both the urban and rural areas.

Disadvantages (demerits) of balanced growth strategy

1. **It leads to over exploitation and quick depletion of nonrenewable resources**. Such resources include minerals like copper, coal, etc. This lead to lack of long term sustainability.
2. **It leads to over production and hence wastage of resources**. This is due to limited markets existing in developing countries.
3. **It discourages rapid growth and expansion of the various sectors**. This is because, the strategy discourages specialization and resources are scattered in a number of sectors hence limited economies of large scale.
4. **The strategy requires huge capital investment in all economic activities which is in short supply in developing countries**. This leads to the increases indebtedness as developing countries forced to borrow in order to raise money to invest in the various activities.
5. **It leads to balance of payment problems in the country**. The strategy is expensive and costly to implement in terms of increased importation of expensive factor inputs in form of raw materials, intermediate goods and expatriates. This leads to increased expenditure on imports relative to the revenue from exports hence balance of payment problems.
6. **It increases economic dependence of the country**. This is due to increased reliance on foreign capital and other imported raw materials from developed countries. This undermines the country's need to be self-reliant and independent.
7. **It encourages profit repatriation**. This is true in case most of the investments under the strategy are carried out by foreign investors. This promotes capital flight hence limited capital accumulation in the economy.
8. **It leads to technological unemployment**. The strategy encourages the use of capital intensive techniques of production which in the long run replace labour hence technological unemployment. This is true especially with foreign investors who prefer to use capital intensive techniques of production.
9. **Environmental degradation**. The balanced growth strategy leads to environmental degradation in due to excessive utilization of natural resources.
10. **It is not suitable in the country where there are political instabilities in some parts of the country**.

This is because it requires simultaneous development of all sectors and regions of the country.

11. **It leads to heavy losses in case of project failure in some sectors**. This is because a lot of capital investment is required by the strategy.

Limitations of the balanced growth strategy in developing countries

1. **Inadequate capital**. There is limited capital necessary to massively invest in all sectors of the economy. This limits the implementation of the balanced growth strategy.
2. **Low levels of technology**. The use of poor technology by various sectors increases the production costs and leads to the production of poor quality goods and services hence limiting the strategy.
3. **Unfavorable government policies in form of high taxes**, and lack of clear policy guidelines concerning investment in developing countries. This makes it difficult to carry out various economic activities due to high costs of operation hence limiting the strategy.
4. **Economic instabilities**. For example high levels of inflation, exchange rate fluctuations, fluctuations in the supply of raw materials, etc. Such instabilities limit the implementation of the balanced growth strategy in developing countries.
5. **Poor and inadequate social and economic infrastructure**. This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This makes it difficult to carry out economic activities hence limiting the strategy.
6. **Limited entrepreneurship skills.** This is due to limited skilled manpower required to invest in various sectors of the economy making it difficult to implement the strategy
7. **High levels of corruption and embezzling of public funds**. This leads to misuse of funds meant for investment in various sectors hence limiting the strategy
8. **Limited domestic and foreign markets**. This is due to low aggregate demand resulting from high levels of poverty in developing countries. This makes it difficult to sustain large scale production hence limiting the strategy.
9. **Poor investment climate in form of rampant political instabilities.** This discourages potential investors from investing in a number of sectors due to fear of losing life and property.
10. **Limited basic natural resources**. The short supply of natural resources like oil and coal makes it difficult to carry out large scale investment in various sectors hence limiting the strategy.
11. **Limited foreign exchange earnings due to the trade barriers and poor quality exports from developing countries**. This makes it difficult to import machinery and other raw materials required for the balanced growth strategy. .

Unbalanced growth strategy (Pole growth strategy)

This is where all economic resources are mobilized and channeled towards the growth and development of priority (leading) sectors which then induce growth and development-in other sectors. The strategy aims at deliberately creating planned imbalance in the economy so as to attain economic growth and development. By concentrating on one sector or a few sectors which have the greatest linkage effect, for example developing the agricultural sector first for the case of Uganda, it can later stimulate the growth and development of the industrial sector by releasing labour, supplying raw materials and providing markets for the industrial products.

Advantages (Merits) of unbalanced growth strategy

1. **It encourages specialization in the economy**. This results into economies of large scale, low prices in the domestic market, and competitiveness of commodities on the world market.
2. **It increases the country's participation in international trade**. The strategy increases the

production of high quality goods and services for exports basing on comparative advantage. This enables the country to earn foreign exchange which is used to import capital and consumer goods which cannot be produced locally.

3. **The strategy encourages the exploitation and utilization of local resources**. This is because it is based on the locally available resources rather than on the imports. This helps to improve on the productive capacities in the economy hence rapid economic growth and development.
4. **It is suitable for developing countries with resource constraints**. This enables countries to inject the available scarce resources in sectors which have maximum positive impact on the economy. This ensures maximum use of the limited resources in the economy.
5. **The strategy promotes induced investments in the economy**. This enables entrepreneurs to take on risks leading to innovations and inventions in other sectors.
6. **It allows easy planning and minimizes wastage of resources.** This is because a few selected sectors are considered.
7. **It generates more employment opportunities**. More resources are allocated to those sectors where most of the labour force is required rather than in all sectors;
8. **It is suitable for developing countries with small markets**. This is because it does not involve massive production of commodities like for the case of balanced growth strategy.
9. **It reduces the dependence of the economy on other economies**. This is because it is based on the available resources and it does not call for countries to borrow from foreign countries.
10. **In case of any failure, less is lost as compared to balanced growth strategy in which massive resources are invested.**

Disadvantages (Demerits) of unbalanced growth strategy in developing country

1. **It worsens the unemployment problem**. This is because the strategy ignores some sectors of the economy which limits production and other economic activities hence low levels of employment.
2. **It encourages economic dependence of the economy**. The concentration of the economy on a few sectors forces the economy to highly depend on other economies in terms of imports. This undermines the country's need to be self-reliant and independent.
3. **It undermines economic diversification**. Concentrating on a few sectors limits the production of a variety goods and services in the economy. This narrows the choice of consumers hence low standards of living.
4. **The strategy is prone to many uncertainties**. For example falling world market commodity prices due to over production of a particular commodity. This leads to poor terms of trade in the economy.
5. **It promotes uneven sectoral and regional development in economy**. This is due to concentration of most of the investments within a particular sector or region. This leads to imbalance in distribution of economic opportunities and incomes.
6. **It leads to underutilization of resources in the economy**. This is because the strategy ignores investment in other sectors and this hinders productive capacities in the various sectors of the economy hence low levels of economic growth and development.
7. **It leads to inflationary tendencies in the economy**. This is due to shortage and high prices of some commodities which would be supplied by those sectors which are neglected.
8. **It reduces government revenue**. This is due to a narrow tax base created as a result of few production and economic activities undertaken hence low tax revenue to the government. This makes it difficult to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.

9. **It worsens the balance of payment position of the country**. This is due to increased importation of goods and services yet there is no corresponding increase in the exports. This increases foreign exchange expenditure hence balance of payment problems.
10. **It limits inter sectoral linkages in the economy**. Leading sectors may not result in the establishment of other sectors because of high levels of factor immobility which limits resource transfer from one sector to another.
11. **It encourages rural-urban migration**. This is due to concentration of resources in urban areas hence undermining the development of rural areas. This leads to development of slums, open urban unemployment increase crime rate and poor living conditions in urban areas.
12. **It leads to wastage of resources in the economy**. The strategy emphasizes specialization which leads to over production of a particular commodity in the presence of limited markets in developing countries. Therefore the surplus output is wasted due to inadequate markets.
13. **It is not suitable in the private sector led economy**. The private investors may not be ready to invest in the leading sector suggested by government. This is very true where the private sector is mainly comprised of foreign investors who aim at maximizing profits.

The big push development theory

The theory states that for a backward economy to take off into self-sustained growth, it requires a massive investment program designed to promote rapid industrialization as well as building up of social economic infrastructure.

It emphasizes injecting massive capital and other financial resources into the economy in order to propel rapid large scale growth. The industries should be labour intensive in order to create employment and consequently market for goods and services produced.

Advantages (Merits) of big push growth strategy

1. **It increases employment opportunities**. The strategy emphasizes the creation of labour intensive industries. This promotes employment and raises effective aggregate demand for goods and services in the economy.
2. **It promotes economic diversification**. The strategy emphasizes setting up of industries producing a variety of high quality goods and services in the economy. This widens the choice of consumers at reduced prices hence better standards of living.
3. **It leads to the development of social and economic infrastructure**. The big push growth strategy leads to the development of the social and economic infrastructures in form of roads, communication facilities, schools, hospitals, financial institutions etc. so as to facilitate production and distribution of goods and services in the economy.
4. **It increases government revenue through taxation**. The big push growth strategy widens the tax base in form of employment opportunities created and various production activities undertaken hence generating more tax revenue to the government. The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.
5. **It improves the balance of payment position of the country**. The strategy increases the country's export potential in terms of increased production of better quality goods and services through value addition. This enables the country to earn more foreign exchange hence improved balance of payments position.
6. **It facilitates the exploitation and utilization of the idle local resources.** Planned

industrialization helps to make use of the available local resources. This helps to improve on the productive capacities in the economy hence economic growth and development.

7. **It increases the rate of GDP growth in the economy**. This is due to increased production and economic activities which increase trade in the economy hence high levels of national income.
8. **It promotes inter industrial linkages in the economy**. The setting up of complementary industries creates market for goods and services produced through the backward and forward linkages created. This promotes trade in the economy
9. **It reduces the dependence of the economy on other economies**. Due to investment in various industries, a number of formally imported goods and services are locally produced. This leads to an increase in self-reliance and sustenance of the economy.
10. **It increases capital inflow in the country**. This is because most of the large scale investments in industries are owned by foreign investors who bring in capital and efficient technology. This increases the level of investment in the country.
11. **It facilitates technological development in the country**. The big push strategy involves setting up of industries and this encourages the use of modem production techniques through inventions, innovations and technology transfer. This increases efficiency hence production of better quality goods and services.
12. **The strategy emphasizes planned industrialization**. This acts as a training ground for labour which leads to development of skills in the long run,
13. **It leads to social cultural transformation**. The big push strategy brings about social transformation and equitable distribution of income in the process of economic development.

Limitations of the big push theory

1. **Inadequate capital**. There is limited capital necessary to massively invest in industrial development and infrastructure. This limits the implementation of the big push growth strategy.
2. **Low levels of technology**. The use of outdated technology by various industries increases the production costs in form of capital consumption allowance hence limiting the strategy.
3. **Unfavorable government policies in form of high taxes**, and lack of clear policy guidelines concerning investment in developing countries. This makes it difficult to set up various industries due to high costs of operation hence limiting the strategy.
4. **Economic instabilities**. For example high levels of inflation, exchange rate fluctuations, fluctuations in the supply of raw materials etc. Such instabilities limit the implementation of the big push growth strategy in developing countries.
5. **Poor and inadequate social and economic infrastructural facilities.** This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This makes it difficult to carry out production activities hence limiting the strategy.
6. **Limited entrepreneurship skills**. This is due to limited skilled manpower required to invest in various industries making it difficult to implement the strategy
7. **High levels of corruption and embezzling of public funds**. This leads to misuse of funds meant for industrial investment for personal gains hence limiting the strategy
8. **Limited domestic and foreign markets**. This is due to low aggregate demand resulting

from high levels of poverty in developing countries. This makes it difficult to sustain large scale production hence limiting the strategy,

9. **Poor investment climate in form of rampant political instabilities**. This discourages potential investors from setting up a number of large scale industries due to fear of losing life and property.
10. **Limited basic natural resources**. The short supply of natural resources like oil and coal makes it difficult to carry out large scale industrial investment hence limiting the strategy.
11. **Limited foreign exchange earnings due to the trade barriers and poor quality exports from developing countries.** This makes it difficult to import machinery and other raw materials required for the big growth strategy.
12. **It emphasizes industrialization and neglects the role of agricultural in the development process of developing countries.**

Industrial development strategy

Industrialization is the process of manufacturing consumer and capital goods and creating social overhead capital necessary for economic growth and development. It involves, but is not limited to, electric power production, food and food by-product processing, paper production, agri-chemical production, chemical processes, storage facilities, metallurgical processes, etc.

Arguments for industrial development strategy

1. **Industrial products fetch high and stable prices.** Industrial products are free from the adverse effects of natural factors like climate and they command high prices on the international market unlike agricultural products. This leads to an increase in the income of the producers and better terms of trade for the country.
2. **It facilitates the exploitation and utilization of the idle local resources**. This helps to improve on the productive capacities in the economy hence economic growth and development
3. **It increases government revenue through taxation.** Industrialization widens the tax base in form of employment opportunities created and various investments undertaken hence generating more tax revenue to the government, The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.
4. **It leads to better standards of living**. Industrialization leads to the production of a variety of high quality goods and services in the economy. This widens the choice of consumers at reduced prices hence better standards of living.
5. **It facilitates technological development in the country**. Industrialization encourages the use of modem production techniques through inventions, innovations and technology transfer. This increases efficiency hence production of better quality goods and services.
6. **It improves the balance of payment position of the country**. Industrialization increases the production of high quality goods and services for exports through value addition. Such goods compete favorably on the world market hence increasing the export earnings of the country. In addition, there is an increase in the production of goods and services for the domestic market. This helps the country to save the scarce foreign exchange earnings which would be used for import purposes hence better balance of payments position.
7. **It increases employment opportunities**. This is due to increased resource utilization and a number of production and other economic activities carried out. This increases the

income of the people. This is true if labour intensive techniques of production are used.

8. **It leads to the development of social and economic infrastructure**. Industrialization promotes the development of the social and economic infrastructures in form of roads, schools, hospitals, financial institutions etc. so as to facilitate trade in the economy.
9. **It reduces the dependence of the economy on other economies**. Through import substitution strategy, a number of formally imported goods and services are produced. This leads to an increase in self-reliance and sustenance of the economy.
10. **It increases urbanization and monetization of an economy**. This is because industrialization promotes trade and commerce in the economy.
11. **It promotes inter sectoral linkages in the economy especially with the agricultural sector**. This is because agro-based industries provide factor inputs to the agricultural sector and market for the products from the agricultural sector in form of raw materials.
12. **It leads to social cultural transformation**. Industrialization brings about social transformation, equitable distribution of income and balanced regional development in the process of economic development.
13. It increases capital inflow in the country. This because most of the large industries are owned by foreign investors who bring in capital and efficient technology. This increases the level of investment in the country.
14. **It increases the GDP of the country**. This is due to increased production and economic activities in the country which increases trade in the economy hence high levels of national income.

Arguments against Industrial development strategy for developing countries

These are negative externalities or side effects that arise as industrialization takes place. They include the following.

1. **It leads to rural-urban migration**. People shift from rural areas to urban centers where there are better opportunities as a result of industrialization. This leads to development of slums, open urban unemployment, increased crime rate and poor living conditions in general.
2. **It leads to technological unemployment**. Industrialization increases the use of capital intensive techniques of production which in the long run replaces labour hence technological unemployment.
3. **Environmental degradation.** Industrialization leads to environmental degradation in form of noise, air and water pollution. This negatively affects the society
4. **It promotes uneven regional development in economy**: This is due to the concentration of most of the industries in urban areas. This leads to underdevelopment of rural areas.
5. **Occupational hazards**. Industrialization accelerates occupational hazards in form of increased work load, high level of accidents at work, occupational diseases etc.
6. **It increases economic dependence of the economy**. This is due to a large number of industries being owned by external investors. This increases profit repatriation in the economy
7. **It leads to the loss of craftsmanship**. The increased dependence on the use of machines like computers and other capital equipments leads to loss of natural creativity in the long run as result or industrialization.

Limitations to industrial development in developing countries

1. **Inadequate capital.** This is due to limited access to credit facilities from financial institutions due

to lack of collateral securities. This limits industrial development in form of shortage of of credit to purchase raw materials and other capital goods.

2. **Low levels of technology**. A number of industries use old and outdated machines which need frequent maintenance and spare parts. This increases the cost of production in form of of capital consumption allowance.

3. **Unfavorable government policies on industrialization.** Such policies are in form of high taxes, low tariffs on imported manufactured goods and the general lack of clear policy guidelines concerning industrialization in developing countries. This makes it difficult to set up and operate an industry due to high costs of operation with limited government support.
4. **Economic instabilities**. For example high levels of inflation, exchange rate fluctuations, fluctuations in the supply of raw materials etc. Such instabilities limit the growth of the industrial sector in developing countries.
5. **Stiff competition from the imported manufactured products.** The imported goods are cheap and of high quality while the locally produced goods are expensive and are of poor quality. Therefore, they out compete the locally produced goods by the industrial sector.
6. **Poor and inadequate social and economic infrastructural facilities**. This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This makes it difficult to produce and distribute the manufactured goods by the industrial sector.
7. **Limited entrepreneurship skills.** This is due to limited skilled manpower required for industrial management and expansion. This leads to low profit margins and in many cases closure of industries in developing countries.
8. **Limited markets for the locally manufactured products.** This is due to the production of poor quality goods and low aggregate demand resulting from high levels of poverty in developing countries. Limited domestic and foreign markets cannot sustain large scale production.
9. **Poor investment climate in form of rampant political instabilities**. This discourages potential investors from setting up large scale industries due to fear of losing life and property.
10. **Over dependence on imported capital and other raw materials**. Most of the raw materials and capital goods are imported from other countries. This increases the costs of production hence limiting the growth of the industrial sector in developing countries.

Measures (Strategies) to promote the Industrial sector in developing countries

1. **Providing credit facilities by the government**. There is need for the government to provide credit facilities to the industrialists at subsidized interest rates. This promotes the expansion of the industrial sector in the country.
2. **Providing a favorable investment climate by the government**. This is in form of providing tax holidays, subsidization, offering grants to investors, assisting industrialists to secure licenses and industrial plots etc.
3. **Economic liberalization**. There is need for the government to remove unnecessary restrictions from economic activities to allow industrialists to carry out production and marketing of their products freely with limited interference.
4. **Constructing and rehabilitating the basic social and economic infrastructure**. This is in form of roads, communication facilities, electricity, water facilities, financial facilities etc. This is aimed at facilitating production, distribution and marketing of goods and services by the industrial sector.
5. **Establishing organizations to promote ill vestment in industries**. There is need to promote and strengthen organizations like Uganda Investment Authority (VIA) and Uganda Manufactures

Association (UMA) in order to promote the industrial sector in the country.

6. **Market expansion**. There is need for the government to expand market for the sector through economic integration, market research, promoting trade exhibitions and encouraging economic diversification.
7. **Improving the level of technology**. There is need for the government to encourage and promote the use of better techniques of production which are cost effective and are in line with the social and economic requirements of the society. This helps to increase on the quantity and quality of the manufactured products.
8. **Training local manpower**. This is aimed at equipping the local man power with the required entrepreneurial skills necessary for efficient management and allocation of resources for industrial development.
9. **Protectionism in form of high import tariffs**. There is need for the government to restrict the importation of those products produced by the local industrialists by imposing high tariffs on them. This helps to protect the local producers from the competition resulting from high quality and cheap imported products
10. **Ensuring Macro- economic stability**. There is need for the government to control inflation and to ensure stability in the foreign exchange market as a way of encouraging investment in the industrial sector.
11. **Increasing the exploitation of natural resources**. This is aimed at obtaining raw materials required for production of goods and services by the industrial sector. For example the exploitation of oil products in Bunyoro region.
12. **Ensuring political stability**. There is need for the government to promote political stability by ensuring good governance, negotiating with rebel groups and granting them amnesty in case they surrender etc. This helps to create a favorable environment for the prosperity of the industrial sector.

Small scale industries

- **A small scale industry** is one which employs low levels of technology and limited capital in the production process to produce low output levels in the economy. Examples are Paper Bags industries, Leather belt manufacturing industries, Small toys manufacturing industries, Bakeries, School stationeries, Water bottles manufacturing industries, Beauty parlors, Pickle manufacturing industries, etc.

- **An infant industry** is a newly established industry producing low quantity and quality goods and services at high average costs of production.

Positive Role (Implications) of small scale industries

1. **They facilitate the exploitation and utilization of the idle local resources**. This leads to the production of more goods and services hence economic growth and development.
2. **They increase government revenue through taxation**. Small scale industries widen the tax base in form of employment opportunities created and various investments undertaken hence generating more tax revenue to the government. The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.
3. **They create employment opportunities**. This is due to increased resource utilization and a number of production and other economic activities carried out. This increases the income of the people. This is true because most of the small scale industries use labour intensive" techniques of production.
4. **They facilitate technological development in the country**. Small scale industries form the basis for the development of appropriate technology in developing countries through inventions and innovations. This increases efficiency hence production of better quality goods and services.
5. **They lead to the development of social and economic infrastructure**. Small scale industries promote the development of social and economic infrastructure in form of roads, schools, hospitals, financial

institutions etc. so as to facilitate trade in the economy. '

6. **They improve the balance of payment position of the country**. Small scale industries increase the production of goods and services for domestic market. This helps to save the scarce foreign exchange which would be used for import purposes hence better balance of payments position.
7. **They help to improve the standards of living**. Small scale industries produce a variety of quality consumer goods and services in the economy. This widens the choice of consumers at reduced prices hence better standards of living.
8. **They promote urbanization and monetization of an economy**. This is because small scale industries promote trade and commerce in the economy.
9. **They promote inter sectoral linkages in the economy especially with the agricultural sector**. This is because the small scale agro-based industries provide factor inputs to' the agricultural sector and market for the products from the agricultural sector in form of raw materials.
10. **They promote balanced regional development**. This is because small scale industries require little capital and they are widely distributed in the country. This promotes equitable distribution of income.
11. **They increase the GDP of the country**. This is due to increased production and economic activities in the country which promote trade in the economy hence high levels of national income.
12. **They promote industrial development**. Small scale industries form the foundation on which the modem large scale industries are built in the long run. '
13. **They help to create a class of entrepreneurs in the economy**. The small scale industries act as a training ground for individuals through which they acquire the necessary practical skills required to operate modem industries. This promotes managerial capacity building and helps to reduce government expenditure on training costs.

Negative role (implications) of small scale industries

1. **They lead to wasteful competition through duplication of goods and services**. This leads to misallocation of resources in the economy
2. **They lead to low government revenue**. This is because they are associated with a small tax base and high levels of tax evasion. This makes it difficult for the government to realize the planned revenue required to provide the necessary social services to the people. .
3. **They lead to poor standards of living for the people.** This is because they are associated with the production of poor quality products.
4. **They limit the foreign exchange earnings of the country**. Small scale industries mainly produce goods and services for domestic consumption. This limits the export potential of the country hence low foreign exchange earnings.
5. **They promote underemployment and disguised unemployment**. This because small scale industries mainly operate at excess capacity due to limited capital.
6. **They lead to congestion in semi-urban areas.** This is due to the development of slums as a number of low income earners leave the rural areas to look for employment in urban and semi-urban areas. This increases the cost of living and crime rate in such areas.
7. **They lead to low rate of economic growth and development**. This is due to underutilization of resources and use of poor production techniques hence low output.
8. **Environmental degradation**. Small scale industries encourage environmental degradation in form of noise, air and water pollution. This negatively affects the society.
9. **They increase the administrative costs by the government especially in terms of providing the social and economic infrastructure**. It also makes it difficult for the government to carry out proper planning due to uncoordinated development

Problems facing the small scale industries in developing countries

1. **Inadequate capital.** This is due to low incomes and limited access to credit facilities from financial institutions due to lack of collateral securities. This limits the operations of small scale industries in form of shortage of credit to purchase raw materials and other capital goods.
2. **Low levels of technology**. There is use of simple machines which are old and outdated which require frequent maintenance. This increases the costs of production and leads to the production of poor quality goods and services.
3. **Unfavorable government policies**. Such policies are in form of high taxes, lack of subsidies and the general lack of clear policy guidelines concerning the development of small scale industries in developing countries.
4. **Economic instabilities**. For example high levels of inflation and fluctuations in the supply of raw materials. Such instabilities limit the growth of the small scale industries ill developing countries.
5. **Stiff competition from the imported manufactured products**. The imported goods are cheap and of high quality while the locally produced goods by the small scale industries are relatively expensive and of poor quality. Therefore, they end up out competing the locally produced goods by the small scale industries.
6. **Poor and inadequate social and economic infrastructural facilities**. This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This makes production and marketing of goods difficult.
7. **Limited entrepreneurship skills**. This is due to limited skilled manpower required for successful management of small scale industries. This leads to low profit margins hence closure of the small scale industries.
8. **Limited markets for the locally produced products**. This is due to the production of poor quality goods and low aggregate demand resulting from high levels of poverty in developing countries.
9. **Poor investment climate ill form of rampant political instabilities**. This discourages private individuals from setting up small scale industries due to fear of losing life and property.
10. **Inadequate supply of raw materials required in the production of goods and services**. Most of the raw materials like steel and capital goods are imported from other countries. This increases the costs of production hence limiting production by small scale industries.

Policies (measures) to promote the small scale industries in developing countries

1. **Providing credit facilities by the government.** There is need for the government to provide credit facilities to the small scale industrialists at subsidized interest rates. This helps to reduce on the cost of borrowing hence increased investment in small scale industries.
2. **Providing a favorable investment climate by the government.** This is in form of reducing taxes on raw materials and other inputs used by small scale industries so as to reduce the production costs.
3. **Economic liberalization.** There is need for the government to remove unnecessary restriction from economic activities to allow small scale industrialists to carry out production and marketing of their products freely with limited interference.
4. **Construction and rehabilitation of the basic social and economic infrastructure.** This is in form of transport network, communication facilities, electricity, water facilities, financial facilities etc. This is aimed at facilitating production, distribution and marketing of goods and services by people involved in small scale industries.
5. **Establishment of organizations to promote investment in small scale industries**. There is need to promote and strengthen organizations like the Private Sector Foundation (PSF), Uganda Investment Authority (VIA) and Uganda Manufactures Association (UMA) in order to promote the small scale industries in the country.
6. **Market expansion**. There is need for the government to expand market for the goods and services

produced by the small scale industries through economic integration, market research, promoting trade exhibitions and encouraging economic diversification.

7. **Improvement in the level of technology**. There is need for the government to encourage and promote the use of better techniques of production which are cost effective and are in line with the social and economic requirements of the society. This helps to increase on the quantity and quality of the products from small scale industries.
8. **Training of the local manpower**. This is aimed at equipping the local man power with the required entrepreneurial skills necessary for efficient management and allocation of resources for the development of small scale industries.
9. **Protectionism in form of high import tariffs**. There is need for the government to restrict the importation of those products produced by the local small scale industrialists by imposing high tariffs on them. This helps to protect the small scale industries from the competition resulting from high quality and cheap imported products
10. **Ensuring Macro- economic stability**. There is need for the government to control inflation so as to ensure price stability as a way of promoting the small scale industries in the country in form of reduced production costs.
11. **Increasing the exploitation of natural resources**. This is aimed at obtaining raw materials required for production of goods and services small scale industries.
12. **Ensuring political stability**. There is need for the government to promote political stability by ensuring good governance, negotiating with rebel groups and granting them amnesty in case they surrender etc. This helps to create a conducive environment for the prosperity of the small scale industries.
13. **Providing gazetted work places**. There is need for the government to provide land where people involved in the small scale industries can carry out production activities.

The choice of development technology

The choice of technology depends on the relative factor abundance of labour and capital in the development process. Developing countries have abundant labour and capital is scarce. Therefore, the best strategy is to choose technologies which make use of the cheap and abundant labour in order to achieve accelerated growth and development.

Labour intensive technology (One pound/Capital saving technology)

This is a production technique that employs **more** labour relative to other factors of production especially capital. It is called one pound technology because it is cheap and capital saving technology because it saves the use of capital.

Advantages (Merits) of labour intensive technology

1. **It is appropriate in developing countries where capital is scarce and labour is abundant and cheap**. This helps to reduce the production costs and check on mass unemployment prevailing in developing countries.
2. **It reduces income inequality among people and regions.** This is because labour intensive industries employ a number of people and can easily be set up even in rural areas. This promotes balanced regional development.
3. **It increases employment opportunities in the economy. This is because it employs many people unlike capital intensive technology.**
4. **It ensures proper exploitation and use of nonrenewable local idle resources**. This helps to minimize the costs associated with environment degradation in form of quick resource exhaustion, noise, and air and water pollution resulting from the use of capital intensive technology.

5. **It reduces dependence on foreign expatriates and other external resources**. This is because it employs simple tools which do not require complex skills in the production process and they are not imported.
6. **It helps the country to save foreign exchange**. This is because simple tools and equipment are mainly used in the production process. This reduces foreign exchange out flow hence favourable balance of payment position of the country.
7. **It helps to control rural urban migration**. This is because industries using labour intensive technology can easily be extended to rural areas,
8. **It is cheaper to use and maintain compared to capital intensive techniques**. This is because workers do not require constant repairs and spare parts like machines. This helps to minimize on the costs of production in the economy.
9. **It widens the tax base of the country**. This is because many people are employed and the government can easily tax the employment income in form of pay as you earn.
10. **It is suitable for developing countries with narrow markets**. This is because it does not lead to massive production which would lead to wastage of resources.
11. **It enhances human skill development in the production process**. This is because it encourages natural creativity and innovation which leads to skill formation and better management training. This promotes the development of the indigenous appropriate technology.
12. **It widens the market for the manufactured products in the long run**. The wages earned by workers lead to increase in effective demand for commodities produced in the country. This in tum encourages investments and production.
13. **It is applicable at all stages of production and ill all sectors of the economy**. For example it is applied in ploughing hilly grounds and tea picking where machines cannot be utilized.
14. **It is suitable in production activities which require human judgment** especially in the service sector. For example in the medical field and courts of law where human judgment is highly required.
15. **It is appropriate to use in areas where there is land shortage where machines like tractors are not profitable to use.**
16. **It encourages small scale production since it is easy and cheap to maintain**. In addition it can easily be extended to rural areas.

Disadvantages (Demerits) of labour intensive technology

1. **It is associated with the production of poor quality products**. Such products are not internationally competitive and they fetch low prices on the world market hence poor terms of trade for the country.
2. **It tends to be expensive in the long run**. This is because it involves high costs of constant monitoring supervision of labour which in most cases is unskilled. In addition, it is associated with huge wage bill since it employs many people.
3. **It is time wasting as compared to capital intensive technique of production**. This is because labour is naturally slow as compared to machines.
4. **It leads to excess capacity in production**. This leads to low output due to underutilization of resources hence low levels of economic growth and development.
5. **It is not applicable in activities where massive capital outlay is required**. For example in mining, construction, heavy manufacturing etc.
6. **It leads to poor standards of living**. Labour intensive technology leads to the production of limited poor quality goods and services in the economy. This reduces the choice of consumers at high prices

hence poor standards of living.

7. **Labour is associated with high degree of inefficiency and industrial un rests in form of constant demand for better working conditions and wages**. This leads to low levels of production hence retarding economic growth and development.
8. **It worsens the balance of payment position of the country.** Labour intensive technology leads to the production of poor quality goods and services for exports. Such goods fetch low prices on the world market hence low export earnings of the country.
9. **Labour is associated with high costs of education and training by cite government.** This forces the government to borrow in order to educate and train labour hence increased debt burden.
10. **Over reliance on labour intensive technology may not promote skill formation due to limited inventions and innovations.** This is because it may not promote research and development like in the use of capital intensive technology.
11. **It cannot be used to modernize and standardize output especially in the agricultural sector**. Such output cannot meet international standards due to low value addition and poor standards.
12. **It is not appropriate in countries where labour is scarce and expensive**. For example develop countries. This is because it may increase the costs of production in form of demanding for high wages:
13. **It is not appropriate in situations where there is need for huge market supply especially under international trade.**

Capital Intensive technology (One thousand pound/Labour saving technology)

This is a production technique that employs more capital relative to other factors of production especially labour. It is also called 1000 pound technology because it is expensive and labour saving technology because it saves the use of labour.

Advantages (Merits) of capital intensive technology

1. **It leads to the production of better quality goods and services in the economy**. Such products are internationally competitive and fetch high prices on the world market hence better terms of trade for the country.
2. **It increases the productivity and efficiency of other factors of production especially labour**. This leads to increase in output produced hence high rates of economic growth.
3. **It facilitates the exploitation and utilization of the local resources**. This helps to improve on the productive capacities in the economy hence economic growth and development.
4. **It enhances development of skills in the economy**. This is because it encourages research and development which leads to skill formation and management training.
5. **It helps to modernize and standardize output especially from the agricultural sector**. This is in form of processing and better packaging of output necessary to meet international standards
6. **It increases and stabilizes employment opportunities in the long run**. This is due to increased resource utilization and mass production which generates employment opportunities in other sectors of the economy through the multiplier process.
7. **It facilitates the development of social and economic over heads**. Capital intensive technology promotes the development of the social and economic infrastructures in form of roads, schools, hospitals, financial institutions etc. so as to facilitate production and trade in the economy.
8. **It facilitates technological development in the country**. Capital intensive technology encourages the use of modem production techniques through inventions, innovations and technology transfer. This increases efficiency in production.
9. **It leads to better standards of living**. Capital intensive technology leads to the production of a variety of high quality goods and services in the economy. This widens the choice of consumers at reduced prices

hence better standards of living.

10. **It allows an economy to undertake heavy and complicated production where labour intensive technology cannot manage.** For example heavy engineering and manufacturing activities, mining etc.
11. **It is appropriate in countries where labour is scarce and expensive**. This helps to minimize the wage bill and labour unrests. .
12. **It improves the balance of payment position of the country**. Capital intensive technology increases the production of high quality goods and services for exports through value addition. Such goods compete favorably on the world market hence increasing the export earnings of the country.
13. **It encourages mass production in the economy**. This is because it makes it possible to achieve high rates of investment hence economic growth development.
14. **It is time saving as compared to labour intensive techniques of production**, For example comparing the time taken to use a tractor to plough a given piece of land instead of using labour which is 'also difficult to supervise

Disadvantages (Demerits) of capital intensive technology

1. **It accelerates rural -urban migration**. Most of the industries using capital intensive technology are usually urban based. This encourages people to move from rural areas to urban centers in search of employment opportunities as a result of industrialization .This leads to development of slums, increased crime rate and poor living conditions in general.
2. **It promotes regional inequality in the economy**. This is due to the concentration of most of the capital intensive industries which are the major high wage employers in urban areas. This accelerates regional income inequalities and the general under development of rural areas.
3. **It increases economic dependence of the country.** This is due to heavy reliance on imports in form of spare parts and machinery. This increases foreign exchange out flow hence balance of payment problems.
4. **It leads to technological unemployment.** Capital intensive technology encourages the use of machines in the production process which in the long run replaces labour hence technological unemployment.
5. **It is not suitable for developing countries with narrow markets**. This is because it is associated with massive production and this leads to wastage of resources.
6. **It is expensive to acquire and maintain in terms of costs for repairing and general maintenance of machinery.** This increases the costs of production in the economy hence cost push inflation.
7. **It calls for use of expatriates from developed countries with the required skills necessary to maintain and operate the sophisticated equipments.** This increases the outflow of incomes and revenue from the country.
8. **It leads to over exploitation and exhaustion of nonrenewable scarce resources in the economy**. This promotes environment degradation in form of noise, air and water pollution which negatively affects the society
9. **It is not suitable in production activities which require human judgment especially in the service sector.** For example in the medical field and courts of law where human judgment is highly required
10. **It leads to the loss of craftsmanship**. The excessive use of machines like computers and other capital equipments leads to loss of natural creativity and innovation in the long run especially in developing countries. This retards the development of the indigenous appropriate technology
11. **It increases social costs and occupational hazards.** Capital intensive techniques of production accelerate occupational hazards in form of increased accidents at the place of work, occupational

diseases etc. This lowers the life expectancy of those individuals operating the machines.

12. **It cannot be applied in certain places especially in the agricultural sector**. For example places with a mountainous landscape

Intermediate technology and appropriate technology

- **Intermediate technology** is the type of technology that is mid-way between the developed capital intensive technologies and backward labour intensive technology. It is neither too advanced nor backward. It employs almost equal proportions of labour and capital.
- Appropriate technology is the 'production' technique that is desirable and suits the prevailing social economic conditions of the country in terms of available resource, market, skills etc.

Arguments (Merits) for intermediate technology

1. **It uses locally available resources hence reducing on dependence of the imported raw materials** which enables the country to sale the scare foreign exchange.
2. **It helps to reduce unemployment in developing countries**. This is because it employs both labour and capital in equal proportions.
3. **It is simple to use and does not require high skills** which are lacking in developing countries
4. **It is mainly rural based and therefore it helps to reduce rural urban migration**,
5. **It improves the welfare of individuals**; This is because it promotes the production of better quality consumer goods and services in the economy.
6. **It increases output and productivity of factors of production** especially in rural areas leading to economic growth and development.
7. **It promotes capital formation and development of skills**. This is because it employs both capital and labour in equal proportions.
8. **It helps to promote equitable distribution of incomes among people and regions.** This is because it facilitates the development of small scale industries that are scattered all over the country .
9. **It saves foreign exchange** which would otherwise be used to import expensive capital equipments,
10. **It is cheap and affordable to use by developing countries especially in terms of maintenance.**
11. **It facilitates the development of small scale industries** which are dominant in developing countries
12. **It is suitable for developing countries** with limited local markets as a way of minimizing resource wastage due to over production.

Technology Transfer

- **Technology transfer** refers to the movement of new and efficient production techniques from one country to another usually from developed countries to developing countries.
- **Technological development** refers to the process of upgrading the existing indigenous production techniques through continuous inventions and innovations,
- **Technically efficient technology.** This is the method of productions which produces the best quality products in shortest time possible
- **Economically efficient technology.** This is the method of production that produces goods at minimum costs possible and helps to solve social economic problems like unemployment and income inequality.

Merits (positive implications) of Technology transfer

1. **It helps to bridge the technological gap in developing countries**. The local people learn and adopt the imported modem production techniques hence improving on their efficiency in production. This leads to the production of better quality goods and services.
2. **It helps to create a class of modern business entrepreneurs**. Through foreign direct investments, people in developing countries can have access to technical and managerial skills required to operate modem business enterprises. For example doing business on internet.
3. **It leads to the development of social and economic infrastructure.** Technology transfer promotes the use modem equipments in road construction, schools, hotels, hospitals, financial institutions etc. For example the; use of computers in schools and financial institutions.
4. **It encourages competition in the local business activities**. Technology transfer promotes competition and this leads to efficiency in production of goods and service delivery at reduced prices hence better standards of living. For example the mobile telephone industry.
5. **It increases efficiency in resource allocation**. Technology transfer encourages the use of efficient techniques of production which leads to the production of more quality goods and services hence better standards of living.
6. **It promotes the exploitation and utilization of the local idle resources**. This helps to improve on the productive capacities in the economy hence economic growth and development.
7. **It promotes industrial development**. Technology transfer by foreign investors is used to set up heavy and sophisticated industries like iron and steel industries, electrical installations etc.
8. **It increases capital inflow in the country.** Technology transfer by foreign investors leads to capital inflow in form of machines and other capital equipments needed for development. This helps to fill the savings- investment gap in developing countries.
9. **It helps to reduce the balance of payment problems in the country**. This is because technology transfer increases the production of better quality goods and services for export hence increased export earnings.
10. **It promotes international ties and relations between developed and developing countries**. This enhances mutual understandings among countries.

Demerits (negative implications) of Technology transfer

1. **It leads to technological unemployment**. This is because it usually tends to be capital intensive yet developing countries are labour abundant. The machines replace labour hence unemployment.
2. **It leads to emergence of private foreign monopolies**. Dependence on technology transfer through multi-national corporations can easily lead to creation of monopoly tendencies. This increases consumer exploitation as private foreign monopolies restrict output and charge high prices with the aim of maximizing profits.
3. **It leads to rural -urban migration**. Transfer of technology is usually concentrated in urban areas. This attracts people from rural areas due to better services resulting from the use of better technology hence rural urban migration and its negative consequences.
4. **It discourages local initiatives and the, development of appropriate technology.** This is because the local investors tend to lose the creativity and copy the expensive foreign technology. This undermines the development of the local small scale industries with limited capital.
5. **It promotes income inequalities in the economy.** Dependence on imported technology provides employment to only a few urban skilled individuals there by leading to income, inequality, For example computer experts.
6. **It leads to unfavorable balance of payments in the economy**. Technology transfer consumes the scarce

foreign exchange and it leads to continuous importation of spare parts from developed countries. This forces developing countries to borrow externally hence increasing foreign exchange outflow in form debt repayment.

7. **It leads to profit repatriation**. Technology transfer by foreign investors encourages profit repatriation as foreign investors take back the profits made to their home countries instead of re-investing them in the countries where they operate. This leads to low capital accumulation in the economy.
8. **It leads to over dependence of the economy on developed countries**. This is in form of continued Importation of spare parts and expatriates from developed countries. This increases foreign dominance and control of the economy in terms of resources and economic decisions through direct economic dependence.
9. **It leads to over exploitation of resources**. This is because private foreign investors may take advantage of the imported efficient technology to exploit the resources with the aim of maximizing profits. This in the long run leads to negative externalities like environmental degradation and depletion of natural resources hence failure of the economy to be self-sustaining in the long-run.

Limitations to technology transfer in developing countries

1. **High costs of importing foreign technology**. That is it is expensive to import foreign technology and adopting it to the local conditions.
2. **The poor education system in developing countries**. The education system does not permit local technological capacity building but instead it promotes capacity to consume foreign technologies and products.
3. **Limited capital and other financial resources in developing countries**. This acts as a bottleneck to technology transfer in form of shortage of capital to import the expensive technology from developed countries.
4. **Prohibition by intellectual copy rights**. Countries, companies or individuals who discover a given technique of production sometimes require the importing country to pay expensively before it accesses the particular knowledge of production. This limits technology transfer
5. **Inappropriateness of the technology being transferred**. Some foreign technology is not suitable for the social economic conditions of developing countries. This makes developing countries reluctant in importing some technology.
6. **High levels of conservatism in developing countries**. Many people in developing countries fear to change and this makes it difficult for new ideas and methods of production to be adopted hence limiting technology transfer.
7. **Poor and inadequate social and economic infrastructural facilities existing in developing countries**. This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This makes it difficult to use the technology imported from developed countries.
8. **Rampant political instabilities in developing countries** also hinder the transfer and development of technology.
9. **Limited scientific skills**. This is due to limited skilled manpower required for operating the sophisticated technology from abroad. This makes it difficult to import and apply foreign technology.
10. **Lack of clear policy on technology transfer and development by the government**. This is reflected in conflicting policies of high taxes imposed on importers of such technology with the aim of raising

more tax revenue. This greatly undermines the need for technology transfer in developing countries.

Import substitution (in ward looking) industrialization strategy

This refers to the establishment of domestic industries to produce commodities that were formerly imported. It is aimed at achieving self-sufficiency in a wide range of consumer goods by replacing imports with commodities produced locally. It is aimed at minimizing foreign exchange outflow and improving the country's balance of payment position. Therefore, import substitution industrialization strategy is an inward looking development strategy.

Arguments (Merits) for import substitution industrialization strategy

1. **It facilitates the exploitation and utilization of the idle local resources**. This is because import substituting industries mainly use local raw materials. This helps to improve on the productive capacities in the economy hence economic growth and development.
2. **It widens the tax base of the country**. Import substituting industries widen the tax base in form of employment opportunities created and various investments undertaken hence generating more tax revenue to the government. The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.
3. **It improves the standards of living**. The strategy leads to the production of a variety of high quality goods and services in the economy. This widens the choice of consumers at reduced prices hence better standards of living in the long run.
4. **It facilitates technological progress in the country**. The strategy encourages the use of modem production techniques through research, inventions, innovations and technology transfer. This increases efficiency hence production of better quality goods and services.
5. **It improves the balance of payment position of the country**. The strategy encourages local production of high quality goods and services which were formally imported. This reduces expenditure on imports hence improved balance of payment position.
6. **It saves the scarce foreign exchange earnings of the country**. The strategy encourages the production of formerly imported goods locally. This reduces foreign exchange outflow hence accumulating foreign exchange reserves.
7. **It increases employment opportunities**. This is due to increased resource utilization and a number of production and other economic activities carried out. This is true if labour intensive techniques of production are employed. This increases the income of the people.
8. **It leads to the development of social and economic infrastructure**. The strategy promotes the development of the social and economic infrastructures in form of roads, schools, hospitals, financial institutions etc. required for import substituting industries.
9. **It promotes self-sufficiency and reliance of the economy**. The strategy encourages the production of a number of formally imported goods and services locally. This leads to increased self-reliance and sustenance of the economy hence reducing of foreign dependence.
10. **It promotes inter sectoral linkages in the economy especially with the agricultural sector**. This is because the import substituting agro based industries provide factor inputs to the agricultural sector and market for the products from the agricultural sector in form of raw materials.
11. **It increases capital inflow in the country**. The strategy attracts foreign investors who bring in capital and efficient technology. This increases capital inflow and foreign skills in the country.
12. **It increases the GDP of the country**. The strategy promotes the establishment of manufacturing industries which leads to the production of more goods and services hence high levels of

national income and economic growth.

13. **It facilitates the development of skills for local entrepreneurs**. This promotes managerial capacity building through on job training and helps to reduce government expenditure on training costs.

Arguments against (Demerits for) import substitution industrialization strategy

1. **It leads to rural-urban migration.** Most import substituting industries are urban based and this encourages people to move from rural areas to urban centers. This leads to development of slums, open urban unemployment, increased crime rate and poor living conditions in general.
2. **It leads to technological unemployment**. The strategy encourages the use of capital intensive techniques of production which in the long run replaces labour hence technological unemployment This is true especially with foreign investors who prefer-to use capital intensive techniques of production.
3. **Environmental degradation**. Import substituting industries lead to environmental degradation in form of noise, air and water pollution. This negatively affects the society.
4. **It promotes uneven regional development in economy**. This is due to the concentration of most of the import substituting industries in urban areas. This leads to under development of rural areas.
5. **It increases economic dependence of the country**. This is due to a large number of import substituting industries being owned by foreign investors and dependence on imported raw materials.
6. **It promotes profit repatriation**. Some import substituting industries are owned by foreign investors and this promotes capital flight hence limited capital accumulation in the economy.
7. **It leads to poor standards of living**: This is due to production of poor quality and expensive goods and services as compared to the imported commodities.
8. **It leads to balance of payment problems in the country**. This is due to increased importation of expensive factor inputs in form of raw materials, intermediate goods and expatriates
9. **It reduces government revenue**. The government loses revenue in form of subsidization and tax holidays given to the infant import substituting industries. This makes it difficult for the government to meet her recurrent and development expenditures.
10. **It leads to the emergency of local monopolies**. Import substituting industries are protected from foreign competition by the government at an infant stage. In the long run, such industries tend to monopolize production activities hence exploiting consumers by restricting output and charging high prices.
11. **It leads to trade wars**. Setting up import substituting industries encourages retaliation by the trading partners. This leads to misunderstandings between and among countries.

Limitations to import substitution industrialization strategy in developing countries·

1. **Inadequate capital**. There is shortage of capital to set up and maintain the import substituting industries. Credit from financial institutions is only available at very high interest rate and this limits borrowing for investment hence under mining of success of the strategy.
2. **Use of poor technology.** A number of imports substituting industries use old and outdated machines which need frequent maintenance and spare parts. this increases the costs of production in form of capital consumption allowance.
3. **Unfavorable and conflicting government policies:** Such policies are in form of high taxes, low tariffs on imported manufactured goods and the general lack of clear policy guidelines concerning the establishment of import substituting industries. This makes it difficult to set up and operate such industries due to high costs of operation with limited government support.

4. **Existence of economic instabilities.** For example high levels of inflation, exchange rate fluctuations, fluctuations in the supply of raw materials etc. Such instabilities limit the growth of the import substituting industries in developing countries.
5. **Stiff competition from the imported manufactured products.** The imported goods are cheap and of high quality while the locally produced goods are expensive and are of poor quality. Therefore, they out compete the locally produced goods by the import substituting industries.
6. **Poor and inadequate social and economic infrastructural facilities.** This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This limits the mobilization of factors of production hence undermining the strategy.
7. **Limited skilled personnel and entrepreneurs.** This leads to low levels of investment and misuse of resources meant for setting up and maintaining import substituting industries.
8. **Limited markets for the locally produced commodities**. This is due to the production of poor quality goods and low aggregate demand resulting from high levels of poverty in developing countries. In addition, consumers from developing countries have a high marginal propensity to import and this limits the demand for the locally produced commodities
9. **Poor investment climate in form of rampant political instabilities**. This discourages potential investors from setting up import substituting industries due to fear of losing life and property.
10. **Over dependence on expensive imported capital and other raw materials.** Most of the raw materials and capital goods for import substituting industries are imported from other countries. This increases the costs of production hence limiting the growth of the import substituting industries in developing countries.
11. **Too much bureaucracy in developing countries**. This leads to delays in allocation of investment opportunities required for setting up import substitution industries especially to foreigners hence limiting the strategy. .

Export promotion (out ward looking) industrialization strategy

This refers to the development strategy which aims at setting up domestic industries to produce manufactured goods and services mainly for the foreign market. This strategy involves diversifying and increasing the, volume of the country's exports through export incentives in order to widen the export base, generate more foreign exchange and improve the current account of the country's balance of payments.

Arguments (Merits/advantages) for export promotion industrialization strategy

1. **It encourages the exploitation and utilization of domestic idle resources**. This is because as production for the export market increases through the vent for surplus theory of international trade, the exploitation of local resources increases and this leads to economic growth and development.
2. **It widens the tax base of the country**. Export promoting industries widen the tax base in form employment opportunities created and various investments undertaken hence generating more tax revenue to the government. The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools, power plants, roads etc.
3. **It facilitates technological progress in the country**. The strategy encourages the use of modern production techniques through research, inventions and innovations to produce high quality commodities which can compete favorably on the world market.
4. **It improves the balance of payment position of the country**. The strategy encourages the production of commodities for exports. This increases export earnings hence improved balance of payment position.
5. **It increases the foreign exchange earnings of the country**. The strategy encourages the production of high quality commodities for exports through value addition. The foreign exchange reserves can be used to import capital and other manufactured goods from other countries which the country cannot produce.

Arguments against (Demerits for) import substitution industrialization strategy

1. **It leads to rural-urban migration**. Most import substituting industries are urban based and this encourages people to move from rural areas to urban centers. This leads to development of slums, open urban unemployment, increased crime rate and poor living conditions in general.
2. **It leads to technological unemployment**. The strategy encourages the use of capital intensive techniques of production which in the long run replaces labour hence technological unemployment This is true especially with foreign investors who prefer-to use capital intensive techniques of production.
3. **Environmental degradation**. Import substituting industries lead to environmental degradation in form of noise, air and water pollution. This negatively affects the society.
4. **It promotes uneven regional development in economy**. This is due to the concentration of most of the import substituting industries in urban areas. This leads to under development of rural areas.
5. **It increases economic dependence of the country**. This is due to a large number of import substituting industries being owned by foreign investors and dependence on imported raw materials.
6. **It promotes profit repatriation**. Some import substituting industries are owned by foreign investors and this promotes capital flight hence limited capital accumulation in the economy.
7. **It leads to poor standards of living**: This is due to production of poor quality and expensive goods and services as compared to the imported commodities.
8. **It leads to balance of payment problems in the country**. This is due to increased importation of expensive factor inputs in form of raw materials, intermediate goods and expatriates.
9. **It reduces government revenue**. The government loses revenue in form of subsidization and tax holidays given to the infant import substituting industries. This makes it difficult for the government to meet her recurrent and development expenditures.
10. **It leads to the emergency of local monopolies**. Import substituting industries are protected from foreign competition by the government at an infant stage. In the long run, such industries tend to monopolize production activities hence exploiting consumers by restricting output and charging high prices.
11. **It leads to trade wars**. Setting up import substituting industries encourages retaliation by the trading partners. This leads to misunderstandings between and among countries.

Limitations to import substitution industrialization strategy in developing countries

1. **Inadequate capital**. There is shortage of capital to set up and maintain the import substituting industries. Credit from financial institutions is only available at very high interest rate and this limits borrowing for investment hence under mining of success of the strategy.
2. **Use of poor technology**. A number of imports substituting industries use old and outdated machines which need frequent maintenance and spare parts. This increases the costs of production in form of capital consumption allowance.
3. **Unfavorable and conflicting government policies**. Such policies are in form of high taxes, low tariffs on imported manufactured goods and the general lack of clear policy guidelines concerning the establishment of import substituting industries. This makes it difficult to set up and operate such industries due to high costs of operation with limited government support.
4. **Existence of economic instabilities**. For example high levels of inflation, exchange rate fluctuations, fluctuations in the supply of raw materials etc. Such instabilities limit the growth of the import substituting industries in developing countries.

5. **Poor and inadequate social and economic infrastructural facilities**. This is reflected in form of poor transport network, poor storage facilities, shortage of power supply and limited financial institutions. This limits the mobilization of factors of production hence undermining the strategy.
6. **Limited skilled personnel and entrepreneurs**. This leads to low levels of investment and misuse of resources meant for expanding-and maintaining export promotion industries necessary for large 'scale production for the export market,
7. **Limited foreign markets for the locally produced exports**. The limited market is due to the production of poor quality goods and services for exports, development of synthetic substitutes and the growth of agricultural protection against exports from developing countries by developed nations.
8. **Poor investment climate in form of rampant political instabilities**. This discourages potential investors from setting up export promotion industries due to fear of losing life and property.
9. **Over dependence on expensive imported capital and other raw materials**. Most of the raw materials and capital goods for export promotion industries are imported from other countries. This increases the costs of production hence limiting the growth of the export promotion industries in developing countries.
10. **Too much bureaucracy in developing countries**. This leads to delays in allocation of investment opportunities required for setting up export promotion industries especially to foreigners hence limiting the strategy.

Measures (strategies) to promote the export promotion industrialization strategy

1. **Providing credit facilities by the government**. There is need for the government to provide credit facilities to individuals undertaking the export promotion industrialization strategy at subsidized interest rates. This promotes the expansion of the strategy in the country.
2. **Providing a favorable climate for exportation by the government**. There is need for the government to set up export processing zones, bonded warehouses, duty exemption programs and industrial parks all of which are aimed at encouraging production for exports.
3. **Economic liberalization**, There is need for the government to remove unnecessary restrictions from trade like lengthy custom lengthy custom procedure so as to facilitate the exportation of goods and services
4. **Construction and rehabilitation of the basic social and economic infrastructure**. This is in form of transport network linking markets to production areas, communication facilities, electricity, water facilities, financial institutions etc. This is aimed at facilitating production, distribution and exportation of goods and services at reduced costs.
5. **Market expansion**. There is a need for the government to expand market foe the sector through economic integration, market research, promoting trade exhibitions and encouraging economic diversification for exports to reduce vulnerability to external shocks resulting from market shortages.
6. **Improvement in the level of technology**. There is need for the government to set up technology and research institutions to promote innovations and inventions as avenues for development of technology which is cost effective and is in line with the social and economic requirements of the society. This helps to increase on the quantity and quality of the exports.
7. **Training of the local manpower**. This is need to develop appropriate education and training institutions to provide labour with the required entrepreneurial skills necessary for efficient management and allocation of resources for industrial production of goods and services for export.
8. **Ensuring macro- economic stability**. There is need for the government to control inflation and to ensure stability in the foreign exchange market as a way of encouraging the exportation of goods and services.
9. **Increasing the exploitation of natural resources**. This is aimed at obtaining raw materials required for production of goods and services by the industrial sector for export.
10. **Ensuring political stability**. There is need for the government to promote political stability by ensuring

good governance, negotiating with rebel groups and granting them amnesty in case they surrender etc. This helps to create a favorable environment for the prosperity of the export promotion industries.

Economic absorptive capacity

This refers to the ability of a country to effectively and efficiently utilize the foreign aid (resources) given to it for development purposes.

Causes of low absorptive capacity in developing countries

1. **Inadequate domestic financial resources**. Developing countries have limited capital to supplement the foreign resources given to them. This limits the expansion of investment opportunities in the economy hence low absorptive capacity.
2. **Use of poor technology**. There is use of simple technology especially by the local private investors. This leads to the production of low output and of poor quality hence low levels of absorptive capacity.
3. **Poor government planning**. Governments of developing countries lack well-coordinated and clearly designed plans. This makes it difficult to effectively utilize the foreign resources hence low absorptive capacity.
4. **Economic instabilities**. For example inflation, exchange rate fluctuations etc. Inflation leads to loss of value of money. This makes it difficult to implement the designed programs in form of budgets.
5. **Poor and inadequate infrastructural facilities**. This is reflected inform poor transport network, limited power supply and limited financial institutions. This makes it difficult to put the foreign resources given to developing countries to productive use hence low absorptive capacity.
6. **Limited entrepreneurship skills**. This is due to limited skilled manpower required to effectively and efficiently allocate the resources given in productive ventures hence low absorptive capacity.
7. **High levels of corruption and embezzlement of funds.** Resources meant for productive ventures to benefit all the people are used by a few individuals for personal gains. This makes it difficult to meet the targeted objectives
8. **Limited domestic and foreign markets for the products**. This is due to low aggregate demand resulting-from high levels of poverty and low elasticity of demand for the .primary products from developing countries in the world market.
9. **Political instabilities in developing countries.** These discourage investments due to fear of losing life and property hence low absorptive capacity
10. **Over dependence on foreign countries in terms of raw materials and economic decisions**. This makes it difficult to effectively plan and implement the designed programs hence low absorptive capacity.

Foreign direct investment and multinational corporations

Foreign direct investments refer to the transfer of capital and other productive resources from one country especially from a developed country and investing them in another country especially a developing country by governments and private individuals. It involves forming a company in which the investing country has majority shares or the creation of fixed assets in another country by the nationals of the investing country. Such companies are known as Trans-National Corporations or Multi-National Corporations (MNCs). The international flow of financial resources and technology is mainly channeled through MNCs.

Multi-National corporations (MNCs) are large scale overseas companies having their headquarter in their home countries with their investments extended in several countries both developed and under developed. Examples of Multi-National Corporations (MNC's) include, Telecom companies like

MTN, coca cola campany, Petro station like Shell and TotalEnergies, Commercial banks like Standard chartered bank, Stanbic bank etc.

The Role (Implications) of Foreign Direct investments and Multinational Corporations in developing countries

Positive roles (implications)

1. **They create employment opportunities**. Foreign investors set up production activities and business enterprises like banks, hotels, industries etc. which provide employment to the local population. This increases the incomes of the people hence better standards of living.
2. **They increase efficiency in resource allocation**. Foreign investors employ efficient techniques of production which leads to the production of more goods and services hence economic growth and development. .
3. **They are a source of government revenue through taxation**. Foreign investors help to widen the tax base in form of taxes imposed on their profits, employment incomes and other business activities created hence generating more tax revenue to the government. The revenue realized is used to construct social and economic infrastructure like hospitals, roads, schools etc.
4. **They increase capital inflow in the country**. Foreign investors help to fill the savings-investment gap in developing countries through inflow of capital and other resources. This increases the level of investment in the country.
5. **They help to close the foreign exchange gap**. Foreign investors bring in foreign exchange by investing in developing countries. This increases the country's foreign exchange reserves and its monetary base. Such foreign exchange is used to import capital and consumer goods which cannot be produced locally.
6. **They lead to the development of social and economic infrastructure**. Foreign investors promote the development of the social and economic infrastructures in form of roads, schools, hotels, hospitals, financial institutions etc. and this leads to the development of the economy.
7. **They promote technological development in the country**. Foreign investors facilitate technological progress through technology transfer from developed to developing countries. Local people learn and adopt the modem techniques of production hence improving on their efficiency in production. This leads to the production of better quality goods and services.
8. **They promote the exploitation and utilization of the idle local resources**. This helps to improve on the productive capacities in the economy hence economic growth and development.
9. **They reduce the balance of payment problems in the country**. This is because foreign investors increase the production of goods and services for exports and for domestic consumption. This reduces on the importation of goods and services in the economy hence improved balance of payment position for the country.
10. **They promote industrial development**. Foreign investors help to mobilize financial resources which are used for development of heavy industries like iron and steel industries, electrical engineering etc. Such industries require a lot of capital which is lacking in developing countries.
11. **They encourage competition in the local business activities**. This leads to the production of better quality goods and services at reduced prices hence better standards of living.
12. **They accelerate economic growth of the country**. This is because foreign investors widen the production and economic activities in the country which increases output in the economy.
13. **They lead to the production of a variety of quality consumer commodities**. This widens the choice of consumers hence improving their standards of living through utility maximization.

14. **They help to create a class of entrepreneurs in the economy.** The private foreign investors help to train the local individuals with the necessary managerial skills required .to operate modem business enterprises. This helps to close the manpower gap in developing countries.
15. **They promote good international relationships between their countries of origin and other countries where their business activities are extended**. This enhances mutual understandings among countries.

Negative role (implications) of Foreign Direct investments and Multinational Corporations in developing countries

1. **They promote regional income inequalities in economy**. This is because most of the production, and business activities of foreign investors are mainly concentrated in urban areas neglecting the rural areas. This creates regional imbalance.
2. **They lead to profit repatriation.** Private foreign investors take back. The profits made to their home countries instead of re-investing them in the countries where they operate. This leads to low capital accumulation in the economy.
3. **They undermine the provision of basic essential goods and services which are non-profit making.** This is because they aim at venturing in activities which are profit maximizing.
4. **They lead to technological unemployment**. This is due to increased use of capital- intensive techniques of production and inefficient firms being pushed out of the production process due to stiff competition.
5. **They lead to emergence of private foreign monopolies**. This increases consumer exploitation as private foreign monopolies restrict output and charge high prices with the aim of maximizing profits.
6. **They lead to rural-urban migration.** This is because most of the business activities of foreign investors are concentrated in urban centers due to poor infrastructure in rural areas. This leads to congestion and increased cost of living in urban areas.
7. **They lead to over dependence of the economy on developed countries.** This increases foreign dominance and control of the economy in terms of resources and economic decisions through foreign direct investments.
8. **They lead to divergence between private and society interests.** This is because private foreign investors aim at maximizing profits at the expense of the society. In the process, they cause negative externalities in form of environmental degradation and depletion of natural resources hence failure of the economy to be self-sustaining in the long-run.
9. **They out compete the local investors.** This is because foreign investors have huge capital and they have the capacity to operate on a large scale. They have the ability to reduce prices of their products to a much lower level than the local investors and this undermines the growth of local firms.
10. **They interfere in the politics of developing countries.** Foreign investors use their economic power to influence national policies and politics of the countries in which they operate in their favor. This results into loss of independence in local decision making.
11. **They reduce the net benefits in real terms of foreign capital investments.** This is because the foreign investors ask for too much tax concession inform of tax holidays, investment incentives, subsidies and protection from the outside competitors. This makes it costly to the government.

Problems facing foreign direct investments in developing countries

1. **Unfavorable government policies in form of high taxes, low taxes on imports, high interest rates on loans etc.** This discourages foreign direct investments.

2. **High levels of economic instabilities**. For example inflation, exchange rate fluctuations etc. Inflation increases the costs of production and discourages exports hence limiting foreign direct investments.
3. **Low levels of technology in developing countries**. There is existence poor technology in developing countries and it is expensive to import modem techniques of production from developed countries. This increases the cost of production for the foreign investors.
4. **Poor and inadequate infrastructural facilities**. This is reflected in form poor transport network, insufficient power supply, unreliable telecommunication network and limited financial institutions. This makes it difficult to produce and market the produced goods and services by the foreign investors.
5. **Limited skilled manpower in developing countries**. Labour in developing countries lacks the necessary skills required to operate the sophisticated equipments. Foreign investors are forced to import skilled manpower from abroad which is expensive.
6. **Limited markets in developing countries**. This is due to low aggregate demand resulting from high levels of poverty in developing countries.
7. **High levels of political instability in developing countries.** This scares away the potential foreign investors from setting up meaningful businesses due to fear of losing life and property.
8. **Inadequate supply of raw materials required in the production of goods and services**. Most of the raw materials and capital goods are imported from other countries. This increases the costs of production hence limiting production by foreign investors.

Measures (Strategies/Steps) taken to attract Foreign Direct Investments

1 **Providing a favorable investment climate by the government.** This is in form of providing tax holidays, subsidization, offering investment incentives, assisting foreign investors to secure licenses and industrial plots etc. in order to attract foreign investment

2. **Economic liberalization.** There is need for the government to remove unnecessary restrictions from economic activities to allow foreign investors to carry out production and marketing of their products freely with limited interference. In addition, there is need for the government to privatize the inefficient state owned enterprises so as to increase the inflow of foreign capital into the country.
3. **Construction and rehabilitation of the basic social and economic infrastructure.** This is in form of transport network; communication facilities, power generation, water facilities; financial facilities etc. This.is aimed at facilitating production, distribution and marketing of goods and services by foreign investors.
4. **Establishment of institutions to promote foreign investments.** There is need to promote and strengthen institutions like Uganda Investment Authority (UIA) and Uganda Manufactures Association (UMA) in order to provide clear information required to setup investments in the country.
5. **Market expansion.** There is need for the government to expand market for the locally produced goods and services through economic integration, market research, promoting trade exhibitions and encouraging economic diversification.
6. **Improvement-in the level of technology.** There is need for the government to encourage and promote the use of better techniques of production which are cost effective so as to attract foreign investors.
7. **Training of the local manpower.** There is need for the government to undertake appropriate manpower planning like emphasizing the teaching of science subjects to equip .labour with the

technical skills required by foreign investors.

8. **Ensuring macro- economic stability.** There is need for the government to control inflation and to ensure stability in the foreign exchange market as a way of encouraging foreign investors in the economy.
9. I**ncreasing the exploitation of natural resources.** This is aimed- at obtaining raw materials required for production of goods and services by foreign investors, For example the exploitation of oil products in Bunyoro region,
10. **Ensuring political stability** There is need for the government to promote political stability by ensuring good governance, negotiating with rebel groups and granting them amnesty in case they surrender etc. This helps to create a favorable environment for foreign investors.

Revision questions

Section A questions

1. Mention four major development goals that your country strives to achieve
2. (a) Define the term **critical minimum effort**.
   (b) Give three Imitations of balanced growth strategy
3. List four ways in which agriculture is dominant in your country
4. (a)What is meant by agricultural mechanization .
   (b) Mention any three factors limiting agricultural mechanization in your country.
5. (a) Differentiate between appropriate technology and intermediate technology.
   (b) Mention two merits of using intermediate technology in your country
6 . (a) Distinguish between one pound technology and 1000 pound technology
   (b) Give two obstacles to technology transfer from developed to developing countries.
7. (a) What is meant by technology transfer
   (b) Mention three merits of technology transfer?
8. (a) Define the term Absorptive capacity
   (b) Outline three factors responsible for low absorptive capacity of an economy
9. (a) What is meant by foreign capital investments.
   (b) Mention three ways by which foreign capital flows into your country
10. (a) Distinguish between Agricultural modernization and agricultural mechanization
    (b) Mention any two methods of agriculture modernization in your country
11. (a) What is meant by tied aid
    (b) Give three merits of aid tying.
12. State four benefits of education in the development of your country.
13. (a) What is meant by foreign aid?
    (b) Outline any three motives of giving aid
14. (a) Distinguish between appropriate technology and intermediate technology
    (b) Give two advantages of appropriate technology
15 (a) What is meant by the term land tenure system
   (b) List three merits of a free hold system of land ownership in your country.

Section B questions

1. (a) Distinguish between balanced and un balanced growth strategies
   (b) Examine the implications of the balanced growth strategy
2. (a) Why should governments encourage the policy of delocalization of industries?
   (b) Examine the factors responsible for the poor performance of the industrial sector in your country.
3. (a) Distinguish between "Technology transfer" and "Technology development"

(b) Discuss the obstacles to technology transfer from developed to developing countries.

4 . (a) What are multinational corporations?

(b) Assess the contribution of multinational corporations to the development of your country

5 (a) Why is your country trying to accelerate industrial growth?

(b) What problems are being faced by your country in achieving high rates of industrial growth?

6 (a) What is meant by an infant industry

(b) Assess the role of small scale industries in developing your country.

7 (a) Distinguish between foreign aid and foreign capital investments

(b) Examine the role of foreign aid to the development of your country

8. (a) Why is foreign aid a major component of your country's budget?

(b) What are the dangers faced by your country due to over relying on foreign aid?

9. (a) Distinguish between Transformation approach and improvement approach of agricultural development.

(b) Present a case for and against agricultural development in your country.

1O (a) Explain the problems that results from overdependence on agriculture in your country.

(b) What steps are being taken to improve the performance of agricultural sector in your country.

11. (a) Distinguish between labour intensive and capital intensive techniques of productions

(b)What are the arguments for and against using labour intensive production techniques in your country?

12. (a) Distinguish between labour saving and capital saving techniques of production.

(b) What are the arguments for and against using labour saving techniques of production?

13. (a) Assess the positive contribution of private foreign investments to the development of your country .

(b) Examine the steps being taken to attract foreign investors in Uganda.

14 "Import substitution rather than export promotion is the industrial development strategy to adopt in Uganda in order to accelerate the level of her economic development". Critically analyze the above statement

15. (a) Distinguish between import substitution (Inward looking) and export promotion (outward looking) Industrial strategies of development

(b) Examine the prospects and limitations of adopting the import substitution industrial strategy of development.

16. (a) Distinguish between export promotion and import substitution development strategies

(b) Explain the merits and demerits of export promotion development strategy.

17. (a) Explain why the rapid industrialization has not been able to solve the unemployment problem in your country

(b) What steps being taken to increase the contribution of the manufacturing sector to employment in your country?

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