

## ECONOMICS SAMPLE ITEMS AND POSSIBLE ANSWERS

**TABLE OF CONSTRUCTS**

<b>Assessment Objective</b>	<b>Construct</b>	<b>Construct Description</b>	<b>Topics in the syllabus</b>
AO1	Resource Allocation	Applying key economic concepts and analyses data on market behaviour, household consumption, and fundamental economic problems in order to make informed decisions and enhance efficient resource allocation for personal and community development	1. Introduction to Economics 2. Price Theory
AO2	Economic strategy	Analysing and applying sustainable economic strategies <b>within the communities in patterns of economic growth, interpreting development theories and strategies; and promoting international trade.</b>	5. Economic Growth, Economic Development and Development Theories 6. Economic Development Strategies 10. International Trade

AO3	Economic planning and policy	Analysing and interpreting economic policies and economic trends that promote economic stability in National Income, money, banking and inflation, public finance and fiscal policy, and Economic development planning	4. National income 9. Public Finance and Fiscal Policy 8. Money, Banking and Inflation 11. Economic Development Planning
AO4	Population and labour dynamics for production	Examining population growth, age structure, and labour force trends in relation to production capacity, employment opportunities in Uganda.	3. Production and Market structures 7. Population, Labour Unions and Employment

### STRUCTURE OF THE EXAMINATION PAPER.

There shall be one examination paper for Economics at Advanced Secondary Curriculum. **The examination paper shall be divided into two sections**, Section A shall address assessment objective one, Section B shall address three assessment objectives.

Section B shall have three parts; **Part I, part II, and part III.**

Items in Section A shall come from construct 1 **(1)Resource Allocation)**. Items from Section B shall come from construct 2 for part I, construct 3 for part II, and construct 4 for part III **(1)Economic Strategy; Economic planning and policy; Population and Labour dynamics for production)** addressing assessment objective 2, 3 & 4 respectively.

The items in the paper shall be **scenario based** and the entire paper shall take **3hours**.

**P220/1 ECONOMICS**  
**ADVANCED SECONDARY CURRICULUM TEST ITEMS, 2025 – SET ONE**

**INSTRUCTIONS TO CANDIDATES**

- Attempt **FOUR** items in all
- SECTION A has one item which is **compulsory**
- SECTION B has three (1) parts; Part I, Part II, and Part III. Select one item from each Part.
- Duration 3 hours

**SECTION A**

**CONSTRUCT 1: RESOURCE ALLOCATION**

This item is **compulsory**

**ITEM ONE**

Uganda hosts international soccer tournaments at Namboole National Stadium regularly lasting for a full month. Whenever Each tournament takes place, The nearby towns of Kireka and Bweyogerere experience a boom in almost every type of business. However, despite the boom, resources necessary for catering for the welfare and interests of the visitors and local residents in the area remain limited, and this usually leaves people puzzled in an attempt to make informed decisions regarding what, when, where, how and for whom to produce.

Restaurants and hotels usually make lots of profits during such events. In the recent tournament, the price of a plate of food in most restaurants and hotels rose from about UGX. 5,000 to around UGX. 12,000, and the quantity demanded also increased. For example, a restaurant that used to sell around 20 plates of food a day could then sell up-to 50 plates. People are puzzled about justifications for this degree of response.

The above demand trends for several items prompts many suppliers to direct resources towards profitable activities. Many consumers in the area however, are concerned about the economic conditions at hand and have a feeling that government needs to intervene and handle their concerns.

Government needs a basis for intervention and has approached you as an expert in resource allocation. As a student of economics;

### **Task**

Prepare an essay that analyses the factors influencing customers' responsiveness to changes in food prices at restaurants and hotels, examine the basis for government intervention in addressing the concerns raised by residents.

## **SECTION B**

### **CONSTRUCT 2: ECONOMIC STRATEGY**

#### **PART 1**

Select **ONE** item from this Part

#### **ITEM TWO**

According to the Uganda Coffee Development Authority, Uganda's coffee exports are booming. Between March 2024 and February 2025, the country exported 6.57 million bags of coffee, earning USD 1.72 billion, a 70% increase in value compared to the previous year. In February alone, Uganda exported 555,756 bags worth USD 167.78 million, with prices rising due to global supply disruptions in Brazil and Vietnam. While Robusta remains the dominant variety, Arabica is rapidly gaining ground. Uganda is clearly taking advantage of strong global demand and favourable market conditions. As one of Africa's largest coffee exporters, coffee farming generates significant foreign exchange through international trade. Despite the benefits realized, the sector is not without challenges, the European union as one of Uganda's coffee export destinations is insisting on reducing coffee importation from Uganda citing various issues which may adversely affect the coffee exports. The government is ready to address the challenges identified so that it doesn't lose such a market as well as other markets. It has organized a stakeholders' workshop to address the challenges at hand. You have been approached as a student of economics for advice.

### **Task**

Prepare a presentation analyzing the challenges that might have forced the European Union to threaten abandoning the commodity cited in the scenario, and propose to the government the necessary interventions to sustain the strategy in the scenario.

### **ITEM THREE**

The 2023/24 Uganda National Household Survey report, released in May 2025, showed that 20.3% of Ugandans are living below the poverty line. Additionally, 10.4% of people struggle to afford basic needs such as food, shelter, and healthcare. To address this situation, the government has made several funding commitments, including:

- UGX 1.45 trillion to the Uganda Development Bank (1)UDB)
- UGX 3.3 trillion to the Parish Development Model (1)PDM)
- UGX 553 billion for the Emyoga program
- UGX 207.9 billion for the Youth Livelihood Program (1)YLP)
- UGX 100 billion for the Small Business Recovery Fund (1)SBRF)
- UGX 495 billion for the Agricultural Credit Facility (1)ACF)
- UGX 168 billion for the Uganda Women Entrepreneurship Program
- UGX 800 billion for investment in Industrial Transformation and employment
- UGX 824 billion for Generating Growth Opportunities and Productivity for Women Enterprises (1)GROW)
- UGX 1.2 trillion for the Uganda Development Corporation (1)UDC)

Despite these efforts and investments, there has not been a significant improvement in people's earnings generally. You have been invited to make a presentation on the possible remedy.

#### **Task.**

Prepare a presentation to examine why the various government interventions cited in the scenario have not been able to solve the given challenge, and propose other possible strategies to address the situation.

## **CONSTRUCT 3: ECONOMIC PLANNING AND POLICY**

### **PART II**

Select **ONE** item from this Part

#### **ITEM FOUR**

Uganda's Gross Domestic Product (1)GDP) has been growing steadily at 6.4% and the national per capita income has been rising though still low compared to some countries within the region like Kenya and Tanzania. Access to basic services has been low to most citizens. Only people with high income can easily access the basic services,

To promote fair income distribution and long-term welfare, the government is seeking opinions from various economic actors. In addition, it has identified priority areas in the private sector suitable for implementing its targets without getting directly involved in national resource allocation. As one of the economic actors;

#### **Task**

Prepare a presentation advising government on the best way to implement the strategy identified in the scenario without affecting the growth in GDP.

#### **ITEM FIVE**

In 2024, Uganda's average inflation was 3.3%, which was lower than the 5.4% recorded in 2023. By June 2025 however, headline inflation had slightly increased to 3.9%, Bank of Uganda (1)BoU) aims to keep inflation at a rate not exceeding 5% to maintain price stability and allow steady economic growth but the available measures have not been effective to achieve that.

On the fiscal side, domestic tax revenue performance between July 2023 and June 2024 reached UGX 22 trillion, slightly below the planned UGX 24 trillion, resulting in a shortfall of UGX 2 trillion. URA feels that once many options are explored, the shortfall will be covered.

#### **Task**

With reference to the scenario, prepare an essay proposing measures that government can adopt to achieve its monetary objectives and the interventions that URA can adopt to cover the shortfall.

## **CONSTRUCT 4: POPULATION AND LABOUR DYNAMICS FOR PRODUCTION**

### **PART III**

Select **ONE** item from this Part

#### **ITEM SIX**

Uganda's population is growing rapidly at about 3.2% annually and is expected to double in 25 years. 48% of this population is below 15 years. A large number will soon enter the labour force but may also pose a strain on the economy. Uganda has one of the youngest populations in the world. The current state of Uganda's labour force has lowered both the quantity and quality of production in the economy. Many firms in the different sectors of the economy have failed to produce at their capacity due to the nature of the labour force.

Many people including graduates have remained underemployed and unemployable due to various limitations. Government would like to lay strategies to ensure that more people become employable.

#### **Task**

Using information from the scenario, prepare an essay analysing the implications of the country's demographic structure on production, and propose strategies government can use to solve the challenge in the second paragraph.

#### **ITEM SEVEN**

Urbanization in Uganda is rising due to expansion of the industrial and service sectors. These two are characterised by free entry and exit of firms with high levels of advertising. The producers have some control over prices of their products. They try to make their products appear unique from others. The uniqueness of the products wins customer loyalty. Some members of the community have fears about the activities of these firms as they expand. Despite the profits earned by the different firms in the two sectors, Workers in such firms are always grappling over low payments and the unfavourable conditions in which they operate. They have tried to use the labour

laws and organs available but have not succeeded much. Employers usually hire and fire at will. They still have hopes of having better conditions of work but have not gained a lot of success. Labour unions are concerned about their conditions and need to get suitable solutions. You have been approached as a student of economics for advice.

### **Task**

Prepare an essay analyzing the fears at hand and justify to the community members to accept the market situation in the scenario and Propose strategies to handle the concerns of labour unions in the scenario.

## **POSSIBLE ANSWERS TO THE SAMPLE PAPER ITEMS**

### **SECTION A: CONSTRUCT 1 (1)RESOURCE ALLOCATION)**

#### **ITEM ONE**

Task: Prepare *an essay* that analyses the factors influencing customers' responsiveness to changes in food prices at restaurants and hotels, examine the basis for government intervention in addressing the concerns raised by residents.

#### **ESSAY**

#### **INTRODUCTION**

The scenario presented highlights a situation where during international soccer tournaments at Namboole National Stadium, the nearby towns of Kireka and Bweyogerere experience a business boom. However, this comes with challenges of limited resources and rising food prices. The price of a plate of food increased from UGX 5,000 to UGX 12,000, yet quantity demanded also increased from 20 to 50 plates per day. This essay analyses the factors influencing customers' responsiveness to these price changes using the concept of Price Elasticity of Demand (PED) and examines the basis for government intervention.

#### **PART ONE: ANALYSIS OF FACTORS INFLUENCING CUSTOMERS' RESPONSIVENESS TO CHANGES IN FOOD PRICES**

Calculation and Interpretation of Price Elasticity of Demand

Using the information provided:

- Original price (1)OP) = UGX 5,000
- New price = UGX 12,000
- Change in price (1)ΔP) = UGX 7,000
- Original quantity (1)OQ) = 20 plates
- New quantity = 50 plates
- Change in quantity (1)ΔQ) = 30 plates

**Price Elasticity of Demand = (1-) ΔQ/ΔP × OP/OQ**

$$= (1-) 30/7,000 \times 5,000/20$$

$$= (1-) 30/7,000 \times 250$$

$$= (1-) 7,500/7,000$$

$$= 1.07 \text{ (1)approximately}$$

The PED of 1.07 is greater than 1, indicating that demand is relatively elastic. This means that customers are highly responsive to price changes, and the increase in price led to a more than proportionate increase in quantity demanded, which is contrary to the normal law of demand.

**Factors Influencing Customers' Responsiveness to Food Price Changes**

**Time Period.** In the short run, demand for food during tournaments tends to be inelastic because visitors have limited time and options. However, during the month-long tournament, as time progresses, customers become more aware of alternative eating places, making demand relatively elastic. The calculation shows elastic demand (1)PED > 1), indicating that customers adjusted their consumption patterns over the tournament period.

**Availability of Substitutes.** Kireka and Bweyogerere have numerous restaurants and hotels offering food services. According to the manual, "a commodity with many substitutes has elastic demand because when price increases, consumers shift to substitutes immediately. The presence of multiple eating places gave customers options, explaining their responsiveness.

**Degree of Necessity of the Commodity.** Food during tournaments is not a necessity in the strict sense because visitors can choose to eat elsewhere, carry packed food, or reduce the number of meals. As the manual states, "a luxurious commodity is dispensable and has elastic demand. Eating out during tournaments can be considered a semi-luxury for some visitors.

**Proportion of Consumer's Income Spent on the Commodity.** For many visitors, spending UGX 12,000 on a single meal may take a large proportion of their daily budget. According to the manual, "a commodity which takes a large percentage of the consumer's income tends to be price elastic. This explains why customers were responsive to the price increase.

**Level of Consumer's Income.** Different customers have different income levels. High-income earners may be less responsive to price changes, while low-income earners are highly sensitive. The scenario indicates varied customer responses, reflecting different income groups among tournament visitors.

Possibility of Postponement of Demand. Demand for food can be postponed by eating at different times or choosing cheaper alternatives. According to the manual, "a commodity whose demand can easily be postponed has elastic demand. Customers could wait for off-peak hours or eat at cheaper outlets.

Level of Consumer's Ignorance. Some customers may be ignorant about alternative eating places with lower prices. As the manual explains, "consumers buy a commodity at a higher price when they are ignorant... leads to inelastic demand. However, the calculated PED of 1.07 suggests that overall, customers were well-informed about alternatives.

## **PART TWO: BASIS FOR GOVERNMENT INTERVENTION**

To Control Consumer Exploitation. During the tournament, restaurants and hotels increased prices from UGX 5,000 to UGX 12,000 (1) a 140% increase). This represents potential exploitation of consumers who have limited alternatives during the event.

To Minimize Economic Instabilities. The sharp price increase during tournaments creates temporary inflation in the area. Throughnotes that government intervention is necessary "to minimize economic instabilities such as inflation. Price stability is essential for both residents and visitors to plan their expenditure.

To Guide Efficient Allocation of Resources. The scenario indicates that "resources necessary for catering for the welfare and interests of the visitors and local residents remain limited. Government intervention helps ensure that scarce resources are allocated efficiently to benefit both groups rather than being directed only to profitable activities.

To Protect Low-Income Residents. Local residents in Kireka and Bweyogerere may not afford the inflated prices during tournaments. According to the manual, government intervention helps "to make essential goods available to all groups of people. Food is an essential good that should be accessible to residents regardless of tournament activities.

To Control Monopoly Tendencies. The scenario suggests that some restaurants and hotels may be taking advantage of the situation to charge exorbitant prices. Throughstates that government intervention is necessary "to control monopoly tendencies. While perfect monopoly may not exist, the concentration of customers during tournaments gives sellers unusual market power.

To Prevent Social Costs. High food prices during tournaments may force residents to spend more than their budgets allow, leading to reduced welfare. Government intervention helps "to minimize social costs such as pollution", the social cost is reduced welfare of residents.

To Ensure Price Stability. Throughnotes that government uses price controls "to maintain price stability". By intervening, the government can ensure that prices during tournaments remain reasonable and stable, benefiting both consumers and honest traders.

To Address Market Failure. The situation represents market failure where the price mechanism alone cannot ensure fair outcomes. Government intervention becomes necessary to correct this failure.

### **Forms of Government Intervention**

The government could intervene through:

a) Maximum Price Legislation: Setting a maximum price for food items during tournaments to protect consumers from exploitation. As explained in the manual, "Maximum price is price set by the government below equilibrium price above which it becomes illegal for a commodity to be bought or sold. It protects consumers".

b) Consumer Education: Through consumer associations, the government can educate residents and visitors about fair prices and quality standards. Through suggests "formation of consumer associations... meant to educate many consumers on quality and prices of commodities hence reducing consumer ignorance".

c) Licensing and Regulation: Issuing licenses to restaurants and hotels with conditions on pricing during events. This helps "to minimize social costs and reduce over exploitation of resources".

d) Subsidization: Providing subsidies to food sellers to enable them to charge reasonable prices while maintaining profitability.

### **CONCLUSION**

The analysis reveals that customers' responsiveness to food price changes during tournaments is influenced by factors such as availability of substitutes, time period, proportion of income spent, and possibility of postponing demand. The calculated PED of 1.07 confirms elastic demand, meaning customers are highly responsive to price changes.

Government intervention is justified on grounds of preventing consumer exploitation, ensuring price stability, protecting low-income residents, controlling monopoly tendencies, and addressing market failure. Such intervention, through appropriate measures like price controls and consumer education, would help balance the interests of traders and consumers while ensuring that both visitors and residents benefit from tournament activities.

## **SECTION B: CONSTRUCT 2 (1) ECONOMIC STRATEGY)**

### **PART I: ITEM TWO**

Task: Prepare a **presentation** analysing the challenges that might have forced the European Union to threaten abandoning the commodity cited in the scenario, and propose to the government the necessary interventions to sustain the strategy in the scenario.

### **PRESENTATION**

# **Title: Sustaining Uganda's Coffee Export Strategy Amidst EU Market Challenges**

Presented by:

Date:

## **INTRODUCTION**

According to the Uganda Coffee Development Authority, Uganda's coffee exports are booming, with 6.57 million bags exported between March 2024 and February 2025, earning USD 1.72 billion – a 70% increase in value. However, the European Union, one of our major coffee export destinations, is threatening to reduce coffee importation. This presentation analyses the challenges forcing this threat and proposes interventions to sustain our coffee export strategy.

## **ANALYSIS OF CHALLENGES FORCING EU TO THREATEN REDUCING COFFEE IMPORTS**

The following challenges may be forcing the EU's threat:

**Quality Concerns and Sanitary Requirements.** The EU may be concerned about the quality of Ugandan coffee. As explained in the manual, "Low quality exports... cannot compete favourably on the world market and attract low prices" (1)page 541). The EU has strict sanitary standards that all imports must meet. If Ugandan coffee fails to meet these quality standards, the EU is justified in threatening import reduction.

**Traceability and Certification Issues.** The EU requires that all agricultural imports be traceable from farm to cup. Uganda may be facing challenges in providing full traceability documentation for coffee exports. Throughnotes that "quality control requirements... recommend certain sanitary and health requirements to be met by imported commodities".

**Child Labour and Unethical Practices.** The EU is increasingly concerned about ethical sourcing. Reports of child labour in coffee-growing areas could trigger import restrictions. As the manual states, protectionist policies aim at "discouraging importation of harmful and undesirable commodities".

**Environmental Concerns and Deforestation.** Coffee farming methods that lead to deforestation may concern the EU, which promotes environmentally responsible trade. Throughmentions "protectionist policies... through sanitary and hygiene requirements".

**Use of Prohibited Chemicals.** If Ugandan farmers use pesticides or fungicides banned in the EU, this would trigger import restrictions. The EU maintains strict Maximum Residue Levels (1)MRLs) for agricultural products.

**Weak Compliance with EU's Due Diligence Requirements.** The EU's new due diligence laws require importers to ensure their supply chains are free from human rights abuses and environmental damage. Uganda's coffee sector may be struggling to comply with these requirements.

Political and Diplomatic Tensions. Sometimes trade restrictions arise from political disagreements. Throughnotes that "total ban / trade embargo" can result from political tensions between trading partners.

Competition from Other Coffee-Producing Countries. The EU may be diversifying its coffee sources, reducing dependence on Uganda. Throughexplains that "market flooding of raw material products on the international markets" leads to competition among suppliers.

## **PROPOSED GOVERNMENT INTERVENTIONS TO SUSTAIN THE EXPORT STRATEGY**

I propose the following interventions,

Improving Coffee Quality and Standards. The government should strengthen the Uganda National Bureau of Standards (1)UNBS) and Uganda Coffee Development Authority (1)UCDA) to enforce quality standards. According to the manual, "improving the quality of exports... should be done through improving methods of production in order to increase export prices". This includes training farmers on proper harvesting, processing, and storage techniques.

Establishing Traceability Systems. The government should invest in a comprehensive traceability system that tracks coffee from farm to export. As the manual suggests, "quality control requirements... recommend certain sanitary and health requirements". A robust traceability system would demonstrate compliance with EU standards.

Promoting Ethical and Sustainable Farming Practices. The government should work with farmer cooperatives to eliminate child labour and promote sustainable farming. This includes:

- Awareness campaigns on ethical farming
- Enforcement of labour laws in coffee-growing areas
- Promotion of shade-grown coffee to protect forests

Strengthening Pest and Disease Control. The government should enhance research through institutions like NARO to develop pest and disease-resistant coffee varieties. Throughnotes that "carrying out research within the agricultural sector... introduces new crop and animal varieties".

Value Addition and Processing. Encouraging local processing of coffee before export would increase value and potentially address some quality concerns. According to the manual, "processing primary products to add value... should be done through agro-based industries so as to increase prices for exports on the world market".

Diversifying Export Markets. While addressing EU concerns, Uganda should also diversify coffee export destinations. Throughrecommends "diversification of export markets... through joining economic integration so as to increase export volume and reduce geographical concentration of trade".

Strengthening International Coffee Agreements. The government should actively participate in international coffee agreements to strengthen bargaining power. As explained in the manual, "strengthening commodity agreements... stabilizes price on the world market thus increasing earnings from exports".

Engaging in Diplomatic Dialogue with EU. The government should initiate diplomatic engagement with EU authorities to understand their concerns and demonstrate Uganda's commitment to addressing them. This would help avoid retaliatory trade measures.

Providing Extension Services to Farmers. Through NAADS and other extension programmes, the government should educate farmers on EU requirements and best practices. Through mentions "providing extension services and setting up demonstration farms" as methods of agricultural modernization.

Supporting Farmer Certification. The government should subsidize certification costs for farmers seeking organic, Fair Trade, or Rainforest Alliance certification, which are valued in the EU market.

## **CONCLUSION**

The EU's threat to reduce coffee imports is based on legitimate concerns about quality, traceability, ethics, and environmental sustainability. However, through targeted interventions – improving quality, establishing traceability systems, promoting ethical farming, diversifying markets, and engaging diplomatically – Uganda can address these challenges and sustain its successful coffee export strategy. These interventions align with the export promotion strategy outlined in the Economics Manual, which aims at "increasing foreign exchange earnings" and "improving the quality of exports".

## **ITEM THREE**

Task: Prepare a *presentation* to examine why the various government interventions cited in the scenario have not been able to solve the given challenge, and propose other possible strategies to address the situation.

### **PRESENTATION**

**Title: Understanding the Persistence of Poverty Despite Government Interventions**

Presented by:

Date:

## **INTRODUCTION**

Distinguished participants, the 2023/24 Uganda National Household Survey report shows that 20.3% of Ugandans live below the poverty line, and 10.4% struggle to afford basic needs. Despite government funding commitments totalling over UGX 8.5 trillion to various

programmes including PDM (1)UGX 3.3 trillion), UDB (1)UGX 1.45 trillion), and others, there has been no significant improvement in people's earnings. This presentation examines why these interventions have failed and proposes alternative strategies.

## **REASONS WHY GOVERNMENT INTERVENTIONS HAVE NOT SOLVED POVERTY**

The following factors explain the persistence of poverty despite massive government spending,

**Weak Entrepreneurial Skills Among Beneficiaries.** Most intervention programmes provide funds without adequate entrepreneurship training. OR "Limited entrepreneurial ability... leads to failure to effectively organize other factors of production" Beneficiaries of PDM, Emyooga, and YLP may lack skills to manage businesses successfully, leading to business failure and loss of capital.

**High Levels of Corruption and Embezzlement.** OR "High levels of corruption and embezzlement of funds... in the process of resource allocation" frustrate development efforts. Funds meant for poverty alleviation are often misused by officials at various levels, reducing the actual amount reaching intended beneficiaries.

**Limited Follow-up and Monitoring.** OR "Poor accountability in the financial sector limits savings" and development. Government programmes often lack adequate monitoring mechanisms to ensure funds are used as intended and to provide ongoing support to beneficiaries.

**Political Interference and Sabotage.** OR "political instability and sabotage in running of enterprises" affects programme success. Beneficiaries are sometimes selected based on political connections rather than need or potential, leading to misallocation of resources.

**Inadequate Capital for Meaningful Investment.** While the figures appear large (1)UGX 3.3 trillion for PDM), when distributed across millions of households, the amount per beneficiary is insufficient for meaningful investment. OR "inadequate capital" as a cause of underdevelopment.

**Poor Infrastructure Limiting Business Growth.** OR "underdeveloped infrastructure... in form of poor roads, limited power supply" as a constraint to development. Even with funding, beneficiaries in areas with poor roads, limited electricity, and weak market access cannot grow their businesses.

**Limited Market Access for Products.** Beneficiaries produce goods but face "narrow domestic and external markets". Without assured markets, production cannot translate into sustained income.

**High Population Growth Rate.** OR high population growth rate... increases dependence burden, limits savings and investment". The benefits of interventions are spread thinly across a rapidly growing population.

Poor Sequencing of Interventions. Funds are provided without adequate preparation of beneficiaries or development of supporting infrastructure.

Limited Skills Development Component. Most programmes focus on capital provision rather than skills development. OR "limited skilled manpower" as a cause of underdevelopment.

Weak Linkages with Other Sectors. Interventions operate in isolation without linkages to agriculture, industry, and markets for sustainable development.

Unfavourable Investment Climate. High taxes, numerous licenses, and regulatory burdens limit business growth even when seed capital is provided. OR "unfavourable investment climate... characterized by high and unfair taxes".

## **PROPOSED ALTERNATIVE STRATEGIES TO ADDRESS POVERTY**

I propose the following strategies:

Integrate Entrepreneurship Training with Funding. Before disbursing funds, beneficiaries should undergo comprehensive entrepreneurship training of labour to acquire necessary skills" to increase efficiency in production and business management.

Strengthen Monitoring and Accountability Mechanisms. Establish robust monitoring systems with community participation to ensure funds are used appropriately hence "encouraging proper accountability/fighting corruption and embezzlement".

Develop Supporting Infrastructure First. Prioritize infrastructure development (1) roads, electricity, water) in beneficiary areas before or alongside fund disbursement hence "developing necessary infrastructure" stimulates investment and business growth.

Create Market Linkages. Establish guaranteed markets for products from beneficiary enterprises through linkages with institutions, export markets, and larger businesses hence "widening markets through economic integration".

Promote Graduated Support Programmes. Instead of one-off funding, provide graduated support where beneficiaries receive increasing levels of support as they demonstrate capacity hence "proper sequencing".

Encourage Group-Based Enterprises. Promote group-based enterprises rather than individual funding to pool resources, share risks, and benefit from collective learning hence "cooperatives ensure joint marketing and storage".

Link Interventions to Value Chain Development. Design interventions that position beneficiaries within complete value chains rather than isolated activities hence "forward and backward linkages" as benefits of integrated development.

Improve the Investment Climate. Reduce regulatory burdens, simplify licensing, and provide tax incentives for small enterprises hence "provision of investment incentives such as tax holidays and subsidies" attracts investment.

Promote Savings Culture Alongside Credit. Encourage beneficiaries to save alongside receiving credit OR "encouraging savings through financial sector development" as crucial for sustainable investment.

Implement Population Control Measures. Integrate family planning education with poverty alleviation programmes to reduce dependency ratios through use of "population control measures... through family planning methods".

Strengthen Local Government Capacity. Build capacity of local governments to design, implement, and monitor poverty interventions appropriate to local conditions.

Promote Technology Adoption. Support beneficiaries to access appropriate technology that increases productivity through "improving on the level of technology" to increase investment and output.

## **CONCLUSION**

The persistence of poverty despite massive government spending is due to weak entrepreneurial skills, corruption, inadequate monitoring, political interference, poor infrastructure, limited markets, and other structural factors. Alternative strategies focusing on entrepreneurship training, infrastructure development, market linkages, improved accountability, and integrated value chain development would yield better results. As the manual emphasizes, sustainable poverty reduction requires "a conducive investment climate, improved infrastructure, and proper sequencing of interventions".

## **SECTION B: CONSTRUCT 3 (1) ECONOMIC PLANNING AND POLICY)**

### **PART II: ITEM FOUR**

Task: Prepare a *presentation* advising government on the best way to implement the strategy identified in the scenario without affecting the growth in GDP.

### **PRESENTATION**

**Title: Implementing Indicative Planning to Promote Fair Income Distribution While Sustaining GDP Growth**

Presented by:

Date:

## **INTRODUCTION**

Honourable ministers, distinguished economists, the scenario indicates that Uganda's GDP is growing steadily at 6.4% with rising per capita income, yet access to basic services remains low, concentrated among high-income earners. The government seeks opinions on promoting fair income distribution through private sector priority areas without direct involvement in resource allocation. This presentation advises on implementing indicative planning to achieve these objectives.

## **UNDERSTANDING THE STRATEGY: INDICATIVE PLANNING**

Indicative planning is "a plan where government identifies appropriate investment areas, provides incentives and required information to individual economic units to achieve pre-determined targets." It is "a plan where the government identifies priority areas for resource allocation and provides incentives and conducive atmosphere to the private sector but without directing their decisions. "This approach is ideal because it allows the government to influence resource allocation toward equity while letting market forces drive GDP growth.

## **WAYS TO IMPLEMENT INDICATIVE PLANNING WITHOUT AFFECTING GDP GROWTH**

**Identify Priority Sectors with High Employment Potential.** The government should identify and prioritize sectors that can absorb low-income workers while maintaining productivity. Sectors like agriculture, agro-processing, and services have high employment potential without compromising GDP growth.

**How it maintains GDP growth:** These sectors already contribute significantly to GDP. Focusing on them ensures continued growth while expanding employment.

**Provide Tax Incentives for Labour-Intensive Industries.** Offer tax holidays and exemptions to industries that employ many workers, especially in rural areas through "provision of investment incentives such as tax holidays and subsidies" as a way to attract investment.

**How it maintains GDP growth:** Tax incentives encourage investment, which increases production and GDP. The foregone tax revenue is offset by increased economic activity and eventual tax collections from expanded businesses.

**Offer Subsidies for Production of Essential Goods.** Subsidize producers of goods consumed by low-income households, making these goods affordable while maintaining production. As through, "subsidization of consumers... increases their effective demand".

**How it maintains GDP growth:** Subsidies reduce production costs, encouraging higher output. Increased consumption of essential goods stimulates demand, which drives further production and GDP growth.

Develop Infrastructure in Underserved Areas. Invest in roads, electricity, and water in areas with high poverty concentrations through "developing necessary infrastructure... increases mobility of factor inputs and final products".

How it maintains GDP growth: Infrastructure development directly contributes to GDP through construction activities and enables private sector expansion in previously underserved areas, creating new sources of growth.

Provide Information and Market Intelligence. Through institutions like Uganda Investment Authority, provide information to private investors about opportunities in underserved areas and sector through "setting up specialized institutions to encourage investments... provides information to investors on various investment opportunities".

How it maintains GDP growth: Informed investors make better decisions, leading to more successful enterprises that contribute to GDP growth while spreading benefits geographically.

Support Skills Development and Training. Invest in vocational training that equips low-income individuals with skills demanded by the private sector. This is achieved through, "vocationalising education to equip labour with skills... is being promoted through skills-oriented educational programmes".

How it maintains GDP growth: A more skilled workforce increases productivity, which directly boosts GDP growth while enabling workers to access higher-paying jobs.

Establish Special Credit Facilities for Priority Sectors. Create development banks or credit lines specifically for sectors that employ low-income workers. This is achieved through "providing affordable credit or loans to local investors" as a way to increase investment.

How it maintains GDP growth: Credit facilities enable expansion of productive capacity in priority sectors, contributing to GDP growth while creating employment.

Promote Value Addition in Agriculture. Encourage agro-processing industries that add value to agricultural products, creating more jobs and higher incomes. This is achieved through "processing primary products to add value... through agro-based industries".

How it maintains GDP growth: Value addition increases the value of output without requiring additional primary production, directly boosting GDP while creating more remunerative employment.

Implement Progressive Procurement Policies. Ensure government procurement favours businesses that demonstrate fair employment practices and operate in underserved areas. This uses government purchasing power to influence private sector behaviour.

How it maintains GDP growth: Government procurement represents demand that stimulates production. Directing this demand strategically maintains growth while promoting equity.

Encourage Public-Private Partnerships (1) PPPs) Partner with private sector to deliver essential services in underserved areas. This is achieved through "joint ventures/recapitalization" where "government runs businesses jointly with private entrepreneurs".

How it maintains GDP growth: PPPs leverage private capital and efficiency for public purposes, maintaining or increasing service delivery without straining public finances.

Use Moral Suasion and Dialogue. Engage private sector leaders through platforms like the Private Sector Foundation to encourage voluntary adoption of equitable practices. This is achieved through discussing "moral suasion" as "issuing of persuasive instructions... soliciting cooperation".

How it maintains GDP growth: Voluntary cooperation maintains business confidence and avoids disruptive mandatory measures that could hamper growth.

Target Subsidies to Essential Consumption. Provide targeted subsidies (1) like vouchers) to low-income households for essential services such as education, health, and housing. This increases access without distorting market prices.

How it maintains GDP growth: Targeted subsidies maintain aggregate demand by supporting consumption among low-income groups without creating market distortions that could discourage production.

## **ENSURING COMPLEMENTARITY BETWEEN GROWTH AND EQUITY**

The following principles ensure that equity measures complement rather than compromise growth,

Maintain Macroeconomic Stability. Keep inflation low, exchange rates stable, and interest rates reasonable to encourage investment.

Protect Property Rights. Ensure investors feel secure that their investments will not be arbitrarily taken.

Avoid Price Controls. Instead of fixing prices, use subsidies and targeted support to make essential goods affordable.

Maintain Open Trade Policies. Continue liberalized trade to ensure competitive pressures that drive efficiency including "increases in efficiency among different firms" .

Ensure Policy Consistency. Avoid frequent policy changes that create uncertainty for investors.

## **CONCLUSION**

Indicative planning offers the ideal approach for promoting fair income distribution without affecting GDP growth. By identifying priority sectors, providing incentives, developing infrastructure, supporting skills development, and maintaining macroeconomic stability, the government can influence private sector behaviour toward equity goals while sustaining the 6.4% GDP growth rate.

## **ITEM FIVE**

Task: Prepare an essay proposing measures that government can adopt to achieve its monetary objectives and the interventions that URA can adopt to cover the shortfall.

### **ESSAY**

#### Introduction

The scenario indicates that Uganda's average inflation increased from 3.3% in 2024 to 3.9% by June 2025, approaching the 5% upper limit set by Bank of Uganda. Additionally, domestic tax revenue for FY 2023/24 reached UGX 22 trillion against a target of UGX 24 trillion, creating a UGX 2 trillion shortfall. This essay proposes measures government can adopt to achieve monetary objectives and interventions URA can implement to cover the tax revenue shortfall.

### **PART ONE: MEASURES TO ACHIEVE MONETARY OBJECTIVES**

The following measures can help control inflation and maintain price stability,

Use of Restrictive Monetary Policy. Bank of Uganda should employ contractionary monetary policy tools to reduce money supply and control inflation. "Restrictive monetary policy is a deliberate attempt through the central bank to reduce money supply in an economy so as to achieve objectives of development such as price stability"

Specific tools include:

- a) Increase Bank Rate: Bank of Uganda should increase the bank rate (1) interest rate charged on commercial banks). "An increase in bank rate reduces money supply since it increases interest rate on loans from commercial banks". Higher interest rates discourage borrowing, reducing aggregate demand and inflationary pressure.
- b) Open Market Operations: Sell government securities (1) treasury bills and bonds) to the public. This states that "selling of government securities to the public withdraws excess money and reduces money supply".
- c) Increase Legal Reserve Requirements: Raise the compulsory deposit commercial banks must keep with the central bank. "Increase in legal reserve requirements reduces money supply".

d) Increase Cash Ratio: Instruct commercial banks to increase the cash ratio (1)fraction of deposits kept in cash form). This reduces their lending capacity.

Reduce Excessive Government Expenditure. Government should reduce non-essential expenditure to decrease money injection into the economy because, "reducing excessive government expenditure... reduces excessive aggregate demand arising from increased money supply".

Control Exportation of Essential Goods. Limit exportation of goods that are scarce domestically to maintain adequate supply and stabilize prices. Recommend "control exportation of certain goods such as scarce goods... maintaining increased supply in the domestic economy".

Encourage Importation from Cheaper Sources. Facilitate importation of goods from countries with lower prices to increase domestic supply to "encourage importation from cheaper and friendly sources... which increases domestic supply of commodities thus reducing general price level".

Improve Infrastructure to Reduce Supply Rigidities. Invest in roads, electricity, and storage facilities to reduce production costs and supply bottleneck to, "improve and build necessary infrastructure... helps to modernize production... at a reduced cost, increases mobility... leading to increased supply".

Promote Agricultural Modernization. Invest in irrigation, improved seeds, and extension services to reduce dependence on weather and stabilize food prices for "promote modernization of agriculture... to control bottlenecks or rigidities in supply of agricultural products".

Ensure Political Stability. Maintain peace and security to encourage production and investment Hence, "improvement in political climate to ensure political stability... increases the level of economic activity and supply of commodities".

Use Moral Suasion. Bank of Uganda should issue persuasive instructions to commercial banks, urging restraint in lending for speculative purposes, moral suasion as "issuing of persuasive instructions by the central bank to commercial banks soliciting their cooperation".

## **PART TWO: INTERVENTIONS URA CAN ADOPT TO COVER THE TAX SHORTFALL**

The following measures can increase tax revenue collection,

Sensitize Masses on Role of Taxation.URA should intensify taxpayer education through seminars, media campaigns, and community outreach. Through, "sensitization of masses on the role of taxation/intensive tax education to raise awareness of people about role of taxation... increases tax payers' compliance thus reducing tax evasion and avoidance".

Widen the Tax Base by Introducing New Taxes. Introduce taxes on previously untaxed activities and sectors. According to the manual, "widened tax base by introducing new taxes... introducing more indirect taxes since they have low administrative costs" . Potential areas include:

- Digital economy services
- Real estate transactions
- Gambling and betting
- Professional services

Improve Tax Administration and Use of Technology. Modernize tax collection systems using technology to reduce leakage and improve efficiency. Through emphasizes "improved implementation of tax laws/reforms" .

Reduce Corruption Among Tax Officials. Strengthen anti-corruption measures within URA, including staff rotation, audits, and severe penalties for corrupt officials. Through recommends "reduced corruption in tax system/disciplinary measures against corrupt tax officials" .

Simplify Tax Procedures. Make tax payment procedures simpler and more taxpayer-friendly to encourage voluntary compliance. According to the manual, "development of a tax payer friendly system of tax collection... encourages tax payers to pay taxes willingly" .

Improve Infrastructure for Tax Collection. Invest in roads and communication networks to enable tax officials reach all areas, especially rural areas. Through notes, "improved infrastructure... has been done through upgrading rural roads, improving telecommunication systems to ease tax collection" .

Use Fair Tax Assessment. Ensure taxes are assessed fairly according to ability to pay, following the principle of equity. Through advocates for "use of fair tax assessment/principle of equity... motivates people to pay taxes" .

Recruit and Train More Tax Personnel. Increase the number and quality of tax officials through recruitment and continuous training. According to the manual, "recruitment and training tax personnel/use of trained personnel to assess and collect taxes... increases tax revenue" .

Strengthen Auditing and Investigation. Enhance the capacity of URA's audit and investigation departments to detect and deter tax evasion. This aligns with the manual's emphasis on "proper and effective use of revenue from taxes" .

Review and Reduce Tax Exemptions. Evaluate all tax exemptions, holidays, and incentives to ensure they are justified and not excessively reducing revenue. Through mentions "conflicting government policies on taxation... leads to excessive tax holidays and exemptions (1)tax concessions)" .

Improve Political Climate and Security. A stable political environment encourages economic activity, expanding the tax base. According to the manual, "improved political climate and security to promote economic activity... encourages various investments, increases the tax base" .

Strengthen International Tax Cooperation. Collaborate with tax authorities in other countries to address cross-border tax evasion and profit shifting by multinational corporations.

Expand Use of Withholding Tax. Broaden the application of withholding tax to more transactions to capture tax at source. Through defines "withhold tax" as "a tax imposed on dividends and securities such as treasury bills and bonds" (1)page 496).

Improve Valuation of Imports. Strengthen customs valuation to prevent under-invoicing of imports, which reduces import duty collections.

Introduce Presumptive Tax for Small Businesses. Simplify taxation for small businesses through presumptive tax regimes that are easy to administer and comply with. Through mentions "presumptive tax" (1)page 11) as one form of taxation.

## **CONCLUSION**

Achieving monetary objectives requires a combination of restrictive monetary policy tools (1)increased bank rate, open market operations, higher reserve requirements) and structural measures (1)infrastructure development, agricultural modernization, political stability). These measures would reduce inflationary pressure from the current 3.9% toward the 5% target.

To cover the UGX 2 trillion tax shortfall, URA should implement taxpayer sensitization, widen the tax base, improve administration, reduce corruption, simplify procedures, and strengthen auditing. These measures would enhance revenue collection while maintaining taxpayer confidence. Together, these monetary and fiscal interventions would restore macroeconomic stability and sustainable growth.

## **SECTION B: CONSTRUCT 4 (1)POPULATION AND LABOUR DYNAMICS FOR PRODUCTION)**

### **PART III: ITEM SIX**

Task: Prepare an *essay* analysing the implications of the country's demographic structure on production, and propose strategies government can use to solve the challenge in the second paragraph.

### **ESSAY**

#### **Introduction**

The scenario indicates that Uganda's population is growing rapidly at 3.2% annually, expected to double in 25 years, with 48% below 15 years – one of the youngest populations globally. This demographic structure has lowered both quantity and quality of production, with firms failing to produce at capacity due to labour force limitations. Many people, including graduates, remain underemployed and unemployable. This essay analyses the implications of this demographic structure on production and proposes government strategies to address the challenges.

## **PART ONE: ANALYSIS OF IMPLICATIONS OF UGANDA'S DEMOGRAPHIC STRUCTURE ON PRODUCTION**

Uganda's population structure has the following implications for production:

### **Positive Implications:**

**High Potential for Labour Force.** The young population (1)48% below 15 years) means a large section will gradually join the labour force. As explained in the manual, "high potential for labour force... creates a large section of people gradually joining the labouring for various productive sectors. This increases labour supply and expands production".

**Increased Innovations and Inventions.** The young population is typically innovative and inventive. According to the manual, "increased innovations and inventions among the young... leads to emergence of a young population that is usually innovative and inventive".

**High Market Potential.** A large young population creates demand for goods and services, stimulating production. Through notes, "leads to high market potential... for essential commodities which stimulates further production".

**Awakens Government to Provide Infrastructure.** The growing population forces government to provide necessary infrastructure, which in turn supports production. Through states, "awakens the government of its responsibility to provide social infrastructure such as education, hospitals, roads due to high population growth".

### **Negative Implications:**

**High Dependence Burden.** With 48% below 15 years, the dependency ratio is extremely high. According to the manual, "high dependence burden thus low savings. Majority of the population are in the age bracket of 0-15 years who are economically unproductive and depend on the small percentage of working population". This limits capital accumulation for investment in production.

**Low Labour Productivity.** The young and inexperienced workforce has low productivity. Through states, "limited skills... majority of the population are semi-skilled and unskilled which reduces labour productivity". This explains why firms cannot produce at capacity.

**High Unemployment and Underemployment.** Population growth outpaces job creation. Through notes, "increases unemployment and underemployment problems. The population growth rate is greater than the rate at which jobs are created". Graduates remain unemployed due to limited jobs.

**Poor Quality of Labour Force.** Through identifies "poor quality of human resource capital/prevalence of unskilled labour. Most of the workers are unskilled and semi-skilled due to poor training and poor education system". This explains why graduates are "unemployable" – their skills do not match market needs.

**Overstrain on Available Infrastructure.** Existing production facilities are overstretched. According to the manual, "over straining the available infrastructure... congestion is experienced in... roads due to excessive demand".

**Rural-Urban Migration and Its Problems.** Young people migrate to urban areas seeking jobs, worsening urban unemployment. Through notes, "lead to rural urban migration and its problems. The rate of job creation in villages to absorb the rapidly growing population is low".

**Low Per Capita Income and Standard of Living.** With high dependency and low productivity, per capita income remains low. Through states, "leads to low per capita income and standard of living. Majority of the people still live below the poverty line, there is low labour productivity".

**Increased Government Expenditure on Social Services.** Government spends heavily on education, health, and other services for the young population, diverting resources from productive investment. Through notes, "leads to high government expenditure. Government spends heavily to support high population growth in provision of social services".

## **PART TWO: STRATEGIES GOVERNMENT CAN USE TO SOLVE THE CHALLENGE**

The following strategies can address underemployment and employability,

**Undertake Educational Reforms/Serious Manpower Planning.** The education system should be vocationalised to create practical, job-ready graduates. As explained in the manual, "educational programmers' need to be vocationalised so as to create graduates who are practical and job creators by equipping labour with relevant skills that can easily be absorbed in the current labour market". This addresses employability by ensuring graduates have skills demanded by employers.

**Set Up More Training Institutions.** Establish more technical and vocational institutions to equip labour with modern skills. Through recommends "setting up more training institutions to equip labour with modern skills" as a solution to manpower problems.

**Promote Use of Appropriate Technology.** Encourage labour-intensive technology to absorb more workers. According to the manual, "encourage use of appropriate technology... establishing cottage industries/small scale industries which use mainly labour intensive technology thus increasing employment". This addresses underemployment by creating more jobs using abundant labour.

**Diversify the Economy.** Introduce various economic activities to absorb labour from different sectors. Through states, "promote diversification of the economy... establishing small scale industries and diversifying the agricultural sector, introducing many economic activities which reduce seasonal unemployment".

**Improve Infrastructure.** Develop roads, electricity, and communication to enable production expansion and job creation. According to the manual, "setup and improve infrastructure... to encourage production especially in rural areas, increase labour mobility and employment creation".

**Promote Modernization and Commercialization of Agriculture.** Transform agriculture from subsistence to commercial production to create more rural employment. Through recommends "promote modernization and commercialization of agriculture... through irrigation, fertilizer application... increases agricultural productivity and reduces seasonal unemployment".

**Attract More Foreign Investors.** Improve investment climate to attract investors who will create jobs. According to the manual, "attraction of more foreign investors or improve investment climate... through investment incentives such as tax holidays, tax exemptions, subsidies".

**Provide Affordable Credit to Local Investors.** Enable youth and women to access loans for self-employment. Through states, "provision of affordable credit or loans to local investors... enables the youth, women to acquire loans at low interest rates hence creating more jobs".

**Adopt Population Control Measures.** Implement family planning to reduce dependency ratio over time. According to the manual, "population control measures... through family planning methods, female education. This reduces adverse effects of high population growth on labour supply in relation to available jobs".

**Expand Market for Goods and Services.** Join economic integrations like EAC, COMESA to expand market for Ugandan products, stimulating production and employment. Through recommends "expand market for goods and services... through joining economic integrations such as COMESA, EAC to encourage labour mobility and increase investment".

**Strengthen the Informal Sector.** Support the informal sector to absorb more labour through skills training and credit. Through notes the informal sector's role in "creation of employment opportunities... both semi skilled and unskilled labour is absorbed".

Improve Labour Mobility. Enhance both geographical and occupational mobility through information sharing and skills development. Through suggests "increasing mobility of labour to areas where jobs are available" as a solution to frictional unemployment.

Implement Effective Manpower Planning. Ensure training aligns with market needs through proper manpower planning. To, "ensure proper manpower planning which helps to balance demand and supply of labour".

Promote Entrepreneurship Development. Train young people in entrepreneurship to become job creators rather than job seekers. Through advocates for "promotion of local entrepreneur skills... through relevant educational training to increase investment".

Establish Industrial Parks. Create industrial parks with necessary infrastructure to attract investors and create jobs. This aligns with the manual's emphasis on "improving infrastructure" to attract investment.

## **CONCLUSION**

Uganda's young population structure presents both opportunities (1)future labour force, market potential) and challenges (1)high dependency, low productivity, unemployment). Addressing underemployment and unemployability requires comprehensive strategies including educational reforms, skills development, appropriate technology adoption, economic diversification, infrastructure improvement, population control, and entrepreneurship promotion. These measures would transform the demographic challenge into a demographic dividend, enabling firms to produce at capacity and absorbing the growing labour force into productive employment

## **ITEM SEVEN**

Task: Prepare an *essay* analyzing the fears at hand and justify to the community members to accept the market situation in the scenario and propose strategies to handle the concerns of labour unions in the scenario.

## **ESSAY**

### Introduction

The scenario describes urbanization in Uganda driven by expansion of industrial and service sectors characterized by free entry and exit of firms, high advertising levels, product differentiation, and some producer control over prices. Workers in these sectors grapple with low payments and unfavourable conditions, with employers hiring and firing at will. Labour unions are concerned but have not succeeded much. This essay analyzes the community's fears, justifies acceptance of the market situation, and proposes strategies to handle labour union concerns.

## **PART ONE: ANALYSIS OF THE FEARS AT HAND**

The market situation described is monopolistic competition, characterized by "many firms and many buyers... firms produce differentiated products... there is heavy expenditure on persuasive advertising... firms are price makers to some extent".

Community Fears Analyzed:

Fear of Consumer Exploitation. Community members fear that firms with some control over prices will exploit consumers. According to the manual, monopolistic competition "encourages consumer exploitation/prices charged are higher compared to perfect competition". Firms may charge higher prices for differentiated products.

Fear of Poor Quality Products. With heavy advertising and product differentiation, community members may fear that firms focus more on marketing than quality. However, the manual notes that monopolistic competition "leads to production of high quality products" due to competition.

Fear of Limited Choice. Some may fear that product differentiation reduces genuine choice. However, the manual states that monopolistic competition provides "a wide variety of products are produced due to product differentiation. This enables consumers to get several commodities to choose from".

Fear of Resource Wastage. Community members may worry about excessive advertising costs passed to consumers. It acknowledges that monopolistic competition "increases cost of operation/production... because of excessive advertising and product differentiation".

Fear of Firm Collapse and Job Loss. With free entry and exit, community members fear that some firms will collapse, causing unemployment. It confirms that monopolistic competition "leads to unemployment... because of stiff competition since some firms which cannot compete favourably are pushed out".

Fear of Income Inequality. Workers in successful firms may earn more than those in struggling firms, increasing inequality. It notes that monopolistic competition can lead to "abnormal profits are made in the short run" by some firms.

Fear of Worker Exploitation. The scenario mentions workers grappling with low payments and unfavourable conditions. This fear is justified as firms seek to minimize costs to survive competition.

## **PART TWO: JUSTIFICATION TO COMMUNITY MEMBERS TO ACCEPT THE MARKET SITUATION**

Monopolistic competition has several advantages that community members should appreciate,

**Wide Variety of Products.** Through states that monopolistic competition provides "a wide variety of products are produced due to product differentiation. This enables consumers to get several commodities to choose from". Community members benefit from choice in industrial and service sector products.

**High Quality Products.** Despite fears, monopolistic competition "leads to production of high quality products. This is due to competition among firms which increases the standard of living among consumers". Firms must maintain quality to retain customers.

**Increased Employment Opportunities.** The sector "increases employment opportunities. This is due to many firms existing in the industry". The expansion of industrial and service sectors creates jobs for community members.

**Source of Government Revenue.** The sector contributes to "government revenue through taxation/widens the tax base. This is because of many economic activities since there are many producers in the market". This revenue funds public services benefiting the community.

**Innovation and Research.** Monopolistic competition "increases research and innovations in the short run. This is because firms carry out research in new brands in order to produce high quality goods". This benefits the community through better products.

**Economic Growth.** The sector "contributes to increase in output hence economic growth because of many firms in the industry. This increases output and resource utilization".

**Competitive Prices.** While prices may be higher than perfect competition, the "low prices are charged. This is due to stiff competition between firms". Competition keeps prices in check.

**Consumer Gains from Non-Price Competition.** Firms compete through advertising, promotions, and product improvements, which benefit consumers. As noted in the manual regarding oligopoly (1)similar to monopolistic competition), "consumers gain from non-price competition. Consumers get free gifts, samples and guarantees which increases their welfare".

**Dynamic and Responsive Market.** The free entry and exit ensures the market responds to consumer preferences. Inefficient firms exit, making way for more responsive ones.

**Local Economic Development.** The concentration of industrial and service firms contributes to local economic development through infrastructure, supporting services, and increased economic activity.

### **PART THREE: PROPOSED STRATEGIES TO HANDLE LABOUR UNION CONCERNS**

The following strategies can address labour union concerns,

**Strengthen Collective Bargaining.** Labour unions should strengthen their collective bargaining capacity. According to the manual, "collective bargaining/round table discussion... is a peaceful round table negotiation between representatives of trade unions and employers regarding wages and better conditions of work". Unions should prepare well-researched proposals for negotiations.

**Build Strong Financial Base.** Unions should mobilize funds through subscriptions to support their activities. Through identifies "shortage of adequate funds/financial difficulties" as a challenge facing unions. A strong financial base enables unions to sustain activities during disputes.

**Improve Leadership Skills.** Union leaders should undergo training to become more competent and professional. Through notes "weak and inefficient leaders/poor leadership skills" as a limitation. Trained leaders can present convincing arguments for wage increases.

**Unite Members for Common Cause.** Overcome tribal, religious, and political divisions to present a united front. Through identifies "disunity among trade union members... due to tribal, religious, political and racial differences" as a weakness. United unions have stronger bargaining power.

**Use Multiple Pressure Tactics.** Employ various methods to achieve objectives, including:

- Go-slow tactics: "workers reduce on the amount of labour supplied by reducing on the number of hours worked"
- Sit-down strikes: "workers report to their work place and do nothing"
- Picketing: "positioning themselves at the entrance of their work places to prevent their fellow workers from proceeding to work"
- Media campaigns: "contact journalists and write in media so that their demands are clearly spelt out"

**Seek Legal and Arbitration Support.** Use industrial courts and arbitration mechanisms. Through mentions "use of court action/industrial court" where "workers report their grievances to the industrial court".

**Build Alliances with Other Unions.** Form alliances with other labour unions to increase bargaining power and share experiences. Through mentions "craft trade unions/professional unions" and "industrial trade unions" that can collaborate.

**Engage in Continuous Member Education.** Educate members about their rights and the importance of union solidarity. Through notes "ignorance/apathy of workers about trade union activities/their rights" as a limitation. Educated workers participate more actively.

Document Employer Violations. Maintain records of employer violations to use in negotiations and legal proceedings. This strengthens the union's position when demanding better conditions.

Seek Government Intervention. Where necessary, request government intervention through labour officers and the Ministry of Labour. Through mentions that unions can "persuade the government to pass legislations and better working conditions".

Promote Skills Development. Organize training for members to increase their skills and productivity. Through states that unions aim to "improve skills of members through training by use of seminars, workshops so as to increase workers' productivity and efficiency". More skilled workers command better wages.

Advocate for Minimum Wage Legislation. Push for government to establish and enforce a minimum wage through use of "minimum wage legislation" as "a government policy of setting/fixing a wage above equilibrium wage below which it is illegal to pay a worker".

Participate in Policy Formulation. Engage with government on employment policies, wage policies, and labour laws because unions aim "to advise the government on man power planning, employment policies and wage policies".

Establish Welfare Schemes. Create welfare schemes (1)health, education, housing) for members to demonstrate union value and attract membership because unions aim "to bargain for better working conditions of their members such as attractive fringe benefit".

Use Media Effectively. Utilize radio, television, and social media to highlight worker grievances and build public sympathy. This discusses "press or media role" where "union members contact journalists and write in media so that their demands are clearly spelt out"

## **CONCLUSION**

While community fears about monopolistic competition are understandable, this market structure offers significant benefits: product variety, quality improvements, employment opportunities, innovation, and economic growth. These benefits justify accepting the market situation.

Labour unions can address worker concerns through strengthened collective bargaining, improved leadership, member unity, strategic use of pressure tactics, legal support, skills development, and effective advocacy. By implementing these strategies, unions can gradually improve wages and working conditions in the industrial and service sectors, ensuring that workers share in the benefits of economic expansion.

## **COMPREHENSIVE GUIDE TO ANSWER LAYOUT AND MARKING SCHEME FOR UNEB ECONOMICS**

Based on the Assessment Guidelines document, here is the detailed breakdown of how answers should be structured and how marks are allocated.

### **PART ONE: GENERAL LAYOUT OF ANSWERS**

#### ***Essay Structure Format***

##### **[INTRODUCTION - 2-3 sentences]**

- Define the problem and key concept(1)s) from the scenario
- Briefly restate the scenario
- State what the essay will cover

##### **[BODY - Divided into Parts]**

###### **PART ONE: [First aspect of the task]**

- Point 1: State clearly + Explain + Link to scenario
  - Point 2: State clearly + Explain + Link to scenario
  - Point 3: State clearly + Explain + Link to scenario
- (1)Continue for 6-10 points)

###### **PART TWO: [Second aspect of the task]**

- Point 1: State clearly + Explain + Link to scenario
  - Point 2: State clearly + Explain + Link to scenario
  - Point 3: State clearly + Explain + Link to scenario
- (1)Continue for 6-10 points)

##### **[CONCLUSION - 3-4 sentences]**

- Summarize key findings
- Restrict to what was discussed
- No new points

#### ***Point Presentation Format***

Each point **MUST** follow this structure:

What to Include

Example

**State the point Clear economic concept/factor** "Time period affects price elasticity of demand."

**Explain the point 2-3 sentences of economic reasoning** "In the short run, demand tends to be inelastic because consumers cannot immediately adjust their consumption patterns. However, in the long run, demand becomes more elastic as consumers find alternatives."

**Link to scenario** Apply to the specific situation "During the one-month tournament in Kireka and Bweyogerere, customers had limited time to find alternatives, explaining why demand remained relatively inelastic despite price increases."

## **PART TWO: MARKING CRITERIA BREAKDOWN**

According to the Scoring Rubric in your Assessment Guidelines (1)pages 22-36), each item is marked across three dimensions:

### **Interpretation of Task/Context (1)5 marks maximum)**

This assesses whether the candidate understands what the question requires.

#### **Score Descriptor**

What This Looks Like

- 5 Demonstrates comprehensive understanding by accurately identifying the main problem and all key aspects • Correctly identifies all economic issues in scenario • Defines relevant concepts • Shows complete grasp of task requirements
- 4 Demonstrates understanding by identifying the main problem, with minor omissions • Identifies main issues • Some minor gaps in understanding • Generally correct direction
- 3 Identifies the main problem and resource allocation challenges, but with less clarity • Recognizes core issue • Explanation lacks depth • Some confusion in interpretation
- 2 Partially identifies the main problem, makes limited reference to concepts • Vague understanding • Mentions some relevant ideas but unclear
- 1 Fails to identify the main problem, shows little or no understanding • Completely off-topic • No grasp of scenario issues

### **Generating and Presenting Ideas (1)5 marks maximum)**

This assesses the quality, relevance, and development of points.

#### **Score Descriptor**

What This Looks Like

- 5 • Demonstrates comprehensive understanding • Fully developed and relevant ideas • Strong and logical connections between ideas and context • Presents ideas in clear, logical, fluent manner • Smooth transitions • Each point is a complete economic argument • Ideas flow naturally from one to next • Every point links explicitly to scenario • Economic terminology used correctly throughout
- 4 • Demonstrates good understanding • Relevant ideas mostly developed • Clear connections between ideas and context • Ideas presented logically with minor lapses • Most points well-developed • Some connections between points • Generally good flow • Minor gaps in explanation
- 3 • Shows basic understanding • Some relevant ideas with limited detail • Some connections between ideas • Ideas somewhat coherent • Points stated but thinly explained • Some relevance to scenario • Basic structure present

- 2 • Limited understanding • Few relevant ideas • Weak connections between ideas • Disorganized presentation • Points are superficial • Little link to scenario • Hard to follow argument
- 1 • Minimal understanding • Irrelevant ideas • No meaningful connections • Incoherent presentation • Points don't make economic sense • No relation to scenario • Impossible to follow

### **Making Informed Judgment (1)5 marks maximum)**

This assesses the conclusion, summary, and overall economic reasoning.

#### **Score Descriptor**

What This Looks Like

- 5 • Forms highly informed and well-reasoned opinion • Clearly summarizes key points • Demonstrates how economic concepts address the scenario • Insightful conclusion • Conclusion synthesizes all main points • Shows deep understanding of cause-effect • Provides clear, justified position • No new information introduced
- 4 • Forms well-reasoned opinion • Summarizes most key points • Shows good understanding • Clear conclusion • Good summary of arguments • Reasonable position stated • Some insight demonstrated
- 3 • Forms reasonable opinion • Summarizes some points • Shows some understanding • Basic summary present • Position stated but not fully justified
- 2 • Forms limited opinion • Identifies problem incompletely • Shows little understanding • Weak conclusion • Position unclear or unsupported
- 1 • Fails to form coherent opinion • Does not identify main problem • Shows no understanding • No conclusion • No position taken

### **PART THREE: MARK ALLOCATION PER POINT**

For a Standard Explanation Point

#### **Component Marks, What, Demonstrates This**

Stating the point correctly 1 mark Clear, accurate economic statement using appropriate terminology

Explaining the point 1 mark 2-3 sentences showing economic reasoning (1)how/why)

Linking to scenario 1 mark Explicit connection to the specific situation in the question

**TOTAL PER POINT :3 marks**

Example from Item One (1)Fertilizer):

Point: "Time period affects price elasticity of demand." **[1 mark]**

Explanation: "In the short run, demand for a commodity tends to be inelastic because consumers cannot immediately adjust their consumption patterns or find alternatives. However, in the long run, demand becomes more elastic as consumers have time to make adjustments." **[1 mark]**

Link to scenario: "For the farmers in Mbale, the short-run demand for fertilizer is inelastic (1)PED=0.8) because they cannot immediately change their farming practices or find substitute inputs when prices increase." [1 mark]

For a Two-Sided (1)Neutral) Point

Component, Marks, What Demonstrates This

Stating the point neutrally 1 mark Neutral phrasing (1)e.g., "Level of income")

Explaining the high/favourable side 1 mark What happens when factor is high/favourable

Explaining the low/unfavourable side 1 mark What happens when factor is low/unfavourable

**TOTAL PER POINT :3 marks**

Example from Item Five (1)Inflation Control):

Point: "Level of government expenditure affects inflation." [1 mark]

High side: "Excessive government expenditure increases money supply and aggregate demand, leading to demand-pull inflation." [1 mark]

Low side: "Reduced government expenditure decreases money supply and aggregate demand, helping to control inflation." [1 mark]

For Calculations

**Component , What, Demonstrates This**

Stating the correct formula 1 mark Writing  $PED = (1-) \Delta Q/\Delta P \times OP/OQ$

Correct substitution of values 1 mark Plugging in numbers correctly

Correct answer with interpretation 1 mark Final answer + explanation of what it means

**TOTAL :3 marks**

Example from Item One (1)Fertilizer):

Formula: "Price Elasticity of Demand = (1-)  $\Delta Q/\Delta P \times OP/OQ$ " [1 mark]

Substitution: "= (1-)  $4,000/25,000 \times 50,000/10,000$ " [1 mark]

Answer: "= 0.8, indicating inelastic demand since  $PED < 1$ ." [1 mark]

## **PART FOUR: HOW EXAMINERS ARE EXPECTED TO SCORE – THE SUGGESTED PRACTICAL PROCESS BUT NOT FINAL**

### 4.1 The Examiner's Mindset

When an examiner reads your answer, they are looking for:

1. Did you understand the question? (1) Interpretation of Task)
2. Did you provide relevant economic content? (1) Generating Ideas)
3. Did you explain your points properly? (1) Presenting Ideas)
4. Did you apply economics to the scenario? (1) Contextualization)
5. Did you reach a logical conclusion? (1) Informed Judgment)

#### 4.2 Marking Grid Used by Examiners

Examiners typically use a grid like this for each item:

Candidate Interpretation (1)	Ideas Generation (1)	Presentation (1)	Judgment (1)	Total (20)
4	4	4	4	16
3	3	3	3	12
5	5	5	5	20

#### 4.3 Point-by-Point Marking

For the body of the essay, examiners often use a checklist:

Points	Point Stated Correctly (1)	Explained Well (1)	Linked to Scenario (1)	Total
1	✓	✓	✓	3
2	✓	✓	✓	3
3	✓	✓	✗	2
4	✓	✗	✓	2
5	✓	✓	✓	3

Total marks on a number or certain aspect = 13

**Then add marks for interpretation, presentation, and judgment.**

### **PART FIVE: COMMON MISTAKES THAT LOSE MARKS**

#### Point Stating Errors

Mistake, Example, Why It Loses Marks

Vague/generalized point "Government should help" Not specific; no economic concept

No economic terminology "Prices went up because of many people" Not using economics language

Point not stated Jumping straight into explanation Examiner cannot award point mark

Wrong economic concept Using demand when supply is relevant Shows misunderstanding

#### Explanation Errors

Mistake, Example, Why It Loses Marks

No explanation Just listing points No development of ideas

Circular explanation "Demand increased because more people bought" No economic reasoning

Contradictory explanation Point and explanation don't match Confused thinking

Too brief One sentence only Insufficient development

Linking Errors

Mistake, Example, Why It Loses Marks

No link to scenario Generic essay that could apply anywhere Not answering the specific question

Forced/wrong link Connecting unrelated aspects Shows lack of understanding

Repeating scenario Just restating the story No analysis

Structural Errors

Mistake, Why, It Loses Marks

No introduction Missing context and direction

No conclusion Missing judgment marks

Poor paragraphing Hard for examiner to follow

Mixing different points Confused argument

Exceeding required points Wasting time; risk of contradicting yourself

## **PART SIX: ANSWER TEMPLATE FOR DIFFERENT QUESTION TYPES**

Template for "Analyze/Examine" Questions

INTRODUCTION

- Define key concept(1)s

- Restate scenario briefly

- State what will be analyzed

PART ONE: [First aspect]

Point 1: State → Explain → Link to scenario

Point 2: State → Explain → Link to scenario

Point 3: State → Explain → Link to scenario

(Continue for 8-10 points)

PART TWO: [Second aspect]

Point 1: State → Explain → Link to scenario

Point 2: State → Explain → Link to scenario

Point 3: State → Explain → Link to scenario

(Continue for 8-10 points)

CONCLUSION

- Summarize key findings

- State overall judgment
- No new points

Template for "Account for/Causes of" Questions (1)One-Sided)

#### INTRODUCTION

- Define the phenomenon
- State that various factors explain it

#### BODY

Point 1: State cause → Explain how it leads to phenomenon → Give example from scenario

Point 2: State cause → Explain how it leads to phenomenon → Give example from scenario

Point 3: State cause → Explain how it leads to phenomenon → Give example from scenario

(Continue for 8-10 points)

#### CONCLUSION

- Summarize main causes
- Concluding observation

Template for "Factors that Influence/Determine" Questions (1)Two-Sided/Neutral)

#### INTRODUCTION

- Define the concept and the problem
- State that various factors influence it

#### BODY

Point 1: State factor neutrally → Explain high/favourable side → Explain low/unfavourable side  
→ Link to scenario

Point 2: State factor neutrally → Explain high/favourable side → Explain low/unfavourable side  
→ Link to scenario

Point 3: State factor neutrally → Explain high/favourable side → Explain low/unfavourable side  
→ Link to scenario

(Continue for 8-10 points)

#### CONCLUSION

- Summarize key factors
- Concluding observation

Template for "Measures/Solutions/Strategies" Questions

#### INTRODUCTION

- Define the problem
- State that various measures can address it

## BODY

Point 1: State measure → Explain how it works → Explain how it addresses scenario → Give example if possible

Point 2: State measure → Explain how it works → Explain how it addresses scenario → Give example if possible

Point 3: State measure → Explain how it works → Explain how it addresses scenario → Give example if possible

(1 Continue for 8-10 points)

## CONCLUSION

- Summarize key measures
- Concluding recommendation

## PART SEVEN: SAMPLE MARKED ANSWER WITH COMMENTARY

Let's take a point from Item One and show exactly how it would be marked:

Question: Analyze factors influencing farmers' responsiveness to fertilizer price changes.

Candidate's Point:

"Time period is an important factor affecting price elasticity of demand. [1 mark for stating point correctly]

In the short run, demand for a commodity tends to be inelastic because consumers cannot immediately adjust their consumption patterns or find alternatives. Farmers cannot change their planting decisions overnight or switch to different inputs quickly. However, in the long run, demand becomes more elastic as farmers have time to adjust their farming practices, find substitute inputs, or change crop choices. [1 mark for clear explanation with economic reasoning]

In the Mbale scenario, the short-run demand for fertilizer is inelastic (1)PED=0.8) because farmers had already planted their crops and needed the fertilizer immediately. They could not wait or find alternatives, so they continued buying even when prices increased by 50%. [1 mark for explicit link to scenario]"

**Total for this point: 3/3 marks**

## PART EIGHT: QUICK REFERENCE – MARK ALLOCATION SUMMARY

Introduction Not marked separately but sets context 2-3 sentences defining concepts

Each point – Statement 1 mark Clear economic concept/factor

Each point – Explanation 1 mark 2-3 sentences of economic reasoning

Each point – Link to scenario 1 mark Apply to specific situation

PED Calculation – Formula 1 mark  $PE = (1 -) \frac{\Delta Q}{\Delta P} \times \frac{OP}{OQ}$

PED Calculation – Substitution 1 mark Correct numbers in formula  
PED Calculation – Answer 1 mark Correct answer + interpretation  
Interpretation of Task 5 marks Overall understanding of question  
Ideas Generation 5 marks Quality and relevance of points  
Ideas Presentation 5 marks Organization, flow, clarity  
Informed Judgment 5 marks Conclusion and synthesis  
TOTAL PER ITEM 20-25 marks

## **PART NINE: FINAL TIPS FOR MAXIMUM MARKS**

DO:

- ✓ Use economic terminology throughout
- ✓ State each point clearly before explaining
- ✓ Explain the economics behind each point
- ✓ Link every point explicitly to the scenario
- ✓ Use qualifiers (1)mainly, predominantly, basically) where appropriate
- ✓ Write in the correct tense (1)present for current situations)
- ✓ Use clear paragraphs
- ✓ Include calculations where required with all steps shown
- ✓ Write a conclusion that summarizes your argument

DON'T:

- ✗ Use vague or non-economic language
- ✗ List points without explanation
- ✗ Write generic essays that could apply anywhere
- ✗ Introduce new points in the conclusion
- ✗ Contradict yourself between points
- ✗ Use speculative language (1)may, might, could) unless the question asks
- ✗ Exceed the required number of points (1)quality over quantity)
- ✗ Forget to link to the scenario

Remember: The examiner is looking for evidence that if a learner understands economic concepts AND can apply them to real situations. Each point is an opportunity to demonstrate both knowledge and application. Structure your answer to make it easy for the examiner to see your points, explanations, and links clearly.

**FINAL ECONOMICS SUBJECT GRADING ASC, 2025.**

Economics competencies and learning outcomes have been merged to form the four constructs of: Resource Allocation; Economic strategy; Economic planning and policy; and Population and labour dynamics for production. The candidates’ overall performance per construct will be identified and recognized using five letter grades from A to E in a descending order and are meant to differentiate learners’ achievement levels as follows;

<b>SUBJECT</b>	<b>CONSTRUCT</b>	<b>GRADE</b>	<b>DESCRIPTOR</b>	
<b>ECONOMICS</b>	<b>Resource Allocation</b>	A	Demonstrates comprehensive economic understanding, strong data analysis, and makes sustainable, well-informed resource allocation decisions.	
		B	Demonstrates strong economic understanding, accurate analysis, and sound resource allocation decisions.	
		C	Demonstrates basic economic understanding and simple data analysis, but applies concepts inconsistently.	
		D	Demonstrates limited economic understanding, weak analysis, and unclear decision-making.	
		E	Demonstrates minimal economic understanding and struggles with analysis and decision-making.	
	<b>Economic strategy</b>	A	Demonstrates comprehensive understanding of economic growth and development and applies theories for sustainable global impact.	
		B	Demonstrates strong understanding of growth and development and applies theories effectively.	
		C	Demonstrates basic understanding of growth and development with limited application of theories.	
		D	Demonstrates limited understanding of growth and development with weak application of theories.	

		E	Demonstrates minimal understanding of economic growth and development and struggles to apply related theories.
<b>Economic planning and policy</b>	A	Demonstrates comprehensive understanding of economic planning and effectively applies analysis and fiscal strategies to drive growth.	
	B	Demonstrates strong understanding of economic planning and applies fiscal strategies effectively.	
	C	Demonstrates basic understanding of economic planning and applies fiscal strategies with limited effectiveness.	
	D	Demonstrates limited understanding of economic planning and weakly applies fiscal strategies.	
	E	Demonstrates minimal understanding of economic planning and struggles to apply fiscal strategies.	
<b>Population and labour dynamics for production</b>	A	Demonstrates comprehensive understanding of population and labour trends and applies them to promote sustainable production and employment.	
	B	Demonstrates strong understanding of population and labour trends and applies them to support production and employment.	
	C	Demonstrates basic understanding of population and labour trends and applies them moderately.	
	D	Demonstrates limited understanding of population and labour trends and applies them weakly.	
	E	Demonstrates minimal understanding of population and labour trends and struggles to apply them.	