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SENIOR SIX TERM 1

TOPIC 1/2: Economic Development Strategies

Competency: The learner models for the community and policymakers the most effective strategies for tackling local development challenges by assessing and comparing different development strategies.

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)

Labour-intensive technology (sometimes called “one-pound” or capital-saving technology) refers to production methods that rely more on **human labor than machines or financial capital**.

Features of Labour-Intensive (Capital-Saving) Technology

- (i) **High reliance on human effort** rather than advanced machinery.
- (ii) **Low capital requirement:** suitable for economies with limited financial resources.
- (iii) **Employment-oriented:** generates more jobs compared to capital-intensive methods.
- (iv) **Small-scale production:** often used in cottage industries, handicrafts, and agriculture.
- (v) **Flexibility:** can adapt easily to local conditions and small markets.

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Advantages (Merits) of labour intensive technology

- (i) **Employment generation:** Creates more jobs by relying on human effort, reducing unemployment and underemployment.
- (ii) **Low capital requirement:** Requires less investment in expensive machinery, making it suitable for resource-scarce economies.
- (iii) **Utilization of abundant labor:** Makes effective use of the large workforce available in developing countries.
- (iv) **Income distribution:** Provides wages to many workers, helping reduce poverty and inequality.
- (v) **Flexibility and adaptability:** Easier to adjust to local conditions and small-scale production compared to rigid capital-intensive methods.
- (vi) **Encouragement of small-scale industries:** Supports cottage industries, handicrafts, and agro-processing, which thrive on manual skills.
- (vii) **Skill development:** Workers gain practical skills and experience, enhancing human capital.
- (viii) **Regional balance:** Labour-intensive industries can be set up in rural and semi-urban areas, reducing rural–urban migration.
- (ix) **Lower foreign dependence:** Reduces reliance on imported machinery and technology, promoting self-reliance.
- (x) **Social empowerment:** Provides opportunities for marginalized groups (women, youth, rural poor) to participate in production.
- (xi) **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.
- (xii) **It helps to control rural urban migration.** This is because industries using labour intensive technology can easily be extended to rural areas,
- (xiii) **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.
- (xiv) **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.
- (xv) **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.

Disadvantages (Demerits) of labour intensive technology

- (i) **Low productivity:** Human labor is less efficient than machines, leading to slower production and lower output.
- (ii) **Poor quality of products:** Manual processes often result in inconsistent standards compared to machine-based production.

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- (iii) **High unit cost of production:** Inefficiency and low output per worker can make goods more expensive in the long run.
- (iv) **Limited scalability:** Labour-intensive methods struggle to meet large-scale demand, especially in global markets.
- (v) **Slow technological advancement:** Heavy reliance on manual labor discourages innovation and adoption of modern technologies.
- (vi) **Vulnerability to human factors:** Productivity depends on worker health, motivation, and skill, making it less reliable.
- (vii) **Global competitiveness issues:** Labour-intensive industries often cannot compete with capital-intensive industries in developed countries.
- (viii) **Risk of exploitation:** Workers may face low wages, poor working conditions, and job insecurity.
- (ix) **Environmental inefficiency:** Manual processes may consume more raw materials or energy compared to optimized machine production.
- (x) **Limited contribution to modernization:** Over-reliance on labour-intensive methods can slow down industrialization and economic transformation.

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

Capital-intensive technology (sometimes called “**one-thousand-pound**” or **labour-saving technology**) refers to production methods that rely more on **machines, equipment, and financial capital** than on human labor.

Features of Capital-Intensive Technology

- (i) **High investment in machinery and equipment** rather than human labor.
- (ii) **Labour-saving:** replaces manual work with automation and advanced tools.
- (iii) **High productivity:** machines can produce more output in less time.
- (iv) **Requires skilled labor** to operate and maintain advanced equipment.
- (v) **Economies of scale:** large-scale production reduces unit costs.

Advantages (Merits) of capital intensive technology

- (i) **High productivity:** Machines can produce large quantities of goods faster than manual labor.
- (ii) **Consistent quality:** Automated processes ensure uniform standards and precision in production.
- (iii) **Economies of scale:** Large-scale production reduces unit costs, making goods cheaper in the long run.
- (iv) **Ability to meet global demand:** Capital-intensive industries can supply domestic and international markets efficiently.

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- (v) **Technological advancement:** Encourages innovation, modernization, and adoption of advanced production methods.
- (vi) **Lower long-term costs:** Though initial investment is high, automation reduces labor costs over time.
- (vii) **Reduced human error:** Machines minimize mistakes that are common in manual processes.
- (viii) **Better utilization of resources:** Advanced technology often optimizes raw material use, reducing waste.
- (ix) **Improved working conditions:** Automation reduces exposure of workers to hazardous tasks.
- (x) **Global competitiveness:** Capital-intensive industries can compete effectively with advanced economies.
- (xi) **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.
- (xii) **It is appropriate in countries where labour is scarce and expensive.** This helps to minimize the wage bill and labour unrests.

Disadvantages (Demerits) of capital intensive technology

- (i) **High capital requirement:** Needs huge investment in machinery, equipment, and infrastructure, which many developing countries cannot afford.
- (ii) **Unemployment risk:** Reduces demand for manual labor, worsening unemployment and underemployment in labor-surplus economies.
- (iii) **Dependence on foreign technology:** Developing countries often rely on imported machinery and expertise, creating vulnerability and dependency.
- (iv) **Social inequality:** Benefits capital owners more than workers, widening income gaps between rich and poor.
- (v) **Environmental concerns:** Large-scale mechanization may increase pollution, resource depletion, and carbon emissions.
- (vi) **Limited adaptability:** Machines are less flexible than human labor in adjusting to small-scale or customized production.
- (vii) **Skill mismatch:** Requires highly skilled workers to operate advanced equipment, leaving unskilled labor excluded.
- (viii) **Risk of obsolescence:** Rapid technological change can make expensive machinery outdated quickly, leading to financial losses.
- (ix) **Concentration of industries:** Capital-intensive industries tend to cluster in urban areas, worsening rural–urban disparities.
- (x) **Cultural disruption:** Traditional crafts and small-scale industries may decline when replaced by mechanized production.

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- (xi) **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.
- (xii) **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
- (xiii) **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

Intermediate technology and appropriate technology

Intermediate technology

Intermediate technology (also called **appropriate technology**) is a production method that lies between **labour-intensive (capital-saving)** and **capital-intensive (labour-saving)** technology. It is designed to be **affordable, efficient, and suitable for local conditions**, especially in developing countries.

Features of Intermediate Technology

- (i) **Balance between labor and capital:** uses both human effort and simple machinery.
- (ii) **Affordable and accessible:** requires moderate investment, making it suitable for small entrepreneurs.
- (iii) **Locally adaptable:** tailored to local resources, skills, and needs.
- (iv) **Environmentally friendly:** often uses renewable energy and sustainable practices.
- (v) **Scalable:** can be expanded gradually as resources grow.

Appropriate technology

Appropriate technology refers to tools, techniques, and production methods that are **suited to the social, economic, and environmental conditions** of a community, especially in developing countries. It emphasizes affordability, sustainability, and local adaptability rather than relying on expensive, imported, or overly complex technologies.

Features of Appropriate Technology

- (i) **Affordable and accessible:** designed to match local financial resources.
- (ii) **Simple and easy to use:** does not require highly specialized skills.
- (iii) **Locally adaptable:** uses local raw materials and skills.
- (iv) **Environmentally friendly:** minimizes pollution and resource depletion.

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- (v) **Community-oriented:** empowers local people and fits cultural practices.
- (vi) **Scalable:** can be expanded gradually as resources grow.

Arguments (Merits) for intermediate technology

- (i) **Employment generation:** Provides jobs by combining human labor with simple machines, reducing unemployment.
- (ii) **Affordable investment:** Requires less capital than advanced machinery, making it accessible for small entrepreneurs and rural communities.
- (iii) **Higher productivity than labour-intensive methods:** Improves efficiency while still keeping costs manageable.
- (iv) **Utilization of local resources:** Encourages use of indigenous raw materials and skills, reducing dependence on imports.
- (v) **Supports rural development:** Can be applied in villages and semi-urban areas, reducing rural–urban migration.
- (vi) **Encourages entrepreneurship:** Promotes small-scale businesses and self-reliance among local populations.
- (vii) **Environmentally friendly:** Often uses renewable energy and eco-friendly practices, minimizing pollution.
- (viii) **Inclusive growth:** Accessible to marginalized groups such as women and youth, empowering communities.
- (ix) **Flexibility and adaptability:** Easier to adjust to local conditions compared to rigid capital-intensive systems.
- (x) **Reduces inequality:** Distributes benefits more evenly across society by involving more people in production.
- (xi) **It facilitates the development of small scale industries** which are dominant in developing countries
- (xii) **It is suitable for developing countries** with limited local markets as a way of minimizing resource wastage due to over production.

Technology Transfer

- (i) **Definition:** The movement of technology, knowledge, or expertise from its origin (such as universities, research labs, or developed countries) to another entity (such as businesses, governments, or developing countries) for practical application.
- (ii) **Forms:** Can occur within organizations, between countries, or from research institutions to industries.
- (iii) **Purpose:** To bridge the gap between invention and application, ensuring that discoveries benefit society.

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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

- (i) **Industrial growth:** Helps developing countries modernize industries by adopting advanced tools, machinery, and processes.
- (ii) **Improved productivity:** Enhances efficiency and output by replacing outdated methods with modern technology.
- (iii) **Innovation diffusion:** Spreads new ideas and practices across borders, sectors, and institutions.
- (iv) **Economic development:** Boosts competitiveness, exports, and GDP growth through adoption of advanced technologies.
- (v) **Capacity building:** Strengthens skills and knowledge among local workers, entrepreneurs, and researchers.
- (vi) **Job creation:** Supports new industries and startups, generating employment opportunities.
- (vii) **Improved quality of life:** Brings innovations in healthcare, agriculture, and energy to communities, raising living standards.
- (viii) **Global collaboration:** Encourages partnerships between universities, industries, and governments, fostering knowledge exchange.
- (ix) **Access to funding:** Attracts investment and research grants through partnerships and commercialization of innovations.

Demerits (negative implications) of Technology transfer

- (i) **Dependence on foreign technology:** Developing countries may rely heavily on imported machinery and expertise, reducing self-reliance.
- (ii) **High costs:** Advanced technologies are expensive to acquire, install, and maintain, straining limited budgets.
- (iii) **Skill mismatch:** Local workers may lack the training to operate new technologies, leading to inefficiency.

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- (iv) **Unemployment risk:** Labour-saving technologies can reduce demand for manual workers, worsening joblessness.
- (v) **Intellectual property restrictions:** Patents and licensing agreements can limit access or make technology unaffordable.
- (vi) **Cultural and institutional barriers:** Imported technologies may not fit local traditions, practices, or governance structures.
- (vii) **Environmental concerns:** Some transferred technologies may increase pollution or resource depletion if not adapted properly.
- (viii) **Economic inequality:** Benefits often go to large firms and elites, leaving small-scale industries and rural communities behind.
- (ix) **Risk of obsolescence:** Rapid technological change can make expensive imported machinery outdated quickly.
- (x) **Weak bargaining power:** Developing countries may accept unfavorable terms in technology transfer agreements due to limited negotiation capacity.
- (xi) **It can lead 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.

Limitations to technology transfer in developing countries

- (i) **High costs of acquisition:** Advanced technologies are expensive to purchase, install, and maintain, straining limited budgets.
- (ii) **Skill and knowledge gaps:** Local workers often lack the training needed to operate and maintain new technologies.
- (iii) **Dependence on foreign sources:** Heavy reliance on imported machinery and expertise creates vulnerability and dependency.
- (iv) **Intellectual property restrictions:** Patents and licensing agreements can limit access or make technology unaffordable.
- (v) **Mismatch with local conditions:** Imported technologies may not suit local environments, cultures, or resource availability.
- (vi) **Weak infrastructure:** Poor electricity, transport, and communication systems hinder effective use of advanced technologies.
- (vii) **Institutional and policy weaknesses:** Bureaucracy, corruption, and inconsistent policies reduce the effectiveness of technology transfer programs.
- (viii) **Environmental risks:** Some technologies may increase pollution or resource depletion if not adapted properly.
- (ix) **Unequal distribution of benefits:** Large firms and elites often benefit more than small-scale industries or rural communities.
- (x) **Risk of obsolescence:** Rapid technological change can make expensive imported machinery outdated quickly.

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Import substitution (inward looking) industrialization strategy

Import Substitution Industrialization (ISI), also called the **inward-looking industrialization strategy**, is a trade and economic strategy adopted mainly by developing countries to **replace foreign imports with locally produced goods**.

Goal: To achieve **self-reliance, industrial growth, and reduced dependency** on developed economies.

Approach: Governments protect infant industries through tariffs, quotas, subsidies, and restrictions on imports.

Arguments (Merits) for import substitution industrialization strategy

- (i) **Industrial growth:** Encourages the establishment of local industries by protecting them from foreign competition.
- (ii) **Employment creation:** Expands job opportunities in manufacturing and related sectors, reducing unemployment.
- (iii) **Reduced dependency on imports:** Less reliance on foreign goods and technology, promoting national self-reliance.
- (iv) **Economic diversification:** Moves economies away from dependence on agriculture or raw material exports toward industrial production.
- (v) **Infant industry protection:** Shields young industries from global competition until they become strong enough to compete.
- (vi) **National pride and sovereignty:** Builds confidence in domestic production and reduces vulnerability to external shocks.
- (vii) **Improved balance of payments:** Reduces import bills by producing goods locally, helping stabilize foreign exchange reserves.
- (viii) **Technology development:** Encourages local innovation and adaptation of technology to suit domestic needs.
- (ix) **Market expansion:** Creates demand for locally produced goods, stimulating further industrial investment.

Arguments against (Demerits for) import substitution industrialization strategy

- (i) **Inefficiency of protected industries:** Shielded from competition, local industries often became inefficient and produced low-quality goods.
- (ii) **High consumer prices:** Domestic goods were more expensive than imports, burdening consumers.

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- (iii) **Limited competitiveness:** ISI industries struggled to compete internationally, leading to weak export performance.
- (iv) **Small domestic markets:** Many developing countries lacked large enough markets to sustain industrial growth.
- (v) **Foreign exchange problems:** Countries still needed to import machinery and raw materials, worsening balance of payments.
- (vi) **Risk of corruption and rent-seeking:** Protectionist policies encouraged misuse of subsidies and political favoritism.
- (vii) **Slow technological advancement:** Reliance on outdated methods limited innovation and modernization.
- (viii) **Unequal distribution of benefits:** Large firms and elites often benefited more than small-scale industries or rural communities.
- (ix) **Debt crises:** Heavy borrowing to finance industrial projects led to unsustainable debt in many countries.
- (x) **Shift to export-oriented strategies:** By the 1980s, many nations abandoned ISI in favor of outward-looking industrialization due to its failures.

Limitations to import substitution industrialization strategy in developing countries

- (i) **Small domestic markets:** Many developing countries lacked large consumer bases to sustain industrial growth.
- (ii) **High production costs:** Protected industries often produced goods at higher costs compared to cheaper imports.
- (iii) **Low quality and inefficiency:** Lack of competition led to poor-quality products and inefficient industries.
- (iv) **Dependence on foreign inputs:** Countries still needed to import machinery, spare parts, and raw materials, straining foreign exchange reserves.
- (v) **Balance of payments problems:** Heavy imports of capital goods worsened trade deficits despite reduced consumer imports.
- (vi) **Corruption and rent-seeking:** Protectionist policies encouraged misuse of subsidies and favoritism in licensing.
- (vii) **Slow technological advancement:** Domestic industries often relied on outdated methods and failed to innovate.
- (viii) **Unequal distribution of benefits:** Large firms and urban elites benefited more than rural communities or small-scale industries.
- (ix) **Debt crises:** Financing industrial projects through borrowing led to unsustainable debt burdens.
- (x) **Global competitiveness issues:** ISI industries struggled to compete internationally, limiting export growth.
- (xi) **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 7.

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- (xii) **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.

Export promotion (outward looking) industrialization strategy

Export Promotion Industrialization (EPI), also called the **outward-looking industrialization strategy**, is a trade and industrial policy that encourages domestic industries to produce for international markets.

Goal: To integrate into the global economy, earn foreign exchange, and achieve rapid industrial growth.

Approach: Governments support industries with incentives, infrastructure, and trade policies that make exports competitive.

Arguments (Merits/advantages) for export promotion industrialization strategy

- (i) **Foreign exchange earnings:** Exporting generates foreign currency to finance imports of capital goods and essential inputs.
- (ii) **Industrial efficiency:** Exposure to global competition forces industries to improve productivity, quality, and innovation.
- (iii) **Market expansion:** Access to international markets allows industries to scale beyond small domestic demand.
- (iv) **Technology transfer:** Export-oriented firms adopt modern technologies to meet global standards, boosting local capacity.
- (v) **Employment creation:** Expands jobs in manufacturing, logistics, and trade-related services.
- (vi) **Economic diversification:** Reduces reliance on primary commodities by promoting manufactured and value-added exports.
- (vii) **Global integration:** Strengthens ties with international trade partners and attracts foreign direct investment (FDI).
- (viii) **Improved balance of payments:** Export growth helps stabilize trade deficits and foreign reserves.
- (ix) **Learning and innovation:** Firms gain knowledge from competing globally, encouraging continuous improvement.
- (x) **Success stories:** East Asian “Tiger” economies (South Korea, Taiwan, Singapore, Hong Kong) achieved rapid growth through export promotion.

Limitations to export Promotion industrialization strategy in developing countries

- (i) **Dependence on external markets:** Vulnerable to global recessions, demand fluctuations, and trade restrictions in developed countries.
- (ii) **Intense global competition:** Domestic industries often struggle against established multinational firms with advanced technology and lower costs.
- (iii) **Small industrial base:** Many developing countries lack strong manufacturing sectors to compete internationally.
- (iv) **Infrastructure weaknesses:** Poor transport, electricity, and communication systems hinder export competitiveness.
- (v) **Skill and technology gaps:** Local workers may lack training, and industries may lag in adopting modern technologies.
- (vi) **Foreign exchange volatility:** Heavy reliance on exports exposes economies to currency fluctuations and global price shocks.
- (vii) **Unequal distribution of benefits:** Export-oriented growth often benefits urban elites and large firms more than rural communities.
- (viii) **Environmental risks:** Rapid industrialization for exports can strain natural resources and increase pollution.
- (ix) **Policy and institutional weaknesses:** Corruption, bureaucracy, and inconsistent trade policies reduce effectiveness of export promotion.
- (x) **Risk of dependency:** Over-reliance on a few export commodities (e.g., coffee, oil, minerals) makes economies vulnerable to price swings.

Measures (strategies) to promote the export promotion industrialization strategy

- (i) **Provision of credit facilities:** Governments should provide affordable loans and subsidies to exporters to expand production.
- (ii) **Establishment of export processing zones (EPZs):** Special industrial parks with tax exemptions, bonded warehouses, and duty-free imports encourage export-oriented firms.
- (iii) **Trade liberalization:** Removing unnecessary restrictions, lengthy customs procedures, and tariffs facilitates smooth exportation.
- (iv) **Infrastructure development:** Improving transport, electricity, ICT, and communication systems reduces costs and enhances competitiveness.
- (v) **Market information support:** Governments can provide exporters with data on foreign markets, competitors, and consumer preferences.
- (vi) **Tax incentives and duty drawback schemes:** Refunds on duties paid for imported inputs used in exports lower production costs.
- (vii) **Promotion of quality standards:** Supporting industries to meet international standards boosts acceptance of exports abroad.
- (viii) **Human capital development:** Training workers and managers in modern production and trade practices enhances efficiency.

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- (ix) **Diversification of exports:** Encouraging production of manufactured and value-added goods reduces reliance on primary commodities.
- (x) **Attracting foreign direct investment (FDI):** FDI brings capital, technology, and expertise that strengthen export-oriented industries.

Economic absorptive capacity

This refers to a country's or firm's ability to **recognize, acquire, adapt, and effectively use external resources such as technology, knowledge, and capital** to promote growth and development.

Core idea: External resources alone do not guarantee growth; what matters is whether the receiving economy has the **skills, institutions, and infrastructure** to use them effectively.

Dimensions:

- **Acquisition:** Ability to identify and obtain external knowledge or technology.
- **Assimilation:** Ability to understand and integrate it into local systems.
- **Transformation:** Ability to adapt and modify it to suit local conditions.
- **Exploitation:** Ability to apply it for economic and social benefits.

Importance of Economic Absorptive Capacity

- (i) **Maximizes benefits of FDI:** Countries with strong absorptive capacity gain more from foreign direct investment spillovers.
- (ii) **Enhances technology transfer:** Helps adapt imported technologies to local needs.
- (iii) **Boosts innovation:** Encourages local firms to learn, improve, and innovate.
- (iv) **Strengthens institutions:** Requires sound governance, education, and infrastructure.
- (v) **Improves competitiveness:** Enables firms and economies to compete globally.
- (vi) **Supports sustainable growth:** Ensures external resources contribute to long-term development rather than dependency.

Causes of low absorptive capacity in developing countries

- (i) **Weak infrastructure:** Poor transport, electricity, and ICT systems limit the ability to integrate new technologies and investments.
- (ii) **Low levels of education and skills:** Inadequate training and weak human capital prevent workers from adopting and adapting advanced technologies.
- (iii) **Institutional weaknesses:** Corruption, bureaucracy, and poor governance reduce efficiency in managing external resources.
- (iv) **Limited research and development (R&D):** Lack of investment in innovation and scientific capacity hinders adaptation of imported knowledge.

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- (v) **Financial constraints:** Scarcity of domestic capital makes it difficult to complement foreign investment or aid effectively.
- (vi) **Dependence on primary commodities:** Economies reliant on raw materials lack diversified industries to absorb advanced technologies.
- (vii) **Small domestic markets:** Limited consumer demand restricts the scale of industrialization and technology adoption.
- (viii) **Policy instability:** Frequent changes in trade, investment, and industrial policies discourage long-term planning and absorption.
- (ix) **Technological mismatch:** Imported technologies may not suit local conditions, resources, or cultural practices.
- (x) **Brain drain:** Skilled professionals often migrate abroad, leaving a shortage of expertise at home.

Foreign direct investment and multinational corporations

Foreign Direct Investment (FDI) is when a company or individual invests directly in business operations in another country.

Multinational Corporations (MNCs) are firms that operate in multiple countries, often driving FDI flows. Together, they shape global trade, technology transfer, and development.

Understanding FDI and MNCs

- (i) **Foreign Direct Investment (FDI):** Long-term investment by a foreign entity in another country's business, such as building factories, acquiring firms, or establishing subsidiaries.
- (ii) **Multinational Corporations (MNCs):** Large firms with headquarters in one country but operations across many others. Examples include Apple, Toyota, and Unilever.
- (iii) **Connection:** MNCs are the main drivers of FDI, using it to expand globally, access new markets, and tap into resources.

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

Positive roles (implications) of Foreign Direct investments and Multinational Corporations in developing countries

- (i) **Capital inflows:** FDI provides much-needed financial resources for industrial projects, infrastructure, and business expansion.
- (ii) **Technology transfer:** MNCs introduce advanced technologies, production methods, and management practices, boosting local innovation.

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- (iii) **Employment creation:** New factories, subsidiaries, and service centers generate jobs for skilled and unskilled workers.
- (iv) **Skill development:** Workers gain training and exposure to international standards, improving human capital.
- (v) **Infrastructure development:** MNCs often invest in logistics, energy, and communication systems, which benefit the wider economy.
- (vi) **Market access:** FDI links local industries to global supply chains, opening opportunities for exports.
- (vii) **Improved balance of payments:** Export-oriented investments help earn foreign exchange and stabilize trade deficits.
- (viii) **Economic diversification:** MNCs invest in sectors beyond traditional commodities, reducing reliance on agriculture or raw materials.
- (ix) **Global integration:** FDI strengthens ties with international trade partners and attracts further investment.
- (x) **Boost to competition:** Presence of MNCs encourages local firms to improve efficiency, quality, and innovation.

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

- (i) **Profit repatriation:** MNCs often send profits back to their home countries, limiting reinvestment in the host economy.
- (ii) **Economic dependency:** Heavy reliance on foreign firms can weaken local industries and reduce self-reliance.
- (iii) **Market dominance:** MNCs may outcompete and overshadow local businesses, stifling domestic entrepreneurship.
- (iv) **Exploitation of resources:** Foreign firms may overuse natural resources, leading to environmental degradation.
- (v) **Cultural influence:** MNCs reshape consumer habits, sometimes eroding traditional values and local industries.
- (vi) **Unequal benefits:** Gains often concentrate among elites and urban areas, leaving rural communities behind.
- (vii) **Political influence:** Large corporations can pressure governments to adopt policies favorable to them, undermining sovereignty.
- (viii) **Employment concerns:** Jobs created may be low-paying, insecure, or exploitative, with limited skill transfer.
- (ix) **Vulnerability to global shocks:** Host economies become exposed to global recessions, trade disputes, and currency fluctuations.
- (x) **Tax avoidance:** Some MNCs exploit loopholes to minimize taxes, reducing government revenue for development.

Problems facing foreign direct investments in developing countries

- (i) **Poor infrastructure:** Weak transport, electricity, and ICT systems increase costs and discourage investors.
- (ii) **Political instability:** Civil unrest, corruption, and weak governance create uncertainty for long-term investments.
- (iii) **Policy inconsistency:** Frequent changes in trade, tax, and investment policies undermine investor confidence.
- (iv) **Small domestic markets:** Limited consumer demand restricts profitability for large-scale investments.
- (v) **Weak legal and regulatory frameworks:** Ineffective enforcement of contracts, property rights, and intellectual property discourages foreign firms.
- (vi) **Corruption and bureaucracy:** Lengthy procedures, bribery, and red tape increase transaction costs and risks.
- (vii) **Foreign exchange risks:** Currency instability and inflation make returns unpredictable.
- (viii) **Security concerns:** Crime, terrorism, and lack of safety for assets and personnel deter investors.
- (ix) **Skill shortages:** Lack of trained workers reduces productivity and limits technology transfer.
- (x) **Overdependence on primary commodities:** Economies reliant on raw materials offer fewer opportunities for diversified investment.
- (xi) **Environmental and social risks:** Poor regulation can lead to resource exploitation, community conflicts, and reputational risks for investors.

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

- (i) **Political and economic stability:** Ensuring peace, security, and consistent economic policies builds investor confidence.
- (ii) **Legal and regulatory reforms:** Strengthening property rights, contract enforcement, and reducing bureaucratic red tape makes investment easier.
- (iii) **Tax incentives and subsidies:** Offering tax holidays, reduced corporate taxes, and duty-free imports encourages foreign firms to invest.
- (iv) **Establishment of Export Processing Zones (EPZs) and Special Economic Zones (SEZs):** Providing infrastructure, simplified regulations, and incentives in designated zones attracts export-oriented industries.
- (v) **Infrastructure development:** Improving transport, energy, ICT, and communication systems lowers costs and enhances competitiveness.
- (vi) **Trade liberalization:** Reducing tariffs and opening markets signals commitment to global integration.

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- (vii) **Investment promotion agencies:** Governments set up agencies to market opportunities, assist investors, and streamline procedures.
- (viii) **Human capital development:** Training workers and improving education ensures skilled labor for foreign firms.
- (ix) **Privatization and liberalization of sectors:** Opening previously state-controlled industries (telecom, energy, banking) to foreign investors creates opportunities.
- (x) **Bilateral and multilateral agreements:** Signing investment treaties and trade agreements provides legal protection and market access.
- (xi) **Macroeconomic stability:** Controlling inflation, stabilizing currency, and maintaining sound fiscal policies reassure investors.
- (xii) **Public-private partnerships (PPPs):** Encouraging collaboration between government and foreign firms in infrastructure and services.

Role of agriculture in the development

- (i) **Product contribution:** Supplies food for the population and raw materials for industries (e.g., cotton for textiles, sugarcane for sugar).
- (ii) **Factor contribution:** Provides labor and capital for industrial growth; surplus from agriculture can finance other sectors.
- (iii) **Market contribution:** Creates demand for industrial goods such as fertilizers, machinery, and consumer products.
- (iv) **Foreign exchange contribution:** Agricultural exports (coffee, tea, cocoa, cotton) earn foreign currency to import capital goods.
- (v) **Employment generation:** Absorbs a large share of the labor force, reducing unemployment and poverty.
- (vi) **Poverty alleviation:** Rural development through agriculture raises incomes and improves living standards.
- (vii) **Industrialization support:** Agricultural surplus provides inputs and markets for industrial expansion, as seen in England's Agricultural Revolution before the Industrial Revolution.

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 limitations 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

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- (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 unbalanced 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.
- 10 (a) Explain the problems that results from overdependence on agriculture in your country.

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- (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?

Thank you
Dr. Bbosa Science