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## **Economic Chapter 5: The structure of Uganda's economy**

*The economy* is the process or system by which goods and services are produced, sold, and bought in a country or region

The **structure of the economy** refers to the salient (basic) features or characteristics of the economy.

### **Salient features of Uganda's economy**

1. **It is dominated by the agricultural sector (predominantly subsistence in nature).** Majority of Uganda's population is employed in the agricultural sector. It is also the major source of food and foreign exchange earner for the country.
2. **It has small but growing industrial sector.** Most of the industries are small and mainly concentrated in urban areas. The few large industries are owned by foreigners. The industrial sector contributes less than 15% of GDP.
3. **It is a mixed economy.** There is existence of both public and private ownership and allocation of resources. Investments which require huge capital are owned and controlled by the government.
4. **It is a dual economy.** A dual economy is one where there is co-existence of two contradicting sectors where one is modern and desirable while the other is traditional and undesirable. Uganda is technologically, socially, economically and regionally dualistic in nature.
5. **It is an open economy.** Uganda interacts with other countries in terms of trade. It exports to and imports from other countries. Uganda's exports are mainly primary products while the imports are mainly oil products, capital and manufactured goods.
6. **It is mainly a dependent economy.** Uganda greatly depends on other countries in terms of trade and other resources for survival. It mainly depends on international trade as a source of imports.
7. **It is characterized by unskilled and semi-skilled labour force.** Uganda's labour force is characterized by high levels of illiteracy due to low levels of education and lack of experience for particular technical jobs.
8. **It is mainly characterized by high population growth rate.** This is due to high fertility rates and lack of effective family planning programs. This leads to high dependence burden and pressure on social services especially in urban areas.
9. **There is wide spread unemployment and under employment.** This is due to limited production, investment and other employment creating activities resulting from the high degree of resource underutilization.
10. **It is mainly characterized by poorly developed and inadequate social-economic infrastructure.** This is in form of poor roads, poor health and educational facilities and inadequate power supply which limit investment in the country,
11. **It is mainly characterized by poor entrepreneurship.** Uganda's economy is mainly comprised of incompetent entrepreneurs who lack the required skills to start and sustain business enterprises. This leads to resource misallocation and mismanagement.
12. It is characterized by high imports and low exports due to low production

13. It is characterized by excess capacity (underutilization of resources in several sectors)

### **The structure of the industrial (manufacturing) sector in Uganda**

1. Most industries process primary products , a few engage in the manufacturing and assembling parts e.g. Spear motors and BATA shoe firms
2. Most industries are concentrated in urban areas especially, Kampala, Jinja, Mbale, Mbarara etc.
3. The size of the industrial sector in Uganda is small but fast growing at fast rate. The small scale industries are widely spread i.e. urban and rural based e.g. agriculture processing industries like maize mill and sugar juggling.
4. Most of the industries in Uganda are engaged in the processing of primary products although some participate in finished goods.
5. Most of the small and medium scale industries are privately owned while large scale industries are owned by foreigners and/or government.
6. Most of the industrial products are locally consumed and a few for export
7. They provide employment to few skilled and unskilled manpower because of their small scale production and capital intensive technology.
8. Most of the industries operate at excess capacity due to limited market of the products.
9. Most industries depend on agriculture and mineral products and others such as pharmaceutical industries depend on imported raw materials.
10. Most of small scale industries tend to be labour intensive while large scale industries tend to be capital intensive.
11. **It is mainly comprised of small scale industries.** Most of the industries operate on a small scale. This is mainly due to limited capital which makes it difficult to expand the production activities. However, there are a few medium and large scale industries.
12. **The manufacturing industries mainly use imported raw materials in the production process** with the exception of agro based industries which use the local raw materials.
13. **The industries are mainly imported substituting.** That is they mainly produce commodities that were formerly imported in the country.

### **Economic implications (Consequences) of the nature of Uganda Industrial Sector**

#### **Positive Implications**

1. **It creates employment opportunities.** This is due to the existence of a number of small scale industries which mainly use labour intensive techniques of production.
1. **It promotes the exploitation of the local resources.** This increases resource utilization in the economy hence economic growth.
3. **It helps to save the scarce foreign exchange.** This is because industries produce formerly imported commodities. This reduces the balance of payment problems.
4. **It helps to improve the welfare of the people.** This is because industries mainly produce consumer goods which directly contribute to the standards of living.
5. **It increases tax government revenue.** This is done by taxing a large number of small scale industries.
6. **It promotes inter sectoral linkages in the economy** especially with the agricultural sector; this is because most of the industries are agro-based.
7. **It promotes self-reliance and independence of the economy.** This is due to the existence of agro-based small scale and import substituting industries.
  
8. **It encourages capital inflow and technology transfer.** This because most of the large firms are owned by foreign investors who bring in capital and efficient technology.

## Negative Implications

1. **It leads to rural-urban migration with its undesirable effects.** This is because most of the industries are concentrated in urban areas. The youths leave rural areas mainly in search for employment opportunities in urban industries.
2. **It encourages capital flight and profit repatriation.** This is because most of the large and medium scale industries are owned by foreigners. This limits capital accumulation in the country.
3. **It increases balance of payment problems.** This is because industries mainly depend on imported raw materials in form of intermediate and capital goods. In addition, there are low exports from the industrial sector.
4. **It leads to unbalanced regional development.** This is because most of the industries are concentrated in urban areas. This promotes regional dualism.
5. **It leads to technological unemployment.** This is due to increased use of capital intensive techniques of production especially in large scale industries where machines replace labour in the production process. For example use of computers.
6. There is production of poor quality output hence low standards of living. This is due to the use of poor techniques of production by small scale industries.
7. **It leads to low foreign exchange earnings.** This is because most of the small scale industries mainly produce for the local market with very little for export purposes.
8. **It promotes foreign economic dominance.** This is because the large industries are owned by foreigners and they can easily influence economic decisions in their favour.
9. **It leads to low levels of economic growth.** This because industries operate at excess capacity due to use of poor techniques of production hence underutilization of resources in the economy.
10. **It promotes the dependence of the economy on other economies.** This is due to over reliance on the imported raw materials especially for the manufacturing industries.
11. **There are limited economies of scale** because most of the firms operate on a small scale.
12. **It leads to low tax revenue for the government.** This is due to dominance of small scale industries which makes it difficult for the government to collect taxes.
13. It promotes environmental degradation in form of air and water pollution especially in urban areas. This is due to localization of industries in urban centers.

## The structure of Uganda's import and export sector (foreign sector)

### Exports

1. Uganda mainly exports agricultural (primary) and semi-processed products.
2. Uganda exports a few services (invisible exports) for example tourism, electricity, transport, security etc.
3. It exports minerals products on a very small scale like copper, cobalt, gold etc.
4. Uganda's exports include traditional and non-traditional cash crops. The traditional cash crops include coffee, cotton, tobacco, tea etc. and the non-traditional cash crops include sunflower, flowers, simsim, fruits like mangoes guavas etc. Other exports include; fish, hides and skins. This implies that Uganda exports a small range of products.
5. Uganda's exports are mainly of poor quality with low value addition. This is because they are mainly exported in their raw form.
6. Uganda exports a few manufactured consumer goods like textiles, plastics, mattresses, soap, cement etc. especially to the neighboring countries
7. Uganda's exports face limited market. They are mainly exported to a few countries like the European Union, COMESA countries, Middle East and the rest of Africa,
8. The prices of Uganda's exports are low and they keep on fluctuating in international markets. This is because the prices of Uganda's exports are externally determined.

### Imports

1. Uganda mainly imports manufactured consumer commodities like textiles, drugs, beverages, cosmetics

etc.

2. Uganda imports producer (capital) goods like machinery, computers, electric equipment etc.
3. Uganda imports fuel and petroleum products like petrol, kerosene and diesel.
4. Uganda imports skilled manpower in form of expatriates like engineers, doctors etc.
5. Uganda imports military hardware in form of guns, bullets, tear gas etc.
6. Uganda imports agricultural products like rice from Pakistan, apples from South Africa etc.
7. Uganda's imports are priced expensively and come from countries like China, Japan, Italy, Germany etc.

### **Economic implications of the Uganda's import-Export Structure ( Foreign Sector)**

1. **Adverse balance of payments.** This is due to increased import expenditure and reduced revenue from exports
2. **Unfavorable terms of trade.** This is due to high import prices and low export prices.
3. **Risk of imported inflation.** This is due to heavy dependence on expensive imports like fuel products.
4. **Limited and fluctuations in foreign exchange earnings.** This is due to fluctuations in the price of agricultural exports.
5. **Increased economic dependence of Uganda on other countries.** This is in terms of producer goods, petroleum products and other consumer commodities.
6. **Poor provision of public goods and services.** This is due to low government revenue from exports.
7. **Increased capital outflow in form of over reliance on expatriates.** This also retards the development of the skills of local man power.
8. **Low levels the economic diversification** due to dependence on a few traditional exports.
9. Importation of inappropriate technology due to heavy dependence on imported capital goods especially capital intensive technology which leads to technological unemployment.
10. **Limited industrialization due to predominance** of agricultural exports.

### **Policy Measures to Improve the Import- Export Structure**

1. Establishing import substitution industries to produce goods which were formally imported.
2. Setting up export promotion industries to produce manufactured goods for export as a way of reducing the predominance of exports of agricultural products
3. Economic diversification in order to reduce over dependence on a few agricultural exports.
4. Establishing training institutions as a comprehensive policy aimed at training local man power. This helps to reduce over reliance, on expatriates
5. Signing international commodity agreements to stabilize prices of agricultural exports.
6. Widening the export market by carrying out research and joining regional integration like East African Community (EAC), Common Market for East and Southern Africa (COMESA) etc.
7. Encouraging the exportation of non-traditional crops like sunflower, flowers, fish, vanilla etc.
8. Improvement of social and economic infrastructures to facilitate production, distribution, transportation and marketing of exports.
9. Putting in place favorable investment policies that can attract both local and foreign investors to produce enough commodities for domestic consumption and export purposes.
10. Promoting value addition to exports of agricultural products. This helps to increase export prices and export earnings.
11. Expanding the invisible export sector especially the tourism sector so as to increase the foreign exchange earnings.

## Dualism in Uganda's economy

- **Dualism** is the co-existence of two contrasting (contradicting) social-economic (phenomenon) situations where one is modern and desirable while the other is backward and undesirable.
- **A Dual Economy is a social-economic** system where there is co-existence of two contradicting sectors where one is modern and desirable while the other is backward and undesirable.

### Examples of dualism in Uganda

1. Market (monetary) sector versus subsistence sector
1. Rural sector versus urban sector
3. Modern culture versus traditional culture
4. The rich versus the poor
5. The literate versus the illiterate
6. Capital intensive technology versus labour intensive technology
7. Skilled labour versus unskilled labour

### Forms (Types) of dualism in Uganda

2. **Intra-Sectoral Dualism.** This refers to the co-existence of different levels of development within the same sector. For example the coexistence of modern agriculture and subsistence agriculture within the agricultural sector
3. **Technological dualism.** This refers to the co-existence the two contrasting techniques of production in the economy. For example labour intensive techniques of production co-existing side by side with the large scale capital intensive techniques of production.
4. **Trade Dualism.** This is the co-existence of two methods of exchange in the economy. For Example the coexistence of Barter system and monetary system of exchange
5. **Economic (Financial) Dualism.** This is the co-existence of two financial markets in the economy. For example the coexistence of the informal and the formal financial markets
6. **Industrial Dualism.** This is the coexistence of two contrasting types of industries in the economy. For example the coexistence of inefficient small scale firms and efficient large scale firms
7. **Regional Dualism.** This refers to the co-existence of two regions at different levels of development in the economy. For example the coexistence of the rural and urban areas
8. **International Dualism.** This refers to the co-existence of less developed countries and more developed countries.
9. **Cultural Dualism.** This refers to the co-existence of two contradicting beliefs in the economy. For example the modern western culture coexisting with the traditional culture
10. **Social Dualism.** This is the co-existence of two contrasting social economic classes of people in the economy. For example the rich coexisting with the poor, the illiterate coexisting with the illiterate etc.

### Causes of dualism in developing countries

1. Unequal income distribution which leads to economic dualism.
2. Unbalanced natural resource endowment hence regional and international dualism.
3. Importation of inappropriate technology which leads to technological dualism.
4. Uneven distribution of social-economic infrastructure between urban and rural areas
5. Political instabilities in different parts of the country.
6. Unwillingness to change from traditional cultural practices.
7. High levels of poverty which makes some parents fail to educate their children in good schools hence social dualism

## **Dangers (problems) of Dualism**

1. It leads to regional imbalances with the rural sector always lagging behind the urban sector.
2. It leads to rural urban migration and its associated negative effects due to concentration of jobs and other benefits in urban areas than in rural areas.
3. It leads to technological unemployment in case capital intensive techniques are used in areas with abundant cheap labour.
4. It creates difficulties in planning. That is, it becomes difficult to decide on which sector to develop first. For example the case of agriculture and industry.
5. It reduces government tax revenue due to the existence of the poor majority with low taxable capacity and existence of a large subsistence sector.
6. It discourages production and investment due to low aggregate demand for goods and services as the majority of the people are poor and a few are rich.
7. Social cultural dualism breeds conflicts in belief and values and this leads to social dis-harmony.

## **Measures to reduce dualism in developing countries**

1. **Use of appropriate technology.** That is production techniques used should be in line with the social and economic requirements of the society.
2. **Delocalization of industries** to reduce on the problems of regional imbalances resulting from concentration of industries in urban areas.
3. **Implementing rural development programs such as rural electrification,** rural infrastructural development etc. to control rural urban migration.
4. **Monetization of the economy** to reduce on the subsistence sector through modernization and commercialization of agriculture.
5. **Providing free education.** For example universal primary education (UPE) and universal secondary education (USE) to reduce on social - cultural dualism.
6. **Use of progressive taxation to check on income inequalities between the rich and the poor.**
7. **Land reform policy.** For example land consolidation, land redistribution etc. aimed at changing the land tenure system to enable the landless to have access and rights over ownership of land.
8. **Economic diversification.** This is aimed at producing a variety of products for exports to reduce international dualism.
9. **Widening markets through economic integration so as to promote trade in the economy.**
10. **Political stability.** This is aimed at promoting investments and production of goods and services in the country and reducing on the expenditure incurred in importing fire arms from foreign countries.

## **Economic dependence, inter-dependence and independence**

1. **Economic dependence.** This is where the country relies on specific sectors or other economies in terms of resources and economic decisions for its survival.
2. **Economic interdependence.** This refers to a situation where two or more countries rely on each in terms of resources and economic decisions for survival.
3. **Economic Independence.** This refers to a situation where the economy is mainly self-sustained in terms of resources and economic decisions for its survival

## **Ways in which Uganda is economically dependent**

1. **Trade dependence.** Uganda heavily relies on international trade in terms of imports and exports for her survival.
2. **Direct economic dependence.** Uganda's political and economic decisions are heavily influenced by foreign institutions like World Bank and developed countries.
3. **External resource dependence.** Uganda heavily relies on foreign aid in terms of foreign capital, grants and skilled man power for her growth and development.
4. **Sectoral dependence.** Uganda heavily relies on the agricultural sector for growth and development as compared to other sectors.
5. **Social-Cultural dependence.** Uganda is greatly influenced by the western cultures.

## **Economic implications of Dependence of Uganda's Economy**

### **Positive implications**

1. **It promotes economic growth and development.** Loans, grants and direct foreign investments are used to produce goods and services hence economic growth and development.
2. **There is acquisition of advanced technology under external resource dependency.** This leads to production of better quality goods and improvement in service delivery.
3. **Skilled man power imported from other countries** helps to fill the skilled man power gap existing in developing countries.
4. **Foreign dependence allows specialization among countries with all its advantages.** For example, under comparative advantages, the country can acquire certain products cheaply from abroad than being producing them locally at a high cost.

### **Negative implications**

1. **It leads to capital out flow due to over dependence on foreign private investments.** Foreign investors repatriate profits back to their home countries leading to capital accumulation in the country.
2. **It leads to unemployment due to heavy dependence on foreign skilled manpower and overdependence on imported inappropriate technology.**
3. **It leads to neglect in the use of local resources and exploitation of local entrepreneurial skills.** This is due to over dependence on foreign resources and manpower
4. **Direct economic dependence leads to development which is not in line with the social economic requirements of the country.** This is because economic and political decisions are made externally without involving the participation of the people.
5. **It worsens the balance of payment position.** This is due to heavy dependence on imports which leads to increased import expenditure.
6. **It leads to imported inflation due to heavy dependence on imports especially the petroleum products.**
7. **It leads to dumping.** This is due to heavy dependence on cheap imports and this retards the development of the industrial sector in the county.
8. **It leads to fluctuations in incomes and foreign exchange earnings due to over dependence on primary agriculture exports.** This is because they experience price fluctuations on the world markets and they are affected natural conditions like bad weather.
9. **It increases the debt burden on the future generation** in case the country heavily depends on loans from foreign countries.

## **Ways of reducing Economic dependence in Developing countries**

1. **Adopting the inward looking development strategy.** This is achieved by setting up import substituting industries to reduce heavy dependence on imports.
2. **Economic integration.** This is aimed at widening markets for the locally produced goods and promoting economic inter dependence among the integrated countries.
3. **Export promotion policies.** These are aimed at increasing the quantity and quality of exports through value addition. This helps to increase on the foreign exchange earnings which is used to import capital and consumer goods.
4. **Constructing and rehabilitating the social and economic infrastructure.** This is aimed at facilitating the production, distribution and marketing of goods and services in the country.
5. **Use of appropriate technology.** This helps to create more employment opportunities and increase production in the country.
6. **Changing the education system.** This is aimed at equipping man power with the required skills so as to reduce over dependence on foreign skilled man power,
7. **Economic diversification.** This is geared towards reducing over dependence on the agricultural sector and widening the scope of exports.
8. **Adopting favourable government policies.** For example subsidizing local investors and setting up institutions like Uganda Investment Authority (UIA) to stream line the requirements from and the needs of the investors.
9. **Increasing the exploitation of natural resources.** This is aimed at reducing on the importation of raw materials from other countries required for production.
10. **Political stability.** This is aimed at promoting investments and production of goods and services in the country and reducing on the expenditure incurred in importing fire' arms from foreign countries.

### **The informal sector**

**The informal sector** consists of activities that have market value but are not formally registered. The sector is mainly comprised of self-employed persons like Hawkers, carpenters, street vendors, shoes shiners, taxi drivers, Barbers, tailors, small retailers like canteen holders etc.

### **Features (characteristics) of the Informal Sector**

1. **Business activities are not formally registered by registrar of companies.**
2. **There is easy entry in business activities.** Licenses either do not exist, are cheap or forged in the process of getting them.
2. The sector mainly employs local resources in the production process.
3. It mainly operates on a small scale with low output levels.
4. There is limited or no book keeping in carrying out business activities
5. It mainly employs labour intensive techniques the production.
6. The business activities are mainly operated in semi-urban areas.
7. The sector is dominated by semi-skilled and unskilled labour
8. Production is mainly of low quality due to use of poor production techniques.
9. Business activities are mainly operated in open space and semi-permanent structures.
10. Production of goods and services is mainly for the local market.
11. It mainly operates at excess capacity due to limited capital employed.
12. On job training is common under the informal sector.
13. Businesses are basically organized on the basis of sole proprietorship employing a few family members.

## Similarities between the Informal sector and Small scale industries

1. Both mainly operate on small scale with low output
  2. Both mainly employ limited capital for establishment and maintenance
  3. Both mainly use local raw materials
  4. Both are mainly located in semi-urban areas.
  5. Both mainly produce consumer goods for domestic consumption
  6. Both contribute little to government revenue
  7. Both have low employment capacity
  8. Both mainly use labour intensive techniques of production
  9. Both mainly produce at excess capacity and operate in the private sector
  10. Both involve limited or no book keeping.
  11. Both are dominated by semi-skilled and unskilled labour
  12. On job training is common in both the informal sector and the small scale industries
  13. Both have a *small profit margin*.
- NB. Small scale businesses are small scale businesses but formally registered with registrar of companies.

## The Role (Contribution) of the Informal sector to Development

### Positive roles

1. **It creates employment opportunities.** This is because most of its activities are labour intensive and are on self-employment basis.
2. **It provides a variety of locally affordable basic consumer commodities.** This widens the choice of consumers, especially the low income earners hence improving their standards of living.
3. **It reduces foreign exchange out flow.** This is because commodities which could be imported are domestically produced and this helps to reduce on balance of payment problems.
4. **It acts a cheap training ground for local entrepreneurs.** This promotes managerial capacity building and helps to reduce government expenditure on training costs.
5. **It facilitates the exploitation and utilization of the idle local resources.** This helps to improve on the productive capacities in the economy hence growth and development.
6. **It promotes the equitable distribution of income.** This is because the informal sector requires little capital to set up and therefore, the low income earners can easily be involved in carrying out business activities to earn income.
7. **It is a source of government revenue through taxation,** The government taxes incomes of employees and business activities of those involved in the informal distribution. The revenue realized is used to construct social and economic infrastructure. Like hospitals, roads, etc.
8. **It promotes commercialization of the economy.** The informal sector can later be transformed into a modern monetary sector.
9. **It promotes mobilization of local savings.** This promotes capital accumulation in the economy.
10. **It promotes technological development in the long run through the use of simple tools.** This acts as an avenue for developing and promoting appropriate technology in the economy.
11. **It facilitates modern industrial development.** The backward and forward linkages created between the modern and traditional sectors as well as the agricultural sector promote the establishment of small scale industries which can later be developed into large scale industries.

### Negative contributions

1. **It encourages duplication of goods and services.** This leads to resource wastage through wasteful

competition.

2. **It leads to low government revenue.** This is because it is 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. **It leads to poor standards of living for the people.** This is because it is associated with the production of poor quality products.
4. **It limits the foreign exchange earnings of the country.** This is because it does not encourage production for export purposes.
5. It encourages under employment and disguised unemployment. This because the sector mainly operates at excess capacity and on a small scale.
6. **It leads to congestion in semi-urban areas.** This increases the cost of living in such areas.
7. **It reduces the rate of economic growth and development.** This is due to underutilization of resources and use of poor production techniques hence low output.
8. **It leads to environmental degradation and pollution.** This is in form of air and water pollution which leads to negative externalities to society.
9. **It accelerates rural urban migration.** The youths move to towns to engage in petty but short run profitable activities. This leads to regional economic imbalance and poor accommodation facilities in the sub-urban areas.
10. **It increases the administrative costs by the government especially in terms of provision of the basic social and economic infrastructure.** It also makes it difficult for the government to carry out proper planning due to uncoordinated development

### **Problems facing the informal sector in Uganda**

1. **Inadequate capital** required for business expansion due to low savings and incomes.
2. **Poor and inadequate infrastructural facilities.** This is reflected in form poor transport network, lack of permanent premises for operation and poor storage facilities. This makes it difficult to carry out effective production of goods and services.
3. **Low levels of technology.** This leads to the production of low output and of poor quality.
4. **Limited entrepreneurship skills.** This is due to limited skilled manpower needed for business management and expansion.
5. **Limited markets for the products.** This is due to low aggregate demand resulting from high levels of poverty in the country.
6. **Limited government support and lack of legal recognition by government.** This leads to constant harassment by local authorities. For example city council agencies.
7. **Political instability in some parts of the country.** This discourages people from setting up meaningful businesses due to fear of losing life and property.
8. **Limited access to credit facilities from formal banks and microfinance institutions.** This is due to lack of collateral securities.
9. **Inadequate supply of raw materials required in the production of goods and services.** This forces some of them to import hence increasing the cost of production.
10. **High risks and uncertainties involved with investments in the informal sector.** This is due to poor planning and lack of proper business plans which leads to high failure rates of business enterprises.

11. **Stiff competition from both imported and locally manufactured products.** This makes it difficult to market the products.

### **Measures to promote the informal sector**

1. Providing credit facilities by the government. There is need for the government to provide credit facilities to the people involved in the informal sector at subsidized interest rates. This helps people involved to access capital and expand on their businesses.
2. Adopting favourable government policies. This is in form of reducing taxes on raw materials and other inputs used by the informal sector so as to reduce the production costs. In addition, there is need for the government to grant legal recognition to the informal sector to protect it from unnecessary harassment
3. Using appropriate technology. There is need for the government to encourage and promote the use of production techniques 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.
4. Economic liberalization. There is need for the government to remove unnecessary restrictions from economic activities to allow people involved in the informal sector to carry out business freely with limited interference"
5. Forming cooperatives and associations. Such associations help individual producers to secure loans from financial institutions and marketing of their products.
6. Changing the education system. This is aimed at equipping the local man power with the required entrepreneurial skills necessary for efficient management and allocation of resources.
7. Protectionism policies. There is need for the government to restrict the importation of those products produced by the informal sector by imposing high tariffs on them. This helps to protect the local producers in the informal sector and reduce competition from high quality imported products
8. Construction and rehabilitation of basic social and economic infrastructure. This is in form of transport facilities, electricity, water facilities, storage facilities etc. This is aimed at facilitating the production, distribution and marketing of goods and services by the informal sector.
9. Providing demarked work places. There is need for the government to provide land where people involved in the informal sector can carry out their activities.
10. 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.
11. Using expansionary fiscal policies. There is need for the government to raise wages for civil servants so as to raise aggregate demand for the goods and services provided by the sector.
12. Political stability. There is need for the government to ensure political stability. This helps to create a favourable environment for the prosperity of the informal sector.
13. Increasing the exploitation of natural resources. This is aimed at obtaining raw materials required for production of goods and services by the informal sector

## **The subsistence sector**

This is a sector where production of goods and services is meant for the producers' own consumption needs.

### **Features (characteristics) of the Subsistence sector**

1. There is limited or no specialization and division of labour.
2. There is use of backward and outdated technology. For example use of hoes in the agriculture sector.
3. Production is carried out on a very small scale with low output levels.
4. The sector is mainly comprised of semi-skilled and unskilled labour in the production process.
5. Production of low quality output due to use of poor production techniques.
6. There is dependency on family labour in the production process.
7. There is low labour productivity due to the use of poor techniques of production.
8. The predominant system of exchange is through barter trade. That is exchange of goods for goods.
9. There is absence of profit motive. Individuals simply produce for basic survival.
10. There is high degree of conservatism. Production activities are greatly influenced by social attitudes and cultural beliefs.
11. Land is the basic factor of production characterized by diminishing returns

### **Dangers (problems) of a large subsistence sector**

1. It leads to low government revenue. This is because it is associated with a narrow tax base due to limited production activities. This makes it difficult for the government to realize the planned revenue required to provide the social services to the people.
1. It leads to poor standards of living for the people. This is because it is associated with the production of poor quality output.
3. It leads to low levels foreign exchange earnings for the country. This is due to lack of production of goods and services for export purposes.
4. It encourages under employment and disguised unemployment. This because the sector mainly operates at excess capacity and on a small scale with limited production activities.
5. It leads to low levels of economic growth. This is due to the production of limited output due to underutilization of resources. "
6. It discourages hard work and expansion of production due to absence of profit motive.
7. It discourages the monetization of the economy due to use of barter system of exchange. This limits trade in the economy
8. It limits the productivity of labour. This is due to use of backward technology which leads to production of low output.
9. It leads to poor social and economic infrastructure in form of poor roads, limited hospitals, limited financial institutions and other communication facilities. This makes it difficult to carry out trade
10. It promotes conservatism and cultural backwardness. This encourages cultural dualism in the economy.
11. There is lack of specialization under the subsistence sector. This limits production and its associated positive effects like increased efficiency in production.

11. There is existence of higher risks under the subsistence sector due to over dependency on nature. This leads to great losses and fluctuations in the levels of output and consumption.

### **Structural adjustment programs (saps)**

These were a package of policy measures and other institutional reforms recommended by International Monetary Fund (*IMF*) and World Bank to governments of developing countries with the aim of improving on the performance of their economies.

### **Aims (objectives) of SAPS**

1. To stimulate economic growth (GNP)
1. To expand the private sector so as to improve efficiency in production of goods and services.
3. To increase employment opportunities in the economy.
4. To reduce on public (government) expenditure.
5. To promote the development of vital social and economic infrastructure.
6. To promote domestic savings by strengthening financial institutions in the economy.
7. To improve on resource utilization and allocation for sustainable development.
8. To reduce poverty and improve on welfare especially for the vulnerable groups like the children, women, and the handicapped.
9. To reduce on foreign economic dependence by the economy;
10. To improve agricultural productivity through agricultural modernization.
11. To reduce on the large subsistence sector so as to promote trade in the economy
12. To promote technological progress in the economy through inventions and innovations.
13. To increase government revenue by expanding the tax base.
14. To Improve on balance of payment position of the country
15. 10 ensure equitable distribution of income.
16. To control inflation so as to stabilize the Ugandan shillings and restore confidence in it as a store of wealth and a reliable medium of exchange.

### **Policy Instruments under taken by the Government of Uganda under SAPS**

1. Privatization of public enterprises aimed at strengthening the private sector.
2. Cost sharing in social service delivery. For example in schools and hospitals
3. Retrenchment of civil servants aimed at reducing the size of civil servants
4. Demobilization of soldiers aimed at reducing government expenditure
5. Economic liberalization aimed at efficient resource allocation through liberalization of the exchange rate, interest rates, prices etc. to allow market forces of demand and supply to operate
6. Tax administration reforms aimed at improving tax collection and administration. This led to the formation of Uganda Revenue Authority in 1987
7. Infrastructural development policy aimed at rehabilitating all high ways, feeder roads, railways, ferries, airports, storage facilities, financial institutions etc.
8. Monetary policy reforms aimed at controlling money supply, encouraging deposits, developing security markets, strengthening the supervisory role of the central bank,

- encouraging the establishment of private financial institutions etc.
9. Export promotion programs through export diversification, value addition to improve on quality, periodic devaluation of the Ugandan shilling etc.
  10. Rationalization of investment laws aimed at encouraging investments in the country. This led to the formation of Uganda Investment Authority (VIA) in 1991

### **Uganda as a mixed economy**

Uganda is a mixed economy. Resource ownership, allocation and management of business enterprises are done by both the government and the private sector. The government makes major economic decisions. However, the private sector is slowly growing due to the privatization of most of the parastatals by the government

### **The private sector in Uganda**

The private sector refers to the part of the economy where economic activities are undertaken by private individuals or units

### **Features of Uganda's private sector**

1. It is small but slowly growing sector.
2. It is still a weak sector due to limited capital.
3. It mainly undertakes enterprises producing consumer goods for the domestic market.
4. Large scale business enterprises are mainly owned by foreign investors.
5. The private sector is profit motivated.
6. There is existence of low prod
7. Business enterprises are mainly concentrated in urban centers due to availability of markets
8. Limited involvement in long term risk ventures by individuals in the private sector.
9. It is dominated by small scale import substituting industries.

### **Role (Implications) of the private sector in the development process**

#### **Positive role (Implications)**

1. **It creates more employment opportunities.** This is in form of the production activities and business enterprises established. This increases income for the population.
2. **It increases efficiency in resource allocation.** The major aim of private firms is profit maximization. Therefore, they employ efficient techniques of production which leads to the production of more goods and services hence economic growth and development.
3. **It increases government revenue through taxation.** A strong private sector helps to widen the tax base in form of employment and business activities set up 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. **It increases capital inflow in the country.** The private sector helps to attract foreign investments in the economy especially in high risk ventures where private local entrepreneurs cannot invest. This increases the level of investment in the country.
5. **It leads to the development of social and economic infrastructure.** The expansion of the private sector promotes the development of the social and economic infrastructures in form of roads, schools, hospitals, financial institutions etc.

6. **It promotes technological development in the country.** The private sector facilitates technological progress through innovation, invention and technology transfer due to foreign ownership of some enterprises. This leads to the production of better quality goods and services.
7. **It facilitates the exploitation and utilization of the idle local resources.** This helps to improve on the productive capacities in the economy hence growth and development.
8. **It reduces the balance of payment problems in the country.** This is because the private sector increases the production of goods and services for domestic market. This helps to save the scarce foreign exchange which would be used for import purposes.
9. **It helps to reduce on corruption and embezzlement of funds which is rampant in the public sector.** This promotes accountability in resource allocation in the economy.
10. **It promotes industrial development.** The backward and forward linkages created in the economy promote the establishment of small scale industries which can later be developed into large scale industries.
11. **It promotes competition in business activities.** This leads to the production of better quality goods and services at reduced prices hence better standards of living.
11. **It increases the GDP of the country.** This is because the private sector widens the production and economic activities in the country which increases trade in the economy.
13. **It leads to the production of a variety of consumer commodities.** This widens the choice of consumers hence improving their standards of living through utility maximization.
14. **It helps to create a class of entrepreneurs in the economy.** The private sector provides individuals with the necessary practical skills required to operate modern business enterprises. This promotes managerial capacity building and helps to reduce government expenditure on training costs.
15. **It leads to political stability in the economy.** This is because the private entrepreneurs who have invested a lot of capital in their businesses have to see it that there is security and stability to in the economy to secure their lives and property.

### **Negative role (implications) of the private sector**

1. **It leads to wasteful competition through duplication of goods and services.** This leads to misallocation of resources in the economy.
2. **It leads to emergence of private monopolies.** This increases consumer exploitation as private monopolies restrict output and charge high prices with the aim of maximizing profits.
3. **It promotes regional income inequalities in economy.** This is because most of the production and business are concentrated in urban areas neglecting rural areas
4. **It leads to profit repatriation.** This is due to the dominance of the private sector by Foreign Direct Investment (FDI's). This leads to low capital formation in the economy.
5. **The private sector under mines the provision of basic essential goods and services which are nonprofit making.** This is because the private individuals aim at venturing in activities in which they maximize profits.
6. **It limits the foreign exchange earnings of the country.** The private sector mainly produces goods and services for domestic consumption. This limits the export potential of the country hence low foreign exchange earnings.
7. **It leads to technological unemployment.** This is due to increased use of capital intensive techniques mainly by the foreign investors and inefficient firms being pushed out of the production

process due to stiff competition.

8. **It leads to rural -urban migration.** This is because most of the business activities are concentrated in urban centers due to poor infrastructures in rural areas. This leads to congestion and increased cost of living in urban areas.
9. **It leads to low rate of economic growth and development.** This is because the private sector has limited capital for expansion especially the private local investors who lack collateral security to acquire loans from financial institutions. This leads to underutilization of resources in the economy.
10. **It increases economic dependence of the economy.** This is true in case most of the private investments are owned by foreigners. This increases foreign dominance and control of the economy through foreign direct investments
11. **It leads to divergence between private and society interests.** This is because private individuals may maximize profits at the expense of the society in terms of negative externalities like environmental pollution and over exploitation of natural resources. This leads to failure of the economy to be self-sustaining in the long-run.
12. **Some key areas like production of fire arms cannot be left in the hands of private individuals.** This is because it may cause insecurity in the country.
13. **It makes planning by the government difficult.** This is because it makes it difficult for the government to coordinate and carry out proper planning for a large private sector.

### **Problems facing the private sector in Uganda**

1. Inadequate capital. This is mainly due to low levels of incomes and limited access to credit facilities from financial institutions due to lack of collateral securities. This limits the expansion of business opportunities in the economy.
2. Low levels of 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 economic growth and development.
3. Unfavorable government policies in form of high taxes, low taxes on imports, high interest rates on loans etc. This reduces the profits and kills the initiative by private investors.
4. Economic instabilities. For example inflation, exchange rate fluctuations etc. Inflation increases the costs of production hence discouraging the growth of the private sector.
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 private sector.
6. Poor and inadequate infrastructural facilities. This is reflected in form of poor transport network, poor storage facilities and limited financial institutions. This makes it difficult to produce and market the produced goods and services by the private sector.
7. Limited entrepreneurship skills. This is due to limited skilled manpower needed for business management and expansion which leads to low profit margins and in many cases closure of business enterprises.
8. Limited markets for the products. This is due to low aggregate demand resulting from high levels of poverty in the country.
9. Political instability in some parts of the country. This discourages private individuals from setting up meaningful businesses 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 and capital goods are imported from other countries. This increases the costs of production hence limiting production in the private sector.

### **Policies (measures) to promote the private sector in Uganda**

1. **Economic liberalization.** There is need for the government to remove unnecessary restrictions from economic activities to allow people involved in the private sector to carry out business freely with limited interference.
2. **Adopting favourable government policies.** Such policies include providing economic incentives like subsidization of factor inputs and tax holidays to private investors. This is aimed at reducing the production costs hence promoting the private sector.
3. **Providing credit facilities by the government.** There is need for the government to provide credit facilities to the people involved in the private sector at subsidized interest rates. This helps people involved to access capital and expand on their businesses.
4. **Construction and rehabilitation of basic social and economic infrastructure.** This is in form of transport facilities, electricity, water facilities, storage facilities etc. This is aimed at facilitating the production, distribution and marketing of goods and services by the private sector.
5. **Establishment of organizations to promote private sector investment.** Organizations like Private Sector Foundation (PSF), Uganda Investment Authority (UIA) and Uganda Manufacturers Association (UMA) have been set up to promote the activities of the private sector in the country.
6. **Training tile local manpower.** This is aimed at equipping the local manpower with the requited entrepreneurial skills necessary for efficient management and allocation of resources.
7. **Protectionism in form of high import tariffs.** There is need for the government to restrict the importation of those products produced by the private sector by imposing high tariffs on them. This helps to protect the local producers in the private sector and reduce competition from high quality imported products.
8. **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.
9. **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.
10. **Privatization of inefficient parastatals.** There is need for the government to privatize the inefficient parastatals to allow the private individuals get involved in economic activities. This enables the growth and development of the private sector.
11. **Political stability.** There is need for the government to ensure political stability. This helps to create a favorable environment for the prosperity of the private sector.
12. **Increasing the exploitation of natural resources.** This is aimed at obtaining raw materials required for production of goods and services by the private sector. For example exploitation of oil products in Bunyoro region.

### **The public sector**

**The public sector** is that part of the economy where resources are owned and allocated by the government on behalf of its citizens. That is, the government owns the means of production and carries out the major economic decision on behalf of the people.

**Public Enterprise (Parastatals).** This is an organization set up by the government through the act of parliament to provide certain services to the citizens. Examples include; National Water and Sewerage Corporation (NWSC), Uganda Revenue Authority (URA), National Social Security Fund (NSSF) etc.

### **The Role of the public sector (Parastatals) in economic development**

#### **Positive role**

1. **It provides productive social and economic infrastructure.** This is in form of water supply, power supply, roads, schools, hospitals, financial institutions etc. This leads to the development of the industrial and agricultural sectors.
2. **The public sector has the ability to operate risky businesses ventures which require large capital that cannot be raised by private individuals.**
3. **It promotes proper planning of the economy.** Parastatal organizations make economic planning easy because they enhance government control of the development plans and programs unlike the private sector which is outside the state control.
4. **It promotes technological development in the country.** The public sector spear heads technological progress especially in developing countries. This is because it has the ability to carry out research aimed at inventing and innovation the existing technology.
5. **The public sector helps to redistribute income and wealth in the economy.** This is done by carrying out progressive taxation and evenly distributing the social and economic infrastructure. This helps to ensure balanced regional development and reduce income inequalities.
6. **The public sector is in position to provide basic essential goods and services which are nonprofit making.** Some business ventures are commercially unprofitable and not attractive to the private sector which is profit orientated and yet they may be economically and socially desirable. The state comes in to provide such vital services through Parastatal bodies.
7. **Parastatals help to create more employment opportunities.** This is in form of the production activities and public enterprises established to provide services to the people. This is possible even if the Parastatal is making losses.
8. **Some key areas like production of fire arms cannot be left in the hands of private individuals.** This is because it may cause insecurity in the country hence the need for the public sector.
9. **Parastatals help to protect consumers from exploitation which is common under the private sector.** This is because the government aims at promoting the welfare of the people.
10. **It helps to improve on the balance of payment position of the country.** The government has the ability to initiate programs like export promotion policies, setting up import substitution industries as well as trade restrictions.
11. **Political instability in some parts of the country.** This discourages private individuals from setting up meaningful businesses due to fear of losing life and property.

#### **Challenges of the public sector in service delivery**

- Limited capital to service vital services such as education and health.
- Poor infrastructure such as roads hinder prompt delivery of goods and services
- Slow decision making due to bureaucracy
- Political instability take up resources that would be used for other development services
- Subsidies from the government make them sluggish
- Poor work culture and attitude among workers in public sector lead to low productivity
- Public lack enterprise due to monopoly or lack of competition.
- Inadequate staffing

- Poor supervision and unskilled administration
- Stiff competition from private firms may cause public firms to collapse
- Influence of interest or pressure groups who are able to manipulate politician for their selfish interest may interfere public sector goals
- Political interference: When politicians and civil servants seek to pursue self-interest, it can lead to incorrect allocation of resources
- Poor motivation due to low and inequitable remuneration discourage workers from performing their roles
- Weak State of Records Management in public sector hinders follow-ups and regular improvements
- Poor working environment hinders service delivery.
- High wastage rates due to inefficiency
- Under Utilization of Capacity: Public enterprise is facing the problems of underutilization of its installed capacity.
- Time and Cost Over-Runs: Most of the public sector projects take the long ester time to complete than was initially envisaged. The cost of the projects also runs upwards due to delay in completion of projects.
- Problems of Audit and Inspection: Although there is a system of audit and inspection in such enterprises, it is not followed in practice

### **Privatization**

This refers to the transfer of ownership of public enterprises from government to private individuals. It is aimed at building a strong private sector to promote efficient allocation of resources and efficient service delivery

**Nationalization** is the process by which the government takes over the ownership and management of privately owned enterprises.

### **Forms of Privatization**

1. **Divestiture.** This refers to the total (outright/complete) sell of all government shares in public enterprises to private individuals. This enables private individuals and companies to have decision making power in these enterprises.
2. **Demonopolization (Deregulation/Liberalization).** This involves removing unnecessary restrictions from the entry of the private individuals to certain investment activities. The aim is to increase competitiveness in the economy. For example the Ugandan government liberalized the telecommunication sector, broadcasting sector, foreign exchange markets etc.
3. **Contracting.** This is where the provision of goods and services is transferred from the public to the private sector but the government has the sole right over the ownership of the enterprise. For example a contractor can tender construction or maintenance of the road while ownership remains to the government. Therefore the state still owns the enterprise but the management is privatized.
4. **Joint ownership (Partial privatization).** This is where the government and the private sector co-own shares in an enterprise. For example power generation and distribution in Uganda.
5. **Repossession.** This involves the government returning certain enterprises to their rightful owners. For example in Uganda, due to the privatization exercise, all properties under the Departed Asians Custodian Board (DACE) were returned to their rightful owners.
6. **Leasing.** This is where the government rents public enterprises to private individuals for a given period of time. For example renting out public markets, hotels etc.

## Reasons for Privatization of public enterprises

1. **To create more employment opportunities.** Privatization leads to efficient allocation of resources which leads to the expansion of production and business activities. This increases employment opportunities in the long run.
2. **To increase efficiency in resource allocation.** Privatization promotes competition and efficiency in resource use. This leads to the production of better quality goods and services at reduced prices. This improves the standards of living of the consumers.
3. **To increase government revenue through taxation.** Privatization helps to create a strong private sector which helps to widen the tax base in form of employment and business activities set up hence generating more tax revenue to the government.
4. **To increase capital inflow in the country.** Privatization helps to attract foreign direct investments in the economy. This increases the level of investment in the country.
5. **To develop social and economic infrastructure.** The expansion of the private sector through privatization promotes the development of the social and economic infrastructures in form of roads, schools, hospitals, financial institutions etc.
6. **To promote technological development in the country.** Privatization facilitates technological progress through innovation, invention and technology transfer due to foreign ownership of some enterprises. This leads to the production of better quality goods and services.
7. **To facilitate the exploitation and utilization of the idle local resources.** The major aim of private firms under privatization is profit maximization. Therefore, they employ efficient techniques of production which leads to the production of more goods and services hence economic growth and development.
8. **To reduce the balance of payment problems in the country.** Through privatization, there is increased production of goods and services for domestic market. This helps to save the scarce foreign exchange which would be used for import purposes.
9. **To reduce bureaucracy, corruption and embezzlement of funds associated with the public sector.** This promotes accountability and transparency in management and allocation of resources in the economy.
10. **To promote industrial development.** The backward and forward linkages created in the economy through privatization promote the establishment of small scale industries which can later be developed into large scale industries.
11. **To increase the GDP of the country.** Privatization increases the contribution of the private sector to the GDP. This is because it increases output and resource utilization in the economy.
12. **To widen the consumer choice.** This is because privatization encourages the production of a variety of consumer commodities which leads to improved standards of living.
13. **To help in creating a class of entrepreneurs in the economy.** Privatization enables private individuals to acquire the necessary practical skills required to operate modern business enterprises. This promotes managerial capacity building and helps to reduce government expenditure on training costs.
14. **To ensure political stability in the economy.** This is because the private entrepreneurs who have invested a lot of capital in their businesses have to see that there is security and stability in the economy to secure their lives and property.
15. **To promote better industrial relations and efficiency of labour.** This is because there is a direct relationship between the entrepreneurs and employees in the private sector.

16. **To reduce inflation and create economic stability.** This is as a result of increased production of goods and services by the private enterprises.
17. **To reduce excessive government expenditure.** Privatization enables the government to concentrate its spending on the provision of social services to the society like medical services, education and security.

### **Disadvantages (Demerits/ Costs) of privatization**

1. **It encourages wasteful competition through duplication of goods and services.** This leads to misallocation of resources in the economy.
2. **It leads to emergence of private monopolies.** This increases consumer exploitation as private monopolies restrict output and charge high prices with the aim of maximizing profits.
3. **It leads to income inequalities in economy.** Privatization if not well controlled leads to income inequalities whereby production enterprises may be concentrated in the hands of a few rich individuals.
4. **It leads to profit repatriation.** Privatizing public enterprises to foreign investors leads to capital outflow in form of profit repatriation. This leads to low capital formation in the economy.
5. **Privatization undermines the provision of basic essential goods and services which are non-profit making.** This is because the private individuals aim at venturing in activities in which they maximize profits.
6. **It limits the foreign exchange earnings of the country.** Privatization mainly aims at producing goods and services for domestic consumption. This limits the export potential of the country hence low foreign exchange earnings.
7. **It leads to short run unemployment.** Unemployment in the short run results from retrenchment of workers and inefficient firms being pushed out of the production process due to stiff competition.
8. **It encourages rural-urban migration.** This is because privatization encourages the concentration of business activities in urban centers due to presence of market and better infrastructures. This leads to congestion and increased cost of living in urban areas.
9. **It increases foreign control of the economy.** This is through foreign direct investments which are set up in the economy which sometimes act as agencies of foreign influence. This undermines the national sovereignty of the country.
10. **It leads to over exploitation of natural resources.** This is because private individuals aim at maximizing profits. This leads to environmental degradation and failure of the economy to be self-sustaining in the long-run.
11. **It makes planning by the government difficult.** This is because privatization puts a large part of the economy outside the direct control of the government.
12. **There are some areas where privatization cannot be efficient.** For example the production of fire arms if left to the private sector might cause insecurity.

### **Problems being faced in the process of privatization**

1. **High levels of corruption within the privatization unit.** This leads to misallocation of resources realized from the privatization drive.
2. **Opposition from the public.** This is due to discontent and the general ignorance of the public about the benefits of the privatization exercise.

3. **Poor valuation of parastatals.** Parastatals are sold cheaply hence making losses by the government.
4. **Lack of transparency anti accountability in the privatization exercise.** This leads to the sale of the public enterprises to incompetent private individuals which leads to mismanagement.
5. **Poor state of parastatals.** This makes it difficult to value and market the public enterprises hence making losses.
6. **Presence of unscrupulous (unserious) buyers.** Such buyers forged documents with the aim of manipulating the government for their own benefit.
7. **Presence of under developed capital markets.** This makes it difficult to sell the shares to the public.
8. High levels of poverty among the nationals. This forces the government to sell the parastatals to foreigners which increases economic dependence.
9. **High cost of the privatization exercise.** This is in terms of the wages and other form of facilitation given to the people employed by the privatization unit.
10. **Political sabotage by politicians who oppose the government.** Opposition politicians sometimes unfairly criticize and block the sale of enterprises aimed at frustrating the government and to advance their interests.
11. **Political instabilities in some parts of the country.** Political instabilities discourage potential investors from buying the public enterprises.
12. **Small domestic market.** This discourages potential buyers due to the limited market for the produced goods and services.

## Revision questions

### Section A questions

- 1 (a) What is meant by the term Dualism  
(b) Give any three ways of reducing dualism in your country.
2. Give four causes of dualism in your country
3. Give four forms of dualism existing in your country.
4. State any four examples of economic dualism in your country.
5. (a) Distinguish between mixed economy and dual economy  
(b) Mention two features of Uganda's economy.
6. State any four salient features of Uganda's economy
7. (a) Differentiate between economic dependence and inter dependence.  
(b) Mention two ways in which your country is dependent.
8. (a) distinguish between economic resource dependence and direct economic dependence.  
(b) Mention two demerits of direct economic dependence in your country.
9. (a) Define the term informal sector.  
(b) Mention three features of informal sector.
10. Give four merits of informal sector.
11. Mention four problems faced by public sector in your country.
12. (a) What is meant by structural adjustment programs.  
(b) Mention any three structural adjustment programs that your country has implemented.

13. State four objectives of stabilization policy?
14. (a) What are public enterprises?  
(b) Give any three reasons for privatization of public enterprises.
15. Mention four demerits of nationalization of firms.
16. (a) Define the term divestiture  
(b) Mention four costs of divestiture to your country.
17. Outline four demerits of a large subsistence sector in your country.
18. Mention four features of agricultural sector in your country.
19. (a) What is meant by economic liberalization?  
(b) Mention two negative consequences and two advantages of economic liberalization in your country.
20. (a) Distinguish between nationalization and privatization of enterprises.  
(b) Give any two merits of nationalization of enterprises in an economy.
21. (a) What is meant by Parastatal organization.  
(b) State problems faced by public enterprises in your country.

#### Section B questions

1. (a) Describe the features of economy in your country.  
(b) Examine factors responsible for under development in your country.
2. (a) Explain the features of dependency of economy in your country.  
(b) What are social-economic implications of the feature in (a) above to the development process in your country.
3. (a) Outline the nature of “dependence” of economy in your country.  
(b) Explain the negative consequences of dependence on the economy of your country.  
(c) Suggest solutions to reduce external dependence of your country.
4. (a) Describe the structure of the foreign sector of your country.  
(b) What measures should be taken to increase the export earnings of your country?
5. (a) Explain the reasons for privatizations of public enterprises in your country  
(b) Explain the problems being faced (stagnating factors) in the privatization of public enterprises in your country.
6. (a) Explain the relationship between the informal sector and small scale firms in your country.  
(b) Assess the contribution of informal sector to your country
7. (a) Distinguish between private and public sectors.  
(b) What are cases for and against a larger private sector in an economy?
8. (a) Explain the problems faced by private sectors in your country.  
(b) What policy measures are being taken to increase the size and performance of the private sector in your country?
9. (a) Explain the various forms of privatization in your country.  
(b) Discuss the merits and demerits of divestiture in your country.
10. (a) Distinguish between trade liberalization and economic liberalization.  
(b) What are the consequences of economic liberalization in your country?
11. (a) What are the major features or characteristics of subsistence economy?  
(b) Examine the disadvantages of having a large subsistence sector in an economy.