(SENIOR SIX-ECONOMICS)

THE SRTUCTURE OF UGANDA'S ECONOMY;

An economy refers to an aggregate/collection of all productive economic activities in a given country/ community.

The structure of any economy refers to the basic features/characteristics/ traits of an economy.

It includes the major sectors and their composition, pattern of production, level of resource utilisation, population growth rate and the level of literacy.

N.B: When giving the structure of Uganda's economy (in relation to Industrial, Agricultural, Informal and Export sectors) certain words which act as qualifiers/ adjectives have to appear in the describing sentence or statement. These qualifiers are words such as **mainly**; **predominantl**y or **dominated by; many**; **small**; **high; Low; Most of…….;**

BASIC FEATURES/ CHARATERISTICS OF UGANDA'S ECONOMY;

In Uganda the structure of the economy is described as follows:

- **Dominancy of the agricultural sector**. This is because majority of the people in Uganda depend on agriculture for food, employment income and it is a major source of foreign exchange in the country.
- There is **a small but growing industrial sector**. The industrial sector is still small but there is more interest in putting up industries by individuals/ investors due to the provision of investment incentives.
- There is **high population growth rate**. The population growth rate of Uganda is high and is about 3.3% per annum. This is because of the high birth rate caused by traditional beliefs, low levels of education etc.
- **It is an open economy**. Uganda participates in international trade i.e. she exports agricultural products and a few industrial goods to a few countries while she imports both consumer and capital goods which are very expensive.
- It is a **dualistic economy**. This where there is co-existence of two contrasting phenomenon one being desirable and another undesirable such as the subsistence sector alongside the commercial sector.
- It is **a mixed economy**. There is both the public/government sector and private sector both participating in resource allocation and control, though the current trend puts emphasis on the development of the private sector.
- **High rate of illiteracy**. There are many individuals who are not able to read and write while others drop out of school at an early stage.
- It is **a dependent economy**. Uganda's economy relies on other economies for resources and economic decisions for her economic development and survival.
- There **is widespread unemployment and underemployment**. This is mainly due to limited economic activities, limited labour skills etc.
- There **is under developed infrastructure**. Most of the roads in the country are in a poor state while the social infrastructure like schools and hospitals are insufficient for the population.
- There **is existence of income inequality**. Majority of the people in the country are poor while a few are rich.

- There is **excess capacity**. The production units in Uganda are producing below the installed/optimum capacity. This is due to inadequate capital, limited skilled labour, poor infrastructure, small market size etc.
- Uganda **experience poor terms of trade.** This is due to dependence on primary products for exports which have less value compared to the imported goods.
- There **is emergence / growing informal sector.** The informal sector refers to an intermediate sector which exists between the traditional/ subsistence sector and the modern/commercial sector.

IMPLICATIONS OF THE STRUCTURE OF UGANDA'S ECONOMY:

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We generate the implications from the features. The focus is on what comes out of the structure of the economy of Uganda. Since the structure of Uganda's economy is lop-sided (one-sided), it obviously generates unfortunate implications and these are;

- **Leads to Balance of payments deficit / Unfavorable Balance of Payments position**. This is because Uganda mainly exports low priced agricultural products with low value added whose foreign exchange earnings are low yet she imports expensive manufactured goods hence causing a balance of payment deficit.
- **Leads to low personal income levels/High levels of poverty**. Due to high levels of unemployment, many people receive low incomes and agriculture is predominant and largely carried out on a small scale which creates low incomes among farmers.

- **Leads to production of poor-quality products**. Products produced in the informal sector are of low quality due to use of poor methods of production and use of unskilled and semi-skilled labour.
- **Leads to under- utilization of resources**. This arises from the existence of poor infrastructure, limited capital etc. where some resources are not exploited and this leads to excess capacity.
- **Leads to low saving and investment levels.** This is due to low incomes earned by people that give rise to low savings and finally low levels of investment which limits production of goods and services.

- **Leads to low levels of government revenue from taxes**. This arises from a small industrial sector, high levels of unemployment and a big informal sector which create a narrow tax base in Uganda.
- **Presence of predominantly unskilled labour**. This is due to high levels of illiteracy such that many people do not acquire the necessary skills and training needed in the labour market hence leading to inefficiency in production
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- **Leads to low levels of technological development**. This arises from high levels of illiteracy (low education levels) since people do not have skills to develop better production methods.

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- **Leads to low levels of capital accumulation**. This is due to a high population growth rate which reduces capital accumulation since money which would have been saved and invested is being used to support the growing or young population.

- **It leads to income inequalities.** This is due to high levels of unemployment where many people are not earning income while the few who are employed are earning high incomes and this causes income inequality in Uganda.

- **Leads to Poor terms of trade**. This is because the Import prices of manufactured goods always rise faster than the export prices of agricultural goods and this gives rise to poor terms of trade in Uganda.

- **It accelerates foreign domination of Uganda's economy**. This is due to reliance on decisions made by other countries, foreign manpower (expatriates), foreign technology and foreign aid which kills local creativity and self-reliance.
- **It leads to repatriation of profits.** This is due to the open economy that brings in foreign investors in Uganda who repatriate profits to their mother countries instead of re-investing such profits which leads to low investment multiplier effect.
- **Leads to low labour productivity**. This arises from high levels of illiteracy which leads to low labour skills thus leading to low efficiency and productivity of labour.
- **Leads to low levels of Gross Domestic Product (GDP).** This arises from production at excess capacity where some resources remain under-utilized and fewer goods and services are produced in Uganda.

THE STRUCTURE OF THE AGRICUTULTAL SECTOR IN UGANDA:

In Uganda, agriculture is characterized by the following:

- **Mainly** dependent on family labour. Most of the activities in the agricultural sector are based on family labour with limited use of hired labour.
- **Mainly** small-scale production is carried out. Commercial agriculture is carried out by a few individuals who mainly produce on small scale by putting more emphasis on cash crops like tea, tobacco e.t.c
- **Mainly** rural based. Most economic activities within the agricultural sector are carried out in rural areas.
- Uses **mainly** unskilled and Semi-Skilled labour. Most of the manpower used in the agricultural sector is unskilled and semi-skilled with few skilled individuals.
- **Mainly** dependent on nature. Agriculture in Uganda mainly depends on nature i.e. production relies on natural factors like rainfall, sunshine etc.
- **Dominated by subsistence output**. The largest percentage of the output in the agricultural sector is for the producer's own use/consumption.

- **Mainly** low-quality output is produced. This is due to the use of mainly unskilled and semi-skilled labour plus heavy reliance on poor techniques of production.
- Quantity of output produced is **generally low**. This is mainly due to the limited capital, small market, limited skilled labour, pests and diseases etc.
- Production **is mainly** for the local market. There is limited export market mainly because of the low-quality agricultural products.
- There **is narrow** range of cash crops produced/ mainly foodstuffs are produced.
- **Narrow** range of products for exports. This is mainly because of the limited export market.
- **Mainly** uses labour intensive technology/**Mainly** uses simple production techniques.

IMPLICATIONS OF THE STRUCTURE OF THE AGRICULTURAL SECTOR IN UGANDA:

- It leads to low foreign exchange earnings. This is because there are a few exports and the prices of agricultural exports tend to fluctuate very often on the world market.
- It leads to seasonal unemployment. This is because agriculture mainly depends on natural factors, therefore farmers are busy when planting and harvesting and become unemployed during the dry season.
- It leads to low government revenue. This is because of the dominancy of the subsistence sector thus leading to a narrow tax base.
- It leads to low income levels among the agriculturalists; this is so because agricultural products fetch low prices especially during the period of over production.
- It leads to low output levels due to production on small scale, this results into food shortage.
- It leads to unfavorable terms of trade; this is because the agricultural sector is characterised by poor quality products which are exchanged with high quality products in the world market hence benefiting less in international trade.
- It leads to limited industrial development. This is because the agricultural sector is the major supplier of raw materials to industrial sector therefore fluctuations in the agricultural output negatively affect the development of agro- based industries.
- Leads to instabilities in foreign exchange earnings. This is because of the instabilities in the volume of agricultural exports in the economy hence making the planning process difficult.
- It leads to balance of payment problems/deficit in the country. This is because of the exportation of poor-quality agricultural products with low value added. This results into low prices on the international market leading to low revenue from agricultural exports against rising import expenditure thus leading to balance of payment deficit.
- It results into rural urban migration with its associated evils. Due to low income from agricultural products, rural dwellers especially the youth migrate to urban centers looking for better employment because they are frustrated with the low income from the agricultural sector. Most of such people fail to get absorbed by the few industries in urban areas and yet they are not willing to go back to the rural areas. This results into congestion in urban areas and other social evils such as prostitution.
- It results into income inequality because the income of the farmers is low compared to that of the producers in the industrial sector where prices of their products are relatively stable.

THE STRUCTURE OF THE INDUSTRIAL SECTOR IN UGANDA:

Uganda's industrial sector is characterised by the following:

- **Mainly** small scale, it is dominated by small scale industries with few medium and large-scale industries.
- **Mainly** urban based. Most industries are located in urban areas because of the well-developed infrastructure, Large market potential etc.
- **Mainly** labour intensive techniques of production are used/**Most** of the industries use simple production techniques of production.
- **Mainly** unskilled and semi- skilled labour is employed, this is due to the high illiteracy rate.
- Production of **mainly** low-quality manufactured goods. This is due to the poor state of technology used.
- **Basically** import substituting technology/ Production is **mainly** for the domestic market. Most of these industries are established to produce goods that were formerly imported to reduce foreign exchange expenditure on such goods.
- **High** component of imported raw materials and intermediate products. A number of industries use imported raw materials.
- **Limited** linkage with other sectors of the economy. The industrial sector in Uganda has limited linkages with other sectors of the economy in terms of providing raw materials and market
- **Mainly** low quantity of output is produced/ Production is mainly at excess capacity/ mainly low contribution to GDP/ Mainly low contribution to employment.
- **Mainly** comprise of processing industries/Mainly comprises of the primary processing industries and a few manufacturing firms which engage in assembling.
- Production of **mainly** consumer goods/They mainly produce consumer goods e.g. the sugar processing industries, the soft drinks industries, breweries.
- Durable consumer industries are **mainly** assembling plants
- **Many** are agro-based industries. Many industries in Uganda are agro-based i.e. many use raw materials from the agricultural sector such as sugar processing industries, textile industries etc.
- **Most** of the industries are privately owned i.e. both by the local people especially small-scale industries and the large industries are mainly owned by foreign investors.

THE IMPLICATION OF THE STRUCTURE OF UGANDA'S INDUSTRIAL SECTOR:

POSITIVE IMPLICATIONS OF THE STRUCTURE OF THE INDUSTRIAL SECTOR IN UGANDA:

- Creates employment opportunities. The industrial sector creates employment opportunities since it mainly uses labour intensive technology. This helps to improve their standard of living due to the incomes earned.
- Helps to save the country's scarce foreign exchange. This is due to the fact that the majority of the country's industries are import substituting industries/ production is for the domestic market.
- The industrial sector provides market for the agricultural products since many are agro- based.
- It leads foreign dependency. The industrial sector in Uganda helps to reduce foreign dependence because there is production of commodities which were formerly imported.

- Increases government revenue through taxes. The government is able to generate more revenue by taxing the industrial products, the incomes of the employees of the industries and the profits made by such industries. (corporation taxes)
- Promotes development of entrepreneurship. Those who work in industries acquire entrepreneurial skills and are thereafter they are able to initiate their own businesses and sustain them.
- Leads to development of labour skills. This is so because most of these industries are labour intensive and the employees acquire skills while at work. They learn the different industrial processes.
- Promotes utilisation of the idle resources. The industries make use of the idle resources; this facilitates economic growth and development.

NEGATIVE IMPLICATIONS OF THE STRUCTURE OF THE INDUSTRIAL SECTOR IN UGANDA:

- It leads to rural urban migration and its related problems. This is so because most industries are located in urban areas whereby people rush to urban areas looking for employment opportunities but majority of such people fail to acquire employment and yet they are not ready to go back to rural areas resulting into congestion in urban areas and other evils such as robbery, unemployment, prostitution etc.
- It leads to urban balanced regional development. This is because most of the industries are concentrated in urban areas leaving the rural lagging behind.
- Leads to over reliance on imported capital goods due to the predominance of consumer goods industries. This worsens the country's balance of payment problem.
- Leads to under utilisation of resources. This leads to low output and thus low rate of economic growth since most industries operate at excess capacity.
- Leads to production of poor-quality products. This is because most industries use simple production techniques. This limits the marketability of the products especially in the foreign market.
- Leads to low tax revenue. There is a low tax base because industries mostly operate on small scale and therefore there are a few products to tax.
- Leads to low output/ low GDP. This is because most of the industries in Uganda operate on small scale and at the same time operate at excess capacity.
- Leads to profit repatriation. This is so because some of these industries are owned by foreign investors.
- Leads to limited employment creation. This is so because the industries operate on small scale and thus create few jobs.

MEASURES BEING TAKEN TO IMPROVE THE PERFORMANCE OF THE INDUSTRIAL SECTOR IN UGANDA:

- Developing infrastructures.
- Widening the markets.
- Providing affordable capital for investment/industrialization.
- Stabilising the political atmosphere/climate.
- Providing (tax) incentives/ investment incentives.
- Vocationalising education/ Provision of labour with skills.

- Encouraging/ promoting savings.
- Liberalising the economy.
- Improving the land tenure system.
- Fighting corruption.
- Stabilising prices.
- Modernising agriculture/Developing cheaper sources for the supply of raw materials/creating linkages with other sectors of the economy.
- Improving entrepreneurship (skills).
- Undertaking further privatisation of public assets/ state enterprises.
- Improving techniques of production/ technological development/ transfer.
- Strengthening specialised institutions to improve the performance of the sector.
- Undertaking international campaigns to attract investors.

Questions:

(a) Describe the structure of the industrial sector in Uganda.
(b) What are the implications of the structure of industrial sector in Uganda?
(c) Explain the measures being taken to improve the industrial sector in Uganda.

THE CONCEPT OF DUALISM:

This refers to the co-existence of two contrasting phenomenon or conditions that are mutually exclusive existing side by side where one is desirable and the other is undesirable.

FEATURES/ CHARACTERISTICS OF DUALISM IN UGANDA:

- There is co-existence of traditional and modern technology.
- There is co-existence of commercial and traditional/subsistence sectors.
- There is co- existence of illiterates alongside the literate.
- There is co-existence of barter and monetary exchange.
- There is co-existence of the high-income earners alongside the low-income earners or the rich Vs the poor.
- There is co-existence of the developed alongside the underdeveloped /poorly developed regions.
- There is co-existence of the traditionalists alongside the modernists/liberals.

TYPES OF DUALISM:

1. **INTER/ INTRA SECTORAL DUALISM**: This is where there is co-existence of two different sectors in the economy where one is a developed and another under developed (Inter-sectoral dualism) or co-existence of contrasting sub-sectors with a sector where one is developed and another under developed (intra- sectoral dualism) e.g. co-existence of commercial agricultural alongside subsistence agriculture.
2. **TECHNOLOGICAL DUALISM**: This is the co-existence of two contrasting techniques of production where one is developed and another under developed/primitive.
3. **LITERACY DUALISM**: This is the co-existence of the literates alongside the illiterates.
4. **EXCHANGE DUALISM**: This is the co-existence of two different methods exchange in the economy i.e. barter exchange system alongside the monetary exchange system.

5. **INCOME DUALISM**: This is the co-existence of high-income earners alongside low income earners or the rich Vs the poor.
6. **SOCIAL- CULTURAL DUALISM**: This is the co-existence of the traditionalists alongside the modernists/Liberals.
7. **REGIONAL DUALISM**: This is co-existence of the developed regions alongside under-developed regions.

CAUSES OF DUALISM:

- The importation of inappropriate technology which leads to technological dualism.
- Unbalanced natural resource endowment, in that areas where there is plenty of natural resources, such regions become more developed and those regions with inadequate natural resource resources are under developed.
- The demonstration effect e.g. the rich preferring luxurious commodities which leads to creation of two groups of people in one place i.e. those whose value embrace the western civilization values and those that embrace the traditional values.
- The uneven distribution of income in the country leading to income dualism.
- Inability of some parents to educate their children while others are able to do so hence resulting into two classes of people i.e. leading to literacy dualism.
- Inappropriate government policies which favor certain regions because of the political motives against other regions which do not support the ruling government thus leading to regional dualism.
- High level of conservatism, this is brought about by the unwillingness of some people to change from cultural practices which have led to the emergence of social-cultural dualism.

PROBLEMS ARISING OUT OF DUALISM:

- It leads to low government revenue especially where the majority are poor with a low taxable capacity.
- It leads to high rate of unemployment especially where there is use of capital-intensive technology in the modern sector yet most developing countries have surplus labor.
- It leads to rural urban migration and its evils such as open urban unemployment, congestion in towns.
- It leads to low aggregate demand. This is so because the majority the of the people are very poor and therefore have very low purchasing power.
- Social cultural dualism creates conflicts between the rich and the poor, this kills national unity/ cohesion.
- It leads to increased importation and consumption of luxurious goods by the rich people due to the high demonstration effect, this retards economic growth and development.
- It leads to political tension in the economy which retards economic growth and development.
- It increases the dependency burden in the country as people in the traditional sector rely on those in the modern sector for survival.

MEASURES TO REDUCE THE PROBLEMS ASSOCIATED WITH DUALISM:

- There should be delocalisation of industries and economic activities so as to reduce regional dualism i.e. the economic imbalance in terms of development between the rural and urban areas.
- There should be income and wealth redistribution policy to reduce the gap between the poor and the rich through use of the progressive tax system.
- There should be infrastructural development in the different parts of the country such that both the rural and the urban areas match in terms of such facilities so as to avoid regional imbalance in terms of development.
- There should be adoption and use of appropriate technology in different sectors of the economy so as to avoid technological unemployment.
- Government should undertake educational reforms. This will help to reduce conservatism especially in the traditional sector.
- There should be provision of credit facilities to the producers in the traditional sector in order to help them commercialise their activities and therefore improve their earnings.
- The government should increase taxes on the producers in the modern sector and give more subsidies to those operating in the traditional sector; this will help those in the traditional sector to improve their earnings.
- Government should aim at monetising the whole economy by providing investment incentives e.g. providing subsidies, providing tax holidays this will help many people to improve their earnings.