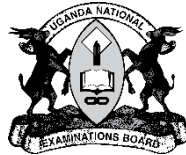


P220/2
ECONOMICS
Paper 2
2026
3 hours



UGANDA NATIONAL EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

ECONOMICS

Paper 2

3 hours

INSTRUCTIONS TO CANDIDATES

*This examination paper consists of two sections; **A** and **B**. It has **four** items.*

*Sections **A** has two **compulsory** items.*

*Sections **B** has two items. Respond to **one** item.*

*Respond to **three** items in all.*

*Any additional item responded to will **not** be scored.*

SECTION A

All items in this section are compulsory.

Item 1

In the recent years, the agricultural sector in Uganda has been improving and its impact is felt across all sectors. According to World Bank (2024), the sector accounts for 25% of Gross Domestic Product (GDP). The sector employs 80% of the rural population and 64% of the working population (UBOS, 2022). Despite this trend, some farmers are abandoning agriculture due to fluctuating price and exploitation by middlemen. Coupled with low market differentiation and poor access to export market, returns often fail to cover the high cost of seeds, fertilisers and hired labour. Due to this compounding problems, many rural farmers are finding better economic stability in booming boda-boda transport and retail businesses (UBOS, 2024).

Those exporters of agricultural products outside Uganda are also concerned about the unstable trends in the prices of the products. Due to the significant role of agriculture in the development of Uganda, the government would like to convince farmers to continue engaging in agriculture. The Ministry of Agriculture, Animal, Industry and Fisheries (MAAIF) has asked you to organise a workshop to sensitise farmers and stakeholders in your community about the need to continue with agriculture.

Task:

Analyse the trend of agriculture in the scenario and advise on the strategies that can be adopted to convince the farmers.

Item 2.

The government of Uganda has developed the National Development Plan IV (NDP IV) for 2025 to 2029. As part of its implementation, UGX2.43 trillion was allocated towards the Parish Development Model (PDM), Emyooga and other grass root economic empowerment programs. The National Planning Authority (NPA) however, has expressed concerns about the slow progress in the implementation of such plans, with some economic plans remaining on paper (National Development Plan, Financial year 2023/2024)

To raise revenue for the different programs, the government has levied various taxes. Ms. Nagawa recently imported a passenger motor-van which is still held up at Busia border because she has not cleared all the necessary taxes. Nagawa bought the motor van which was manufactured 7 years ago at 2,000 dollars, paid 200 dollars for insurance and 300 dollars as freight charges. The exchange rate at the time of entry was 1 dollar = UGX3,700. According to information available on the URA website,

Nagawa should also pay the following taxes:

Import Duty: 25%.

VAT: 18%.

Withholding tax: 6%.

Environmental levy for passengers' vans was observed as follows;

0-9 years after Manufacture- Nil

10-25 years after manufacture- 50 %

Above 15 years Not allowed into Uganda.

However, Nagawa has difficulty in determining the taxes due.

Task:

- (a) Propose measures that can help the government to address the concerns of NPA.
- (b) Calculate the amount of taxes Nagawa should pay to have her passenger motor van cleared.

SECTION B

*Respond to **two** items from this section.*

Item 3

According to Uganda Bureau of Statistics (UBOS), Uganda continues to experience unequal distribution of income and wealth across individuals, regions and sectors of the economy. Findings from the Uganda National Household Surveys, (2023/2024) indicate that a large share of the country's income is concentrated among a relatively small proportion of the population, while many Ugandans continue to earn low incomes. As a result, society is increasingly characterised by the "haves" (those with incomes and economic opportunities). This widening income gap has raised concerns about equitable and inclusive economic development.

Meanwhile, the Government of Uganda has continued to invest heavily in infrastructure, agriculture and other productive sectors to improve economic performance. However, the supply of goods and services has not increased at the same rate as aggregate demand. Consequently, the country has experienced a persistent rise in the general price level, reducing consumers' purchasing power and increasing the cost of living. These developments have raised concern among officials in the National Planning Authority (NPA) and policy makers in the Ministry of Finance, Planning and Economic Development, who are seeking appropriate policy interventions.

You have been invited by officials from the NPA and the Ministry of Finance, Planning and Economic Development to participate in the issues highlighted above.

Task:

- (a) Examine the situation of the “haves” and “have-nots” and suggest the measures that can be adopted to solve the challenges.
- (b) Evaluate and advise the policy makers on the strategies that can be adopted to address the concerns of persistent price increase.

Item 4

The Government of Uganda is committed to increase the country’s national income in order to improve the standard of living of its citizens. To support evidence- based planning, officials from the Uganda Bureau of Statistics (UBOS) have been collecting information on the monetary value of final goods and services produced within the country. However, the data collected have been incomplete and inaccurate, making it difficult for the government to estimate national income reliably and formulate appropriate economic policies.

Meanwhile, the government has continued to borrow funds from both domestic and external sources to finance its budget. A substantial proportion of the borrowed funds has increased the amount of money circulating in the economy, contributing to inflationary pressures. This has become a concern to policy makers, who have directed the Bank of Uganda to take appropriate measures to restore price stability.

You have been invited by officials from UBOS and the Bank of Uganda to participate on the issues highlighted above.

Task:

- (a) Recommend the measures that can be adopted to enable UBOS to achieve its goal.
- (b) Recommend to the Bank of Uganda the measures it can adopt to solve the challenges.