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.

UGANDA NATIONAL EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

P220/2 ECONOMICS

SCORING GUIDE

FOR THE SAMPLE PAPER

Item 1(a)

To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- prepare a presentation to guide the government on the strategies that can be adopted to solve the concerns in the scenario.
- present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 12 responses = 8 and above will be a high achiever.

Possible Responses

Strategies that can be adopted by the government of Uganda so that farmers are convinced to continue with their activity are analyzed below;

- Provide incentives through giving soft loans, and improved seeds and animal breeds.
- Widening the market for agricultural output both local and foreign.
- Promote cooperative movements/Marketing boards to strengthen storage and marketing
- Extension services to farmers to educate them on better farming methods
- Improve infrastructure to reduce transport costs and increase accessibility to market
- Ensure political stability in all areas.
- Technological advancement/Mechanization.
- Provide irrigation services to ensure continuous production and increase yields / reduce overreliance on nature.
- Carrying out agricultural research to improve output.
- Improving land tenure system which increases access to land for agricultural production.
- Diversification in agriculture to offset the effects of hot fluctuation.

Item 1 (b)

To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- prepare a presentation to guide the government on how to overcome the fluctuating prices in the scenario.

Present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 9 responses = 6 and above will be a high achiever

Possible Responses for Solutions to fluctuating prices.

- Processing products for export market or adding value to exports
- Signing / strengthening commodity agreement to ensure stable prices in the foreign Market for a long period of time
- Diversification of export base to ensure steady market e.g., fish, horticulture
- Promoting regional integration – widening the market both local and foreign to guard against fluctuations in the Market.
- Boosting foreign direct investment and remittances
- Infrastructure improvement that is Transport ICT, energy
- Establishing internal resources to reduce on external borrowing.

- Managing the limits with in which foreign exchange can fluctuate.

Item 2 (a)
To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- analyse and explain measures that can help government to address concerns of National Planning Authority (NPAs) in the scenario.
- present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 8 responses = 6 and above will be a high achiever

Possible Responses
a) Measures that can help government to address concerns of National Planning Authority (NPAs)

- Strengthening institutional capacity through training to promote efficiency and accuracy.
- Enhancing resource mobilization and allocation i.e.
- Introducing performance-based budget.
- Improving governance and leakage to reduce leakages and diversion of funds.
- Effective monitoring and evaluation with clear indicators and checklist for economic plan.
- Improve the political will and stakeholders' engagement to partly promote implementation and ensure ownership to avoid duplication.
- Using advanced technology to reduce delays, monitor projects and provide timely feedback for project and service delivery.
- Implement plans in phrases and prioritize focus on key sectors before expanding to other sectors.

Item 2(b)

To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- states the formula and calculate the amount of taxes to be paid by Nagawa in the scenario.
- present at least 2/3 of the expected responses. For example, a learner who computes 2/3 of 6 taxes= 4 correctly and above will be a high achiever.

Possible Responses
(i) Customs' Value = (Cost of insurance + freight) × Exchange rate

$= (2000 + 200 + 500) \times 3700$

$= 2500 \times 3700$

= UGX 9,250,000

(ii) import duty = Import duty rate × Customs' value

$= 25/100 \times 9{,}250{,}000$

= UGX 2,312,500

(iii) VAT = VAT rate × VAT value (Customs value + Import duty)
VAT = (9,250,000 + 2,312,500)
= 18/100 × 11,562,500
= UGX 2,081,250

(iv) Withholding tax = withholding tax rate × Customs value

= 6/100 × 9,250,000
= UGX555,000

(v) Environmental levy = Nil.

(vi) Total taxes payable = Import duty + VAT + withholding Tax

= 2,312,500 + 2,018,250 + 555,000
= UGX4,985,750

Item 3(a)

To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- analyse and suggest measures that can be adopted to address challenges identified by UBOS in the scenario.
- present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 10 responses = 7 and above will be a high achiever

Possible Responses

- Provision of universal free subsidized key sectors of upriser
- Progressive tax system
- Agricultural modernization – development / improvement for people to access income.
- Small and Medium enterprise support for job creation to skilled, semiskilled and unskilled labour
- Promoting trade and industry to create jobs and expand markets
- Transparency in resource allocation improving accountability / fighting corruption –
- Promoting community participation – to involve community in decision making and planning in order to ensure policies reflecting the local needs.
- Supporting low-income earners through government programs such as PDM, Emyooga, etc.
- Infrastructural development for economic activities that bring out employment
- Financing disadvantaged regions for development e.g. Ministry of Karamojong affairs

Item (3b)

To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- analyse the scenario and advise policy makers on strategies for solving challenges in the scenario.
- present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 10 responses = 7 and above will be a high achiever

Possible Responses

- Subsidize producers to reduce costs of production and increase supply.
- Increase local production of goods and services by offering incentives to the private individuals.
- Gov't should set up its own industries to increase local production.
- Increase level of agriculture output through irrigation schemes, fertilizers, etc.
- Import capital goods to set up industries to increase production.
- Proper allocation of resources to productive activities.
- Reduce government expenditure on non-productive activities. Prioritize government expenditure on only productive activities.
- Boosting Infrastructure like Energy, roads, this reduces production costs and boosts production.
- Limit borrowing to finance only priority areas / activities / sectors to reduce emergency
- Agricultural improvement / transformation /modernization aiming at boosting the agricultural sector.
- Implement policies that stabilize price e.g. price control. Market regulation, encouraging competition, etc.

Item 4(a)

To attain the highest level of achievement, the candidate is expected to:

- read the scenario
- analyse and suggest measures that should be taken to enable the team in the scenario to collect accurate national income data.
- present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 10 responses = 7 and above will be a high achiever

Possible Responses

- Training more people in handling statistics/improve skills of data collectors / hire more skilled
- personnel to collect data
- Acquiring more equipment / machines / data collection gadget / improve technology to reduce human errors cross-checking figures from multiple sources to validate estimates
- Establishing mechanism for periodical updates and revisions to correct errors and include new information.
- Allow external reviews by regional statistical bodies to ensure credibility.
- Well defined boundary of production to avoid double counting
- Maintain political stability in all areas to ensure security of life and equipment of data collectors
- Improve infrastructure to ease movement of data collectors.
- Attach a lump sum monetary value on previously unpaid for services e.g. house hold services of house wives.
- Enforce laws to capture income of nationals abroad

Item 4(b)

The candidate is expected to:

- Read the scenario
- Examine and propose actions Bank of Uganda should take to address the challenge in the scenario.
- Present at least 2/3 of the expected responses. For example, a candidate who gives 2/3 of the 10 responses = 7 and above will be a high achiever

Possible Responses

- Raise the central bank rate to increase the interest rate to reduce lending by commercial banks
- Open Market operations i.e. selling more government securities E.g. bonds, treasury bill etc. to absorb surplus money from the public to encourage growth of Capital Markets
- Increasing the legal reserve requirement to reduce excess liquidity in commercial banks
- Aligning the government borrowing with monetary policy goals i.e. reducing excessive deficit financing
- Raise the cash ratio to reduce excess loanable funds
- Raise the Margin requirement to make it very expensive for people to borrow.
- Persuade banks to control excess lending or to lend only to priority sectors
- Request for supplementary resources from commercial banks in periods of excess supply of money
- Direct action to non-responsive commercial banks e.g. refusal to clear their cheques, refusal to re-discount bills of exchange
- Regulate issuing of currency (printing of currency) to match the available economic activities