

TOPIC: THE DEVELOPMENT PROCESS AND CHOICE OF DEVELOPMENT STRATEGY

SUB-TOPIC: RESOURCE ENDOWMENT AND ECONOMIC DEVELOPMENT.

Meaning of natural resources: These are materials or substances occurring in nature which are tapped or exploited for economic gains and satisfying human wants.

Examples of Natural resources which help a country to develop.

1. **Mineral resource.** This includes crude oil deposits, Gold, Tin, Copper, Limestone, Diamond e.tc Such mineral are extracted through primary production for example mining and then transformed into other products in the secondary production stage.
2. **Lakes and Rivers (water bodies).** These are used for fishing, transport, providing water for industrial and home use, for irrigation, generation of Hydro-Electricity Power along some rivers. They also attract tourists.
3. **Natural vegetation.** Under this we have forests that provide timber that is used in construction of buildings, making boats, making furniture, providing fire wood and charcoal as forms of energy. It also includes grass which is eaten by animals such as cows, goats, sheep e.t.c
4. **Land for cultivation and settlement.** This includes fertile soils that support the growing of food and cash crops. It also includes the land surface on which buildings are constructed.
5. **Wild life resources.** This includes wild animals in gazette national parks or game reserves and these attract tourists that increase foreign exchange earnings.
6. **Human resource /human capital.** This includes the human work force which is used in the production of goods and services. It provides both mental and physical human effort in production units.

TYPES OF NATURAL RESOURCES:

1. Renewable natural resource. It is one that can be recycled or regenerated when threatened by exhaustion (depletion). Examples of renewable resources are vegetation, soils through applying fertilizers e.t.c
2. Non-renewable resource. It is one that cannot be regenerated or recovered once it has been utilized or destroyed. Examples include fossil fuels like oil, natural gas, minerals.

REASONS/OBJECTIVES FOR EXPLOITING NATURAL RESOURCES IN UGANDA.

- *To increase levels of output /GDP/ economic growth.* This is because the tapped resources are used as raw materials or inputs to produce more goods and services in Uganda.
- *To increase employment opportunities.* The enterprises that exploit resources hire labour thus creating jobs.
- *To promote infrastructural development.* This is because government is induced to put in place or develop better roads, communication facilities and power supply to ease activities of firms involved in exploitation of resources.

- *In order to encourage development of labour skills.* This is achieved through training workers to handle exploitation of resources; for example training miners, petroleum engineers and managers, agricultural extension workers, forest officers, e.t.c
- *To stimulate entrepreneurial skills.* This is because people become more innovative and bear risks by establishing firms that are involved in exploiting resources.
- *To reduce external dependence/To promote self reliance.* This is achieved through tapping local resources that are used to produce previously imported goods.
- *To stimulate linkages in the economy.* For example agricultural resources in form of raw materials are exploited and are used as inputs in the agro-based industries. This promotes linkages between agriculture and industry.
- *To improve technology/to promote innovations and inventions.* This is because exploitation of some resources like mineral requires use of modern techniques of production.
- *For purposes of checking or reducing regional imbalances in development.* This is attained through exploiting or tapping resources that exist in the different regions of Uganda.
- *So as to attract capital inflows.* This is achieved by attracting foreign investors who establish enterprises to exploit various resources such as oil in western Uganda, fish processing by foreign firms e.t.c
- *To widen the tax base.* This is because taxes are levied by government on enterprises and incomes of workers hired in those firms that exploit resources.
- *To control inflation.* As more resources are exploited, more goods and services are produced hence increasing aggregate supply. This stabilizes prices thus controlling inflation.
- *To check rural-urban migration and its associated evils-* This is attained through tapping the vast rural potential in agriculture /farming. This avails jobs to the youth in rural areas hence reducing rural-urban migration and its associated dangers.
- *To improve Balance of payments position/To increase foreign exchange earnings.* The exploited resources are exported to other countries and more foreign exchange is earned.

THE ROLE OF NATURAL RESOURCES EXPLOITATION IN THE ECONOMIC DEVELOPMENT PROCESS OF UGANDA

N.B: These are generated from the reasons for exploiting natural resources.

- ✓ It increases foreign exchange earnings. This is through exporting exploited natural resources like gold hence enabling the government to earn more foreign exchange.

- ✓ It creates more employment opportunities. The firms that are involved in resources exploitation hire more workers hence creating more jobs in Uganda.
- ✓ It increases economic growth/GDP. The exploited resources are used to process and produce more goods and services.
- ✓ It promotes infrastructural development. The government develops basic infrastructure such as roads and power supply to ease exploitation of resources.
- ✓ It improves or encourages entrepreneurial skills in those enterprises that exploit resources. This is through better organization of factors of production to increase productivity and efficiency.
- ✓ It increases government revenue. Government imposes taxes on profits of companies which are involved in resource exploitation and incomes of those workers hired by those companies.
- ✓ It improves international relations. This is due to hosting foreign owned enterprises that exploit resources. Resources are also exported to other countries hence increasing benefits and volume of trade between countries.
- ✓ It promotes economic diversification. Various natural resources necessitate the setting up of different economic activities. It reduces reliance on a few sectors like agriculture hence widening sources of foreign exchange earnings and employment creation in Uganda.
- ✓ It improves the balance of payments position. This arises from exportation of exploited resources to other countries and this increases foreign exchange earnings.
- ✓ It encourages development of labour skills through training. Workers who are employed in industries that exploit resources acquire skills of operating machines on the job. This increases efficiency of labour.
- ✓ It promotes research/ encourages local innovations and inventions. Government finances research activities in a bid to survey available resources or develop techniques for use by firms which are involved in resources exploitation.
- ✓ It accelerates capital inflows/Attracts foreign investors in Uganda to tap resources. For example oil exploration in Uganda has attracted some foreign companies which inject more capital in the economy.
- ✓ It promotes self -reliance/it reduces dependence on external resources. Some of the exploited resources are used to produce products that would have been imported.
- ✓ It encourages commercialization. The exploited resources are sold in exchange for money hence widening the commercial or monetary sector.

- ✓ It stimulates linkages. The resources from agriculture like cotton lint are used in industries that make textile materials.
- ✓ It promotes balanced regional development. Enterprises exploit resources that exist in different areas of the country thus encouraging balanced regional development.
- ✓ It increases incomes of resource owners. Some natural resources are owned by private individuals. Therefore, as these private individuals exploit and sell the natural resources, they earn income which improves on their standard of living.
- ✓ It promotes urbanization. Areas endowed with minerals serve as mining centres. They gradually develop into urban areas which act as centres of modernity hence reducing conservatism.

STUDENT ACTIVITY/CLASS ACTIVITY: *Students SHOULD make research work/short notes on the following demerits/disadvantages associated with exploitation of resources in Uganda.*

- ✓ *Accelerates depletion of non-renewable resources.*
- ✓ *Leads to environmental degradation e.g pollution of air and water by industries.*
- ✓ *Perpetuates income inequalities.*
- ✓ *Worsens regional imbalances to some extent.*
- ✓ *Leads to technological unemployment due to use of machines during production.*
- ✓ *Worsens Balance of Payments Position due to high foreign exchange expenditure on importing machines and other items needed in exploiting resources.*

- ✓ *Encourages profit or income repatriation by foreign investors who are engaged in exploitation of resources.*
- ✓ *Foreign investors engaged in resource exploitation demand for excessive concessions from government in form of tax holidays and subsidies.*
- ✓ *Increases government expenditure on provision of basic infrastructure to ease or support exploitation of resources.*
- ✓ *Worsens external dependence on foreign technology and manpower.*

THE PROBLEMS/ CHALLENGES FACED DURING THE EXPLOITATION OF RESOURCES IN UGANDA.

N.B: *Since exploitation of resources involves investment, we just use the **factors that limit investment** (covered under National Income). However, link explanation to **resources exploitation**.*

- ✓ Limited capital stock. This limits purchase of modern machines and hiring skilled labour which are needed in the process of exploiting resources. This limits resources exploitation.
- ✓ Limited skilled manpower/poor management.
- ✓ Limited entrepreneurial ability (skills)
- ✓ Poor accountability/corruption.
- ✓ Poor land tenure system; which limit accessibility to more land where resources exist.
- ✓ Small market size.
- ✓ Political instability in some parts of Uganda.
- ✓ High dependence on imported resources- this kills capacity to exploit local resources.
- ✓ Poor infrastructure.
- ✓ High rate of inflation/price instabilities/ exchange rate fluctuations.
- ✓ Unfavorable government policy on investment. High taxes increase production costs. Firms engaged in resources exploitation earn low profits and this limits their expansion..
- ✓ High levels of conservatism of people- a case of farmers who cling to old ways of farming and this limits exploitation of Uganda's agricultural resources/potential.
- ✓ Poor techniques of production/ Low levels of technology.

- ✓ Stiff competition among the enterprises involved in resources exploitation.

MEASURES THAT ARE BEING TAKEN TO INCREASE ON THE EXPLOITATION OF NATURAL RESOURCES IN UGANDA.

- ✓ Improving infrastructure through rehabilitation and construction of new roads and extending power supply. This reduces costs of transporting and processing natural resources thus encouraging investment and exploitation of natural resources.
- ✓ Implementing land reforms to ease access to more land. This enables investors to acquire more land and expand those enterprises which are engaged in exploitation of resources.
- ✓ Liberalizing the economy. This reduces time taken before licenses are issued to investors who wish to exploit natural resources e.g mining companies. This encourages more investors to set up enterprises in fields of resource exploitation.
- ✓ Extending affordable credit to investors. Low interest loans are being offered to enable investors purchase machines and other items needed to exploit natural resources.
- ✓ Ensuring proper accountability /fighting corruption. Government fights misallocation of funds such that money meant for financing exploitation of resources is put to its intended use like purchase of machines.
- ✓ Giving tax holidays to foreign companies especially those engaged in mineral surveying/prospecting. This reduces the costs involved in mineral discovery and their exploitation.
- ✓ Maintaining political stability. This gives confidence to investors to carry out investment in the exploitation of natural resources since they are sure of safety of their lives and property.
- ✓ Privatization of public enterprises. Some privatized enterprises are involved in exploiting resources so as to produce more goods and services and maximize profits.
- ✓ Widening markets for products produced from the natural resources. The producers are assured of large sales and higher profits due to a wider market.
- ✓ Controlling inflation. This reduces costs of production hence encouraging investors to set up ventures that exploit natural resources.
- ✓ Publicizing or advertising the country's available natural resources internationally. This is attracting many foreign investors to Uganda to get engaged in the exploitation of natural resources.
- ✓ Promoting industrialization. Industries that process natural resources such as limestone, phosphate, sugar canes e.t.c are being encouraged. This increases use of such resources by those industries hence minimizing wastage.
- ✓ Training labour. This increases efficiency of labour as regards exploitation of natural resources. For example Petroleum engineers are being trained in Uganda at the Petroleum Training Institute.
- ✓ Improving entrepreneurial abilities. This leads to better organization of factors of production in business firms engaged in exploitation of resources hence increasing efficiency.

STUDY QUESTIONS:

1. (a) Distinguish between Renewable and Non-renewable resources.
(b) Explain the role played natural resources exploitation in the economic development of Uganda.
2. (a) Why is there a need for increasing natural resources exploitation in Uganda?
(b) Discuss the challenges being faced during the exploitation of natural resources in Uganda.
3. (a) Explain the demerits of exploiting natural resources in Uganda.
(b) Discuss the measures that have been adopted to increase sustainable exploitation of natural resources in Uganda.

END

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Theme: Bridge Gaps for Excellence.