

## S5 ECONOMICS

### RESOURCE ENDOWMENT AND ECONOMIC DEVELOPMENT (CONTINUED.....)

#### EXAMPLES OF NATURAL RESOURCES THAT AID A COUNTRY TO DEVELOP.

These include the following:

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

#### TYPES OF NATURAL RESOURCES:

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

#### REASONS/OBJECTIVES FOR EXPLOITING NATURAL RESOURCES IN UGANDA.

- **To increase levels of output /GDP/ economic growth.** This is because the tapped resources are used as raw materials or inputs to produce more goods and services in Uganda.
- **To increase employment opportunities.** The enterprises that exploit resources hire labour thus creating jobs.
- **To promote infrastructural development.** This is because government is induced to put in place or develop better roads, communication facilities and power supply to ease activities of firms involved in exploitation of resources.
- **In order to encourage development of labour skills.** This is achieved through training workers to handle exploitation of resources; for example training miners, petroleum engineers and managers, agricultural extension workers, forest officers, e.t.c

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

#### **DISADVANTAGES /DEMERITS ASSOCIATED WITH EXPLOITATION OF NATURAL RESOURCES IN UGANDA.**

- Accelerates depletion of non-renewable resources.
- Leads to environmental degradation e.g pollution of air and water by industries.
- Perpetuates income inequalities.
- Worsens regional imbalances to some extent.
- Leads to technological unemployment due to use of machines during production.

- Worsens Balance of Payments Position due to high foreign exchange expenditure on importing machines and other items needed in exploiting natural resources.
- Encourages profit or income repatriation by foreign investors who are engaged in exploitation of natural resources.
- Foreign investors engaged in natural resource exploitation demand for excessive concessions from government in form of tax holidays and subsidies.
- Increases government expenditure on provision of basic infrastructure to ease or support exploitation of natural resources.
- Worsens external dependence on foreign technology and manpower.

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

**N.B:** Since exploitation of natural resources involves **investment**, we just use the **factors that limit investment BUT** link the explanation to **resources exploitation**.

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

- Poor techniques of production/ Low levels of technology.
- Stiff competition among the enterprises involved in natural resources exploitation.

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

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

## **REVISION QUESTIONS:**

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