



# Economics

Senior Six

**Teacher's Guide**

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# FOREWORD

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## **Dear teacher,**

Rwanda Education Board is honoured to present Senior Six Economics Teacher's Guide which serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of the economics subject. The Rwandan educational philosophy is to ensure that learners achieve full potential at every level of education which will prepare them to be well integrated in society and exploit employment opportunities.

In line with efforts to improve the quality of education, the government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate their learning process. Many factors influence what they learn, how well they learn and the competences they acquire. Those factors include the relevance of the specific content, the quality of teachers' pedagogical approaches, the assessment strategies and the instructional materials available. We paid special attention to the activities that facilitate the learning process in which learners can develop ideas and make new discoveries during concrete activities carried out individually or with peers. With the help of the teachers, learners will gain appropriate skills and be able to apply what they have learnt in real life situations. Hence, they will be able to develop certain values and attitudes allowing them to make a difference not only to their own life but also to the nation.

This is in contrast to traditional learning theories which view learning mainly as a process of acquiring knowledge from the more knowledgeable who is mostly the teacher. In competence-based curriculum, learning is considered as a process of active building and developing of knowledge and understanding, skills and values and attitude by the learner where concepts are mainly introduced by an activity, situation or scenario that helps the learner to construct knowledge, develop skills and acquire positive attitudes and values.

In addition, such active learning engages learners in doing things and thinking about the things they are doing and they are encouraged to bring their own real experiences and knowledge into the learning processes. In view of this, your role is to:

Plan your lessons and prepare appropriate teaching materials.

Organize group discussions for learners considering the importance of social constructivism suggesting that learning occurs more effectively when the learner works collaboratively with more knowledgeable and experienced people.

Engage learners through active learning methods such as inquiry methods, group discussions, research, investigative activities and group and individual work activities.

Provide supervised opportunities for learners to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation.

Support and facilitate the learning process by valuing learners' contributions in the class activities.

Guide learners towards the harmonization of their findings.

Encourage individual, peer and group evaluation of the work done in the classroom and use appropriate competence-based assessment approaches and methods.

To facilitate you in your teaching activities, the content of this teacher's guide is self-explanatory so that you can easily use it. Even though this teacher's guide contains the answers for all activities given in the Student's Book, you are requested to work through each question and activity before judging learner's findings.

I wish to sincerely extend my appreciation to REB staff who organized the editing process of this teacher's guide. Special gratitude also goes to lecturers, teachers, illustrators and designers who supported the exercise throughout. Any comment or contribution would be welcome to the improvement of this textbook for the next edition.

**Dr. NDAYAMBAJE Irénée**

**Director General, REB**

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**Joan Murungi,**

**Head of CTLRD**



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# Part I : General Introduction

# Basic information

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## Organisation of the book

This Teacher's Guide is organised into two main sections or parts. Part 1 is the general introduction section detailing pedagogical issues.

Part 2 gives the details of the expected learning units as organised in the Student's Book.

The main elements in this part are; topic area which details the various subtopic areas and Unit headings that are accompanied by some text in the Student's Book to motivate teachers. Also the total number of lessons per unit is given.

**Key unit competence:** This is the competence, which will be achieved once learners have met all the learning objectives in the unit.

**Learning Objectives:** The content in this area is broken down into three categories of learning objectives, that is, knowledge and understanding; skills which relate to the upper level of Bloom's taxonomy, that learners have to apply in their learning and engage in higher order thinking; attitudes and values that relate to the unit.

## Rationale of Teaching and Learning Economics

Economic is concerned with the study of how scarce resources are allocated, given the unlimited wants of a society.

Economics decisions significantly influence the quality of life experienced by people throughout the world. The study of economics can help individuals; groups and societies make choices that assist them improve their quality of life.

Economics prepares learners for the real world of work through career paths like Entrepreneurship, Management, Business, Accounting and Finance, Marketing, Tourism, Statistics, International Economics and policies, Agriculture Economics, Environmental Studies, and Development Studies. It also gives



learners the critical knowledge and skills to communicate ideas using the language and tools of the discipline of economics. Furthermore, it provides a useful foundation not only for further study in Economics but also for study in other Social Science subjects, including History, Entrepreneurship, Geography, Politics and International Relations.

### Types of competences and their acquisition

Competences are statements of the characteristics that learners should demonstrate. It indicates their preparedness and the ability to perform independently in professional practice.

A competence based learning takes learners to higher level by providing them with challenging and engaging learning experiences which requires them deep thinking rather than just on what they know.

There are two types of competences in the competence based curriculum: Basic competences and Generic competences.

#### ***Basic competences***

Basic competences are main, key or vital competences identified basing on the expectations and aspirations reflected in the national policy documents. They are addressed in the stated broad subject competences and in objective highlighted year on year basis and in each of the units of learning. They include:

#### ***Literacy***

- Reading a variety of texts accurately and quickly.
- Expressing ideas, messages and events through writing legible texts in good hand-writing with correctly spelt words.
- Communicating ideas effectively.
- Listening carefully for understanding and seeking clarification when necessary

#### ***Numeracy***

- Computing accurately using the four mathematical operations such as: manipulating numbers, mathematical symbols, quantities, shapes and figures to accomplish a task involving calculations, measurements and estimations.

- Use numerical patterns and relationships to solve problems related to everyday activities like commercial context and financial management.
- Interpreting basic statistical data and other information using tables, diagrams, pie charts and graphs.

### ***ICT and digital competences***

- Locating, extracting, recording and interpreting information from various sources.
- Assessing, retrieving and exchanging information via internet or cell phones.
- Using cell phones and internet for leisure and for money transactions.
- Using computer keyboard and mouse to write and store information.
- Using information and communication technologies to enhance learning and teaching (all subjects).

### ***Citizenship and national identity***

- Relating the impact of historical events on past and present national and cultural identity.
- Understanding the historical and cultural roots of Rwandan society and how the local infrastructure functions in relation to the global environment.
- Demonstrating respect for cultural identities and expressing the role of the national language in social and cultural context.
- Advocating for the historical, cultural and geographical heritage of the nation with in the global dimension.
- Showing national consciousness and a strong sense of belonging and patriotic spirit.
- Advocating for a harmonious and cohesive society and working with people from diverse cultural backgrounds.

### ***Entrepreneurship and business development***

- Applying entrepreneurial attitudes and approaches to challenges and opportunities in school and in life.
- Understanding the obligations of the different parties involved in employment.

- Planning and managing micro projects and small and medium enterprises.
- Creation of employment and keeping proper books of accounts.
- Risk-taking in business ventures and in other initiative.
- Evaluating resources needed for a business.

## Generic competences

Generic competences are competences that involve and promote the development of the higher order thinking skills. This boosts subject learning as well as being highly valuable in themselves. They are seen as generic competences because they apply across all curricula and can be developed in all the subjects studied. They must therefore, be emphasised and reflected in the learning process. They are briefly described below and teachers must ensure that learners are engaged in tasks that help them to acquire the competences.

1. **Critical thinking and problem solving skills:** The acquisition of such skills will help learners to think ingeniously, innovatively and broadly and be able to evaluate and find solutions to problems encountered in their surroundings.
2. **Creativity and innovation:** The acquisition of such skills will help learners to take initiatives and use imagination beyond knowledge provided in classroom to generate new ideas and construct new concepts.
3. **Research skills:** These will help learners to find answers to questions based on existing information and concepts and use it to explain phenomena from gathered information.
4. **Communication in official languages:** Teachers, irrespective of being language teachers should ensure the proper use of the language of instruction by learners. Teachers should communicate clearly and confidently. They should convey ideas effectively through spoken and written English by applying appropriate grammar and relevant vocabulary.
5. **Cooperation, interpersonal management and lifeskill:** This will help the learner to cooperate in a team in whatever task assigned and to practice positive ethical moral values.

6. **Lifelong learning:** The acquisition of such skills will help learners to update knowledge and skills with minimum external support. Learners will be able to cope with evolution of knowledge advances for personal fulfilment in areas that are relevant to their improvement and development.

### Economics as a subject and developing the competences

Competences cannot be taught directly like subject knowledge. They are acquired over time through the cumulative effect of a competence approach to learning which is mainly inquiry oriented. They require students to practice and employ the generic competences throughout the subjects that they study. They require teachers to adopt approaches that not only develop deductive and inductive skills but also encourage and enable students to think critically, carry out research, solve problems, be creative and innovative, communicate, cooperate and to become lifelong learners. This deepens learners' understanding of the subject and build their ability to apply to their subject learning.

### Cross-cutting issues to be infused during learning

These are emerging issues which need to be incorporated in the learning process appropriately. Each of the cross-cutting issues has its own important programme of learning reflecting key national priorities. The eight cross-cutting issues are:

**Peace and Values Education:** The need for Peace and Values Education in the curriculum is obvious. Peace is clearly critical for society to flourish and for every individual to focus on personal achievement and their contribution to the success of the nation. Values education forms a key element of the strategy for ensuring young people recognise the importance of contributing to society, working for peace and harmony and being committed to avoiding conflict.

**Financial Education:** Financial education makes a strong contribution to the wider aims of education. It makes learning relevant to real life situations. It aims at a comprehensive financial education programme as a precondition for achieving financial inclusion target and improves the financial capability of Rwandans. Financial education has a key role of not only improving knowledge

of personal but also transforming this knowledge into action. It provides the tools for sound money management practices on earnings, spending, saving, borrowing and investing. Financial education enables people to take appropriate financial services both formal and informal that is available to them and encourages financial behaviour that enhance their overall economic well-being.

**Standardisation culture:** Standardisation culture develops learners' understanding of the importance of standards as a pillar of economic development and in the practices, activities and lifestyle of the citizens. It is intended that the adoption of Standardisation culture should have an impact upon health improvement, economic growth, industrialisation, trade and general welfare of the people. While education is the foundation and strength of our nation, standards are one of the key pillars of sustainable economic development.

**Genocide Studies:** Genocide Studies provide young people with an understanding of the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unity. Genocide studies help learners to comprehend the role of every individual in ensuring nothing of the sort ever happens again. The intent of a cross-cutting curriculum around the topic of genocide is to fight against genocide, genocide denial, and genocide ideology; and to equip learners with a more fundamental and comprehensive understanding of the genocide, thereby preventing further human rights violation in the future and enabling Rwanda's population of young people to more competently and thoughtfully enter the workforce. So it needs to be emphasised.

**Environment and sustainability:** The growing awareness of the impact of the human race on the environment has led to recognition of the need to ensure our young people understand the importance of sustainability as they grow up and become responsible for the world around them. Hence environment and sustainability is a very important cross-cutting issue. Learners need basic knowledge from the natural sciences, social sciences and humanities to understand and interpret principles of sustainability. They also need skills and attitudes that will enable them in their everyday life to address the environment and climate change issue and to have a sustainable livelihood.

**Gender education:** There is a strong moral imperative to afford every individual their basic human rights and gender inequality results in women and girls being treated less favourably than men. A strong negative impact of unequal treatment, which affects the nation as a whole, is the fact that it results in women being held back and their talents and abilities not being fully realised. With a good understanding of the principles of gender equality, it is intended that future generations will ensure that the potential of the whole population is realised.

**Comprehensive sex education (HIV and AIDS, STI, Family planning, Gender equality and Reproductive health):** Comprehensive sex education, which is age appropriate, gender sensitive and life skills based can provide young people with the knowledge and skills to make informed decisions about their sexuality and life style. Preparing children and young people for the transition to adulthood has been one of humanity's greatest challenges with human sexuality and relationships at its core.

Few young people receive adequate preparations for their sexual lives. This leaves them potentially vulnerable to coercion, abuse and exploitation, unintended pregnancy and Sexually Transmitted Infections (STIs) including HIV and AIDS. Many young people approach adulthood faced with conflicting and confusing messages about sexuality and gender. This is often exacerbated by embarrassment, silence, disapproval and open discussion of sexual matters by adults (parents, teachers) at the very time when it is most needed.

Comprehensive sex education supports a rights-based approach in which values such as respect, acceptance, tolerance, equality, empathy and reciprocity are inextricably linked to universally agreed human rights. A clear message concerning these dangers and how they can be avoided, from right across the curriculum, is the best way to ensure that young people understand the risks and know how to stay healthy.

**Inclusive education:** Inclusive education involves ensuring all learners are engaged in education and that they are welcomed by other learners so that everyone can achieve their potential. Inclusive practice embraces every individual regardless of gender or ability including those with learning difficulties and disabilities. The most focus of inclusive curriculum is on ensuring participation

in education of learners with different learning styles and other difficulties. To be successful, it entails a range of issues including teacher's positive attitudes, adapting the learning resources, differentiation of teaching and learning methods and working together. Overall, the benefits of an inclusive curriculum extend to all learners.

**Special needs education and inclusivity:** All Rwandans have the right to access education regardless of their different social economic or political background. The undermining of this provision would naturally hold that all citizens benefit from the same menu of educational programmes. The possibility of this assumption is the focus of special needs education. The critical issue is that we have persons/learners who are totally different in their ways of living and learning as opposed to the majority. The difference can either be emotional, physical, sensory and intellectual learning challenges traditionally known as mental retardation. These learners equally have the right to benefit from the free and compulsory basic education in the nearby ordinary/mainstream schools. Therefore, the schools' role is to enrol them and also set strategies to provide relevant education to them. The teacher therefore is requested to consider each learner's needs during teaching and learning process. Assessment strategies and conditions should also be standardised to the needs of these learners. Also ensure that you include learners with special education needs in classroom activities as much as possible.

The special needs learners can fall in any of the following common categories:

- Physical disabilities.
- Visual impairment.
- Hearing difficulties.
- Mental disabilities.
- Genocide traumatised learners. The teacher should identify such cases and help facilitate the affected learner's learning. The following are some suggestions on how to support special needs learners in your class.

**Learners with physical disabilities:** In this group of learners, the affected areas are normally some body parts, especially the limbs. There may be partial or total loss of use of the limbs. In case the legs are affected, the learners will need assistance during activities

that involve movement. This could be during a nature walk and other activities that learners have to stand for some reason. The teacher should organise for the learner's ease of movement around. The learner should also be given time to catch up with the others. In case the hands are affected, the learners should be given more time to finish their work. In both cases, the learner should not be pressurised to do things that can cause injury or mockery.

**Learners with visual impairment:** These learners normally have problems with their eyesight. They should sit in a position where they are able to see the chalkboard without straining. For example, the learner could be long-sighted or short-sighted; the material to be observed should be brought closer to the learner and a magnifying lens used where necessary. You should use large diagrams, charts and labels.

In some cases, the learner can be allowed to touch and feel whatever they are looking at. Other learners can assist by reading aloud. The lighting system in the classroom can also be improved. You should read aloud most of the things he/she writes on the chalkboard.

**Learners with hearing difficulties:** The affected part in this case is the ear. The learner should have hearing aids. You should use as many visual aids as possible. They should also project their voices and always talk while facing the learners. Use of gestures and signs while talking helps the learner figure out what you are saying as well.

**Learners with speech difficulties:** A common example in a normal class is stammering. They always speak with a lot of difficulties. You should be patient with them and encourage such learners to express themselves in their own way. Such learners should be given more written exercises.

**Learners with mental disabilities:** You should try to identify the nature and level of the mental difficulty. Learners with mental difficulties should then be given special assistance and attention at an individual level. They can be given special tests or assignments. In general, all the learners with difficulties should be reinforced promptly. This encourages and motivates them. You and the rest of the class should never ridicule learners with any of the disabilities. Note that, generally, people with any kind of disability can be very



sensitive to any kind of negative comments or criticism but remind them that ‘disability is not inability’.

You should avoid giving privileges where the learners do not deserve them. Treat them fairly but not with excessive favours. In extreme cases it can be recommended for the learners to join a special school.

As a teacher therefore, before the start of any lesson in every unit, you need to identify and recognise cases that require special needs education e.g. learners who have physical, visual, hearing, or mental disabilities etc. and design appropriate means and measures that consider each learner’s needs during the teaching and learning process. Include them in classroom presentations and activities as much as possible, and the assessment strategies and conditions should be standardised to the needs of these learners.

## Methods, techniques and strategies of teaching Economics

Teaching methods are the approaches that the teacher employs during a lesson. The two main teaching methods are *teacher-centered* and *learner-centered*.

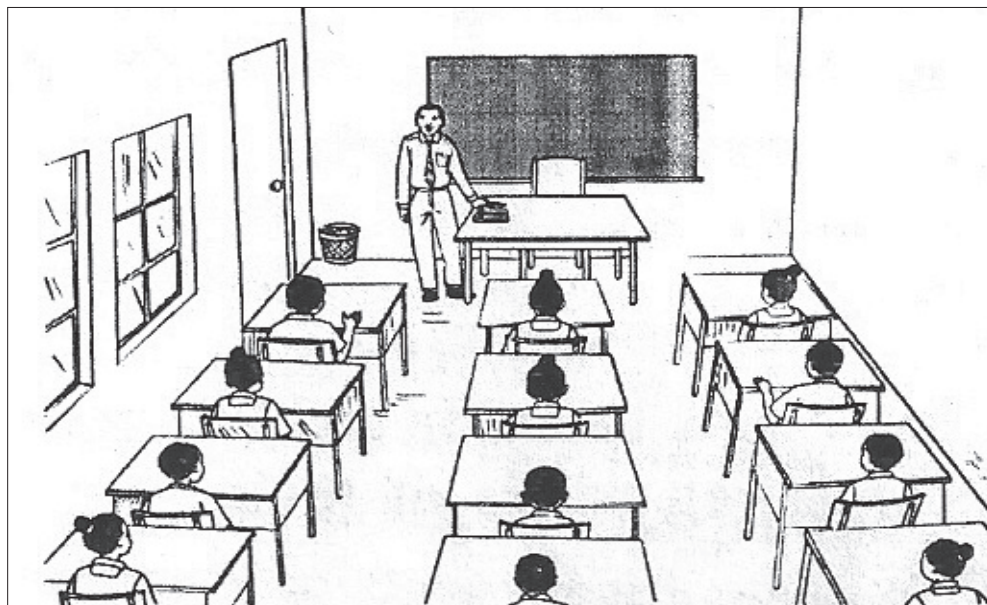
The learner-centered method or the activity-oriented is where learners are active participants in the learning process, in other words they are the doers of the activities. The teacher’s role in this method is that of a guide and a facilitator in the learning process. Learners are required to examine, find out, determine, give their opinions (in discussions), draw comparisons and participate in debates and projects among others. Learning is all about the learner and the teacher’s role is to find out whether the learner has acquired the required skills. He or she observes the learner’s participation and evaluates them after the lesson. The teacher may also come in to help the learner understand a concept or assist in explaining some concepts. This method should be employed across all units.

## Classrooms as a learning environment

Classroom generally refers to the place where learning takes place. Learners learn from everything that happens around them, such as the things that they hear, see, touch, taste, smell and play with. It is therefore important for you as the teacher to make the classroom an attractive and stimulating environment.

A well-organised classroom is an asset to good Economics teaching. However, there is no one correct style to suit all classrooms and situations. Consider the following factors when organising the classroom:

- (a) Furniture should be well arranged so as to allow free movement of learners and the teacher.
- (b) Set a corner for storing materials so as not to obstruct learners or distract them.
- (c) The number of learners in the class, their gender and their ages.
- (d) Learners should be reasonably spread out so that they do not interfere with one another's activities.
- (e) The series of lessons or activities going on for a number of days or weeks such as individual or group work or whole class.
- (f) Classroom itself, that is, positions of windows, doors such that learners face the lighted areas of the room.
- (g) Personal preferences: These should be in the interest of learners especially where you normally stand, you should be able to communicate with all learners, and also have a general view of all learners in class.



*Sample of a general view setting in a classroom*

### ***Grouping learners for learning***

Most of the Economics activities are carried out in groups. Therefore, have a group of 5-6 learners sitting around their desks. In certain activities, the teacher may wish to carry out a demonstration. In this case, learners should be sitting or standing in a semi-circle, or arranged around an empty shape of letter “U” such that each learner can see what the teacher is doing clearly and without obstruction or pushing. If learners are involved in individual work, each learner can work on the desk or a portion of the desk if they are sharing. Learners can be grouped according to;

- (a) Similar ability grouping
- (b) Mixed ability grouping
- (c) Similar interests grouping
- (d) Needs grouping
- (f) Gender grouping

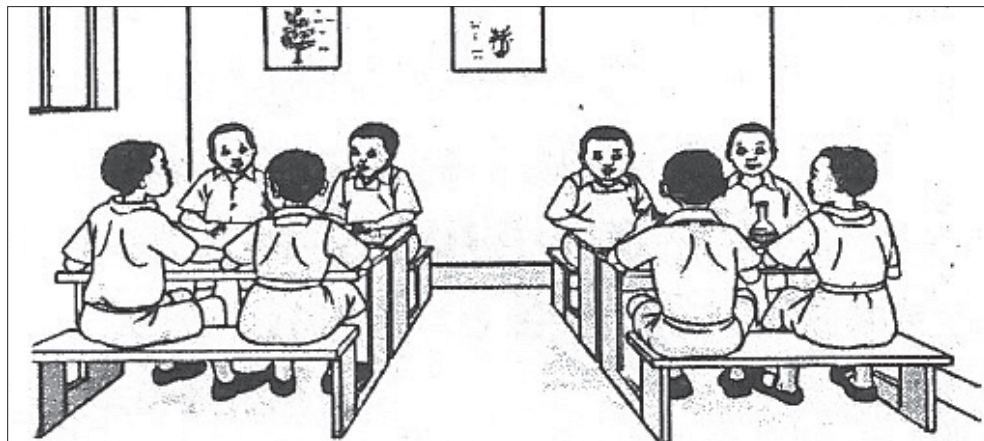
Grouping learners has several advantages such as:

- (a) The individual learner’s progress and needs can easily be observed.
- (b) The teacher-learner relationship is enhanced.
- (c) A teacher can easily attend to the needs and problems of a small group.
- (d) Materials that were inadequate for individual work can now easily be shared.
- (e) Learners can learn from one another.
- (f) Cooperation among learners can easily be developed.
- (g) Many learners accept correction from the teacher more readily and without feeling humiliated when they are in a small group rather than the whole class.
- (h) Learners’ creativity, responsibility and leadership skills can easily be developed.
- (i) Learners can work at their own pace.

The type of “grouping” that a teacher may chooses depends on:

- (a) The topic or task to be tackled.
- (b) The materials available.
- (c) Ability of learners in the class (learners with extra abilities or time takers).

As a teacher, you must be flexible enough to adjust or change types of grouping to cope with new situations.



*Sample of grouping in a classroom setting*

There is no fixed number of learners that a group must have. This again will be dictated by such factors as the task to be done, the materials, characteristics of learners in your class, size and the space available. However, groups should on average have between **four to seven learners**. You can also resort to pairing depending on the nature of the content being taught at the time.

There is no one method or approach to teaching that is appropriate to all lessons. You should, therefore, choose wisely the method to use or a combination of methods depending on the nature of the topic or subtopic at hand.

### Assessment and evaluation methods

In the new competence based curriculum, assessment process is where a learner is confronted with a complex situation relevant to his or her everyday life and asked to look for a solution by applying what has been learned, (knowledge, skills and attitudes).

### Types of assessment

There are 2 major types of assessment that will be engaged in the teaching of economics in Senior Six. These include:

#### Formative or continuous assessment

This involves daily monitoring of learning to provide ongoing feedback that teachers can use to improve their teaching and

learners use to improve their acquisition of competences. It is intended, among other things, to help you assess curriculum learning objectives at short intervals of time. And provide effective remedial instructions for time takers or enrichment activities for learners with extra abilities.

You will use one or a combination of the following:

- Observation to judge the extent of skills acquisition.
- Written tests
- Oral questions Project work and
- Attitude change –this can be done by asking probing questions and checking body language as learners respond to the question.

### **Summative assessment**

This is used to evaluate the student learning, skill acquisition and academic achievement at the conclusion of a defined instructional period. For example, a unit, course, term, programme or school year. The main purpose of summative assessment is to evaluate whether the learning objectives have been achieved and it uses the results for the ranking or grading of learners for deciding on progression, for promoting into the next level of education or for certification. This assessment should have an integrative aspect whereby a learner must be able to show a mastery of all competences.

# The lesson plan template

## Sample of a Competence – based Lesson Plan

School Name: G.S. Mulindi

Teacher's name: MUHIRE Joseph

| Term  | Date  | Subject   | Class  | Unit No                              | Lesson No | Duration | Class size |
|---|---|-----------|--------|--------------------------------------|-----------|----------|------------|
| 1   | 23 /01/ 2018  | Economics | S6 MCE | 1                                    | 3 of 21   | 120mins  | 45         |
| <b>Type of special educational needs to be catered for in this lesson and number of learners in each category</b> |   |           |        | 2 learners with hearing impairments. |           |          |            |
| <b>Unit title</b>   | International trade theories  |           |        |                                      |           |          |            |
| <b>Key unit competence</b>  | Learners will be able to analyse the importance of international trade to the development of the economy.   |           |        |                                      |           |          |            |
| <b>Title of the lesson</b>  | Forms and terminologies used in international trade   |           |        |                                      |           |          |            |
| <b>Instructional objective</b>  | Using international trade photos in learners book, learners will be able to explain the forms and different terminologies used in international trade clearly.  |           |        |                                      |           |          |            |
| <b>Plan for this Class (location: in / outside)</b>   | The lesson will be conducted from the class room, where learners will be put in manageable groups.<br>The learners with visual impairments will sit in the groups that are located near the chalk board/in front. |           |        |                                      |           |          |            |
| <b>Learning materials (for all learners)</b>  | Economics journals, text books, flip charts/rice sack charts, internet, projectors, newspaper articles on economics.  |           |        |                                      |           |          |            |
| <b>References</b>   | Authorised economics textbooks and the internet   |           |        |                                      |           |          |            |

| Timing for each step           | Description of teaching and learning activity   |  | Generic competences and<br>Cross cutting issues to be addressed+<br>a short explanation   |
|--------------------------------|---|--|---|
|                                | Teacher activities  | Learner activities   |   |
| <b>Introduction<br/>20 min</b> | <ul style="list-style-type: none"> <li>Makes groups and asks the learners join their respective groups.</li> <li>Gives an introductory task on international trade.</li> </ul> <p><b>Task:</b> In groups ask learners to discuss and give findings on;</p> <p>(i) Write down where you think Rwanda gets all she needs in the country.</p> <p>(ii) How do you think do such commodities reach those who need them in the country?</p> <ul style="list-style-type: none"> <li>Moves in different groups facilitating them in the due course of discussion and after call upon groups to present.</li> <li>Connects the task with the day's lesson by showing that the way we get goods we cannot produce on our own is through international trade.</li> </ul> | <ul style="list-style-type: none"> <li>Join their groups</li> <li>Discuss on the task given and come up with a general consensus and present to the whole class;</li> </ul> <p><b>Expected answers</b></p> <p>(i)</p> <ul style="list-style-type: none"> <li>Domestic production.</li> <li>Buying from other countries</li> <li>Asking for help from other countries.</li> </ul> <p>(ii) Through buying and selling (exchange)</p> <ul style="list-style-type: none"> <li>Pay attention to the teacher's explanation.</li> </ul> | <ul style="list-style-type: none"> <li>Cooperation and team work through working in groups</li> <li>Critical thinking through analysing the task given by the teacher.</li> </ul> <p><b>Cross cutting issues to be addressed</b><br/>Inclusive education through catering for all learners in groups.</p> |

|  |   |  |   |
|--|---|--|---|
| <p><b>Development of the lesson</b><br/><b>80 mins</b></p> | <p>Gives them a task in Activity 1 in the Student's Book about international trade</p> <p>Asks the learners to note down their findings for each group.</p> <p>Keeps on moderating the discussions by passing through various groups helping out where need arises.</p> | <p>Analyse the case study in activity 1 in the Student's Book page 4, Mutangana, a business man in Muhanga sells his produce in different districts in Rwanda like Muhanga, Kigali, Rubavu and Nyagatare. He also crosses borders and sells to outside countries like Tanzania, Uganda and Kenya.</p> <p>Mutangana also buys some commodities he cannot produce himself from different parts in the country and as well as from outside the country.</p> <p>(i) How do we call the act of selling and buying by Mutangana?</p> <p>(ii) What do we call the selling and buying of commodities within the country?</p> <p>(iii) What do we call the selling and buying of commodities between or among countries?</p> <p>(iv) How do nations get commodities they cannot produce on their own?</p> <p>(v) ..... are commodities bought from other countries while..... are commodities sold to other countries</p> | <p><b>Generic competences</b></p> <p>Communication through group work discussions</p> <p>Critical thinking through analysing the case study about international trade</p> <p>Lifelong learning through research on international trade.</p> <p>Cooperation and team building through group work discussion</p> <p><b>Cross cutting issues addressed</b></p> <p><i>Standardisation culture</i> through emphasising that for Mutangana to get a bigger market, his commodities must be of better quality</p> <p><i>Finance education</i> through emphasising that Mutangana must spare his earnings in order to get what he doesn't have in and outside the country</p> |
|--|---|--|---|



|  |  |   |  |
|--|--|---|--|
|  |  | <p>(vi) What distinguishes trade with in Rwanda and trade between Rwanda and other countries?</p> <p>Writes down their findings to be used in the general class discussion.<br/>General class group presentation<br/>Answering the questions posed by fellow learners and the facilitator.<br/>Make notes of the discussions conducted.</p> <p><b>Expected answers</b></p> <ul style="list-style-type: none"> <li>• Trade</li> <li>• Domestic/ internal trade</li> <li>• International trade.</li> <li>• Through exchange with other countries</li> <li>• Imports and exports</li> <li>• Transactions in domestic trade involve use of home currency while international trade they are different.</li> </ul> |  |
| <p><b>Conclusion<br/>15minutes<br/>summary</b></p> | <p>Concludes the lesson by harmonising findings of different groups, ask relevant questions depending on the discussion and or answer questions from learners and gives summary.</p> | <p>Take important main points emphasised by the facilitator in the summary.</p>   | <p><b>Competences developed</b><br/>Listening skills through listening attentively to the teacher as he/she harmonises the points from different groups and summary of the lesson.</p> |

|                                  |   |   |  |
|----------------------------------|---|---|--|
|                                  | <p><b>Summary</b></p> <ul style="list-style-type: none"> <li>• Where a country fails to produce all it needs internally; it has to join international trade. International trade involves the exchange of both goods and services across borders. This is possible through selling and buying by exporters and importers respectively.</li> <li>• -Give a homework to research on the question below</li> </ul> |   | <p><b>Cross cutting issue</b></p> <p>Inclusive education where every person's group's view was respected and given value or due consideration.</p> <p>Peace and harmony is a necessary value for countries to cooperate in international trade in order to exchange commodities.</p> |
| <p><b>5 mins Assessment.</b></p> | <p>Why is it important for countries to participate in international trade?</p>   | <ul style="list-style-type: none"> <li>• Write down the homework question to research about.</li> </ul> |  |

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## Part 2: Development of Units



## **Unit 1: International Trade Theories**

*Reference to Student's text Book Unit 1*

**Key unit competence:** Learners will be able to analyse the importance of international trade to the development of the economy.

### **Prerequisites for this unit**

In Senior Five, we last tackled the unit of population, labour and wages and this brings us the need to tackle international economics. This is because high population growth rates in some countries worldwide require labour mobility globally, due to the need to acquire goods and services to cater for the alarming population etc. This requires countries to work hand in hand through international trade. This requires learners to have knowledge and understanding, skills and values and attitudes on global issues. Thus, the introduction of this unit in S.6.

This unit will introduce learners to international economics. It is the first unit on international economics and therefore explains the terminologies that will be used in this unit and other different units ahead. Introduce it carefully to make sure that learners understand it better. It introduces learners to international trade theories, a basis of international trade, and thus analyse reasons why countries need to trade with each other and appreciate why Rwanda herself trades with different countries globally, and adapt to challenges therein.

### **Cross-cutting issues to be addressed**

When teaching this unit, the following cross cutting issues should be emphasised:

**Peace and values education:** Given the fact that countries have to trade together, they must maintain a good relationship between or amongst themselves so as to reap much from international trade.

**Environmental sustainability:** Emphasise to learners that as much as countries need to a lot much from international trade, they need to harmonise the need for increased exports through increased exploitation of resources with the environment and its sustainability.

**Standardisation culture:** Learners need to understand and appreciate the culture of better quality products produced within or imported from other countries for better health and standard of living. Thus international trade should encourage better quality products and efficient methods of production.

## Generic competences

- Co-operation and interpersonal management through research and group work.
- Communication through presentation of findings on the theories of international trade.
- Critical thinking through analysing the importance of international trade.
- Lifelong learning through research on the theories and importances of international trade.

## Vocabulary or key words or concepts in the unit

**Absolute Advantage:** Ability one country is said to have over another in production of a commodity when an equal quantity of resources can produce more of that commodity in the first nation than the second.

**Bi-lateral trade:** This is trade between two countries.

**Comparative Advantage:** This is the basis of trade between nations where opportunity cost of producing the good is lower than the opportunity cost of producing the same good or service in other trading nations.

**Exports:** These are goods/services produced within a country and sold to other countries.

**Export incentives:** These are favourable conditions put in place to boost exports of a country.

**Export potential:** Refers to the amount of unused resources in a country that can be exploited for the external market e.g. forest, mineral etc.

**Imports:** Imports are goods/services which are produced in other countries and brought into one country.

**Import surplus:** A situation that exists when the value of imports exceeds that of exports (unfavourable trade balance).

**Individualism:** This is a belief that individuals are the best judges of their own interests.

**Invisible commodities:** This refers to those things that we cannot see e.g. insurance, tourist expenditures etc.

**Invisible trade:** Trade in services e.g. tourism, education, banking etc.

**Multi-lateral trade:** Trade among several countries.

**Trade gap:** This occurs when the quantity of imported goods exceeds that of visible exports. It is the amount by which visible imports exceed visible exports.

**Unrequited exports:** These are exports that do not earn any foreign exchange. Such exports arise out of a debt owed by a country to another. Unrequited exports are used to pay off the debt.

**Vent-for-surplus:** This explains the view that exploitation of idle domestic resources for exports can lead to national income.

**Visible trade:** Trade in goods.

## Guidance on the problem statement

This involves the activity at the beginning of the unit that requires learners to be inquisitive to know what happens or will happen in the unit. For example, give them Activity 1 page 4 in the Student's Book to discuss it and as they look for solutions on their own, it will open them to international trade aspects. Put the learners in groups of at least 4-5 learners and they work out *Activity 1 page 4* in the Student's Book about Mutangana's business in and outside

Rwanda. Guide different groups facilitating their discussion and help out where you find it necessary.

Expected answers for Activity 1 Student's Book page 4

Refer to the answers on page 7-8 in the teacher's guide.

## Attention to special education needs

### *Learners with physical impairment*

Learners with physical impairment may show challenges in using their hands to write, sitting in class, using the toilet, walking or climbing stairs, etc. Such learners may also display excessive fatigue after performing light duties.

This category of learners can be helped in the following ways:

Ask other learners to help them to move around, sit the learner in a place where they can move in and out of class easily, give them more time and practice to write, copy important notes for them on paper, if it takes them too much time to copy work. Ensure a friendly school environment e.g., the building ramps on all entries to rooms, network with organisations that can provide wheelchairs, allow them more time to complete their tasks and encourage other learners to treat them with respect and dignity.

### *Learners with extra abilities*

This kind of learners understand concepts very fast because they are extremely intelligent. They complete tasks faster than others, get bored faster due to early completion of tasks and can be disruptive due to idleness. Provide them with extra activities so as to keep them occupied, assign them to assist other learners, provide counselling sessions where necessary.

### *Time takers*

Such learners take time to understand what has been taught. Do not reprimand them or show them they are poor compared to others. Give them more attention, be more patient with them, guide them carefully and create time for them after the lesson. Tell them they can do better, and ensure they understand a sub-topic before teaching the next.



### ***Learners with visual impairment***

Learners with visual impairment experience problems with their vision. Some learners may experience low vision and others may have no vision at all. You can notice such learners because they display the following characteristics:

They write unusually large letters, often scratch their eyes, cannot focus in bright light, and cannot focus on distant objects.

Use the following strategies to assist them:

Sit them in the place where they can see clearly, write with yellow chalk on a clean chalkboard, encourage them to sit at the front of the class, use large and legible handwriting on the chalkboard, use large charts and other visual aids, ensure good colour contrast on learning aids, and give the learner real objects to use.

### ***Learners with hearing impairment***

These learners have a problem with their ability to hear. They may be partially or completely unable to hear. They display signs such as:

Turning their heads towards the source of sound, shout when talking, regularly consult those sitted next, delay to respond, have irrelevant responses, pay less attention, and they always look at the lips of the person talking to them.

Refer such learners to an ear specialist, and assist them in the process of learning. You can look at the learner when speaking, speak clearly and loudly, write instructions on the chalkboard, be audible enough, encourage the learner to sit at the front in class and regularly check their notes to ensure they are writing the right things. Give the learners a slate (*urubaho*) to help them communicate, speak slowly and use simple words.

### ***Learners with communication disorders***

These learners cannot communicate effectively because of speech and language difficulties e.g. inability to interpret simple statements easily giving up on description tasks due to frustration, stammering and difficulty in explaining things.

Refer them to a speech therapist, avoid interrupting them when they are talking, display high level of patience, pay attention to all their needs, demonstrate various concepts and give them clear instructions.

### ***Learners with behavioural disorders***

Learners with behavioural disorders do not conform to the expected kind of behaviour laid down in school rules and regulations. They may show behaviour disorder such as: truancy, stealing, failure to complete tasks, disrupting lessons through playing, fighting others, etc.

To assist such learners; reinforce their positive behaviour through rewards, involve parents or guardians in correcting such behaviours, and refer them to a counsellor if necessary.

### **List of lessons/ lesson map on international trade theories**

|           |  |
|-----------|--|
| Lesson 1: | Meaning and the difference between International trade and domestic trade. |
| Lesson 2: | Forms and terminologies used in international trade.                       |
| Lesson 3: | Need for international trade.  |
| Lesson 4: | Arguments for and against international trade and its limitations          |
| Lesson 5: | Theories of international trade; Absolute advantage.                       |
| Lesson 6: | Theory of Comparative advantage.   |
| Lesson 7: | Unit assessment.   |

## **Lesson development**



### **Lesson 1: Meaning and the difference between International trade and domestic trade**

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*Student's Book Unit 1.*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- (i) Contrast internal trade with international trade.
- (ii) Appreciate the need for internal and international trade.

### ***Prerequisites/introduction for the lesson***

Since it is a first lesson of the first unit in Senior Six, you can start up with brief questions to stimulate learners towards the new lesson. For example;

In groups, ask learners the following questions:

- (i) Man's wants are insatiable, what does it mean?
- (ii) How do you think one can get all that he/she needs?
- (iii) Explain what would happen if what one wants is not produced in any part of the country.

### ***Expected answers***

- (i) "Man's wants cannot be satisfied", they are endless.
- (ii) Through own production and or exchange with other people in the country who produce what one wants but cannot produce on his or her own.
- (iii) It would require one to cross borders and get it from other countries' producers.

This will open the learner's mind towards international trade aspects. It's from here that the learners are introduced to the day's lesson by assigning them Activity 1 Unit 1 in the Student's Book about Mutangana's trade.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Put learners in groups and assign them a task to go in the library and research on international trade and answer questions using Activity 1 on unit 1. Moderate their discussions in groups.

**Step 2:** Invite different groups one at a time to present their findings to the rest of the class. As they present, the rest listen attentively for further understanding and note down what they didn't have in their respective groups.

### ***Expected answers for Activity 1 Unit 1 Student's Book***

- a) The photos can be classified into the sectors of Rwandan economy as follows.

- 1 and 2 are for Agriculture
  3. Tourism
  4. Transport
  5. Mining
  6. Trade
- b) Identify commodities, from the above activities, which are of Rwandan origin and those which are not.
- All activities above are of Rwandan origin but may also enter Rwanda from other countries through import trade.
- c. The target consumers of such products from the photos above can be domestic consumers or external / foreign consumers.
- d) The commodities identified in 'b' above which may not be of Rwandan origin, reach Rwandan markets through international trade.
- e) Trade within a country is different from trade between other countries in the following ways:
- Transactions in domestic trade involve the use of one currency, normally the national currency or legal tender.
  - Trade within a country is not subjected to barriers restricting the movement of goods internally.
  - Goods exchanged in domestic trade tend to be more standardised than goods in international trade.
  - The paper work involved in domestic trade is normally less voluminous compared to that involved in international trade.
  - International trade is typically costlier than domestic trade.
  - Factors of production such as labour are typically more mobile within a country than across countries.

### ***Synthesis***

Refer to the content in the *Student's Book Unit 1* and harmonise the learners' findings and give a clear stand for all learners to have common understanding of the day's lesson. Entertain questions from them for clarity purposes. Thereafter, let learners note down the main points from summary of the lesson. Emphasise the importance of international trade as well as domestic trade.

### ***Assessment of the lesson***

Give a concluding task to learners on the day's lesson to check the attainment of the stated learning objectives.

For example;

- (i) Mr. Rwakarengwa from Kirehe district, grows and supplies his rice to Rusumo High School and Ecole de Science Musanze in Musanze district. What type of trade can we call that?
- (ii) What if he decides to cross to Tanzania, how would we call that type of trade?
- (iii) What requirements would be different for Mr. Rwakarengwa in the two types of trade?

***Expected answers***

- (i) Internal trade.
- (ii) International trade.
- (iii) In internal trade it would require him Rwandan francs but in international trade it would require Tanzanian shillings.
  - No much paper work in internal trade which is more in international trade.
  - Kinyarwanda would probably be the language mostly used in exchange but he would be required to either use Kiswahili or English in international trade.
  - Etc



## Lesson 2: Forms and terminologies used in international trade

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*Student's Book Unit 1.*

***Learning objectives***

By the end of the lesson, learners will be able to:

- (i) Explain the different terminologies used in international trade.
- (ii) Contrast the different terms used in international trade.

***Prerequisites/introduction for the lesson***

Basing on the learner's knowledge from lesson 1 about internal and international trade and their prior knowledge and understanding on international trade from other subjects, learners integrate their understanding in this lesson as they share their views amongst themselves with the guidance from the teacher. Teacher introduces

them to international trade forms and terminologies used and encourages them to freely express themselves by relating what they already know with what they are going to be study.

### ***Expected answers***

- Trade.
- International trade.
- Imports and exports.

### ***Teaching aids***

Economics Textbooks and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### ***Learning activities***

**Step 1:** Organise learners in groups and assign them to research on international trade and answer questions in Activity 2 Unit 1. Moderate their discussions in groups.

**Step 2:** Invite different groups to present their findings to the rest of the class. As they present, let the rest listen attentively for further understanding and note down what they didn't have in their respective groups. Learners can ask you questions for clarity.

### ***Expected answers for Activity 2 Student's Book Unit 1.***

- (a) Bilateral trade, Multilateral trade.
- (b) Goods and Services.
- (c) Coffee, tea, pyrethrum, wheat, tourism, health, education, transport.
- (d) If countries are not at peace with one another it's difficult for movement of goods and services and factors of production from one country to another. This limits consumer's choice hence worsening their living standards.

### ***Synthesis***

Refer to the forms and terminologies used in international trade in the *Student's Book unit 1* to harmonise the learners' findings and give a clear explanation of the terminologies used in trade and international trade. Entertain questions from learners for purposes of clarity. Guide learners to note down the main points from the summary.

### ***Assessment of the lesson***

In order to check whether the learning objectives have been attained, ask learners questions related to the lesson, for example:

- (i) What examples can you give for bilateral trade or multilateral trade?
- (ii) How does a closed economy differ from an open economy?
- (iii) The act of selling commodities to other countries is called..... while the buying of commodities from other countries is called.....
- (iv) Rwanda bought cars from Japan with an intention of selling them to EAC countries. What economic term do we call that?

### ***Expected answers***

- (i) Let learners give different examples of bilateral trade e.g. Rwanda and Uganda, etc. and multilateral trade e.g. Rwanda with SADDC countries, etc.
- (ii) A closed economy is assumed not to take part in international trade while an open economy does.
- (iii) Exportation and importation.
- (iv) Entrepot trade.



## **Lesson 3: Need for international trade:**

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### *Student's Book Unit 1*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the need for international trade.
- Appreciate Rwanda's move to international trade.

### ***Prerequisites/introduction for the lesson***

Having seen the difference between internal and international trade and the different terms used in international trade, learners can use the knowledge gained to explain the reasons for their country's need for international trade.

### ***Teaching aids***

Economics Textbooks and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### ***Learning activities***

**Step 1:** Pose a question to the class and learners in different pairs discuss the need for international trade. (*Refer to the question in Activity 3 Student's Book Unit 1*).

**Step 2:** Learners discuss in pairs and note down their points.

**Step 3:** A number of pairs present their findings to the class. All the given points from different pairs are then discussed by the class. Moderate the discussion.

### ***Expected answers for Activity 3, Student's Book Unit 1***

Why countries need to join international trade

- Differences in natural resource endowments.
- Lack of self-sufficiency.
- Need to dispose-off surplus goods.
- Lack of co-operant factors.
- Differences in skills.
- Differences in technology.
- Need to acquire Foreign exchange
- Need to strengthen political ties.
- Need to increase competition and efficiency.
- Need to reduce subsistence sector.
- Need to promote employment opportunities.
- Vent for surplus argument.

*Note: Be receptive to other correct answers.*

### ***Synthesis***

Refer to the Student's Book Unit 1, the need for international trade and harmonise learners' findings. Give a clear stand for all learners to have a common understanding of the day's lesson. Emphasise to learners that international trade is a profitable venture and a sign of development basing on the objectives. Entertain questions from them for purposes of clarity. Thereafter, let learners note down the main points from the summary of the lesson.

### ***Assessment of the lesson***

Base on the general discussions on the need for international trade and ask learners to brainstorm the reasons for Rwanda to join international trade. (*Refer to the content in Student's Book Unit 1*).



But let learners specifically rely on the case study of Rwanda in their explanations. Emphasise that Rwanda like any other country, cannot do without international trade.



## Lesson 4: Arguments for and against international trade and its limitations

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*Student's Book Unit 1.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Discuss the advantages and disadvantages of international trade.
- Examine the limitations of international trade in Rwanda.

### ***Prerequisites/introduction for the lesson***

Having seen how international trade is different from internal trade, and the reasons why countries participate in international trade, learners apply the gained knowledge, understanding, skills, values and attitudes in this lesson about the advantages, disadvantages and limitations of international trade. Teacher guides them to discover the likely advantages, disadvantages, and limitations of international trade in relation to Rwanda's context and compare with other neighboring countries well known to them.

### ***Teaching aids***

Economics Textbooks and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### ***Learning activities***

**Step 1:** Group the learners into small manageable groups and then present them with the extract in activity 4 under unit 1 in the Student's Book.

**Step 2:** Allow them time to discuss within their respective groups and guide them in the due course.

**Step 3:** Learners present their findings, one group at a time, to the class through group presentations.

**Step 4:** Harmonise learner's findings and entertain questions from them for clarity.

### ***Expected answers for Activity 4, Student's Book Unit 1***

(a). Arguments for international trade.

- It permits and fosters international specialisation in order to maximise output and minimise costs of production.
- It overcomes shortages.
- It encourages market expansion.
- It is a vent for surplus.
- It provides revenue to the government from import and export duties.
- It encourages creation and maintenance of employment.

*Note: Be receptive to other correct answers.*

(b). Arguments against international trade.

- Encourages dumping which causes price instabilities in the domestic country/ market.
- Loss of social economic and political sovereignty or independence especially by LDCs.
- International trade may result into over exploitation of domestic resources due to wider markets.
- Development of local industries is retarded.
- BOP position may worsen where import expenditure may exceed export revenue.
- It may limit employment opportunities in the country. Domestic people are outcompeted by foreigners who might have superior skills over locals.

*Note: Be receptive to other correct answers.*

(c). Limitations of international trade:

- Rapid depletion of exhaustible natural resources.
- Import of harmful goods.
- It may exhaust resources.
- Overspecialisation.
- Danger of starvation.
- One country gains at the expense of others.
- May lead to war.
- Language diversity.

*Note: Be open minded to other correct answers.*

### ***Synthesis***

Base on the learners' discussions and refer to the *Student's Book Unit 1* and give a detailed explanation on the advantages and disadvantages as well as the limitations of international trade. Find out from their discussions what is not clear and emphasise it by asking the ones who seem to have clearly understood in the course of the lesson. Finally agree on a common stand.

### ***Assessment of the lesson***

Use the lesson's content and ask particularly on Rwanda's situation the following:

- (i) What evident advantages and disadvantages are in international trade? (refer to advantages and disadvantages of international trade Unit 1 in the Student's Book).
- (ii) What is limiting Rwanda's international trade? (refer to the limitations of international trade Unit 1 in the Student's Book).

### ***Expected answers***

- (i)
  - Market expansion.
  - Variety of goods produced and consumed.
  - Production of better quality due to exposure to outside completion.
  - Development of local industries has been retarded due to foreign competition.
  - There is dumping of commodities in the country leading to price instabilities.
  - Etc.
- (ii) Exhaustion of natural resources.
  - Language diversity
  - Differences in laws and regulations
  - Etc



## Lesson 5: Theories of international trade; Absolute advantage.

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*Student's Book Unit 1.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse Rwanda's trade position.
- Contribute towards the improvement of Rwanda's trade position.

### ***Prerequisites for the lesson***

Ask learners to undertake research from the Internet or library or any other economics resource and let them describe amongst themselves.

### ***Teaching aids***

Economics Textbooks and supplementary materials; Internet connection; Magazines and journals; Visual and audio media..

### ***Learning activities***

**Step 1:** Learners in groups carry out library/internet research on the Rwanda's international trade position.

**Step 2:** In their respective groups, learners describe Rwanda's international trade as you moderate their discussions.

**Step 3:** Each group presents their findings on paper to the teacher for marking.

### ***Teaching activities.***

**Step 1:** Learners in small groups or pairs are given a research question about Rwanda's international trade position. They, thereafter, discuss & write their vies to the teacher for marking.

*Expected answers to the learner's findings about Rwanda's international trade.*

– Refer to Rwanda's international trade in the Student's Book unit 1

### ***Synthesis***

Having discussed the international trade of Rwanda, generally give a broad picture of Rwanda's trade by referring to the *Student's Book*

page 20. Harmonise learners' findings by giving a general trade picture of Rwanda's international trade.

### ***Assessment of the lesson***

Ask questions related to the lesson to check whether the lesson objectives were attained. For example;

- (i) What is the trade position of Rwanda? (*referring to the Student's Book Unit 1*)
- (ii) What can be done to improve Rwanda's trade position?

### ***Expected answers***

- (i) Imports are greater than exports thus Rwanda is having a trade gap (deficit).
- (ii)
  - Undertake import substitution industrial strategy.
  - Export promotion industrial strategy.
  - Devalue the currency.
  - Attract both local and foreign investors.

### ***Expected answers for Activity 6 unit 1 in the Student's Book.***

- a) The theory of international trade manifested in the case study provided in activity 6 is the Theory of absolute advantage, because Gicumbi farmers in Rwanda can produce more tons of carrots and of oranges than Kabale farmers in Uganda.
- b) Production between the farmers in both countries will be made possible if each of the group of farmers in both countries specialises in the production of a commodity where they incur less opportunity cost compared to the other and exchange between themselves the commodities produced.
- c) Kabale farmers in Uganda should specialise in carrot production because of less units of oranges foregone compared to Gicumbi farmers (1.875 tons of oranges of Kabale farmers than 2 tons of Gicumbi farmers in Rwanda). While Gicumbi farmers in Rwanda should specialise in production of oranges because of less units of carrots foregone compared to Kabale farmers. (0.5 tons of carrots of Gicumbi farmers than 0.533 tons of Kabale farmers in Uganda).

- d) The basis of specialisation by the two farmers named above is 'least opportunity cost' incurred by each in the production process.
- e) Refer to the applicability and limitations of comparative cost advantage under unit 1 in the Student's Book.



## Lesson 6: Theory of comparative advantage

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*Student's Book Unit 1.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Differentiate between absolute advantage and comparative advantage theories of international trade.
- Examine the benefits and costs of comparative cost advantage in international trade.
- Analyse the determining factors of comparative advantage theory.
- Use calculations from production schedule to explain the theory of comparative advantage.
- Analyse the applicability of the comparative advantage theory in LDCs/Rwanda.
- Advocate for efficient use of available resources to increase gains from international trade.

### ***Prerequisites for the lesson***

First reflect on the absolute advantage theory, and then give a situation of a possibility of a country having an absolute advantage in production of both commodities than her counterpart. Ask learners what would happen between the two countries. Give a small exercise to stimulate their interest in the lesson. Like in the theory of absolute advantage, ask them, "What if you produce both beans and maize more efficiently than your neighbour, show how you would go about it".

### ***Expected answers***

We can first calculate and see who has a least opportunity cost and base on it for specialisation.

(Remind them that in this case absolute advantage ceases to be based on, instead its comparative advantage that helps them specialise.). Thus the basis of the day's lesson.

### **Teaching aids**

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### **Learning Activities**

**Step 1:** Put learners in groups of at least 4-5 learners and assign them a task about the case study in Activity 6 in the Student's Book under unit 1.

**Step 2:** Learners in their respective groups discuss Activity 6 task as given. Teacher, moves around groups and guide them in different issues.

**Step 3:** Call upon different groups to present their findings and facilitate the discussion.

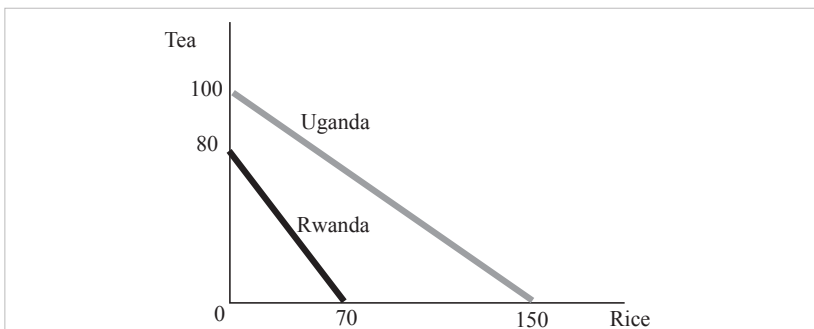
### **Synthesis**

Basing on the learners' discussions in their respective groups, bring out a general conclusion about the lesson by emphasising that the theory of comparative advantage is a basis for international trade where countries specialise according to the comparative advantage even if they have absolute advantage in all commodities. This theory is determined by different factors *as seen in the Student's Book Unit 1* and once they are favourable a country specialising gains much from international trade (*see benefits of comparative advantage Unit 1 in Student's Book*) than the other whose conditions are not favourable.

### **Assessment of the lesson**

Give an assessment on the lesson to assess the achievement of the objective e.g.

(a) Use the figure below to answer the questions that follow.



- (i) Which theory of international trade is portrayed in the above figure and why?
  - (ii) Who should specialise in what commodity, and why?
- (b) How does the entire world gain using the theory of comparative advantage?

**Expected answers**

- (i) The theory of absolute advantage, because Uganda produces both tea (100 units) and Rice (150) efficiently than Rwanda 80 and 70 respectively.
- (ii) Opportunity cost= Alternative foregone/actual production

$$\text{Thus for Uganda to produce tea} = \frac{150}{100} = 1.5$$

$$\text{Uganda to produce Rice} = \frac{100}{150} = 0.67$$

$$\text{Rwanda to produce tea} = \frac{70}{80} = 0.875$$

$$\text{Rwanda to produce rice} = \frac{80}{70} = 1.1$$

Thus Uganda should specialise in production of rice since it incurs a least opportunity cost (0.67 units of tea foregone) than Rwanda (1.1 units of tea foregone).

Rwanda should specialise in tea production since it foregoes less units of rice (0.875 units of rice foregone) than Uganda (1.5 units of rice foregone).

- (b) As countries specialise basing on comparative advantage theory, they divert all their resources to the production of that commodity of their specialisation thus increasing worlds' total output.



## Lesson 7: Unit assessment

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*Student's Book Unit 1*

### **Learning objectives**

By the end of this lesson, learners will be able to analyse the importance of international trade to the development of the economy.



### ***Prerequisites for the lesson***

Organise learners and provide an end of unit assessment by referring to the *Student's Book Unit 1*. Guide them to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets etc.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners.

**Step 2:** Learners answer the questions given individually or in groups and the teacher supervises them.

**Step 3:** When time is over, collect their written work for marking.

### ***Synthesis***

Refer to end of unit assessment in the *Student's Book on page 37* to have a general discussion with the rest of the class of what was required in the questions provided.

### ***Assessment of the lesson***

To check whether the learning objectives were achieved, ask more related questions and refer to the answers to the end unit assessment at the end of unit 1 in this Teacher's Guide.

## **End of unit**

### **Summary of the unit**

This unit introduces the learner to international trade aspects. The learner is helped to understand and master the terminologies, the need, arguments for and against international trade (*refer to Student's Book Unit 1*).

According to the theories of absolute and comparative advantage, basing on the problem statement of the unit, a country will have to cross borders to acquire what it does not produce but is being produced by other countries. This is possible through import and export trade. Rwanda is involved in this trade.

### ***Additional information for the teacher***

Rwanda is the 172nd largest export economy in the world. In 2017, Rwanda exported \$223M and imported \$1.11B, resulting in

a negative trade balance of \$890M. In 2017 the GDP of Rwanda was \$9.1B and its GDP per capita was \$2.04 thousand. In the fourth quarter of 2018, Rwanda's total trade amounted to US\$ 1,090.34 million, an increase of 9.16 percent over the fourth quarter of 2017. Exports totaled US\$ 169.91 million, imports totaled US\$ 841.92 million and re-exports were valued at US\$ 78.51 million. In the first quarter of 2019, Rwanda's total trade amounted to US\$ 943.33 million, a decrease of 1.82 percent over the first quarter of 2018. Exports totaled US\$ 118.72 million, imports totaled US\$ 739.97 million and re-exports were valued at US\$ 84.64 million. In the second quarter of 2019, Rwanda's total trade was US\$ 1,073.6 million, an increase of 13.31 percent over the second quarter of 2018. Exports were US\$ 149.26 million; imports were US\$ 822.6 million and re-exports were US\$ 101.73 million.

Rwanda's exports remained dominated by traditional products such as coffee, tea and minerals like tin, coltan, wolfram and cassiterite. Rwanda's main exports partners are China, Germany and United States. Rwanda imports mainly food products, machinery and equipment, construction materials, petroleum products and fertilizers. The main re-export products included mineral fuels, nuclear reactors, cereals, animals and vegetal fats and motor vehicles and electrical machinery.

### End of Unit 1 assessment answers (Student's Book Unit 1)

1. (a) Theory of comparative advantage states that "Given 2 countries and 2 commodities, with a given amount of resources, a country should specialise in producing a commodity where it has a least opportunity cost compared to another country".
- (b) Rwanda in production of;
  - i.  $maize = \text{alternative foregone/actual production}$   
 $= 15,000/20,000 = 0.75$
  - ii.  $sugar = \text{alternative foregone/actual production}$   
 $= 20,000/15,000 = 1.33$
- (c) Tanzania in the production of;
 

$maize = \text{alternative foregone/actual production}$   
 $= 5000/15,000 = 0.33$

$sugar = \text{alternative foregone/actual production}$   
 $= 15,000/5000 = 3$

Therefore, basing on the above calculations, Rwanda should specialise in production of sugar because of the least opportunity cost in maize production than Tanzania (i.e. 1.33 units of maize foregone in Rwanda than 3 units in Tanzania). While Tanzania should specialise in maize production because of the least opportunity cost in sugar production than Rwanda i.e. 0.33 units of sugar foregone in Tanzania than 0.75 units in Rwanda.

- 2 Why we buy goods from abroad yet we can make them locally:
  - Domestic production might be expensive than importing thus basing on comparative advantage we have to import such commodities where we face a high opportunity cost.

- Imported goods might be of good quality than domestic ones because those imported might be from a technologically developed nation. Thus on health grounds and living standards of citizens we need to import however much we can produce that commodity.
  - A country would be limited to the goods and services within its borders thus the need to increase the consumer's choice through increased variety.
  - To increase efficiency in domestic producers by exposing them to competition with foreign commodities.
  - Our home made commodities might be of higher value/grade thus the need to export them and import the same but less value commodities, the difference in price is a lot to the country in form of exchange.
  - Sometimes a country would import raw materials even if they have them in their country so that they don't use up their supply. This helps in periods when other sources around the world dry up or become inaccessible.
  - For environmental protection and sustainability i.e. it might be like a mineral where a country may import that mineral it has in order not to damage her environment while trying to get that mineral, instead let other countries damage their environment.
3. (a) Explain the contribution of international trade to the economic development.

### **The advantages of trade**

International trade brings a number of valuable benefits to a country, including:

- The exploitation of a country's comparative advantage, which means that trade encourages a country to specialise in producing only those goods and services which it can produce more effectively and efficiently, and at the lowest opportunity cost.
- Producing a narrow range of goods and services for the domestic and export market means that a country can produce in higher volumes, which provides further cost benefits in terms of economies of scale.

- Trade increases competition and lowers world prices, which provides benefits to consumers by raising the purchasing power of their own income, and leads to a rise in consumer surplus.
- Trade also breaks down domestic monopolies, which face competition from more efficient foreign firms.
- The quality of goods and services is likely to increase as competition encourages innovation, design and the application of new technologies. Trade will also encourage the transfer of technology between countries.
- Trade is also likely to increase employment, given that employment is closely related to production. Trade means that more will be employed in the export sector and, through the multiplier process, more jobs will be created across the whole economy.

### **The disadvantages of trade**

Despite the benefits, trade has disadvantages which include:

- Trade can lead to overspecialisation; with workers at risk of losing their jobs should world demand fall or when goods for domestic consumption can be produced more cheaply abroad. Jobs lost through such changes cause severe structural unemployment.
  - Certain industries do not get a chance to grow because they face competition from more established foreign firms, such as new infant industries which may find it difficult to establish themselves.
  - Local producers, who may supply a unique product tailored to meet the needs of the domestic market, may suffer because cheaper imports may destroy their market. Over time, the diversity of output in an economy may diminish as local producers leave the market.
- (b) Why most LDCs today benefit little from international trade
- Most LDCs export primary products which fetch low prices in foreign markets thus failure to raise their export earnings.

- Unfavourable terms of trade i.e. terms of trade are always going against LDCs due to the absence of proper infrastructure, and the quality enhancement initiative which worsens the terms of trade for them.
- The growth of developmental imports which include machinery and equipment for various types of industries as well as maintenance imports.
- There is higher import intensity in industrial development resulting from import intensive industrialisation to meet elitist consumption.
- Mushrooming imports and sluggish growth in exports results in growing deficit in its BOP position.
- There is lack of coordination among LDCs through promotion of integration economic groupings, formation of union etc. which would increase trade benefits amongst them.
- There is depleting forex reserves as a result of growing volume of imports and continuous BOP crisis thus shorter import cover for the countries.
- Steep depreciation of the LDCs currencies with dollar and other convertible currencies has resulted into a considerable increase in the value of imports which ultimately has led to huge deficit in its balance of trade.
- High prices of oil and petroleum products charged by the oil producing countries especially since the gulf war.
- International liquidity problem i.e. deficiency of capital and technology resulting into heavy dependence on developed countries for their scarce resources.

4. (a) Distinguish between comparative advantage and absolute advantage.

Absolute advantage is the ability of an individual, a household or a firm or a country to produce some particular good or service with a smaller total input costs (labor, capital, land, etc.) per unit of output than its competitors using same resources. Comparative advantage is the ability of a country to produce a commodity at less opportunity or real cost than another.

(b) “The principle of comparative advantage is an outmoded concept”. Do you agree?

Basing on the criticisms of the principle of comparative advantage, it is an outmoded concept because of the following reasons;

- The theory assumes that people all over the world have similar tastes which is not the case because people belonging to different levels of income have different tastes. In addition, the tastes also change according to the growth of an economy and with the opening of world markets and development of trade relations.
- The theory does not recognise the role of technological innovations in international trade.
- The theory rests upon the assumption that there is complete specialisation or division of labour yet in the real world, complete specialisation is not possible.
- The model deals only with the situation in which trade takes place between two countries and in two commodities. However, this is a hypothetical situation which does not exist in real life.
- The assumption that all units of factors of production are equally efficient is too simplistic. It is very difficult to find factors of production, which are equally efficient, etc.

However, the principle still holds because of its applicability as supported in the following points;

- LDCs have tended to specialise in producing primary products where they have a least opportunity cost e.g. Rwanda exports raw materials.
- LDCs still have barter trade arrangements among themselves.
- LDCs use labour intensive technology while MDCs use capital intensive technology so the assumption of no change in technology is realistic.
- There is some degree of mobility of factors of production among LDCs especially labour.

- LDCs import manufactured commodities where they have a high opportunity cost.
- There are some cases of free trade among LDCs especially in economic integrations.

However, the principle of comparative advantage is not an outmoded concept” because its assumptions are still relevant to modern economies as seen below;

- Developing countries have tended to specialize in producing primary products where they have a least opportunity cost e.g. Rwanda exports raw materials.
  - Developing countries still have barter trade among arrangements themselves.
  - Developing countries use labour intensive technology while developed countries use capital intensive technology so the assumption of no change in technology is realistic.
  - There is some degree of mobility of factors of production among developing countries especially labour.
  - Developing countries import manufactured commodities where they have a high opportunity cost.
  - There are some cases of free trade among developing countries especially in economic integrations.
- (c) Discuss the view that where there is not comparative advantage there is nothing to gain from international trade.

#### **Additional Response to assessment**

However, the principle of comparative advantage is not an outmoded concept” because its assumptions are still relevant to modern economies as seen below:

- Developing countries have tended to specialize in producing primary products where they have a least opportunity cost e.g. Rwanda exports raw materials.
- Developing countries still have barter trade among arrangements themselves.
- Developing countries use labour intensive technology while developed countries use capital intensive technology so the assumption of no change in technology is realistic.



- There is some degree of mobility of factors of production among developing countries especially labour.
- Developing countries import manufactured commodities where they have a high opportunity cost.

There are some cases of free trade among developing countries especially in economic integrations.

**Benefits of comparative advantage**

- It encourages competition and improvement in efficiency so as to reduce costs of production.
- It encourages specialisation and exchange.
- It increases global output of commodities.
- It encourages economic cooperation and free trade among countries.
- It encourages mass production and reaping of economies of scale.
- It discourages duplication of industries i.e. setting up of industries which already exist in other countries.
- It widens market for exports.
- It enables countries to get commodities which they cannot produce.
- It enables countries to get foreign exchange.
- Specialisation results into effective utilisation of resources some of which would be idle.

**However, it has got costs which include;**

- Transport costs may outweigh any comparative advantage.
- Increased specialisation may lead to dis-economies of scale.
- Governments may restrict trade.
- It measures static advantage but not any dynamic advantage e.g. in the future a country may become good at producing another commodity if it made necessary investment.
- It reduces self-sufficiency and independence among countries.

5. Consider the view that gains from international trade are biased in favour of advanced industrial countries.

Gains from international trade are in form of high prices on exports, low prices for imports and improving terms of trade. LDCs gain less from international trade than industrial economies because of;

- Declining price/value of exports due to low quality products which cannot compete favourably in the world market.
- Increasing prices of imports due to increased demand for capital goods and tariffs on imports increases prices further.
- Declining volume of exports reduce income terms of trade due to protection by MDCs and low production as a result of lack of capital and skills.
- High rates of inflation in LDCs which reduces demand for their exports.

Poor investment climate in LDCs encourages people to invest in MDCs thus continuous capital outflow

- Natural calamities in most LDCs has caused agricultural failure and led to low agricultural export earnings.
- Most LDCs are landlocked thus the high transport costs reduce the gains from trade by LDCs.
- Poor infrastructure like storage facilities and air transport in most LDCs make export of delicate products like fruits and flowers difficult.
- Weak economic integration among developing countries.
- Monopoly power of MNCs pay less for raw materials and charge high prices for final commodities. etc.

## Remedial activity

### *Exercise 1*

If Mukunzi and Mwiza, both traders in Rwanda, decided to trade amongst themselves without crossing borders:

- (i) How would we call that?
- (ii) What are the likely effects?

***Expected answers***

- (i) Internal trade.
- (ii) Likely effects (it's a variety of them this is just some of what they can give).
  - Reduces possible costs engaged in cross border trade.
  - Encourages consumption of local commodities.
  - Enhances local production.
  - Increases local entrepreneurs.
  - Locals may be subjected to low or poor quality commodities.
  - Might lead to scarcity inflation where demand exceeds supply.
  - Doesn't encourage competition and efficiency in the local producers as they are not subjected to foreign pressure.

***Exercise 2: (Extended activity)***

How would you call the form of trade where:

- (i) Rwanda receives tourists from the UK or hires teachers from Kenya?
- (ii) Rwanda sells her coffee to Namibia or buys cars from Japan?
- (iii) How would you distinguish the two forms of trade in (i) and (ii) above?
- (iv) Which of the two forms of exchange mentioned in (iii) above do you think benefits Rwanda most?

***Expected answers***

- (i) Invisible trade (trade in services).
- (ii) Visible trade (trade in goods).
- (iii) Exchange in (i) is not seen or touched but in (ii) it is visible, seen and touched.
- (iv) Whether visible or invisible trade, they all equally benefit Rwanda's economy as long as they contribute to her foreign exchange earnings and to the production process of the country both in the short run and long run.

***Consolidation activities***

- 1. (a) Suppose Rugwiro a Rwandan and Muhaya a Tanzanian were exchanging commodities; how would you call

that in relation to the notion of forms of international trade?

**Expected answers**

- (a) Bilateral trade
- (b) Rugwiro and Muhaya have now diversified and exchange their commodities with other countries' traders; how would you call that in relation to forms of international trade?

**Expected answers**

1. Multilateral trade
2. Ntaganda and Mulisa are two farmers who produce same commodities i.e. maize and beans respectively. It is assumed that they all have equal resources but Ntaganda produces 60 tons of maize and 90 tons of beans per season while Mulisa produces 40 tons of maize and 80 tons of beans per season. Given this situation and using the knowledge gained from the theories of international trade in this unit;
  - (i) Which theory of international trade is explained in the above case study, and why?

**Expected answers**

- (i) It is absolute advantage theory because Ntaganda has the ability to produce more of the two commodities using less input costs than Mulisa.
- (ii) If they are to specialise, who should specialise in what and why?

**Expected answers**

| Trader   | Maize      | Beans      |
|----------|------------|------------|
| Ntaganda | 60 (maize) | 90 (beans) |
| Mulisa   | 40 (maize) | 80 (beans) |

Opportunity cost = alternative foregone/alternative undertaken (actual production).

Ntaganda: Maize=90/60 = 1.5      Beans= 60/90 = 0.67.

Mulisa: Maize-=80/40 = 2      Beans= 40/80= 0.5.

This implies that to produce maize, Ntaganda foregoes 1.5 tons of beans while Mulisa foregoes 2 tons of beans therefore

Ntaganda who foregoes less tons of beans than Mulisa should specialise in production of maize alone and Mulisa should leave it.

To produce beans, Ntaganda foregoes 0.67 tons of maize while Mulisa foregoes 0.5 tons of maize this means that Mulisa foregoes less than Ntaganda and therefore should specialise in beans production. This helps the two producers to produce efficiently and exchange between themselves.

This theory of comparative advantage requires that even if a person or country has a capacity to produce both commodities, it should specialise in the production of a commodity where one incurs less opportunity cost. This explains why, Ntaganda specialised in maize production rather than beans and decided to import than produce them, even if he has the capacity to produce them better than Mulisa who has less absolute advantage in both commodities..

3. (a) What do you call trade within Rwanda?
- (b) What do you think are the advantages and disadvantages of trade without crossing Rwandan borders?

### ***Expected answers***

- (a) Domestic or internal trade.
- (b) Advantages of domestic trade.
  - Lower transport costs.
  - Prevention of traffic restrictions.
  - Tax benefits in terms of customs duties.
  - Avoidance of doubt and structure of expenditure by currency guarantees all costs and revenues in the same currency.
  - Use of local raw materials and market players.
  - Protection of business know how.

### ***Disadvantages***

- More expensive to start-up companies in the country.
- Its riskier i.e. its more confronted with political influence.
- Lack of stiff competition from foreign producers leads to inefficiency.

## Topic Area 4: International Economics

### Sub-topic Area 4.1: International Trade

## Unit 2: Terms of Trade

*Reference to Student's text Book Unit 1*

**Key unit competence:** Learners will be able to describe the terms of trade in LDCs.

### Prerequisites for this unit

Having taught in Unit 1, the international trade theories and why countries participate in international trade and the need for exchange between or among countries, we need also to enlighten learners on the relationship between prices of goods and services exchanged. This unit will therefore explain to learners how and why some countries benefit in international trade than others and the measures some countries need to take in order to gain as much as possible like others in the race.

### Cross-cutting issues to be addressed

When teaching this unit, the following cross-cutting issues have to be addressed:

Financial education where learners need to know and appreciate that one needs to export more, and earn much and import less hence spend less. This teaches them financial discipline.

Also, **standardisation culture** needs to be stressed in here because learners need to know that as one plans to produce more, he/she should not compromise the quality of products produced. Learners come to understand that high quality products are sold at high prices thus fetching favourable terms of trade for the economy.

## Generic competences

- Co-operation is gained as learners do group discussions about different tasks on terms of trade.
- Communication skills are achieved through presentation of findings.
- Critical thinking is developed through analysing nature of terms of trade for LDCs.
- Lifelong learning is generated as learners research about different aspects as per teacher's instructions.

## Vocabulary or key words or concepts in the unit

**Balance of trade:** is the difference between the value of visible exports and imports..

**Barter terms of trade:** The ratio of the quantity index of exports to the quantity index of imports.

**Deteriorating terms of trade:** Is the situation where a country experiences unfavourable terms of trade for long, year after year.

**Favourable terms of trade:** Where a country's export prices are higher than her import prices.

**Income terms of trade:** The ratio of income earned from exports to the price of imports.

**Terms of trade:** refers to the measure of import purchasing power of a country's export or the relationship between the price index of a country's export and price index of its imports.

**Unfavourable terms of trade:** When a country's import prices are higher than her export prices.

**Visible balance:** Is the difference in value of a country's physical imports and exports over a period of time.

## Guidance on the problem statement

Having gained knowledge and understanding, skills and attitudes about international trade as seen in unit 1 above, learners are now expected to apply and use the various terms acquired from the unit in analysing and describing the concept of terms of trade. It should be noted that, learners through lifelong learning and daily experience on business world, already have some knowledge of

trade related issues, thus it is now the duty of the teacher to guide them in connecting what they know with what they are to study. For example, having been taught in Unit 1, the international trade theories and why countries participate in international trade, thus the need for exchange between or among countries, learners need also to analyse the relationship between prices of goods and services exchanged among or between countries and their influence in the trade position of any country that takes part in international trade. This unit will therefore explain to learners how and why some countries benefit in international trade than others and the measures some countries need to take in order to gain as much as possible like others in the race. The teacher thus, through application of different methodologies in the teaching-learning process, needs to engage the learners to build on their knowledge and guide them towards interpretation of economic phenomena and data and application of concepts acquired and developed to real life experience on themselves and the economy of their country and the globalized world in general.

### List of lessons/lesson map

|          |  |
|----------|--|
| Lesson 1 | Terms of trade and its Forms.                            |
| Lesson 2 | Nature of terms of trade for LDCs and how to improve it. |
| Lesson 3 | Balance of trade.  |
| Lesson 4 | Causes of changes in terms of trade.                     |
| Lesson 5 | Unit assessment.   |

## Lesson development



### Lesson 1: Terms of trade and its forms

*Student's Book Unit 2.*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain terms of trade
- Differentiate the two forms of terms of trade.



- Calculate and interpret the two forms of trade.

### ***Prerequisites for the lesson***

Based on the knowledge, skills, values and attitudes acquired in the lesson under unit 1, through whole class discussion, introduce the lesson by assuming the following situations where learners are expected to analyse and express their views about them;

- Exports are less and expensive while Imports are many but cheap
- Exports are many and cheap and Imports are few and expensive.

Then guide learners to interpret what would happen.

### ***Expected answers***

- Favourable trade situation
- Unfavourable trade situation.

Connect the situation to the day's lesson explaining that the relationship between the price of imports and exports is called terms of trade.

### ***Teaching aids***

Economics textbooks related to the unit, internet access, relevant newspapers with economics related issues, and relevant economics journals.

### ***Learning activities***

**Step 1:** Organise learners in different groups and assign them a task about the case study in Activity 1 under Unit 2 in the Student's Book. Guide them to discuss, as you move in different groups and guide them if necessary.

**Step 2:** Guide learners in their groups to present their findings to the rest of the class. Encourage all groups to present their views. Facilitate the discussions and harmonise their presentations. You may have to do calculations together as they follow step by step.

### ***Expected answers for Activity 1 in the Student's Book*** ***Unit 2***

- Terms of trade
- In 2015 =  $\frac{\text{price of exports}}{\text{Price of imports}} \times 100$   
 $= \frac{800}{1700} \times 100 = 47$

The next year (2016) coffee prices fell by 20% i.e. 20% of 800

$$= \frac{20}{100} \times 800 = 160$$

Thus = 800-160= 640

$$= \frac{640}{1700} \times 100 = 37.6$$

- (c) The terms of trade in 2015 were unfavourable because they are below 100% while the terms of trade in 2016 deteriorated because they continuously fell below 100%
- (d) Terms of trade can be expressed as;
- Barter/commodity terms of trade.
  - Income/monetary terms of trade.

**Step 3:** Encourage learners to ask for clarity in case of anything which is not well understood concerning the lesson. In this case you can clarify accordingly.

### ***Synthesis***

Refer to the meaning and forms of terms of trade in the Student's Book unit 2 and clearly connect learners' discussion with the available content. Then let them take note of the discussed summary of the lesson.

### ***Assessment of the lesson***

To check well whether the learning objectives have been attained, assess learners' mastery of the competences with in the lesson.

For example;

If in 2017 Rwanda exports 1000 tons of coffee to china each at US\$ 500 in exchange for 20 cars each at US\$2000

- What are we aiming at in looking at prices of imports and exports plus their quantities?
- Describe the relationship between Rwanda's export and import values.
- Calculate the income terms of trade and barter terms of trade in 2017 and interpret your findings.

***Expected answers***

- (i) Terms of trade for Rwanda.  
 (ii) Its unfavourable because prices of exports are less than prices of imports.

$$\begin{aligned} \text{(iii) Barter TOT} &= \frac{P_x}{P_m} \times 100 \\ &= \frac{500}{2000} \times 100 \\ &= 25 \end{aligned}$$

It's unfavourable terms of trade because Rwanda's TOT is less than 100.

$$\text{Income TOT} = \frac{P_x Q_x}{P_m} = \frac{500 \times 1000}{2000} = 250$$



## Lesson 2: Nature of terms of trade for LDCs and how to improve it

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### *Student's Book Unit 2*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the nature of terms of trade in LDCs.
- Identify factors for improving terms of trade in LDCs.
- Analyse the ways of improving terms of trade in LDCs.
- Take part in improving terms of trade in LDCs/Rwanda.

#### ***Prerequisites for the lesson***

Learners now equipped with knowledge, understanding, skills and attitudes about international trade, how it's carried out and what it requires to take part in it, together with the curiosity aroused in this unit, learners need to get clear picture and understanding about the nature of terms of trade. Teacher guides them to discover the nature of terms of trade. Present activity 2 in the Student's Book, to learners, either in groups or pairs or as individual work, they analyse it and undertake research to answer the questions therein. Teacher guides them as they are discussing together in class after the research.

#### ***Teaching aids***

Student's Book, the internet, newspapers, magazines and economics journals covering issues of trade/terms of trade in LDCs.

#### ***Learning activities***

**Step 1:** Pair up/group /task learners as individuals and ask them to share their views about the causes of the deteriorating terms of trade in LDCs, Rwanda inclusive using Activity 2 under unit 2.

**Step 2:** Sample out some pairs / groups or individuals to share their views with the rest of the class. Pairs/ groups / individuals that have points which are not yet mentioned should present them for further discussion. Moderate the discussions and harmonise the presentations.

## ***Expected answers for Activity 2 Student's Book***

### ***Unit 2***

- a) Developing countries mind about keeping track of import and export price in order to determine the long-term trend in the balance of payments on current account and indicate whether future balance-of-payments difficulties are likely to arise.
- b) The trend of export and import prices for developing countries is deteriorating because the prices of exports continuously fall below her import prices year after year

*Note: Be open minded to other correct answers.*

How to improve terms of trade for Rwanda/LDCs:

- LDCs should carry out market research so as get enough information to widen markets for their commodities.
- LDCs should develop a strong human resource through education and training.
- LDCs should ensure peace and security in all parts of their countries.
- LDCs should ensure good governance to fight against trade malpractices and financial indiscipline like corruption and embezzlement of government funds.
- LDCs should form economic groupings and trade among themselves in order to avoid exploitation by MDCs.
- LDCs should promote the development of private sector so as to promote efficiency.
- There should be establishment of the trade points which will provide all trade related information.

**Step 3:** Attend to general questions in case any, for clear understanding.

### ***Synthesis***

Refer to Student's Book Unit 2 and harmonise learners' discussions. Make the lesson very clear by connecting learner's points with what is given in the Student's Book.

### ***Assessment of the lesson***

Check whether the learning objectives have been achieved by encouraging learners to brainstorm the causes of unfavourable terms of trade in relation to Rwanda and how best Rwanda can

go in as far as improving her TOT. (Refer to the causes of terms of trade in LDCs and ways of improving TOT in LDCs in the Student's Book Unit 2).

*Note: You can write answers on the chalkboard as learners brainstorm them. Thus time-takers can copy them for easy revision of the lesson.*



### Lesson 3: Balance of trade (BOT)

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*Student's Book Unit 2.*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain what Balance of trade is.
- Demonstrate the terms of trade and balance of trade in LDCs through calculations and make interpretation.
- Show the relationship between BOT and TOT.

#### ***Prerequisites for the lesson***

With reference to lesson 2 of Unit 1 about terminologies used in international trade, pose provoking questions that will guide learners to:

- (i) Define BOT.
- (ii) Compare and contrast BOT and TOT.

#### ***Expected answers***

- (i) BOT is the relationship between a county's visible exports and visible imports in a given period of time.
- (ii) Both BOT and TOT show the strength of a country's economy in regard to international trade especially when they are favourable. When they are unfavourable, a country's position is weak.
- (iii) On contrast, TOT shows the relationship between prices of both imported and exported goods and services while BOT shows only the relationship between imported and exported goods only in a given period of time.

Connect the day's lesson basing on the introduction of BOT.

**Teaching aids**

Economics textbook related to the lesson, internet access, newspaper with economic related issues and relevant economics journals.

**Learning activities**

**Step 1:** Put learner's in groups or pairs and assign them a task in Activity to undertake research. Monitor the different groups as they discuss and give them any guidance.

**Step 2:** Invite a sample of groups to discuss their findings to the rest of the class. Encourage the rest to pay attention and ask questions where necessary. Any member from the group should be in position to answer any question that may arise from anybody not in the group. Facilitate and regulate presentations depending on the time allocated.

**Expected answers for Activity 3 Student's Book****Unit 2**

- (a) Balance of trade or visible trade balance.
- (b) Invisible balance of trade.
- (c) Balance of trade is favourable when the value of exported goods is greater than the value of imported goods while it is unfavourable when the value of imported goods is greater than the value of exported goods.
- (d) Difference between balance of trade and balance of payment.

| Balance of Trade  | Balance of Payment  |
|---|---|
| Balance of Trade includes only visible imports and exports, i.e. imports and exports of merchandise, the difference of imports and exports is called Balance of Trade. If imports are more than exports, it is unfavourable balance of trade. If exports exceed imports, it is favourable balance of trade. | The Balance of Payments includes all those visible and invisible items exported from and imported into the country in addition to exports and imports of merchandise. |
| Balance of Trade includes revenues received or paid on account of imports and exports of merchandise. It shows only revenue items.  | Balance of Payments includes all revenue and capital items whether visible or invisible. Balance of Trade thus forms a part of Balance of Payments.                   |

|  |   |
|--|---|
| Balance of Trade can be favourable or unfavourable. If imports are more than exports, it is unfavourable balance of trade. If exports exceed imports, it is favourable balance of trade. | Balance of Payment is always balanced just like Trading, Profit and Loss A/c of a business.                                       |
| In case of Balance of Trade, there is no deficit or surplus balance. The balance shows favourable or nonfavourable. So, external assistance is not required.                             | In case of Balance of Payment, any balance, deficit or surplus is to be financed by external source or assistance or be utilised. |

### ***Synthesis***

Refer to Balance of trade on Unit 2 to harmonise learners' discussions. Make a clear connection with what learners have discussed during the lesson. State clearly that BOT and TOT in LDCs Rwanda inclusive are in most cases unfavourable.

### ***Assessment of the lesson***

At the end of the lesson, assess learners to check whether the learning objectives have been achieved. For example, give them *Exercise 1* in the Student's Book Unit 2.

### ***Expected answers***

- a) Visible balance for both years and interpret the answer.  
**Visible balance** = Value of exported goods minus value of imported goods.  
 $2014 = 200M - 150M = 50M.$   
 $2016 = 100M - 200 = -100M$   
 In 2014, the country enjoyed favourable trade balance of 50m.  
 In 2016, the country experienced unfavourable (adverse) visible trade balance of -100m.
- b) **invisible balance for both years and interpret the answer.**  
**Invisible balance** = value of exported services minus value of imported services.  
 $2014 = 100M - 250M = -150M.$   
 $2016 = 250M - 100 = 150M$   
 In 2014, the country enjoyed unfavourable invisible (adverse) balance of -150m.  
 In 2016, the country experienced favourable invisible balance of 150m.



- c) **The net capital inflows for both years is;**  
**Net capital inflow (BOP on capital account) = Capital inflow - capital outflow.**  
 $2014 = 40\text{m} - 50\text{m} = -10\text{m}$   
 $2016 = 400 - 60 = 340\text{m}$
- d) **The net transfers for both years.**  
**Net transfers = transfers into the country – transfers out of the country.**  
 $2014 = 20\text{m} - 10\text{m} = 10\text{m}$   
 $2016 = 15\text{m} - 30\text{m} = -15\text{m}$
- e) **The current balance**  
**Current balance = visible balance + invisible balance + net transfers**  
 $2014 = 50\text{m} - 150\text{m} + 10\text{m} = -90\text{m}$   
 $2016 = -100\text{m} + 150\text{m} - 15\text{m} = 35\text{m}$
- f) **Assuming there are no errors and omissions, the balance on monetary account in both years (A and B) would be as follows;**  
**balance on monetary account = visible balance + invisible balance + net transfers + balance on capital account.**  
**= current balance + balance on capital account.**  
 $2014 = -90\text{m} + -10\text{m} = -80\text{m}$   
 $2016 = 35\text{m} + 340\text{m} = 375\text{m}$   
 In 2014 there was a BOP deficit of -80m  
 In 2016 there was a BOP surplus of 375m.



## Lesson 4: Causes of changes in terms of trade

*Student's Book Unit 2.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Assess the causes and consequences of changes in terms of trade.
- Take part in improving terms of trade in LDCs/Rwanda.

### ***Prerequisites for the lesson***

Give an instruction that opens learners to the lesson. For example, refer to Lesson 2 of this unit on the nature of terms of trade (causes of deteriorating TOT) and ask learners to brainstorm the causes of change of prices of exports and imports over time. From there, connect to the day's lesson.

### ***Expected answer***

TOT would also change accordingly.

### ***Teaching aids***

Economics textbook related to the unit, internet, newspapers with economic related issues and relevant economics journals.

### ***Learning activities***

**Step 1:** Organise learners in their groups and assign them a task to discuss on the causes and consequences of TOT. Refer to Activity 4 in the Student's Book Unit 2. Move in different groups to guide learners in all possible ways.

**Step 2:** Invite groups to present their findings to the rest of the class. Encourage learners to answer questions from the rest of the class regarding their presentations. Regulate the discussions to manage time.

### ***Expected answers for Activity 4 Student's Book Unit 2***

- (a) Causes of changes in terms of trade for LDCs:
- In the short-run, changes in relative prices of imports and exports is caused by fluctuations in exchange rates, particularly where countries operate a floating exchange rate system.
  - Also in the short-run, there may be considerable fluctuation in the prices of commodities which will affect the terms of trade.
  - Development of synthetic substitutes which has lessened the demand for several raw materials from LDCs thus affecting their terms of trade.
  - Low income elasticity of demand for primary commodities.
  - Compounding the problem of falling export prices, demand for primary commodities tends to be price inelastic.

Decreases in prices bring about less than proportionate increases in the quantity demanded.

- Changes in factor endowments may increase exports or reduce them. With tastes remaining unchanged, they may lead to changes in terms of trade.
  - Devaluation raises the domestic prices of imports and reduces foreign price of exports of a country devaluing its currency relative to the currency of another country.
  - The changes of a country's national product or income overtime (economic growth) affects the terms of trade of a country.
- (b) Consequences of changes in the terms of trade on balance of trade:
- An improvement in the terms of trade means that export prices are increasing faster than import prices which might cause balance of trade deficit since exports might be expensive and lose market.
  - If a country experiences deterioration in the balance of trade (value of imports increases faster than value of exports) then it may impact upon the terms of trade. i.e. cheaper exports and more expensive imports thus deterioration in the terms of trade.

### ***Synthesis***

Harmonise the learners' discussions by basing on the content in Student's Book on causes and consequences of changes in TOT Unit 2.

### ***Assessment of the lesson***

Check learners' achievement of the competences by asking questions on the lesson. For example;

What do we base on to conclude that:

- (a) Terms of trade are favourable or unfavourable?
- (b) Terms of trade are improving or deteriorating?
- (c) BOT is favourable or unfavourable?

### ***Expected answers***

- (a) TOT are favourable when prices of exports are greater than prices of imports and they are unfavourable when prices of imports are greater than prices of exports.

- (b) TOT are improving when the prices of exports are continuously rising above the prices of imports and TOT are deteriorating when the prices of exports continuously fall below the prices of imports.
- (c) BOT is favourable when the value of exported goods is greater than the value of imported goods and its unfavourable when the value of imported goods is greater than the value of exported goods.



## Lesson 5: Unit assessment

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### *Student's Book Unit 2*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Detect masterly of the unit competences.
- Forge a way forward.

#### ***Prerequisites for the lesson***

Sit learners individually and provide an end of Unit 5 assessment by referring to the *Student's Book Unit 2*. Give instructions on how to do the assessment. Guide them on the arrangement of the class (sitting arrangement).

#### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets, etc.

#### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners.

**Step 2:** Learners answer the questions given individually and the teacher supervises them.

**Step 3:** When it's time, collect their written work and do corrections. Revise the work with learners.

#### ***Synthesis***

Refer to end unit assessment in the *Student's Book Unit 2* to have a general discussion with the rest of the class of what was required of the questions provided.

***Assessment of the lesson***

To check whether the learning objectives were achieved basing on the lesson synthesis, ask more related questions and refer to the answers to the end unit assessment at the end of Unit 2 in this teacher's guide.

**End of unit****Summary of the unit**

This unit explains and covers the terms of trade in LDCs, Rwanda in particular. The terms of trade in LDCs are generally deteriorating and ever changing. This is mainly because they produce primary products, they operate under competitive conditions, and use backward technology, to mention.

Referring to the problem statement, terms of trade of a country are favourable when its export prices are higher than her import prices.

***Additional information for the teacher***

Any improvement in TOT of a country is beneficial to the economy because it means that the country can purchase more imports for the particular level of exports. When TOT fall below 100% they are said to be improving and when they fall below 100% they are said to be worsening. This has a beneficial effect on domestic cost push inflation as an improvement indicates falling import prices relative to export prices.

**Answers to End of Unit 2 assessment (Student's Book Unit 2)**

1. (a) Barter/commodity terms of trade is the relationship between export prices and import prices. While Income/monetary terms of trade refer to the ratio of the value of exports (revenue from exports) to the price index of imports.
- (b) (i) the terms of trade for
- $$2013 = \frac{\text{export price index}}{\text{import price index}} \times 100.$$
- $$= 142/108 = 131.$$
- $$2014 = \frac{\text{export price index}}{\text{import price index}} \times 100.$$
- $$= 120/114 = 105.$$

$$2015 = \frac{\text{export price index}}{\text{import price index}} \times 100.$$

$$= 128/132 = 96.9.$$

$$2016 = \frac{\text{export price index}}{\text{import price index}} \times 100.$$

$$= 154/173 = 89.$$

(ii) In 2015 the terms of trade were unfavourable because the figure is below 100. This means that Import prices rose above export prices causing terms of trade fall by 3.1%. While in 2016 the terms of trade were deteriorating because the figure is continuously falling below 100. This means export price increased by 54% while imports increased by 73% causing terms of trade to fall by 11%. Import prices continuously rose above export prices.

- Discovery of synthetic fibers by developed countries which compete with LDCs primary products.<sup>21</sup>
  - Competition amongst LDCs themselves since they produce primary products.
- .2. (a) Why terms of trade have tended to move against developing countries' economies.
- Discovery of synthetic fibers which compete with LDCs primary products.
  - Competition among many members who produce primary products.
  - Low quality of products which cannot compete favourably on the world market.
  - Attempts to increase exports through devaluation.
  - Decline in demand in MDCs due to low population growth.
  - General trend in price increase of industrial products.
  - High demand for imports due to increase in population.
  - Increased demand for capital goods.
  - Low production due to lack of capital and skills.
  - Protectionism by MDCs on commodities from LDCs.
  - Little trade among developing countries.
  - Improvement in technology in MDCs where less raw materials are used.

- (b) The effects of deteriorating terms trade in Rwanda:
- Worsening of the country's BOP position.
  - Persistent forex shortages.
  - Depreciation of the Rwandan currency.
  - It leads to unemployment.
  - Loss of government political support and popularity.
  - Inflation in the country.
  - Low production.

3. Does favourable terms of trade mean favourable balance of trade?

Favourable terms of trade imply that:

One unit of export, buys more than one unit of imports.

There is an increase in the purchasing power of exports.

Favourable balance of trade is where value of exported goods is greater than value of imported goods in a year.

Favourable terms of trade doesn't necessarily mean that a country would enjoy favourable balance of trade, for example;

Favourable terms of trade may come as a result of high prices of exports. However, if quantities exported are low, the country can have unfavourable balance of trade.

Favourable terms of trade may be as a result of low prices of imports but if quantities of imported goods are high, the country can have unfavourable balance of trade. Balance of trade depends on quantities and prices of goods exported and imported. Terms of trade is about prices of imports and exports.

Terms of trade consider both prices of goods and services whereas balance of trade considers only the value for goods. A country can enjoy favourable terms of trade because of low prices of imported services which outweigh the high prices of imported goods and low prices of exported goods. Such a country is likely to experience unfavourable balance of trade. So balance of trade depends on the value (quantities and prices) of only goods. Whereas terms of trade depend on prices of exported and imported goods and services.

However, a country which has favourable terms of trade stands a chance of enjoying favourable balance of trade though this is not necessarily the case.

## Remedial activity

### ***Exercise 1 (Remedial activity)***

Calculate the terms of trade index given the index of export prices as 90 and the index of import prices as 120. Interpret your answer.

#### ***Expected answer***

Terms of trade index = index of export prices/index of import X 100.

$$= 90/120 \times 100 = 75.$$

This means that export prices reduced by 10% (90-100) and import prices increased by 20% (120-100) so the country experienced unfavourable terms of trade during the year.

### ***Exercise 2 (Remedial activity)***

2. Study the table below showing the terms of trade for country A (2011-2015) and answer the question that follow;

| Year | Export price index | Import price index | Terms of trade |
|------|--------------------|--------------------|----------------|
| 2011 | 100                | 100                | 100            |
| 2012 | 420                | 370                |                |
| 2013 | 250                | 210                |                |
| 2014 | 180                | 230                |                |
| 2015 | 160                | 190                |                |

- (i) Calculate the terms of trade for the years 2012-2015.
- (ii) Describe the terms of trade for country A in 2014.

#### ***Expected answers***

- (i)  $P_x/P_m \times 100$

$$\text{Terms of trade for 2012} = 420/370 \times 100 = 113.5$$

$$\text{Terms of trade for 2013} = 250/210 \times 100 = 119$$

$$\text{Terms of trade for 2014} = 180/230 \times 100 = 78$$

$$\text{Terms of trade for 2015} = 160/190 \times 100 = 84$$



- (ii) The terms of trade for country A in 2014 were unfavourable since the price of exports fell below the price of imports.

### ***Extended activities***

1. Given that in 2016 the price of exports is 140, price of imports is 240 and quantity of exports is 90, calculate;
  - (i) Barter terms of trade.
2. (ii) Income terms of trade.  
If in the following year prices of exports increased to 200 holding prices of imports constant, calculate the barter terms of trade and interpret the terms of trade.

### ***Expected answers***

1. (i)  $P_x/P_m \times 100 = 140/240 \times 100 = 58.3$   
(ii)  $P_x \times Q_x / P_m = 140 \times 90 / 240 = 52.5$
2.  $P_x/P_m \times 100 = 200/240 \times 100 = 83.3$  this implies that the terms of trade deteriorated because the prices of exports continuously fell below import prices. And the terms of trade figure is below 100.

### ***Consolidation activities***

1. (a) Distinguish between favourable terms of trade and unfavourable terms of trade.
- (b) How would you advise your country to have her terms of trade favourable year after year?

### ***Expected answers***

- (a) Favourable terms of trade is where export price index is greater than import price index and the terms of trade figure is above 100. While unfavourable terms of trade is where the export price index is less than import price index and the terms of trade figure is less than 100.
- (b) How to make terms of trade favourable?
  - Process primary products into finished products so as to increase export value.
  - Develop appropriate technology so as to reduce inappropriate technology.
  - Carry out market research so as to produce according to demand.

- Strengthen international commodity agreement by improving the bargaining power.
  - Form economic groupings and trade among themselves in order to avoid exploitation by MDCs.
  - Promote the development of private sector so as to promote efficiency.
  - Establishment of the trade points which will provide all trade related information.
2. What conditions do you think are in place for:
- (i) favourable terms of trade.
  - (ii) unfavourable terms of trade.

***Expected answers***

- (i)
  - Prices of exports are raising.
  - Prices of imports are falling.
  - Increase in the volume of exports at constant prices.
  - Reduction in the volume of imports at constant prices.
  - Increase in the value of the exporting country's currency.
- (ii)
  - Prices of exports are falling.
  - Prices of imports are raising.
  - Reduction in the volume of exports at constant prices.
  - Increase in the volume of imports at constant prices.
  - Decrease in the value of the exporting country's currency.

**Topic Area 4: International Economics**

## Sub-topic Area 4.1: International Trade

**Unit 3: Free Trade and Trade Protectionism**

*Reference to Student's text Book unit 3*

**Key unit competence:** Learners will be able to analyse the impact of free trade and trade protectionism in an economy.

**Prerequisites for this unit**

Basing on the knowledge learners have on the terms of trade for Rwanda and other LDCs. They can interpret the relationship between export and import price indices. We can now introduce the need to improve Rwanda's gains from trade, i.e. whether to exchange freely or to impose some restrictions. In this unit therefore, we will tackle free trade versus trade protectionism. It will help learners to gauge which policy to take if Rwanda is to benefit more from international trade. This will be explained in the advantages and disadvantages of each trade policy.

**Cross-cutting issues to be addressed**

When teaching this unit, intergrate the following cross cutting issues:

***Standardisation culture:*** Learners should be made to know that however much trade may be free, producers need to take into consideration the quality of commodities they produce and consumers should not just consume commodities because they are cheap irrespective of the quality.

***Peace and values education:*** This should be emphasised where people still need to value their culture and maintain the consumption habits of their country which maintains national identity and dignity. On top of that, producing countries should export harmful commodities which might destabilise the socio-

economic and political climate of other countries thus maintain peace and harmony.

**Environment sustainability:** Discuss with learners the statement that, “With the desire to reap much from free trade as a result of expanded markets, producers should not overutilise and exhaust resources at the expense of environmental sustainability.”

### Generic competences

- Co-operation is generated as learners handle tasks together e.g in group discussions and debate.
- Communication skills are generated through presentation of findings about free trade and trade protectionism.
- Critical thinking through analysing advantages and disadvantages of free trade and trade protectionism.
- Lifelong learning is achieved through research activities on the lesson.

### Vocabulary or key words or concepts in the unit

***Anti-dumping duty:*** This is a tariff imposed to restrict dumping.

***Beggar-my-neighbour policy:*** This is a policy adopted by a country to benefit its own economy but harmful to other economies e.g. import restriction, devaluation etc.

***Drawback:*** This occurs when a duty imposed on certain imports not destined for domestic consumption and subsequently exported, is refunded. This repayment of duty is what is called drawback.

***Effective tariff rate:*** This refers to the tax charged on any imported commodity expressed as a percentage of the value added by the exporting country.

***Export quota:*** The maximum amount of the product that may be exported in a given period of time.

***Free Trade:*** Trade in which goods can be exported or imported without any form of restrictions by the state.

***Import quota:*** The maximum amount of the product that may be imported in a given period of time.

**Nominal rate of tariff:** This is a tax charged on any commodity expressed as a percentage of the price of the commodity.

**Non-tariff barriers:** Trade (NTBs) are trade barriers that restrict imports or exports of goods or services through mechanisms other than the simple imposition of tariffs.

**Tariff war:** This refers to competitive use of tariff by countries to change the pattern of international trade in order to gain individual advantage.

**Tariffs:** These are taxes or duties imposed on imports or exports either for revenue purposes or for protection or both.

**Trade barriers:** Are government policies which place restrictions on international trade. Trade barriers can either make trade more difficult and expensive (tariff barriers) or prevent trade completely (e.g. trade embargo).

**Protectionism:** Advocacy of policies designed to protect domestic industries from foreign competition, usually in the form of tariffs, import quotas, or export subsidies.

**Quota:** A quota is a legal restriction on the quantity of a good that may be imported or exported.

## **Guidance on the problem statement**

Let learners discuss whether Rwanda should trade freely with other countries or put restrictions or laws in her trading activities.

Depending on their different views, tell learners that either way, there are merits and demerits as it will be discovered later in the unit.

This will tickle their minds to research and find more about free trade and trade protectionism.

## List of lessons/lesson map

|          |  |
|----------|--|
| Lesson 1 | Free trade, its advantages and disadvantages.  |
| Lesson 2 | Trade protectionism and its rationale.         |
| Lesson 3 | Tools of trade protectionism.                  |
| Lesson 4 | Arguments for and against trade protectionism. |
| Lesson 5 | Commercial policy.                             |
| Lesson 6 | Unit assessment.                               |

## Lesson development



### Lesson 1: Free trade, its advantages and disadvantages

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*Student's Book Unit 3*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain what is meant by free trade.
- Evaluate the impact of free trade on Rwanda's economy.
- Critically analyse whether free trade is the appropriate trade system for economic development of Rwanda.

#### ***Prerequisites for the lesson***

Reflect on the previous unit about causes of deteriorating terms of trade and to stimulate learners' interests in the lesson. Through class discussion, task learners to give their views about a situation where a country adopts a policy where it allows commodities to freely enter and leave without any restriction. Task them to express how this would improve her terms of trade position.

#### ***Expected answers***

- There will be competition from other countries which increases supply of imports and thus reduce their prices.
- It would encourage domestic production and increase the volume of exports at constant prices

- There would be a reduction in the volume of imports due to increased investments in the country thus reduce expenditure on imports

*Note: Be receptive to other correct answers.*

Connect their views with the introductory case study of the day's lesson on advantages and disadvantages of free trade.

### ***Teaching aids***

Economics textbooks that cover free trade, internet access, newspaper with articles on trade policies, magazines with economics related issues on the lesson and relevant economics journals.

### ***Learning activities***

**Step 1:** Organize learners into different groups and task them to analyse and discuss about the extract in activity 1 in the Student's Book. Give them time to generate points in their discussion as you moderate their discussion

**Step 2:** Sample groups to present their views to the rest of the class.

**Step 3:** Harmonise the learner's views and make general conclusion.

### ***Expected answers***

#### ***Expected answers to activity 1***

Advantages of free trade:

- a) Free trade refers to the unrestricted purchase and sale of goods and services between two or more countries.
- b) From the extract above, the benefits of free trade cited include;
  - It allows businesses in each country to focus on producing and selling the goods that best use their resources.
  - It allows businesses to import goods that are scarce or unavailable domestically.
  - It allows economies to experience faster growth.
  - It allows economies to meet the needs of its consumers.

- free trade expands the diversity and lowers the prices of goods available in a nation.
  - It enables nations to better exploit their homegrown resources, knowledge, and specialized skills.
- c) Free trade is likely to affect positively and negatively the economies of the involved countries, other than the above cited advantages in the following ways:
- It permits an allocation of resources, and manpower in accordance with the principle of comparative advantage which is just an extension of division of labour.
  - Countries may then export those goods or services that they are most efficient in producing and importing the items which other countries may produce more efficiently.
  - It increases competition as domestic industries must compete with foreign firms in the same industry as well as other firms in their own country.

Disadvantages of free trade:

- It involves some risks for a country because the international market conditions are out of control of any government and are often unpredictable and liable to fluctuation.
- A country may become too dependent on the export of a particular commodity.
- The distribution of income between or among countries may be more uneven as a result of free international trade.
- Free international trade may increase the gap between the rich and the poor because those who benefit most from international trade may be the rich elites who own the main assets of the country.
- The inflow of international goods into a country may cause other problems such as erosion of the national culture.



- d) If free trade turns out to be harmful to our country's economic development process, the government of our country should apply protectionist measures like tariffs, quotas, physical boarder checkups, antidumping policies etc. in order to protect her economy from the costs of free trade policy

*Note: Be receptive to other correct answers.*

### ***Synthesis***

Base on advantages and disadvantages of free trade in *Student's Book Unit 3* to harmonise learner's findings. Conclude the lesson by entertaining questions about the lesson from learners in general.

### ***Assessment of the lesson***

Give questions to learners to assess the achievement of the learning objectives.

For example:

- (i) What are the arguments for and against free trade zone in Rwanda from the EAC?
- (ii) Would you recommend this trade policy for Rwanda, why?

### ***Expected answers***

- (i) Expanded market for Rwanda's exports.
- Increased employment for the citizens.
  - Increased exploitation of domestic idle resources.
  - Over exploitation of resources
  - Out competition of local industries due to limited co-operant factors.

*Note: Be open minded to other correct answers.*

- (ii) About advantages and disadvantages of free trade in Rwanda and answers to *Unit 3 Activity 1*, question in 'd' in this guide.



## Lesson 2: Trade protectionism and its rationale

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*Student's Book Unit 3*

### ***Learning objectives***

By the end of the lesson, learners should be able to:

- Distinguish between free trade and trade protectionism.
- Analyse the need for trade protectionism in Rwanda.

### ***Prerequisites for the lesson***

Refer to Lesson 1 on free trade to clearly explain the concept of trade protectionism. For example, task learners to imagine a situation where there is no free trade. Let them brainstorm what would happen to the terms of trade and balance trade position for a country. Connect the discussion to the day's lesson about trade protectionism and its rationale.

### ***Expected answers***

- Exports of a country may be given quotas by the importing country and this causes unfavourable BOT.
- More exports would be encouraged in case a country pursues export promotion strategy and this leads to favourable BOT (BOT surplus).
- Imports may be restricted and this leads to favorable trade balance (BOT surplus)
- Imports may become expensive and this leads to unfavourable TOT.
- Exports may become cheap and this leads to unfavourable TOT.

*Note: Be open minded to other correct answers.*

### ***Teaching aids***

Economics textbooks that cover trade protectionism, internet access, newspapers, magazines, documentaries with economics related issues on the lesson and relevant economics journals.

### ***Learning activities***

**Step 1:** Organize learners into different groups and task them with the scenario in activity 2 in the Student's Book. They use it to go to the library or internet to research about protectionism.

**Step 2:** Sample groups to present their views to the rest of the class and encourage every learner to fully participate.

**Step 3:** Harmonise the learner's views and make general conclusion.

### ***Expected Answers for Activity 2***

- (a) Trade protectionism.
- (b) Reasons countries restrict trade:
- To protect infant industries against unfair competition from low cost products from abroad.
  - To discourage dumping through tariffs on cheap and expired commodities into the country.
  - To increase employment opportunities at home by reducing imports and stimulation of domestic demand for local products.
  - To reduce external economic dependence and promote self-sufficiency.
  - To increase government revenue through import and export duties.
  - To prevent importation of undesirable commodities and thus protect the health of citizens.
  - To encourage full utilisation of domestic resources especially for import substitution industrial strategy.
  - Etc.
- (c) From the scenario, examples of trade barriers that can be imposed on international trade include; tariffs, quotas, standardisation measures, border checks, embargos/sanctions, total ban, import and export licenses and bureaucratic delays.
- (d) Other measures that countries use to restrict trade with other countries in international trade include:
- Import and export prohibition.
  - Exchange rate manipulation.
  - Import monopolies.
  - Preferential treatment. etc.

### ***Synthesis***

Refer to the Student's Book unit 3 and link it to the discussed points.

Give a statement that there is need for countries to take up policies of trade protectionism for them to avoid exploitation.

### ***Assessment of lesson***

To assess learners on the achievement of the learning objectives, pose to them a few questions related to the lesson. For example;

- (i) Why do you think it's necessary for your country to protect her trade with other countries? You can ask them time to brainstorm or give them homework to be done after the lesson.

### ***Expected answers***

Refer to reasons for trade protectionism in the Student's Book unit 3.



## **Lesson 3: Tools of trade protectionism**

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*Student's Book Unit 3*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify the different tools that can be used to restrict international trade in Rwanda.
- Assess the use of the different tools of trade protectionism in an economy.

### ***Prerequisites for the lesson***

To start this lesson, revise with learners the reasons for trade protectionism. Pose a question to learners on the various ways through which a country can restrict her international trade. Facilitate the sharing of ideas and be time conscious.

### ***Expected answers***

- Tariffs.
- Quotas.
- Total ban.
- Standardisation.
- Trade embargo.

*Note: Accept all correct answers.*

### ***Teaching aids***

Student's Book, internet, newspaper articles, magazines, documentaries and relevant economics journals.

### ***Learning activities***

**Step 1:** Organise learners in groups and give them a set of tools of protectionism to group and discuss about.

Guide learners to research and discuss the following tools:

Import duties, export duties, import and export prohibition, exchange rate manipulation, quotas, preferential treatment. Etc.

Learners use internet, Student's Book etc. to research and discuss on trade protectionism tools.

**Step 2:** Groups present their views to the class as you moderate.

### ***Expected answers***

Group them as tariff and non-tariff barriers trade.

- Tariff barriers include import duties and export.
- Non-tariff barrier includes; import and export prohibition, exchange rate manipulation, quotas, preferential treatment.

### ***Synthesis***

Refer to tools of protectionism in *Student's Book, Unit 3* and clearly explain the different tools of protection that a country can employ in restricting her trade with other countries.

Recommend the best tools for Rwanda's economy in particular.

### ***Assessment of the lesson***

Assess learners on the achievement of the lessons objectives by asking them to explain in writing how the different tools are used to control trade in Rwanda.



## Lesson 4: Arguments for and against trade protectionism

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*Student's Book Unit 3.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Discuss the impact of trade protectionism on an economy.
- Choose the appropriate trade system for economic development.

### ***Prerequisites for the lesson***

Refer to the previous lesson on tools of trade protectionism and task learners to brainstorm the usefulness of the tools to any economy. Connect the discussion to the day's lesson (the impact of trade protectionism on economy).

### ***Teaching aids***

Student's Book, internet, newspaper articles, relevant economics journals.

### ***Learning activities***

**Step 1:** Organize learners into different groups and task them with the extract in activity 3 in the Student's Book. They use it to go to the library or internet to research about protectionism.

**Step 2:** Sample groups to present their views to the rest of the class and encourage every learner to fully participate.

**Step 3:** Harmonise the learner's views and make general conclusion.

Learners note down points for both sides as the debate goes on.

### ***Expected answers for Activity 3***

- a) Based on the extract above, arguments for and against trade protectionism therein include.
- arguments for
- help to create domestic jobs,
  - increase gross domestic product production,
  - make a domestic economy more competitive globally.

- arguments against
  - slows economic growth.
  - increases price inflation
- b) Arguments for trade protectionism:
- Protection reduces unemployment.
  - Preserves certain class of population or certain occupation.
  - Diversification of Industries.
  - It assists new industries to grow.
  - Protection guards against dumping.
  - Keeps money at home.
  - Protection increases government revenue.

*Note: Accept all correct answers.*

Dangers of protectionism:

- Market distortion and loss of allocative efficiency.
- It may lead to inflation due to high import tariff.
- Trade barriers between countries can spoil the relationship between them.
- It encourages smuggling which reduces government revenue.
- It promotes monopoly i.e. protected domestic industries will become monopolies.
- It may increase prices for consumers both domestically and globally.
- Reduction in market access for producers.
- Loss of economic welfare.
- Extra costs for exporters.
- Regressive effect on the distribution of income.
- Results into trade wars.

*Note: Accept all correct answers.*

### ***Synthesis***

Refer to arguments for and against trade protectionism in the Student's Book Unit 3 to harmonise learner's discussion. Explain clearly the different points and allow them take a summary of the points discussed.

### ***Assessment of the lesson***

You can check the learners' achievement of the lesson objectives by asking questions about the lesson. For example;

- (i) Why would you advocate for trade protectionism in your country?
- (ii) Suggest the best trade policy suitable for your country, and why?

***Expected answers***

- (i) Refer to advantages of trade protectionism in the Student's Book Unit 3.
- (ii) A learner chooses either free trade or protectionism by giving its advantages over the other. Refer to advantages and disadvantages of free trade and trade protectionism in the Student's Book Unit 3..
- (iii)



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## Lesson 5: Commercial policy

*Student's Book Unit 3*

***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain commercial policy.
- Identify the objectives and tools of commercial policy in Rwanda.

***Prerequisites for the lesson***

Basing on the background of the previous lessons, introduce the lesson by tasking learners to share their views as a whole class on what can be done to improve on the economic welfare of Rwanda. Connect their views to the day's lesson on commercial policy.

***Expected answers***

- Attract investors in the country.
- Subsidise infant industries.
- Improve on infrastructure.

*Note: Be receptive to other correct answers.*

***Teaching aids***

Student's Book, internet access, newspapers, documentaries on commercial policy and relevant economics journals.



### ***Learning activities***

**Step 1.** Divide learners in groups of at least 4-5 and ask them to do research in the library / internet and present their findings to the class on commercial policy. Facilitate their research and discussions in their groups. Refer to Activity 4 in the Student's Book page 89.

**Step 2:** Harmonise learners' discussions by explaining clearly the meaning, tools, benefits and costs of commercial policy in relation to Rwanda.

Learners can ask some questions for clarification.

Clarify their questions.

### ***Expected answers for Activity 4***

- (a) Commercial policy refers to the set of rules and regulations by a given country that are intended to change international trade flows and particularly to restrict imports..
- (b) The main objectives of commercial policy are:
- To increase the quantity of trade with foreign nations.
  - To preserve, the essential raw materials for encouraging the development of domestic industries.
  - To stimulate the export of particular products with a view to increasing their scale of production at home.
  - To prevent the imports of particular goods for giving protection to infant industries or developing key industry or saving foreign exchange, etc.
  - To restrict imports for securing diversification of industries.
  - To encourage the imports of capital goods for speeding up the economic development of the country.
- (c) Tools of commercial policy in Rwanda:
- Basic infrastructure policy.
  - Foreign exchange control.
  - Import substitution strategy.
  - Devaluation.
  - Economic integration.
  - Trade agreements.
  - Direct restrictions on imports.

- (d) Benefits of commercial policy:
- Domestic industries have been protected from foreign competitors.
  - It has helped new domestic industries to develop.
  - It has helped to do away with dumping and its negative effects.

Costs of commercial policy:

- Increased cost to consumers.
- Increased costs to domestic suppliers.
- Less competition.

*Note: Be receptive to other correct answers.*

### ***Synthesis***

Refers to commercial policy in the Student's Book Unit 3 and harmonise learners' findings. Allow learners to ask different questions related to the lesson for clarity.

### ***Assessment of the lesson***

Use remedial and extension activities to assess the lesson. You can pose random questions about commercial policy and gauge learners' response.



## **Lesson 6: Unit assessment**

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*Student's Book Unit 3.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the impact of free trade, trade protectionism and commercial policy on an economy like Rwanda.

### ***Prerequisites for the lesson***

Organise learners for end of unit assessment by referring to the *Student's Book Unit 3*. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, Student's Book Unit 3 or printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners.

**Step 2:** Learners answer the questions given individually and the teacher supervises them.

**Step 3:** At the end of the assessment, collect their written work for marking.

*Note: You can also give assessment in form of question and answer technique.*

### ***Synthesis***

Refer to end of Unit 3 assessment in the *Student's Book on Unit 3* to have a general discussion with the rest of the class.

### ***Assessment of the lesson***

To check whether the learning objectives of the unit were achieved, base on the lesson synthesis and ask more related questions. Refer to the answers of the end of Unit 3 assessment at the end of Unit 3 in this Teacher's Guide.

## **End of unit**

### **Summary of the unit**

In this unit, learners are availed the policies of free trade, trade protectionism and commercial policy (*refer to Student's Book Unit 3*)

Considering the advantages and disadvantages of the above policies, LDCs and Rwanda in particular need some degree of protection to save them from being exploited by MDCs. Thus the need for commercial policy.

### ***Addition information for the teacher***

Free trade also called *laissez-faire*, is a policy by which a government does not discriminate against imports or interfere with exports by applying tariffs (to imports) or subsidies (to exports). A free trade policy does not necessarily imply, however, that a country abandons all control and taxation of imports and exports.

Despite the arguments in favour of free trade, and increasing trade openness, protectionism is still widely practiced. Countries want to win the game of international trade by exporting more than they import so as to protect their domestic industries from imports that will hinder their growth thus worsen their balance of trade leading to *negative balance of trade*. This implies that countries need to avoid more money going out than what is coming in by pursuing a policy of trade protectionism.

Commercial policy are regulations and policies that determine how a country conducts trade with other countries. A country's commercial policy includes the use of tariffs and other trade barriers, such as restrictions on what goods can be imported and which countries are allowed to import or export goods to the home country.

For example, countries that are in an economic union often have a single commercial policy that determines how member countries can interact with non-member countries.

Commercial policies are a point of contention in international trade, and are a reason for the existence of such organisations as World Trade Organisation (WTO).

**End of Unit 3 assessment answers (Student's Book Unit 3)**

1. (a) - Tariff barriers are trade restrictions in form of taxes on goods and services entering the country (import duties) or leaving the country (export duties) while non-tariff barriers are trade restrictions that are not in form of taxes like quotas, total ban, quality requirements, licenses etc.

- Non-tariff barriers to trade (NTBs) are trade barriers that restrict imports or exports of goods or services through mechanisms other than the simple imposition of tariffs. E.g. quotas, total ban, quality requirements, licenses etc.

(b) Tools used to restrict trade include the following:

- Tariffs.
- Quotas.
- Devaluation
- Import/export licenses.
- Total ban.
- Sanctions.
- Transport discrimination.
- Preferential treatment.
- Forex control.
- Administrative control.
- Subsidies.
- Etc.

2. (a) Why some countries adopt protectionism as an international trade policy:
- (i) To protect infant industries against unfair competition from low cost products from abroad.
  - (ii) To discourage dumping through tariffs on cheap and expired commodities into the country.
  - (iii) To increase employment opportunities at home by reducing imports and stimulating domestic demand for local products.
  - (iv) To reduce external economic dependence and promote self sufficiency.
  - (v) To increase government revenue through import and export duties.
  - (vi) To prevent importation of undesirable commodities and thus protect health of citizens.
  - (vii) To encourage full utilisation of domestic resources especially for import substitution industrial strategy.
- (b) The problems that may arise from protectionist policies:
- Market distortion and loss of allocative efficiency.
  - It may lead to trade diversion in case trade protectionism is in form of regional integration.
  - It may lead to inflation due to high import tariff.
  - Trade barriers between countries can spoil the relationship between them.
  - It encourages smuggling which reduces government revenue.
  - It promotes monopoly i.e. protected domestic industries will become monopolies.
  - It may result into higher prices for consumers both domestically and globally.
3. (a) Trade liberalisation is the removal of all transactions on the trade formerly imposed by government in order to allow more participation of the private sector in economic development.
- (b) I would advocate for trade liberalisation because of its benefits which include:
- (i) Increased employment opportunities.

- (i) Increased tax revenue by widening the taxable capacity.
- (ii) Attracts foreign capital and investments in the country.
- (iii) Eliminates monopoly tendencies in the economy.
- (iv) Reduced corruption and embezzlement of public funds.
- (v) Promotes international relations with trading partners.
- (vi) Reduced government expenditure.

## Remedial activity

Think of a situation where Rukundo and Tumusiime are participating in international trade but they are to freely exchange their commodities to and from other countries; and in another situation Murenzi and Berimana are also participating in international trade but they face restrictions as they exchange with other countries.

- (a) How would you term each of the two situations in the case study above?
- (b) Which of the two situations do you think is more beneficial to the traders and why?

### *Expected answers*

- (a) Free trade and trade protectionism.
- (b) Use advantages and disadvantages of free trade and trade protectionism and compare the two. Refer to Student's Book Unit 3.

### *Consolidation activity*

1. If you were asked to advise the minister of trade and commerce for Rwanda over which policy to undertake in order to gain more from international trade, which one would you advise and why?

### *Expected answers*

Let learners mention any policy either free trade or trade protectionism and support it with its advantages over the other.

### *Extended activity*

To what extent does trade protectionism benefit a country more than free trade in international trade.

### *Expected answers*

(Use advantages and disadvantages of trade protectionism over free trade).

## Topic Area 4: International Economics

### Sub-topic Area 4.1: International Trade

# Unit 4: Balance of Payment (BOP)

*Reference to Student's text Book unit 4*

**Key unit competence:** Learners will be able to analyse the balance of payment position of LDCs.

### Prerequisites for this unit

Having seen the merits and demerits of free trade and trade protectionism, learners are in position to determine whether Rwanda should open up for other countries, commodities to enter freely or to restrict her international trade. Whichever the trade policy undertaken, it requires to examine the relationship between earnings from and expenditures abroad in terms of exporting and importing goods and services. This will help learners make analysis on whether Rwanda is gaining or loosing from international trade and thus they come up with the spirit of working towards development of the country in one way or the other. In Unit 2 about Terms of Trade, we had developed the attitude of improving the terms of trade of Rwanda which when connected with this unit, learners design the possible measures towards improving Rwanda's trade position in global trade, the reason behind teaching this unit.

### Cross-cutting issues to be addressed

When handling this unit, a cross cutting issue of finance education should be emphasised where learners need to understand, practice and appreciate the value of balancing their transactions so as to avoid recurring problems in their daily lives.

Peace and values education needs also to be stressed because as a country faces a surplus on any of the accounts, it should plan to assist other countries in need by e.g. giving aid. Such a country might run for help from such countries in case it gets a deficit on



the BOP accounts. This serves as a lesson to them in their daily life experience.

### Generic competences

- Co-operation and interpersonal management is generated through group discussions, debate and any kind of group work.
- Communication through presentation of findings.
- Critical thinking through analysing the structure of BOP in LDCs.
- Lifelong learning through research.

### Vocabulary or key words or concepts in the unit

**Absorption approach:** Refers to the analysis in the BOP based on comparing expenditure with domestic output.

**Accommodating items in BOP:** This refers to the different items on the BOP account that are used to curb short term deficits.

**Autonomous items:** These are items/measures to offset a BOP surplus on the BOP account.

**Balance of payment:** This is a relationship between a country's foreign exchange expenditure and her foreign exchange earnings in any given year.

**Balance of payment accounts:** This refers to a summary record of a country's transactions that involve payments or receipts of foreign exchange.

**Balance of trade:** This is the relationship between a country's visible exports and visible imports.

**Balancing item:** Is one which appears in figures of BOP explaining the discrepancy between the current and long term capital account and the net change in reserves, overseas holdings and other items that make up the balance of monetary movements.

**BB line:** This is a locus of levels of the interest rate and real national income for which the desired current account Balance of Payment surplus just equals the desired capital account deficit.

**Capital account:** This refers to the record of international transactions related to movement of long and short term capital.

**Capital movement:** Movement of money capital from one country to another.

**Capital account:** It is the part of the balance of payment accounts which shows the movement of capital over a period of time.

**Capital stock:** It is the total amount of physical goods existing at a particular time period which have been produced for use in the production of other goods.

**Current account:** It is the portion of a balance of payments which shows the market value of a country's visible and invisible exports and imports with the rest of the world.

**Economic sanction:** Coercive measures of an economic nature adopted in international affairs to enforce collective decisions.

**Embargo:** Any prohibition imposed by government upon commerce or freight.

**Exports:** Goods and services produced in one country and sold to another country. They are a source of foreign exchange.

**Export promotions:** An outward-looking policy. It refers to deliberate government policies to expand the volume of exports.

**Favourable balance of trade:** This is when the value of visible goods exported by a country is higher than that of the goods imported.

**Import surplus:** A situation that exists when the value of imports exceeds that of exports (unfavourable trade balance).

**Individualism:** This is a belief that individuals are the best judges of their own interests.

**Official financing:** This means items that represent international transactions involving the central bank of a country whose BOP are being recorded.

**Price- specie-mechanism:** This refers to automatic BOP adjustments mechanism under gold standard.

**Trade gap:** This occurs when the quantity of imported goods exceeds that of visible exports. It is the amount by which visible imports exceed visible exports.

**Unfavourable balance of trade:** This is when the visible goods imported by a country are greater in value than those exported.

## Guidance on the problem statement

Give a definition of balance of payment as the relationship between a country's foreign exchange expenditure and her foreign exchange earnings in any given year.

Task learners to differentiate BOP from BOT. As they get engaged in the activity they discover answers to most of the questions about the unit. Assign them another activity in this unit. As they discuss about it, it will help them to know some issues about international trade aspects.

In this case, the problem statement would be: At any moment, an economy is either facing Balance of Payment deficit, or surplus or equilibrium. Where does the economy of Rwanda lie and why.

### **Expected answers**

Rwanda like any other LDCs faces a balance of payment problems. Reasons for BOP problems include:

- Protectionism in form of high taxes by MDCs.
- Decline in world demand for agricultural products due to discovery of synthetic fibers by MDCs.
- High capital outflows in LDCs due to poor investment climate in most LDCs.
- Increase in prices of imports especially necessities like fuel.
- Political instability in most LDCs.
- Natural calamities in some parts of LDCs.
- High transport costs in most LDCs.
- Inadequate infrastructure like storage facilities and air transport.

## List of lessons/lesson map on Balance of payment (BOP)

|           |   |
|-----------|---|
| Lesson 1: | Meaning and the difference between BOP and Balance of Trade.                |
| Lesson 2: | Structure of BOP accounts.  |
| Lesson 3: | Causes, effects and measures to correct BOP disequilibrium.                 |
| Lesson 4: | BOP position in Rwanda.   |
| Lesson 5: | Causes, effects and measures to correct the adverse BOP position in Rwanda. |
| Lesson 6: | Unit Assessment.  |



### Lesson 1: Meaning and the difference between BOP and Balance of Trade

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*Student's Book Unit 4.*

#### ***Learning objectives***

By the end of this lesson, learners will be able:

- Explain the meaning of BOP.
- Distinguish BOP from BOT.
- Explain the terminologies used in BOP.
- Distinguish between BOP equilibrium and disequilibrium.

#### ***Prerequisites for the lesson***

Introduce the lesson by posing questions for learners to brainstorm.

For example,

- (i) How does free trade affect earnings and expenditure in international trade?
- (ii) What happens if expenditures are greater or less than earnings?

After the questions have been answered by learners, connect the introduction to the day's lesson on BOP.

#### ***Expected answers***

- (i) • Free trade increases free movement of goods and services from the country in form of exports and this increases forex earnings.

- Free trade attracts investors into the country which increases domestic production and reduces imports thus reducing expenditure abroad.
- (ii) • Trade protectionism reduces import expenditure and increases export earnings.
- (iii) If expenditures are greater or less than earnings from abroad, there is a disequilibrium in the economy.

### ***Teaching aids***

Student's Book, internet, newspaper articles with economics related issues on the lesson and relevant economics journals, reports on BOP accounts in LDCs, etc.

### ***Learning activities***

**Step 1:** Organize learners into different groups and task them with the case study in activity 1 in the Student's Book. They analyse it and use it to carry out research from any economics related resource

**Step 2:** Sample groups to present their views to the rest of the class and encourage every learner to fully participate.

**Step 3:** Harmonise the learner's views and make general conclusion.

### ***Expected answers for unit 4: Activity 1 Student's Book Unit 4.***

- i) The economic term given to the document that Country 'B' used to present her capacity to save for the payment of its imports and her output produced to pay for her growth is Balance of payment.
- ii) The economic situation, as stated in the case study, in 2017 is BOP deficit or unfavourable BOP while in 2018 it is BOP surplus or favourable BOP.
- iii) The resultant outcome for each position mentioned in ii) above;

For a BOP deficit, the outcome is such that;

- A country increases borrowing from other countries to pay for its imports which in the short-term fuels the country's economic growth.
- In the long-term, the country becomes a net consumer, not a producer, of the world's economic output.

- The country in question will have to go into debt to pay for consumption instead of investing in future growth.
- If the deficit continues long enough, the country may have to sell off its assets like natural resources, land, and commodities etc. to pay its creditors.

For a BOP surplus, the resultant outcome is such that;

- Citizens and the government provide enough capital to pay for all domestic production.
  - A surplus boosts economic growth in the short term.
  - A country has enough excess savings to lend to countries that buy its products.
  - The increased exports boosts production in its factories, allowing them to hire more people, thus creating more employment opportunities.
  - In the long run, the country becomes too dependent on export-driven growth.
  - A country must encourage its residents to spend more.
  - A larger domestic market will protect the country from exchange rate fluctuations.
  - A country also allows its companies to develop goods and services by using its own people as a test market.
- iv) According to the case study, 'equilibrium' means that, the country puts up measures possible to offset BOP deficit and or surplus so as to make sure that export earnings are equal to import expenditure. Meaning that there is neither a deficit nor a surplus in the economy thus, bringing the economy to equilibrium.
- v) Refer the Student's Book unit4 for the likely measures' country 'B' would put to bring her economy back to equilibrium

## 1. Definition

| Balance of Trade (BOT)  | Balance of Payment (BOP)  |
|---|---|
| BOT is the difference between the values of exports and imports of only physical items (goods) of a country during a given period of time (usually one year). | BOP is the difference between the values of exports and imports of both visible and invisible items (goods and services) of a country during a given period of time (usually one year). |

## 2. Surplus or Deficit

| Balance of Trade  | Balance of Payment   |
|---|--|
| If the value of visible exports is greater than value of visible imports, the balance of trade is said to be favourable and vice versa. | If the value of the total receipts is greater than the total payments, the BOP is termed as favourable and vice versa. |

## 3. Goods and Services

| Balance of Trade                  | Balance of Payment   |
|-----------------------------------|--|
| It includes only (visible) goods. | It includes both (visible and invisible) goods and services. |

## 4. Revenue and Capital

| Balance of Trade   | Balance of Payment                              |
|--|---|
| It includes all revenue receipts and payments on account of imports and exports. | The BOP includes all revenue and capital items. |

## 5. Relationship

| Balance of Trade   | Balance of Payment   |
|--|--|
| The BOT does not include the BOP. It is the part of BOP. | The BOP includes BOT also. Accordingly, it is equal to the BOT plus import & export of services. |

## 6. Economic Position

| Balance of Trade  | Balance of Payment  |
|---|---|
| It does not show the actual economic position of a country. | Balance of payment shows the real economic position of a country. |

### ***Synthesis***

After the learners' presentations, harmonises their points by referring to the content in the Student's Book Unit 4.

### ***Assessment of the lesson***

In assessing whether the learning objectives have been attained, task learners to explain what would happen;

- (i) If Rwanda's exports are cheaper compared to her imports from outside the country.
- (ii) In case the revenues from abroad are equal to expenditures abroad.

### ***Expected answers***

- (i) There would be a BOP deficit because export earnings would be less than import expenditure.
- (ii) There would be a BOP equilibrium since revenues are equal to expenditures abroad.



## **Lesson 2: Structure of BOP accounts**

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*Student's Book Unit 4*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the structure of BOP accounts.
- Design BOP accounts.
- Design measures to offset BOP deficit/surplus on the BOP accounts.

### ***Prerequisites for the lesson***

Review with learners the different terminologies used in BOP. Connect it with the day's lesson i.e BOP accounts. Guide learners to do library or internet research on BOP accounts. (*Refer to Activity 2 in the Student's Book Unit 4*).

### ***Teaching aids***

Student's Book, internet, newspaper articles on BOP accounts, and relevant economics journals, resource person e.g accountant/economists.



### ***Learning activities***

**Step 1:** Organize learners into different groups and task them with activity 1 in the Student's Book. They analyse the image there in and use it to answer the questions that follow.

**Step 2:** Sample groups to present their views to the rest of the class and encourage every learner to fully participate.

**Step 3:** Harmonise the learner's views and make general conclusion.

### ***Expected answers for Activity 2 Student's Book***

#### ***Unit 4***

The table portrays BOP accounts.

- b) Some items are recorded on the credit items because they reflect payments received (receipts) from a foreign country thus add to revenues of a country while others are recorded on the debit side because they reflect payments to a foreign country thus reduce revenues of a country.
- c) Examples that can be given on transfers on the credit side may include gifts, foreign aid, pensions, private remittances, charitable donations, etc. received from foreign individuals and governments while transfers on the debit side may include gifts, foreign aid, pensions, private foreign profit outflow, charitable donations, etc. given to foreign individuals and governments.
- d) Direct investment by foreign countries means that a country receives investments by either foreign private investors or the government while Direct investment in foreign countries means that investments by either private individuals or government are shifted to foreign countries.
- e) Refer to the Student's Book unit 4 for the description of how each BOP account works.

| Debit items  | Credit items   |
|--|--|
| Imports of goods and services  | Exports of goods and services.   |
| Transfer (or unrequited) payments to foreigners as gifts, grants, etc.                         | Unrequited (or transfer) receipts in the form of gifts, grants etc. from foreigners. |
| Lending to foreign countries.  | Borrowings from abroad.  |
| Official purchase of reserve assets or gold from foreign countries and international agencies. | Official sale of reserve assets.   |
| Investments by residents to foreign countries.   | Investments by foreigners in the country.  |

### ***Synthesis***

Refer to the content in the Student's Book unit 4 to harmonise learners' presentations and to explain thoroughly the structure and nature of BOP accounts.

You can demonstrate or illustrate how the BOP accounts work.

### ***Assessment of the lesson***

Check whether the learning objectives have been achieved by tasking learners to do Activity 3 in the Student's Book Unit 4.

### ***Expected answers for Activity 3 Student's Book***

#### ***Unit 4***

1.
  - a) If excess demand for foreign currency in some periods is balanced with excess supply in other periods, then falling reserves in some periods will be offset with rising reserves in other periods leading to BOP equilibrium.
  - b) When the central bank buys domestic currency and sells the foreign reserve currency in the private Forex, the transaction indicates a Balance of payments deficit.
  - c) When the central bank sells domestic currency and buys foreign currency in the Forex, the transaction indicates a Balance of payments surplus.
2. Refer to the Student's Book unit for the measures to offset a BOP deficit and BOP surplus respectively.



## Lesson 3: Causes, effects and measures to correct BOP disequilibrium

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*Student's Book Unit 4.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Analyse the causes of BOP deficit in LDCs
- Show continual desire to control BOP problems in LDCs and Rwanda in particular.

### ***Prerequisites for the lesson***

Refer to the structure of BOP accounts and ask learners to examine the causes of BOP deficit on the BOP accounts.

### ***Expected answers***

Low exports, increased imports, high capital outflow in form of debt repayment, profit repatriation by foreign investors etc.

### ***Teaching aids***

Student's Book, internet, newspaper articles on BOP, relevant economics journals, sample books of accounts etc.

### ***Learning activities***

**Step 1:** In pairs, groups or general class discussion, teacher presents activity 4 to learners for research & discussion. Learners visit the library or the internet and thereafter make class presentation.

**Step 2:** From their research findings, learners identify which international trade position developing countries face and they thus present in class based through discussion.

**Step 3:** Teacher assists in guiding the discussion and finally gives conclusive and binding remarks about the lesson.

### ***Answers for Activity 4 Student's Book Unit 4***

- i) In most developing countries, we commonly experience face Balance of Payment problem because there has always been a persistent situation where aggregate demand for foreign exchange exceeds aggregate supply of it; meaning we import

and thus spend more on imports than what we export and thus earn less forex in return.

- ii) Refer to the causes of BOP deficits in developing countries in the Student's Book.
- iii) Refer to the effects of BOP deficits in developing countries in the Student's Book
- iv) Refer to the measures to correct disequilibrium in BOP in LDCs in the Student's Book.

### ***Synthesis***

Refer to content in the Student's Book Unit 4 to harmonise learner's presentations. Explain causes of BOP deficit in LDS to make all learners understand.

### ***Assessment of the lesson***

To check whether the learning objectives have been achieved by using a one big circle tactic in class and sample out some learners to explain at least one cause of BOP problems in LDCs. (*refer to the answers above.*)

You can give remedial and extended activities depending on the needs of the learner.



## **Lesson 4: BOP position in Rwanda**

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*Student's Book Unit 4.*

### ***Learning objectives***

- Describe the BOP position of Rwanda
- Account for the BOP problems in Rwanda
- Analyse the effects of BOP problems in Rwanda.

- Suggest possible solutions to BOP problems in Rwanda..

### ***Prerequisites for the lesson***

Reference to the causes, effects & solutions to BOP problems in LDCs covered in the previous lessons, learners will be able to undertake research on Rwanda's situation and share their views on the causes, effects and policy measures undertaken by Rwanda to overcome such a problem.

### ***Teaching aids***

Student's Book, internet access, newspapers on Rwanda's BOP articles if any, resource person to moderate on BOP in Rwanda and relevant economics journals.

### ***Learning activities***

**Step 1:** With Reference to activity 5 in the Student's Book, guide learners to have a round table discussions on Rwanda's BOP position and thus come up with the causes, effects and possible solutions to BOP problems in Rwanda. Every

Learner is expected to contribute to these discussions.

**Step 2:** Guide learners to present their findings from different tables. Generate points as you write them on the chalkboard or flip board.

**Step 3:** Have general class consensus.

### ***Assessment of the lesson***

To check whether the learning objectives have been achieved. Ask learners to brainstorm the causes of BOP problems in Rwanda. Refer to the discussed points.



## **Lesson 5: Causes, effects and measures to correct the adverse BOP position in Rwanda**

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*Student's Book Unit 4*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the effects of BOP problems in Rwanda.
- Suggest possible solutions to BOP problems in Rwanda.
- Show continual desire to control BOP problems in Rwanda.

### ***Prerequisites for the lesson***

Learners are now familiar with the causes of BOP problems in LDCs. Task learners in pairs to share their views on the effects of such a problem in Rwanda.

### ***Teaching aids***

Student's Book, internet, newspaper articles on effects of BOP problems in Rwanda and relevant economics journals.

**Step 1:** Guide learners to have a round table discussions on the effects and possible solutions to BOP problems in Rwanda. Every learner is expected to contribute to these discussions. *Refer to Activity 5 in the Student's Book Unit 4.*

**Step 2:** Guide learners to present their news from different tables. Generate points as you write them on the chalkboard or flip board.

### ***Expected answers for Activity 5 the Student's Book Unit 4***

Possible answers to activity 5

- i) Rwanda is recently is faced by a BOP deficit since her forex earnings are less than her forex expenditure.
- ii) The causes of such a BOP deficit in Rwanda include;
  - Narrow Export Base basically agricultural commodities.
  - Consumption oriented society due to rapid rise in population and increased consumption habits in our country
  - Poor technology by Rwandan producers.
  - Production of primary products
  - Tough competition from industrialized countries.
  - Increase in prices of major Inputs.
  - Heavy protectionist policies by developed countries.
  - Fall in Terms of Trade.
  - High foreign debts servicing.
  - High cost imported capital goods.
  - High demonstration effect.
  - Rise in oil and oil product's prices:
- iii) Effects of adverse BOP on Rwanda:
  - If Rwanda runs a BOP deficit on the current account, it means

- It needs to run a surplus on the financial/capital account.
  - A current account deficit may imply that Rwanda relying on
  - Consumer spending, and is becoming uncompetitive.
  - A balance of payments deficit may cause foreign investors
  - To lose confidence in the Rwanda government.
  - A trade deficit can lead to currency weakness and higher
  - Imported inflation which worsens the BOP position.
  - Deficit in Rwanda means that it needs to import financial
  - capital to achieve balance.
  - Rwanda may run short of vital foreign currency reserves.
- iv) Solutions to reduce BOP problems in Rwanda:
- Export promotion strategy.
  - Import substitution strategy.
  - Devaluation.
  - Ensure political stability.
  - Seeking for donation from friendly countries.

### ***Synthesis***

Refers to the content notes in *the Student's Book Unit 4* to harmonise learner's findings and conclude the lesson. Conclude by explaining to learners that Rwanda's BOP position is not different from the rest of LDCs and give reasons for that.

### ***Assessment of the lesson***

Throw the ball to learners by asking on the effects and solutions of BOP problems in Rwanda. This is done to check whether learning objectives have been achieved as stated.

You can use remedial and consolidated activities to assess learners.



## Lesson 7: Unit Assessment

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*Student's Book Unit 4*

### ***Learning objectives***

By the end of this lesson, learners will be able to analyse the balance of payment position in LDCs.

### ***Prerequisites for the lesson***

Organise and prepare learners for end of unit assessment. Refer them to the *Student's Book Unit 4*. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets etc.

### ***Learning activities***

Assign learners with unit assessment as homework research task. It can be done in groups, pairs or as individuals.

This is done to evaluate the understanding of the unit. let them present the research findings to the teacher who will forge the wly forward based on the learner's research findings.

### ***Synthesis***

Refer to end of unit assessment in the *Student's Book on Unit 4* with the rest of the class.

### ***Assessment of the lesson***

To check whether the learning objectives were achieved, ask more related questions and attend to their responses.

## **End of unit**

### **Summary of the unit**

This unit gives the truth about BOP position of Rwanda. The BOP position of Rwanda like any other LDC is unfavourable or deteriorating (*refer to Student's Book Unit 4*).



However the BOP problems in Rwanda can be corrected through export promotion strategy, import substitution strategy, devaluation, political stability, seeking foreign aid and forming or joining economic integrations. The advantages and disadvantages of the above strategies are well elaborated in the unit.

***Additional information for the teacher***

BOP is a method countries use to monitor all international monetary transactions at a specific period of time. Usually, it is calculated every quarter and every calendar year. All trade conducted by private and public sectors are accounted for in the BOP in order to determine how much money is going in and out of a country.

If a country has received money, this is known as credit and if it has paid or given money, the transaction is counted as debit. Theoretically, BOP is zero, meaning that assets (credits) and liabilities (debits) should balance, but in practice this is rarely the case. Thus BOP can tell the observer if a country has a deficit or a surplus and from which part of the economy the discrepancies are stemming.

**End of Unit 4 assessment answers (Student's Book Unit 4)**

1. (a) To a great extent inflation has caused BOP problems in the following ways:
  - Increase in prices of domestically produced commodities making exports expensive and discouraging buyers from other countries.
  - Inflation has discouraged the export of services in most LDCs because of high structure of goods and services which leads to low earnings from invisible trade.
  - Inflation has caused uncertainty and fear of loss of value of money making people prefer to keep their money in foreign currencies and in other countries which increases capital outflows than inflows hence BOP problems.

- Inflation has discouraged the production of exports which are sold in foreign markets where prices are stable. People would prefer to produce for domestic markets where prices are always increasing which reduces the volume of exports and earnings from them.
- Peasant farmers have been discouraged because inflation favours traders and disfavours farmers who produce commodities whose prices increase less than increase in prices of imported inputs and consumer goods. Much effort has shifted from agriculture as a major export sector to trade.
- Inflation has led to increase in wages, interest and rent which has led to increase in costs of production of exports, thus people would rather buy commodities from other countries where costs and prices are lower than producing those commodities domestically.

Other than inflation there are other causes of BOP problems in LDCs which include the following:

- Protectionism in form of high taxes by MDCs.
  - Decline in world demand for agricultural products due to discovery of synthetic fibers by MDCs.
  - High capital outflows due to changes in climate.
  - Increase in prices of imports especially necessities like fuel.
  - Political instability.
  - Natural calamities.
  - High transport costs in most LDCs.
  - Inadequate infrastructure like storage facilities and air transport.
- (b) Policy measures to reduce BOP problems in LDCs:
- Export promotion strategy.
  - Import substitution strategy.
  - Devaluation.
  - Ensure political stability.
  - Seeking for donation from friendly countries.
  - Forming economic integrations among themselves.

2. (a) Fiscal and monetary policies employed to reduce inflationary pressures on the external BOP should be two-way; i.e. tight monetary or fiscal policies so as to reduce import expenditure and expansionary so as to encourage exports thus earn forex from them, therefore solving BOP problems.

(b) The relationship between domestic economy and BOP can be explained in one or the following ways:

If a country's economic activities are high, holding other factors constant, the volume of output for domestic and foreign market (export) is high which increases export earnings in return. This would imply that a country can produce more for her population and rely less on external trade (imports) for what they cannot produce on their own using their natural resources.

However, if the economic activities are low, other factors constant, the volume of output is low, thus domestic and export amount is low as well. This would imply that a country is not in position to satisfy her population using her resources therefore depending much for her survival on external sources (imports, borrowing and its negative effect).

In another way, if a country is stable politically, investors (both local and foreign) are attracted to invest in that country which increases, domestic production thus increased exports and forex earnings.

If there is instability, investors are scared away, reducing the production capacity of that country which affects her local production and external trade due to high forex expenditure.

Therefore, the relationship between domestic economy and BOP is in such a way that, if the domestic economy is stable socially, economically and politically, a country, holding other factors constant experiences favourable BOP and if otherwise, it faces unfavourable BOP.

Balance of Payment must always balance because:

- It is based on double entry accounting system where total credit accounts to total debit accounts.
- What is received from exports should be equal to forex expenditure

- In case of a BOP deficit on the current or capital account, the BOP account provides for balancing item (monetary account).
- In case of a BOP surplus on the current or capital account, the BOP account shows how this surplus can be disposed off using the monetary account.
- In case of statistical errors, the BOP account provides for errors and omissions account, therefore BOP should always balance. However, during transactions, a country may register a surplus or deficit for successive years which become a problem to have a balanced BOP.

Rwanda, has registered unfavourable BOP for successive years due to the following reasons:

- Narrow export base.
- Consumption oriented society.
- Poor technology in less developed countries.
- Rwanda produces and exports primary products which are both price and income inelastic.
- Rwanda faces stiff competition from the foreign value added goods.
- Foreign debts servicing.

## Remedial activity

1. As we sell outside Rwanda we earn money from our sales and as we buy, we spend money outside our country.
  - (i) What do we call the relationship between what we earn and what we spend on outside countries?
  - (ii) When do you think we are in a better position and when we are in a worse situation?
  - (iii) If you earned more than what you spent, how would you use the surplus of what you earned?
  - (iv) If you earned less than what you needed to spend, how would you go about it to get what you want?

***Expected answers***

- (i) BOP.
- (ii) We are in a better position when earnings exceed expenditures and worse off when expenditures exceed earnings.
- (iii) Use methods to offset a BOP surplus (in the Student's Book Unit 4).

A BOP surplus is a situation where aggregate supply of foreign exchange exceeds aggregate demand for it. A surplus will be disposed off by:

- Buying gold or currencies.
  - Paying off debts.
  - Building a stock of foreign exchange reserves.
  - Lending to foreign countries.
  - Providing aid and grants to other countries.
- (iv) Use methods to offset a BOP deficit. (in the Student's Book Unit 4)
- Selling gold or holdings of foreign exchange, such as US dollars, yen or euros.
  - Borrowing from other central banks or the International Monetary Fund (IMF).
  - Using of foreign exchange reserves available.
  - Sale of public assets abroad.
  - Seeking aid and grants from other countries.
  - Attracting foreign investments into the country.
  - Import substitution strategy.
  - Restrictive monetary policy i.e. reduces the amount of money in circulation.
  - Improving the service industry e.g. tourism.

***Consolidation activity***

Using the knowledge and understanding on BOP, what do you think is the position/nature of BOP in Rwanda and why?

***Expected answers***

Use the points on causes of BOP deficit in Rwanda (Learners Book Unit 4).

***Extended activity***

Is it always the case that whatever you earn must equal what you spend? Support your answer.

***Expected answers***

Refer to question 3 in the Unit 4 assessment, unit 4 of the Student's Book.

**Topic Area 4: International Economics**

Sub-topic Area 4.1: International Trade

## Unit 5: Exchange Rates

*Reference to Student's text Book Unit 5*

**Key unit competence:** Learners will be able to analyse the various forms of exchange rates determination and their impact in economic development.

### Prerequisites for this unit

The gains from international trade have to be seen in different aspects i.e., prices of exports *vis a vis* prices of imports, volume of exports *vis a vis* imports, earnings from exports *vis a vis* expenditures on imports and the value of the exporting *vis a vis* importing countries' currencies. Therefore, having seen the first three i.e. prices, volume and earnings and expenditures abroad, we need to see the role of foreign exchange in determining the gains from trade by a country. This unit will help learners analyse and thus appreciate the value of the Rwandan currency in respect to other countries' currencies in the region and the entire world. This encourages them to advocate for its stability to promote economic development.

### Cross-cutting issues to be addressed

When addressing this unit, a cross cutting issue of financial education should be emphasised in a sense that learners should be able to know and appreciate the value of their country's currency in relation to other countries' currencies.

### Generic competences

- Co-operation and interpersonal management is developed as learners work in groups/teams to discuss issues regarding exchange rates.

- Communication skills are gained as learners do presentation of their findings on exchange rates and related issues. Learners communicate both verbally and in writing and this improves their language skills.
- Critical thinking is gained through analysing the advantages and disadvantages of different exchange rate regimes.
- Lifelong learning is gained through research on various forms of exchange rates and their impact on economic development.

### **Vocabulary or key words or concepts in the unit**

**Appreciation:** An increase in the value of a currency against other currencies under a floating exchange rate system.

**Bureau de change:** A business whose customers exchange one currency for another.

**Competitive devaluation:** This refers to a situation where several countries devalue their currencies in an attempt to gain a competitive advantage over one another.

**Currency pair:** The quotation of a relative value of a currency unit against the unit of another currency in the foreign exchange market.

**Digital currency exchange:** Market makers which exchange fiat currency for electronic money.

**Depreciation of a currency:** A decrease in the value of a currency against other currencies under a floating exchange rate system.

**Devaluation:** Reduction in the official exchange rate, which results into the reduction of the price of domestic currency to the foreign countries and increase in the price of the foreign currency.

**Exchange control:** Government regulations relating to the buying and selling of foreign exchange. It is normally in order to prevent a worsening balance of payments position.

**Exchange rate:** A price of one national currency in terms of another.

**Fixed exchange rate:** System in which exchange rates between trading countries are pegged at a certain rate. It is maintained through reserve flow action by the central banks, and domestic inflation or deflation.



**Floating exchange rate:** Flexible exchange rate; a situation in which a country's foreign exchange rate is determined entirely by the market forces of demand and supply for currencies, without intervention by central banks or governments. The result is usually much greater fluctuations in exchange rates than under a fixed exchange rate.

**Foreign exchange:** These are claims on a country by another country. Foreign exchange system enables one currency to be exchanged for another. It can also be defined as is a transaction involving exchange of one currency for another at a specified exchange rate.

**Foreign exchange company:** A broker that offers currency exchange and international payments.

**Foreign exchange controls:** Controls imposed by a government on the purchase/sale of foreign currencies.

**Foreign exchange market:** This is a market where foreign currencies are traded at a price that is expressed by the exchange rate.

**Foreign exchange rate:** The rate, or price, at which one country's currency is exchanged for the currency of another country. A country has a fixed exchange rate if it 'pegs' its currency at a constant, predetermined exchange rate, and then stands ready to defend that rate. An exchange rate which is not fixed is said to 'float'.

**Foreign reserves:** Stock of foreign currencies and special drawing rights (SDRs) held by the county's central bank as both reserve and a fund from which international payments can be made.

**Foreign exchange risks:** Risks that arise from the change in price of one currency against another.

**Gold standard:** Is when and where the currency of a country is completely backed by gold.

**Gold standard currencies** are defined in terms of a given weight of gold. Exchange rates remain fixed.

**Managed floating exchange rates:** Determination of foreign exchange rates by the interaction of demand and supply modified

on occasion by government intervention for domestic, political and economic progress.

***Par exchange rate:*** This is a price of one country's currency in terms of another by IMF.

***Parallel exchange rate:*** This occurs when the official exchange rate does not reflect the true market rate, such that unofficial exchange rate tends to operate side by side with the official one.

***Purchasing power parity:*** This refers to a situation where the exchange rate between two currencies is such that the equivalent amounts of the currencies have the same purchasing power in their respective countries.

***Retail foreign exchange platform:*** Speculative trading of foreign exchange by individuals using electronic trading platforms.

***Revaluation:*** It is the increase in the official exchange rate. It has the effect of increasing the price of the domestic currency to the foreigner and decreasing the price of foreign currency.

## **Guidance on the problem statement**

Task learners at the beginning of the unit or lesson with an activity that requires them to be inquisitive or curious about the content. This helps them to be eager to know by the end of the unit/lesson what they thought was not possible at the beginning.

In this case, the problem statement would be.

What causes countries or companies to exchange or trade in their currencies? Can international trade survive without foreign exchange rates? And who determines and controls these exchange rates?

As they discuss, it will help them know some issues and facts concerning international trade aspects in relation to exchange rates.

## List of lessons/lesson map on Exchange rates

|           |  |
|-----------|--|
| Lesson 1: | Meaning', terms used and sources of forex.                                       |
| Lesson 2: | Factors that influence exchange rates.   |
| Lesson 3: | Forms/ types of exchange rates.  |
| Lesson 4: | Foreign exchange liberalisation.   |
| Lesson 5: | Foreign exchange reserves.   |
| Lesson 6: | Foreign exchange control.  |
| Lesson 7: | Devaluation. (meaning, reasons, conditions, effects and success of devaluation). |



### Lesson 1: Meaning', terms used and sources of forex

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#### *Student's Book Unit 5*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the meaning of foreign exchange.
- Identify different sources of forex in an economy.
- Suggest how to diversify sources of forex in Rwanda.

#### ***Prerequisites for the lesson***

Based on the knowledge of international trade in Unit 1 in S.6. Ask learners to pair up, share and present the following questions to the class;

- (a) As countries participate in international trade what do they use to settle their payments?
- (b) Use questions (a) of Activity 1 in the Student's Book, to identify the different currencies of different countries.
- (c) Explain the meaning of forex.

#### ***Expected answers***

- (a) Countries which participate in international trade use currencies of those countries they are trading with or any other currency internationally accepted.

(b)

| Country        | Currency       |
|----------------|----------------|
| Uganda         | Shillings      |
| Rwanda         | Francs         |
| Japan          | Yen            |
| USA            | Dollars        |
| South Africa   | Rand           |
| Britain        | Pound sterling |
| Denmark        | Krone          |
| European Union | Euro           |

- (b) Foreign exchange is the exchange of one currency for another or the conversion of one currency into another currency.

### ***Teaching aids***

Student's Book, internet access, types of currencies e.g pounds, shillings, dollars etc (pictures or real objects).

### ***Learning activities***

**Step 1:** From their research findings, learners in their groups refer to sub question (c) (d) and (e) in Activity 1 and discuss the different terminologies and sources of forex in an economy.

**Step 2:** Groups present their findings on sources of foreign exchange and the related terminologies. Moderates every step i.e research, discussions and presentations.

### ***Expected answers for Activity 1 Student's Book Unit 5***

- (c) Akaliza never used Rwandan francs for her travel because Rwandan francs are not internationally acceptable in the world market. They are not easily convertible to other currencies.
- (d) Sources of foreign exchange:
- Export of goods and services.
  - Transfer payments e.g. grants and aid.
  - Remittances and transfers of nationals working abroad.
  - Selling of public assets abroad.
  - Capital inflow through direct and foreign investments.

- Profits, dividends and interests repatriated from investments abroad.
- Funds from charitable organisations e.g. UNICEF.
- Private foreign bank deposits in the local banks.
- Borrowing from international countries, companies and individuals.

### ***Synthesis***

Basing on the content notes Student's Book Unit 5, harmonise learner's findings. Learners note the summary of what has been agreed upon.

### ***Assessment of the lesson***

Assess whether the learning objectives of the lesson have been achieved by probing. For example, ask:

- (a) Why do you think countries don't use their local currencies to transact their businesses?
- (b) How do countries get other countries' currencies used on transactions in international trade?

### ***Expected answers***

- (a) Different countries' currencies have different values so they have to be exchanged to the accepted currencies.
- (b) Through forex markets.
- (c) Through increased exports
  - Seeking for aid and grants from other countries
  - Attracting more foreign investors
  - Investing more in other countries.

*Note: Be open minded and accept all correct answers.*



## **Lesson 2: Factors that influence exchange rates**

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*Student's Book Unit 5.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Examine the factors influencing exchange rates.
- Appreciate the exchange rate of Rwandan currency in terms of other currencies.

### ***Prerequisites for the lesson***

Basing on the knowledge and understanding gained in lesson 1 of this unit, learners undertake research using activity 2 of this unit and explain the factors that may influence forex rates in any given economy.

Remove the reference page number in line 3 under step 1 of learning activities (Unit 5), in the subtitle- expected answers and in the synthesis

### ***Teaching aids***

Student's Book, internet, real objects of different forms of currencies etc.

### ***Learning activities***

**Step 1:** Learners in groups go to the library or computer laboratory and do search on the factors that determine exchange rates of any given economy. *They refer to Activity 2 in the Student's Book Unit 5 for their research.* Teacher monitors their research and discussions.

**Step 2:** Learners do presentations guided by teacher.

### ***Expected answers for Activity 2 Student's Book Unit 5***

Factors that determine the strength of a currency over other countries' currencies in the forex market:

- Inflation Rates.
- Interest Rates.
- Balance of Payments.
- Public Debt.
- Political Uncertainty and Economic Instability.
- Government Intervention.
- Speculation.

### ***Synthesis***

Basing on the content notes in the Student's Book Unit 5, harmonise learners' findings.

### ***Assessment of the lesson***

Assess learning objectives by asking probing questions on the lesson and correct any misunderstanding on the lesson. Refer to Activity 2 above.



## Lesson 3: Forms/ types of exchange rates

*Student's Book pages Unit 5.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify the various forms of exchange rate systems.
- Make comparison of the various exchange rate systems.
- Analyse the effects of exchange rate on the prices of commodities on the market in Rwanda.
- Justify the choice of the appropriate exchange rate system in economic development.
- Appreciate the exchange rate of Rwandan currency in terms of other currencies.
- Explain the impact of each exchange rate system on the economy.

### ***Prerequisites for the lesson***

Basing on the knowledge and understanding gained in lesson 2 of this unit, learners undertake research using activity 3 of this unit and explain the different forms of forex rates any given economy can adopt.

Remove the reference page number below the lesson title, in line 3 under step 1 of learning activities.

- a) different types of exchange rate an economy can adopt.
- b) The forms that are adopted in Rwanda's exchange market and their likely advantages and disadvantages

### ***Teaching aids***

Student's Book, internet access, newspaper articles, and relevant economics journals etc.

### ***Learning activities***

**Step 1:** Each group is given its form of forex and choose amongst themselves a person to present on their behalf. *Refer to task in Activity 3 Student's Book Unit 5.*

**Step 2:** Each group is given time to present its findings. Learners take note of what each group is presenting and ask for clarity from the group members. Each of the group members' presenting should be in position to defend their presentation once asked to.

### ***Expected answers***

Some of the major types of foreign exchange rates are as follows:

1. The gold standard exchange rate system.
2. Fixed Exchange Rate System (or Pegged Exchange Rate System).
3. Flexible Exchange Rate System (or Floating Exchange Rate System).
4. Managed Floating Rate System.

### **Rwanda adopts**

*Fixed Exchange Rate System* (to a system in which exchange rate for a currency is fixed by the government at a specific rate in relation to a specific foreign currency for a period of time.) (*Give its advantages and disadvantages*), (refer to the Student's Book Unit 5).

*Managed Floating Rate System* (a system in which foreign exchange rate is determined by market forces and central bank influences the exchange rate through intervention in the foreign exchange market.) (*Give its advantages and disadvantages*), (refer to the Student's Book Unit 5).

*Flexible/floating/free/market/fluctuating Exchange Rate System* (Flexible exchange rate system refers to a system in which exchange rate is determined by forces of demand and supply of different currencies in the foreign exchange market.) (*Give its advantages and disadvantages*), (refer to the Student's Book Unit 5).

### ***Synthesis***

Base on the content in the Student's Book Unit 5 to harmonise learner's findings and presentations for the general consensus. Compare and contrast the major types of foreign exchange rates that Rwanda adopts.

### ***Assessment of the lesson***

Assess the lesson's learning objectives by asking different questions to different groups on the systems of foreign exchange rates. You can give a roleplay, or simple multiple choice questions to test learner's development performance.





## Lesson 4: Foreign exchange liberalisation

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*Student's Book Unit 5.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Analyse the reasons behind forex liberalisation.
- Explain the arguments for against forex liberalisation in an economy.

### ***Prerequisites for the lesson***

Basing on the different forms of foreign exchange tasked in the previous lesson, ask learners to explain what they understand by the term forex liberalisation. *Refer to the definition of forex liberalisation on unit 5 in the Student's Book.* Connect to the day's lesson by tasking learners to do *Activity 4 in Student's Book Unit 5.*

### ***Teaching aids***

Student's Book, internet, newspaper articles, and relevant economics journals.

### ***Learning activities***

**Step 1:** Paired learner's share their views about the task given in Activity 4.

**Step 2:** Pairs present their findings to the rest of the class to relate to their views, ask some questions or supplement the presenting group.

### ***Expected answers***

(On this question give advantages and disadvantages of forex liberalisation), refer to the Student's Book Unit 5.

### ***Synthesis***

Harmonise learners' discussions by referring to the content notes on forex liberalisation Unit 5.

### ***Assessment of the lesson***

Asses the achievement of the learning objectives of the lesson by asking learners why they think some countries don't normally liberalise their forex market. (refer to the disadvantages of forex liberalisation)

*You can use brainstorming method.*



## Lesson 5: Foreign exchange reserves

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*Student's Book Unit 5*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the importance of forex reserves in an economy.
- Account for the forex shortages in LDCs.

### ***Prerequisites for the lesson***

Basing on the knowledge and understanding so far gained in this unit, learners undertake research using activity 5 of this unit and the importance and causes of forex shortages in Rwandan economy.

### ***Expected answers***

Foreign exchange reserves refer to the money or claims in foreign exchange, gold or Special Drawing Rights (SDRs) kept in the Central bank and other international financial institutions.

### ***Teaching aids***

Student's Book, internet access, related magazines, resource persons etc.

### ***Learning activities***

**Step 1:** Learners in their groups, based on Activity 5 from the Student's Book, undertake research about forex reserves, discuss on the importance of forex reserves and causes of forex shortages in LDCs. Move in different groups to check their progress.

**Step 2:** Use random selection of groups to present their findings. As the rest listen attentively and ask or contribute where possible. .

### ***Expected answers for Activity 5 Student's Book***

#### ***Unit 5***

- (i) Foreign exchange reserves refer to the money or claims in foreign exchange, gold or Special Drawing Rights (SDRs) kept in the central bank and other international financial institutions.

- (ii) Refer to the importance of forex reserves under unit 5 in the Student's Book.
- (iii) No, our country doesn't always get enough of the forex it always requires. Refer to the causes of forex shortages under unit 5 in the Student's Book.

### ***Synthesis***

Base on the content notes in the Student's Book Unit 5 and harmonises learner's discussions. Tell learners that, like other LDCs, Rwanda faces forex shortages at times.

### ***Assessment of the lesson***

Assess learners' mastery of the lesson objectives by probing. Ask for example specifically why Rwanda has forex shortages. Refer to the general causes of forex shortages in LDCs.



## **Lesson 6: Foreign exchange control**

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*Student's Book Unit 5*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the meaning of foreign exchange control.
- Analyse the reasons behind forex control.
- Examine the advantages and disadvantages of forex control in an economy.

### ***Prerequisites for the lesson***

Put learners into pairs and ask them to share their views on forex control. By sampling a few pairs, they all agree on what forex control is. Connect the discussion to the day's lesson on foreign exchange control, its rationale and effects.

### ***Teaching aids***

Student's Book, internet, newspaper articles on foreign exchange control, related financial reports, and relevant economics journals.

### ***Learning activities***

**Step1:** Ask learners to join their groups and task them with *Activity 6 in the Student's Book Unit 5*. Move around as they discuss in groups and offer any necessary assistance.

**Step 2:** Guide learners to present their findings. Attend to any challenging situation in the due course of the discussion. Make sure that time is managed well.

### ***Expected answers for Activity 6 Student's Book***

#### ***Unit 5***

Rationale for foreign exchange control:

- Stabilisation in the rates of exchange.
- Check capital flight.
- Ensure availability of foreign exchange.
- Acquire foreign exchange to service debt.
- Protecting home industries.
- Raising government revenue.

Advantages of foreign exchange control. The following are some of the advantages of foreign exchange control:

- It helps in preventing erratic capital outflows.
- It helps in correcting the disequilibrium in the balance of payments by restricting imports.
- It makes the imports of essential capital goods possible.
- It helps in the prevention of imports of non-essential consumer goods.
- It helps in protecting domestic industries from foreign competition:
- It maintains exchange rates stability.

Disadvantages of foreign exchange control. Exchange control is associated with the following disadvantages among others:

- It reduces the volume as well as the value of international trade.
- It creates inefficiency, red tape and corruption among people connected with its administration.
- It entails huge expenses because many people have to be employed for its smooth functioning.
- It leads to inequities because in some cases the restrictions are very low from which some countries gain more while other loose.
- It gives rise to smuggling and the creation of 'black markets' in foreign exchange.

**Synthesis**

Refer to the content notes in the *Student's Book Unit 5* and harmonises learner's views on the reasons and effects of forex control. Conclude by telling learners that forex control is vital and healthy for any economy.

**Assessment of the lesson**

Through brainstorming, ask learners to identify reasons for forex control in any given economy and what the likely effects may be. Refer to the answers in Activity 6 above.



## Lesson 7: Devaluation. (meaning, reasons, conditions, effects and success of devaluation)

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*Student's Book Unit 5.*

**Learning objectives**

By the end of this lesson, learners will be able to:

- Explain what devaluation is and when its carried out.
- Explain the reasons and necessary conditions for successful devaluation.
- Analyse and interpret the Marshall-Lerner devaluation condition and relate it to the devaluation process.
- Identify the effects and limitations of successful devaluation in LDCs.
- Identify and explain the limitations of successful devaluation in LDCs.
- Advocate for devaluation to increase the level of economic activities.

**Prerequisites for the lesson**

Learners' are now acquainted with forex terms and have developed a greater understanding in comparison with daily life experiences about exchange issues. Now based on the knowledge derived from the previous lessons on exchange rates, introduce the lesson on devaluation and let them express themselves to make the lesson engaging and enjoyable.

**Teaching aids**

Student's Book, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Put learners in groups and task them to go to the library or computer laboratory and research on devaluation in LDCs. With the use of *Activity 7 in the Student's Book Unit 5*, learners research and go back to class for presentations. Move around in different groups checking the progress of discussions and assist where need arises.

**Step 2:** Organise groups to have presentations on their findings. Each group is allowed to present in case the points given are not the same as the others.

### ***Expected answers for Activity 7 Student's Book***

#### ***Unit 5***

- a) Currency devaluation refers to the deliberate government policy of reducing the value of domestic currency in the face of external country's currency.
- b) China might have devalued her currency in order to;
  - dominate in the trade market by making her products cheaper compared to her trading partners'.
  - collect her balance payment problems by reducing imports by making them expensive.
  - attract foreign and domestic investors as it becomes cheaper to invest in the economy
  - protect her domestic infant industries from competition by cheap imports
  - promote self-sufficiency by encouraging import substitution industries and reduce dependency on imports from other countries.
  - increase on her level of productivity and thus domestic resource utilization
  - increase on employment opportunities at home through increased domestic production.
  - check on imported inflation because after devaluation, the inflation hit imports are too expensive and this discourages importers.
  - increase the nominal income of her domestic producers of primary products which are exported.

- c) The US president threatened to impose tariffs on Chinese goods after devaluing her currency because he feared China would dominate the market & make US commodities loose market.
- d) China might have based on the following to devalue her currency.
- The demand for her exports being price elastic.
  - The demand for her imports being price elastic.
  - The supply of her exports being elastic.
  - The supply of her imports being elastic.
  - Might have had no inflation in country's economy
  - Might have had no restrictions on her exports.

*Note: accept any answer as long as it's a necessary condition for devaluation*

- e) The impact of currency devaluation on the devaluing country and the trading partners include;

Positive effects

- It increases the volume of exports by making them cheap.
- It increases the volume of foreign exchange earnings.
- It increases the capital inflow.
- It improves balance of payment position.
- It increases domestic investments.

Negative effects

- It worsens the balance of payment position of the country.
  - It leads to imported inflation.
  - It leads to capital flight by nationals.
  - Due to inflation that may result from devaluation, imported inputs become expensive.
- f) China might not have succeeded in her devaluation drive in case;
- she had the domestic elasticity of demand of their imports is low.
  - she was faced with protectionism from other countries e.g. the US.
  - she had domestic supply rigidities.

- she was facing competitive supply by neighbouring countries which produce similar commodities
- she had inadequate co-operant factors especially capital and entrepreneur hence low production for exports.
- she was experiencing high rates of inflation which discourage export due to high costs of production.
- she had an unfavorable economic policy like trade legalization which increases the inflow of imports.
- she had no political stability and security in the country.
- there was counter devaluation by her neighbouring countries.
- there was high marginal propensity to import.
- there were limited export quotas by the importing countries.—
- there was they had a weak export promotion institution which reduces the benefits of devaluation.
- there was use of liberal exchange rate system in her economy thus causing foreign exchange instabilities.

### ***Synthesis***

Refer to content notes in the *Student's Book Unit 5* and harmonise learner's views on the reasons and necessary conditions for devaluation.

### ***Assessment of the lesson***

Put learners in one big circle and base on the lesson and ask learners what was covered in the lesson. As they keep rotating in the circle, ask for example:

- (i) Why would it be necessary for Rwanda to devalue her currency?
- (ii) What should be in place for Rwanda to devalue her currency?

### ***Expected answers***

- (i) Refer to reasons for devaluation (but let them be discussed in Rwandan context).
- (ii) Refer to conditions necessary for successful devaluation (but let them be discussed in Rwandan context).



## End of unit

### Summary of the unit

This unit covers foreign exchange rates, forms of exchange rates/ regimes, foreign exchange liberalisation, reserves, controls, as well as devaluation (refer to Student's Book Unit 5)

Learners are availed with understanding on the sources of forex and factors that determine exchange rates e.g inflation rates, interest rates, balance of payment, public debt, speculation, government intervention and political uncertainty.

Devaluation is normally used in LDCs to collect the BOP problems. Trade can not survive without foreign exchange rates as discussed in the unit.

### *Additional information for the teacher*

Foreign exchange market is a global decentralised market for trading currencies. It includes all aspects of buying, selling and exchanging currencies at a current or determined price. The main participants in this market are larger international banks.

Foreign exchange works through financial institutions and operates on several levels. It assists international trade and investments by enabling currency conversion.

The forex market is unique because of the following reasons:

- Its huge trading volume representing the largest asset class in the world leading to high liquidity.
- Its geographical dispersion.
- Its continuous operation – 24 hours a day.
- The variety of factors that affect exchange rates.
- The low margins of relative profit compared with other markets of fixed income.
- The use of force to enhance profit and loss margins and with respect to the account size.

**End of Unit 5 assessment answers (Student's Book Unit 5)**

1. (a) Devaluation is carried out when a country is faced with severe BOP problems and for the following reasons:
- To increase exports by making the currency and commodities cheaper.
  - To reduce imports by making foreign currencies expensive.
  - To reduce BOP deficit by reducing imports and increasing exports.
  - To increase nominal income of exporters who would get more local currency from the foreign currencies which they earn from abroad.
  - To counter balance inflation by making domestically produced commodities cheaper.
- (b) Devaluation is supposed to cure an economy's BOP current account deficit by:
- Increasing exports and thus earnings from them.
  - Reducing imports and thus forex expenditure on them.
  - Simultaneously increase in exports and reduction on imports.
  - Increasing production of export commodities by increasing their demand.
  - Increasing incomes of exporters and producers of export commodities who get more of local currency from the foreign currencies which they earn from exports.
  - In short, devaluation lowers the value of the country's currency in relation to foreign currencies which makes the devaluing country's exports cheaper and more attractive or competitive.

- On the other hand, imports become relatively more expensive. The effectiveness of devaluation is to increase the volume of exports and discourage imports. An increase in exports and a reduction in imports improves a country's BOP position.
2. (a) Given that exchange rate is 1US \$=850 Rwf. Calculate the new exchange rate after devaluation of the francs by 20%.  
 New exchange rate=  $850 + (20/100 \times 850)$   
 $= 850 + 170$   
 $= 1,020 \text{ frw.}$
- (b) Circumstances under which devaluation may fail to solve BOP problems in an economy:
- When imports have inelastic demand such that a rise in their prices don't reduce their demand.
  - When demand for a country's exports in foreign markets is inelastic such that the quantity purchased remains almost the same even at lower prices.
  - When other competing countries retaliate by devaluing their currencies by the same rate or higher as there would be no comparative advantage gained by devaluation.
  - When other countries protect their domestic producers by use of tariffs and nontariff barriers e.g. quotas.
  - When the supply of exports is elastic e.g. due to structural bottlenecks.
  - When the country is experiencing inflation as it erodes away competitive advantage secured by devaluation.
  - When there is a decline in the world demand for a country's exports.
  - When there is existence of parallel forex markets.
  - When a country is experiencing political instability as this discourages domestic production and supply of exports.
3. Fluctuations in exchange rate impact the economy of a country in the following ways:
- A weaker currency will stimulate exports and make imports more expensive thereby decreasing a nation's trade deficit (increasing surplus) over time.

- Conversely a significantly stronger currency can reduce export competitiveness and make imports cheaper which can cause the trade deficit to widen further eventually weakening the currency in self adjusting mechanism.
- High value of net exports leads to high nation's GDP and the reverse is true.
- Currency fluctuations deter foreign capital inflow since it does not guarantee profitability of overseas investors.
- Exchange rate fluctuations especially with depreciation or devaluation can lead to inflation especially imported inflation for countries that are substantial importers.
- A strong domestic currency exerts a drag/strain on the economy achieving the same end result as tighter monetary policy (higher interest rates, may attract foreign investors who may want to set up higher yielding investments which would further push up the domestic currency.

## Remedial activity

1. You have gone to the nearest shop in your home trading centre, which currency do you pay and why?
2. You want to exchange your goods with a person in Uganda, which currency would you need? And how would you get it?
3. Why do you think Rwandan francs cannot be used in other countries other than Rwanda?

### *Expected answers*

1. Rwandan francs.
2. Ugandan shillings.
3. Rwandan francs are inconvertible currencies therefore are not internationally acceptable.

### *Consolidation activity*

1. Which currency would you pay everywhere in the world in case you don't have that country's currency and why?
2. Who determines the rates of currencies in your country?

***Expected answers***

1. US dollars, pound sterling, Euros etc.
2. It's a mixed exchange rate system where forces of demand and supply work under the influence of the government.

***Extended activity***

1. Why do you think Rwanda should liberalise forex markets and what are the likely dangers?
2. How does devaluation solve BOP problems in an economy?
3. Given the following as the exchange rate between a Rwf and US \$ is such that US \$ 1 is equal to 900 Rwf, the price of a car from an Auto market in Japan is 1000 US \$ while the price of Made in Rwanda Cotton fabric is 27000Rwf per metre.

**Determine**

- (i) The price of the same car from the Auto market in Japan in Rwf?
- (ii) The price of Made in Rwanda cotton fabric in US\$?

Because of changes in demand and supply of a dollar and Rwf, the dollar gains more value against the Rwf such that the exchange rate changes and US\$ 1 is equal to 1200Rwf.

Basing on the new exchange rate, determine

- (iii) The price of the above car in Rwf.
- (iv) The price of the Made in Rwanda cotton fabric in US\$.
- (v) Compare the prices above before and after the changes. Derive a suitable conclusion.

**Expected answers.**

- (i) US \$ 1 = 900 Rwf.

Price of a car from an Auto market in Japan is 1000 US \$

Price of Made in Rwanda Cotton fabric is 27000Rwf per metre.

### Therefore

The price of the same car from the Auto market in Japan in Rwf =  
 $1000 \times 900 = 900,000\text{Rwf}$ .

- ii) The price of Made in Rwanda cotton fabric in US\$ =  
= 30 \$
- iii) New exchange rate. US\$ 1 = 1200Rwf.

The price of the above car in Rwf. =  $1000 \times 1200 = 1,200,000\text{Rwf}$ .

- iv) The price of the Made in Rwanda cotton fabric in US\$  
= = 22.5 \$
- v) Her domestic products become cheaper in foreign currencies. While Foreign products become expensive in foreign currencies.

### *Expected answers*

1. (Use points in the Student's Book on advantages and disadvantages of forex liberalisation, Unit 5.)
2. As a country devalues her currency, her exports become cheap which increases demand for them thus more exports leaving the country leading to more forex earnings. While as imports become more expensive due to devaluation, their demand falls drastically leading to reduced expenditure on them. Therefore, a country's BOP position improves as earnings from exports increase and import expenditures reduce.

**Topic Area 4: International Economics**

## Sub-topic Area 4.1: International Trade

**Unit 6: Economic Integration**

*Reference to Student's text Book Unit 6*

**Key unit competence:** Learners will be able to explain the importance of economic integration on the development of the economy.

**Prerequisites for this unit**

In the previous unit we have seen how different countries' currencies differ. This therefore indicates that some countries gain more while others gain less. Mostly LDCs gain less than MDCs, a reason most of them have decided to integrate so as to trade amongst themselves and thus avoid being cheated by MDCs. Also LDCs want to increase their bargaining power and promote economic development. This unit will tackle the reasons behind economic integration and the likely benefits and dangers or limitations. Learners will therefore develop a positive attitude towards integration of countries an important aspect that will help them appreciate the current urge by Rwanda to join several other groupings and work towards supporting the Rwandan economy as far as economic issues are concerned in order to bring Rwanda to the economy they want.

**Cross-cutting issues to be addressed**

While teaching this unit, the cross cutting issue of *peace and values education* need to be emphasised because for countries to successfully integrate, they need to have social, economic and political harmony and will to work together. This brings greater gains from the integration.

*Inclusive education* needs also to be emphasised making it clear that as countries integrate, they need to consider that they all do

not have the same level of development. They need not to have individualistic tendencies thus work towards their own development as well as their partner states.

### Generic competences

- Co-operation is generated through discussions in groups, debates, presentations, roleplays, research work etc.
- Communication skills are gained through presentation of findings.
- Critical thinking is developed through analysing the reasons countries integrate.
- Lifelong learning can be generated through research on economic integration.

### Vocabulary or key words or concepts in the unit

**Economic integration:** This is the coming together of countries in a given region so as to promote trade and enjoy economic benefits by working collectively.

**Trade creation:** A situation where formation of economic cooperation results into a shift from consumption of expensive products from non-member countries to consumption of cheap products within member countries.

**Trade diversion:** This is the shift in trade from cheap products of non-member states to expensive products of member states with in the integration.

### Guidance on the problem statement

Task learners at the beginning of the unit or lesson with thought provoking questions. This causes learners to be inquisitive or curious to know what happens or will happen in the unit/lesson.

As they get engaged in the unit, they discover answers to the questions they had in mind at the beginning. In this case, the problem statement will be:

Are there countries that you know that are joined to Rwanda to trade together and are working collectively? Mention them and give reason for their co-operation. As they research about it, it will open them to what they didn't know about international trade aspects.



## List of lessons/lesson map on Economic integration

|           |  |
|-----------|--|
| Lesson 1: | Meaning, examples and objectives of Economic integrations. |
| Lesson 2: | Conditions necessary for successful economic integration.  |
| Lesson 3: | Processes/ stages / levels of economic integration.        |
| Lesson 4: | Advantages and disadvantages of economic integration.      |
| Lesson 5: | Obstacles/ impediments to economic integration in Africa.  |
| Lesson 6: | Case studies of economic integration- COMESA.              |
| Lesson 7: | Case studies of economic integration- EAC.                 |
| Lesson 8: | Case studies of economic integration-CEPGL.                |
| Lesson 9: | Unit assessment  |



### Lesson 1: Meaning, examples and objectives of Economic integrations

#### *Student's Book Unit 6*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify different economic groupings in which Rwanda belongs.
- Explain why countries integrate and the likely disadvantages.
- Acknowledge the importance of economic integration in economic development and participate willingly in the integration process.

#### ***Prerequisites for the lesson***

Guide learners on reflecting about the solutions by LDC's to improve their TOT and BOP position. Joining economic integrations is one of the best solutions among others. With reference to Activity 1 in the Student's Book, learners go to the library/ internet to do research on economic integration.

#### ***Teaching Aids***

Student's Book, other recommend textbooks, internet access, and relevant economics journals. Maps/charts/diagrams showing economic groupings in Africa.

### ***Learning activities***

**Step 1:** Let learners in groups identify the different examples of economic integrations in Africa and discuss the objectives of economic integration. Refer to Activity 1 in the Student's Book Unit 6.

**Step 2:** Guide learners to present their findings one after the other as others listen attentively. They note down what might not be in their group findings. They ask and contribute accordingly.

### ***Expected answers for Activity 1 Student's Book unit 6***

- a) The extract and the images portray economic integration.
- b) Economic integration refers to the coming together of countries in a given region so as to promote trade and enjoy economic benefits by working collectively.
- c) From the images, the economic groupings in which Rwanda belongs are; EAC, COMESA, CEPGL, SADC.
- d) Our country decided to push for the "Promotion of Regional Economic Integration and Cooperation" as seen in the extract above due to the following reasons:
  - To enlarge and diversify market for her local produced commodities in the region.
  - To increase the utilization of domestic resources which she cannot exploit alone
  - To enhance free flow of ideas, skills and technology in the country.
  - To reduce the cost of production by adopting large scale enterprises which makes her enjoy economies of scale.
  - To improve her terms of trade
  - To boost industrialization and production of commodities
  - To promote political harmony and security with her trading partners.
  - To expand employment opportunities of her citizens.

### ***Synthesis***

Base on the content notes in the Student's Book Unit 6, harmonise learners' findings. Explain the economic groups in full and the countries involved.

### ***Assessment of the lesson***

Assess the learning objectives by probing. Ask learners to mention the economic groups in full. Let them mention the countries involved. See whether they can mention the aims of integrations.



## **Lesson 2: Conditions necessary for successful economic integration**

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*Student's Book Unit 6.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the conditions for successful economic integration.
- Explain why most groupings never succeed.

### ***Prerequisites for the lesson***

Tell learners that for the groupings to achieve their goals, there must be conditions to fulfil. Guide them to research on the necessary conditions for devaluation. (*Refer to Activity 1 sub question (iv) of this unit.*)

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** In groups, let learners discuss their findings from their research.

**Step 2:** Let learners present their findings to the class. Harmonise the presentations and explain the conditions necessary for successful integration.

### ***Expected answers to question 'e' Activity 1***

- e) The basis of economic integration by the integrating countries include the following;
- Geographical proximity i.e. share common borders in order to effect preferential treatment to each other.
  - Common and same ideology so as to harmonize their social economic policies

- Same level of development so as to ensure fair flow of resources.
- Strong political will or similar political organization among cooperative countries.
- Preferably equal size of the integrating countries
- Production of different products so that exchange is promoted.
- Production of diversity of commodities so as to encourage specialization and exchange
- Enough income by the citizens in the cooperative countries so as to promote adequate market for commodities.
- Political stability among cooperative countries
- Well-developed infrastructure like roads in the cooperative countries
- Complementary of countries so as to exchange their commodities.
- A common language so as to make communication easy to all people within the region.

### ***Synthesis***

Based on the lesson content notes in the Student's Book Unit 6, elaborate on the conditions that favour economic integration.

### ***Assessment of the lesson***

Probe into the lesson to assess the learning objectives. For example;

If Rwanda is to join any economic cooperation, which conditions must she fulfill and why?

*You can also give remedial and consolidated activities.*



## **Lesson 3: Processes/ stages / levels of economic integration**

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*Student's Book unit 7*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify the steps taken in economic integration.

- For any of the groupings in which Rwanda belongs, describe the stage in which they are.

### ***Prerequisites for the lesson***

Review the previous lesson on conditions necessary for economic integration to succeed. Let learners know that for economic integration to succeed, it must also go through stages. Divide learners into groups and ask them to use the library/ internet to research on the stages of economic integration. Refer to Activity 2 in the Student's Book unit 7.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet access, newspaper with economics related issues on the unit and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups research and discuss the stages of economic integration. Let each group discuss a particular stage of integration. (*Refer to Activity 2 in the Student's Book Unit 6*).

**Step 2:** Call learners group after another to present their findings to the whole class.

### ***Expected answers for Activity 2 Student's Book Unit 6***

- a) Economic integration is regarded as “not a single day process” by most economists because integrating countries must pass through different stages to finalize their integration process, thus it takes time to finalize.
- b) The journey of economic integration involves different stages which include the following;
  - Preferential Trade Area (PTA).
  - Free Trade Area (FTA).
  - Customs union (CU).
  - Common market (CM).
  - Economic community/union (EC/EU).

### ***Synthesis***

Based on the content notes in the Student's Book Unit 6, harmonise learner's discussion and clarify all irregularities that may come up in their discussions.

### ***Assessment of the lesson***

Assess the lesson by asking learners to identify for example any of the economic groupings in which Rwanda belongs and explain the stage they are.

### ***Expected answers***

Let learners give any group they know of and its stage by supporting it with its characteristics.



## **Lesson 4: Advantages and disadvantages of economic integration**

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### *Student's Book Unit 6*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Discuss the advantages and disadvantages of economic integration.
- Acknowledge the importance of economic integration in economic development and participate willingly in the integration process.
- Analyse the contribution of economic groupings on Rwandan economy.

### ***Prerequisites for the lesson***

Divide learners into two groups by folding pieces of paper and calling a learner at a time to pick a piece of paper which will determine which side of the group learner will belong. After forming the two groups, i.e. opposers or proposers, let them debate the motion that states that; “Economic integration does more good than harm to an economy’s development”.

### ***Teaching aids***

Student’s Book, other recommended economic textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** organized in groups or pairs, learners undertake research from the library or the internet and with reference to the extract and images in activity 1 of this unit, they discuss among themselves the benefits and costs of economic integration.

**Step 2:** selected learners groups present their findings to the rest of the class. Teacher moderates the discussions.

**Step 3:** Teacher harmonises the day's lesson..

### ***Expected answers for Activity 3 Student's Book Unit 6***

Benefits Rwanda is likely to enjoy from economic integration:

- Expansion and extension of large markets.
- Skills development and technological transfer.
- Increasing the bargaining power of Rwanda in the world market.
- Increasing the competition which leads to high productivity.
- Facilitating specialisation based on comparative cost advantage.
- Promoting industrialisation in the country.
- Creation and expansion of employment opportunities.

Dangers Rwanda is likely to face from these integrations:

- Loss of revenue which could have been got from tariffs.
- It may lead to loss and movement of resources and goods from Rwanda to other countries which are a bit developed.
- Rwanda may not gain much since most LDCs produce similar products and find it hard to trade among those countries.
- Rwanda is forced to forego some of her national interests which reduce self-reliance and sovereignty.
- It may lead to production of low quality products because of restriction of similar commodities from non-member countries.
- It may lead to over exploitation and quick exhaustion of resources in Rwanda.

### ***Synthesis***

Base on the content notes on advantages and disadvantages of economic integration in the Student's Book Unit 6. Harmonise the learner's discussions and come up with general conclusion on the lesson. Tell learners that economic integration is vital if LDCs are to enjoy economies of scale.

### ***Assessment of the lesson***

Asses the achievement of the learning objectives by asking learners some probing questions on the lesson. For example, *what evident achievement of economic integration can you identify in Rwanda?*

### ***Expected answers***

Allow learners to express their views by giving vivid examples in the country which are as a result of economic integration.



## **Lesson 5: Obstacles/ impediments to economic integration in Africa**

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### *Student's Book Unit 6*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Examine the obstacles to economic integration in LDCs
- Acknowledge the importance of economic integration in economic development and participate willingly in the integration process.

### ***Prerequisites for the lesson***

Basing on the problems faced by economic integrations discussed in the previous lessons, organise learners into pairs and let them think, and share their views on the obstacles of economic integrations.

### ***Teaching aids***

Student's Book, other textbooks, and relevant economics journals.

### ***Learning activities***

**Step 1:** Note every pairs' points on the board or flip-chart.

**Step 2:** Let learners do general class discussion on the raised points. Moderate the discussion.

### ***Expected answers***

- Dependence on a few primary exports.
- Capital versus labour intensity.
- Underdeveloped human resources.
- Proliferation of regional groupings.
- Political obstacles to integration.

*Note: Be receptive to other correct answers.*

### ***Synthesis***

Basing on the content notes in *Student's Book Unit 6*, harmonise learner's discussion. Make all points clear to remove any



misunderstandings that may arise among learners during their discussions.

### ***Assessment of the lesson***

Assess the lesson by putting them in one big circle and as they rotate whenever the teacher says stop, each learner turns to the his/her colleague and mentions any obstacle on economic integration in LDCs.



## **Lesson 6: Case studies of economic integration- COMESA**

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### *Student's Book Unit 6*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify countries that make up COMESA.
- Describe the objectives behind COMESA formation.
- Analyse the contribution of COMESA on Rwandan economy.
- Acknowledge the importance of economic integration in economic development and participate willingly in the integration process.

### ***Prerequisites for the lesson***

Basing on the previous lessons, ask learners to mention COMESA in full, and mention the countries that make COMESA. Ask learners by show of hands to mention the objectives of COMESA.

### ***Expected answers***

- (i) The countries that make up COMESA include:  
Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.
- (ii) Objectives behind COMESA formation are:
  - (a) A full free trade area guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariff and non-tariff barriers.

- (b) A customs union under which goods and services imported from non-COMESA countries will attract an agreed single tariff in all COMESA States.
- (c) Free movement of capital and investment supported by the adoption of a common investment area so as to create a more favourable investment climate for the COMESA region.
- (d) A gradual establishment of a payment union based on the COMESA Clearing House and the eventual establishment of a common monetary union with a common currency.
- (e) The adoption of common visa arrangements, including the right of establishment leading eventually to the free movement of persons.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet access, newspapers with economics related issues, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups do library/internet search on COMESA and with *reference to Activity 4 sub question (i) and (ii) page 183*, they state countries that make up COMESA and explain the objectives behind COMESA. Teacher uses the given points to explain further on COMESA formation with reference to the content on COMESA in the *Student's Book Unit 6*. Thereafter learners are put in groups for discussion on achievements and challenges of COMESA.

**Step 2:** From the research they made on COMESA, learners in groups are tasked with Activity 4 sub question (iii) to discuss the achievements and challenges of COMESA.

**Step 3:** Groups present their findings to the rest of the class as other's note the discussed points. Once they have different points then other groups are asked to present too.

### ***Expected answers for Activity 4 (iii):***

(iii) Achievements and challenges of COMESA:

- It has increased regional trade among member states i.e. trade creation.
- Has led to establishment of joint ventures/services like PTA bank in Kenya.
- It has established a clearing house in Harare Zimbabwe for settling barter trade transactions.
- It has a chamber of commerce and industry group which organises trade fares or shows to increase market for member state products.
- There has been increase in coordination of business activities in the region.
- There has been improvement in infrastructure.
- Good diplomatic relationship has been maintained among member states.
- The PTA has increased market for commodities.

Challenges of COMESA:

- Countries produce similar agricultural and industrial products thus exchange is difficult.
- Poor infrastructure to PTA countries and these countries cannot afford to finance heavy infrastructure like railways, roads, air transport.
- No common currency to use for the exchange of commodities.
- Most of the countries in the PTA are land locked and therefore if there is free movement of resources, most industries would go to countries which have easy access to the harbor and this would cause development imbalances.
- Political instabilities in some of the member states have interfered with the trade flows in the area.

*Note: Be receptive to other correct answers.*

***Synthesis***

Basing on content notes in the *Student's Book Unit 6*, harmonise learners' discussion and correct any misunderstanding that might arise among learners during the discussions. Let learners know that much as COMESA faces a number of challenges, it has benefited the member countries.

### ***Assessment of the lesson***

Assess the lesson to check whether the learning objectives have been achieved. For example, task learners, basing on COMESA's objectives and achievements, to identify and brainstorm benefits Rwanda has enjoyed from COMESA.

### ***Expected answers***

(Refer to the achievements of COMESA discussed above in (iii).



## **Lesson 7: Case studies of economic integration-EAC**

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*Student's Book Unit 6.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify countries that make up EAC.
- Describe the objectives behind EAC formation.
- Analyse the contribution of EAC on Rwandan economy.
- Acknowledge the importance of economic integration in economic development and participate willingly in the integration process.

### ***Prerequisites for the lesson***

Review with learners the objectives and achievements of COMESA. Use it to introduce EAC. By show of hands, let learners mention EAC in full and mention the countries involved. Instruct learners to research more on EAC.

### ***Expected answers***

- (i) The EAC is composed of six countries in the African Great Lakes region in Eastern Africa: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.
- (ii) The objectives behind EAC formation are:  
The EAC aims at widening and deepening co-operation among the partner states in, among others, political, economic and social fields for their mutual benefit.

**Teaching aids**

Student's Book, other recommended textbooks, internet, and relevant economics journals.

**Learning activities**

**Step 1:** Learners in groups do library research on EAC and with reference to Activity 5 sub question (i) and (ii) Unit 6, they state countries that make up EAC and explain the objectives behind EAC. Use the given points to explain further on the EAC formation with reference to the content on EAC in the Student's Book Unit 6.

**Step 2:** Divide learners into discussion groups and let them discuss the achievements and challenges of EAC. (Activity 6, sub question iii).

**Step 3:** Let groups present their findings to the rest of the class as other's note the discussed points. Once they have different points, other groups are asked to also present.

**Expected answers for Activity 5 (iii)**

(iii) Achievements and challenges of EAC:

- Establishment of the EAC Custom Union.
- Increased both inter and intra-regional trade.
- Witnessed an increase in intra-EAC Foreign Direct Investments.
- Mutual recognition of standards marks across the region.
- Establishment of One Stop Boarder Posts.
- Implemented Internal Tariff Elimination.

Challenges of EAC:

- Some citizens of some member states lack awareness of the regional integration process.
- Differences in social political ideologies amongst member states.
- The perception of disproportionate sharing of economic benefits accruing from regional markets and lack of a formula for dealing with the problem.
- The fear of loss of sovereignty is an issue in the minds of some members of the political elite of East Africa.

**Synthesis**

Basing on content notes in the Student's Book Unit 6, harmonise learners' discussions and correct any misunderstanding that might

arise among learners during the discussions. Emphasise that EAC is beneficial to its members states.

### ***Assessment of the lesson***

Teacher assesses learners to check whether the learning objectives have been achieved. For example, task learners, basing on what EAC objectives and achievements are, to identify and brainstorm

- reasons why Rwanda joined EAC.
- the benefits that Rwanda has enjoyed from EAC.

### ***Expected answers***

- (i) Why Rwanda joined the EAC:
- To increase trade with in the country and EAC members which will lead to high productivity.
  - To increase economies of scale.
  - To increase advantages of specialisation in the good where she has a comparative advantage and trade the good for the others where it has high opportunity cost.
  - To increase the exploitation of her domestic resources.
  - To create employment for her citizens.
  - To increase consumers' choice in goods and services.
- (ii) What has Rwanda benefited from EAC? (Use the above points in 5 (iii)).



## **Lesson 8: Case studies of economic integration-CEPGL**

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### *Student's Book Unit 6*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify countries that make up CEPGL.
- Describe the objectives behind CEPGL formation.
- Analyse the contribution of CEPGL on Rwandan economy.
- Acknowledge the importance of economic integration in economic development and participate willingly in the integration process

### ***Prerequisites for the lesson***

Basing on the background of EAC, provoke learners to brainstorm the objectives and achievements of CEPGL.

Ask learners to say CEPGL in full and mention the member countries.

### ***Expected answers***

- (i) The countries that make up CEPGL include Rwanda, Burundi and the DRC.
- (ii) The objectives behind CEPGL formation are:
  - The economic and social development among the member countries.
  - The promotion of peace initiatives in the region.
  - The strategic development in the region: Energy, Infrastructure, Agriculture, and Food Security.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet access.

### ***Learning activities***

**Step 1:** Learners in groups do library search on CEPGL and with reference to Activity 6 sub question (i) and (ii) they state countries that make up CEPGL and explain the objectives behind CEPGL. Use the given points to explain further on CEPGL formation with reference to the content on CEPGL in the Student's Book Unit 6. Thereafter, learners are put in groups for discussion on achievements and challenges of CEPGL.

**Step 2:** From the research they made on CEPGL, learners in groups are tasked with Activity 6 sub question (iii) to discuss the achievements and challenges of CEPGL.

**Step 3:** Groups present their findings to the rest of the class as others note the discussed points. Once they have different points then other groups are asked to also present.

### ***Expected answers***

Achievements of CEPGL

- Established the international great lakes energy company (SINELAC) and challenges of CEPGL.
- Established the development bank of the great lakes countries.

- Set up the institute of agriculture and livestock research (IRAZ).
- Provided the CEPGL identity card which enables free movement of people within the community.
- Set up the energy organisation of the great lakes countries (EGL).
- Increased commercial exchange between Burundi, Rwanda and Eastern DRC.
- Successfully implemented common infrastructures and projects such as BDGL, IRAZ, SINELAC.

Challenges of CEPGL include:

- Violent conflicts in the great lakes region.
- Failure to bring peace and stability in the region as one of their objectives.
- Mistrust among members of the CEPGL.
- Multiple and overlapping memberships in several Regional Economic Communities.
- Weak financial, human and institutional capacity of the member states of the CEPGL.

### ***Synthesis***

Basing on content notes in the Student's Book, Unit 6, harmonise learners' discussions and correct any misunderstandings that might arise among learners during the discussions.

Emphasise to learners that CEPGL like other groups faces some challenges, but to a great extent has positively impacted the member states.

### ***Assessment of the lesson***

Assess learners to check whether the learning objectives have been achieved. For example, task learners, basing on what CEPGL objectives and achievements are, to identify and brainstorm the benefits Rwanda has enjoyed from CEPGL.

### ***Expected answers***

- Increased trade with in the country and between CPGL members which will lead to high productivity.
- Increased economies of scale.



- Increased advantages of specialisation in the good where she has a comparative advantage and trade the good for the others where it has high opportunity cost.
- Increased the exploitation of her idle domestic resources.
- Created employment for her citizens.
- Increased consumers' choice in goods and services.



## Lesson 9: Unit assessment

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*Student's Book Unit 6*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the importance of economic integration in the development of the economy.

### ***Prerequisites for the lesson***

Prepare learners for end of unit assessment by referring to the *Student's Book Unit 6*. Let them be given clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners in their groups.

**Step 2:** Learners in their groups start discussing and answering the questions given as you supervise them.

**Step 3:** As time is over, collect their written work and keep them for correction and marking.

### ***Synthesis***

Refer to end of unit assessment in the *Student's Book on Unit 6* to have a general discussion with the rest of the class .

### ***Assessment of the lesson***

To check whether the learning objectives were reached, base on the lesson synthesis to ask more related questions and refer to the answers at the end of unit assessment.

## End of unit

### Summary of the unit

According to the Student's Book Unit 6, this unit guides learners into the knowledge of economic integration, the rationale for integration, conditions, steps, advantages and disadvantages of the same.

Rwanda is involved in integration of EAC, COMESA and CEPGL and many others (*refer to Student's Book Unit 6*). Rwanda joined the above integrations to enlarge and diversify its market, to increase the utilisation of its domestic resources, to promote skills and technology, to increase her bargaining power and to improve her terms of trade. All the above integrations have had a positive impact on Rwanda's trade and economy.

### *Additional information for the teacher*

The stimulation effects intended by means of economic integration are part of the contemporary economic Theory of the Second Best: where, in theory, the best option is free trade, with free competition and no trade barriers whatsoever. Free trade is treated as an idealistic option, and although realised within certain developed states, economic integration has been thought of as the "the second best" option for global trade where barriers to full free trade exist.

### End of Unit 6 assessment answers (Student's Book Unit 6)

- (a) Features of an economic union.
- Free trade among member countries.
  - Free movement of factor services.
  - Common (harmonised) external tariff structure on goods from non member states.
  - Harmonised economic and political policies.
  - Common services are run jointly e.g. railways, airways posts and telecommunications etc.
  - Abolition of political identity and formation of a political federation.

- (b) There are economic as well as political reasons why nations pursue economic integration. They include the following:
- To increase trade between member states of economic unions that is meant to lead to high productivity.
  - To increase economies of scale i.e. some economies of scale may require a larger market than is possible within a particular country.
  - To increase advantages of specialisation in the (commodity) good where a particular country has a comparative advantage and trade the (commodity) good for the others where it has high opportunity cost.
- (c) Among the factors that may encourage formation of an economic union in Eastern Africa are the following:
- A gradual expansion and over time a higher degree of economic/political unification.
  - A formula for sharing joint revenues (customs duties, licensing) between member states e.g. per capita.
  - A process for adapting decisions both economically and politically.
  - A will to make concessions between developed and developing states of the union.
  - A coherence policy for permanent development of the economic union.
  - Common language in the region mainly English and Kiswahili.
  - Political stability in the region.
  - Production of a diversity of goods and services in the region may facilitate some degree of specialisation and exchange.
  - Political commitment by the leaders in the region together with their population.
  - Countries in the region are at similar (equal) stages of development.
  - Common ideology by members in the region i.e. capitalism or free enterprise economies.
  - Existence of good transport and communication network in the region e.g. roads, railways etc.

- Geographical proximity of member states e.g. Uganda, Kenya, Tanzania, Rwanda, and Burundi. Are geographically close.

2. (a) Why the East African Community failed in 1977.

Despite its success, the EAC collapsed in 1977 due to a number of reasons which include the following:

- Personal differences between the East African Leaders where Nyerere the then president of the Republic of Tanzania and Amin the then president of the Republic of Uganda, had personal conflicts which made the functioning of the EAC difficult.
- Ideological differences; all the three East African countries were following different ideologies. Tanzania was pursuing socialism, Kenya was a capitalist and Uganda was following a policy of mixed economy, this made planning greatly difficult.
- All the three East African countries were at different levels of development. Uganda and Tanzania were forced to depend on Kenya for manufactured goods because it had more industries than her counter parts. As a result, Kenya benefited more from the wide market. This situation left Uganda and Tanzania to think of establishing industries of their own.  
Because of this weakness, the community collapsed in 1977.
- Due to the already bad relations between Amin and Nyerere trade between Uganda and Tanzania was also prompted by the lack of good communication network between the two countries.
- When Kenya started to use all the customs money belonging to the community, the union lost meaning. Uganda and Tanzania accused Kenya of this malpractice but there was no improvement, instead conditions worsened so that by 1976, Uganda pulled out of the union and in 1977 the community collapsed.

- Foreign influence during its time of existence. The EAC was the best economic integration in almost the whole world. As a result, foreign countries especially USA and Britain worked for its collapse because they knew it would result into a higher development of East African countries which would cut off dependence of these countries.
- Selfish political interests between the partner states, for example, Uganda went to war with Tanzania, Kenya was always threatening to go to war with Uganda.
- Failure to indicate to the people the real benefits of the union meant that people cared little for the union. Community interests lagged behind individual national economic interests.
- Absence of specialisation but duplication of enterprises for example cement industries in Uganda, Kenya and Tanzania.
- Shortage of foreign exchange undermined the continued existence of the EAC. This arose from inflation on the world market when Arabs reduced oil supply as a way of fighting Israel.
- The East African Bank's weakness must equally share the blame. The bank was established to oversee the development process of the region to act as a resource base.
- The resultant global economic recession also affected East Africa and also led to foreign exchange shortages. The financial crisis that arose undermined the role of the East African Development Bank while the fuel shortages, on the other hand made it difficult to maintain the railway system.
- Member countries began trading with foreign countries: Western Europe and USA. Tanzania in particular turned to China as a foreign partner which undermined interterritorial trade.

- Institutional weaknesses accounted for the problem of lack of effective regional planning e.g. poor transport system, due to poor management and corruption in the railway sector, which made the railway not to make profits because of Kenya's preference for road transport.
  - The weakness of the OAU which failed to maintain its stand on regional integration and interterritorial understanding and its failure to destroy the forces of neo-colonialism hence intervention of foreigners in affairs of the community that eminently saw it collapsing.
  - Trade protectionism weakened EAC. The policy of free trade failed, partner states started charging taxes on good brought within their boundaries and those passing through their territories so as to protect the economy of each member state. This undermined economies of scale hence the subsequent collapse of the EAC achievements of the community.
- (b) Despite its challenges, the former EAC had some remarkable achievements which the current EAC has to build on. These include:
- The long existence of the community. The community survived for 10 years and despite its collapse in 1977, it had succeeded to lay a foundation for the formation of the current EAC.  
It inspired other countries i.e. it became a model to other regions in Africa which took the trend of development e.g. independent West African states formed ECOWAS in 1976 and has become partly responsible for the development of West African member states.
  - Led to the increase in international trade. The value in interstate trade in manufactured goods from 690 million shillings in 1967 to 855 million shillings in 1973. This increase was mainly as a result of industrial development in Kenya.

- The community developed the East African Development Bank to act as a financial resource base for member countries.
  - EAC promoted education in East Africa. It promoted inter university exchange programmes, some learners from Uganda (Makerere University), were exchanged with those from Kenya (Nairobi University) and Tanzania (Daressalaam university) and vice versa.
  - On top of the above, the Amani institute of research in Tanzania was established to facilitate research.
  - The community also established East African Examination Council to deal with exams in the region. This was Pan East Africanism in progress.
  - The community promoted political stability to some degree. It established the East African Court of Appeal to solve regional conflicts. This not only gave chance to those who were dissatisfied with judgements made in lower courts to appeal to this court but also represented an attempt to maintain justice. Even when Amin conflicted with Nyerere, the two accepted Kenya.
  - The community established many institutions like East African Authority made up of three heads of states of the member countries, whose task was to direct and control the performance of the community, the East African Legislative Council which made Laws for the community.
3. Ways in which economic integration may solve problems of underdevelopment:
- Reduces unemployment problem.
  - Widens market for domestic output.
  - Increases forex earnings thus solving BOP problems.
  - Avails a wide variety of commodities and choice to the citizens of the country which improves their welfare.
  - Improves technology and productive capacity.
  - Encourages vent for surplus.
  - Reduced costs of production due to availability of cheap source of raw materials within the integration.

- Sharing of ideas and technology.
- Increased labour mobility which increases efficiency.
- Increased levels of investment in the country.
- Reduces income inequality between or among individuals in a country and other countries.

## Remedial activity

1. Which countries are neighbouring with Rwanda?
2. Which economic groups do they have in common with Rwanda?
3. What do you think Rwanda has gained ever since she joined those groups named above?

### *Expected answers*

1. Uganda, Tanzania, Burundi, DRC.
2. EAC, COMESA, SADCC, CEPGL etc.
3. Refer to the advantages of economic integrations. In the: Student's Book Unit 6.

### *Consolidation activities*

1. What do you think prompted Rwanda to join several economic integrations?
2. Having seen that Rwanda is a member of several integrations and has benefited from them, what has changed in Rwanda's economy and how has this slowed down Rwanda's development process?

### *Expected answers*

1. Refer to the objectives of economic integrations in the Student's Book Unit 6.
2. Refer to advantages and disadvantages of economic integrations in the Student's Book Unit 6.

### *Extended activities*

1. Analyse the view that economic integration has solved Rwanda's major economic problems and development issues. Support your views with vivid examples in the country.



2. If Rwanda is to benefit more in the different integrations, what do you think should be done?

***Expected answers***

1. Refer to advantages and disadvantages of economic integrations Student's Book Unit 6.
2. Rwanda should;
  - Develop her human resource to compete favourably with external countries' labour force.
  - Process her products to increase value.
  - Develop her own technology which meet her social economic problems.
  - Ensure peace and stability.
  - Sensitise the masses on the gains from integrations to gain support and political will.
  - Improve her domestic infrastructure.
  - Etc.

## Topic Area 4: International Economics

### Sub-topic Area 4.2: Globalisation

# Unit 7: Globalisation

*Reference to Student's text Book Unit 7*

**Key unit competence:** Learners will be able to analyse the impact of globalisation on Rwandan economy.

### Prerequisites for this unit

The fact that many countries have integrated, means that almost the whole world is close to one society. We have seen in the previous unit the reasons behind countries integrating, therefore almost all countries belong to different blocks and benefit almost equally from such blocks. Thus this unit will explain why globalisation has come up in the recent past, the benefits and likely dangers. This therefore develops learner's curiosity to know and understand the aspect of globalisation and to adapt to changes in world's economic trends and to appreciate the current global economic trends and their contribution towards the development process of Rwanda.

### Cross-cutting issues to be addressed

While handling this unit, the cross cutting issue of finance education has to be emphasised stressing that, whereas globalisation involves movement of people, commodities and capital, there needs to be serious care about more of outflow than inflow of all that is involved as it might lead to financial problems in the country other than gaining from it.

**Environmental sustainability** has also to be addressed in a way that learners have to know that as much as there might be market expansion with globalisation, countries need to protect their environment by reserving the natural resources from being over utilised leading to exhaustion or extinction.

Since globalisation is also political, peace and values education need to be addressed because as it becomes easy to move across the world, other countries with their political missions might drain others' socio-economic political sovereignty which might deter global peace. Therefore, learners need to analyse the need for globalisation and take preventive measures where need arises.

## Generic competences

- Co-operation is gained as learners do group activities that you assign them.
- Communication skills are generated through presentation of findings.
- Critical thinking is developed through analysing the contribution of globalisation on Rwanda's development.
- Lifelong learning is developed through research on globalisation.

## Vocabulary or key words or concepts in the unit

**Globalisation:** A process by which most economies around the world have become more interdependent, especially to increased integration of financial market.

**International Bank for Reconstruction and Development (World Bank) (IBRD):** Established in 1945 to serve as a vehicle for making loans to less developed countries. Loans are made from the bank's capital, created by the subscriptions of members and by the sale of bonds.

**International Monetary Fund (IMF):** Established by the Allied Nations in 1944 to stabilise exchange rates and encourage world trade by reducing exchange restrictions. It lends money to nations with balance of payments deficits. It affects international monetary reserves through the creation of Special Drawing Rights (SDR's). Over 100 nations belong to IMF.

**Special Drawing Rights (SDRs):** International monetary reserves created by IMF and made available to its members. It is also called paper gold.

## Guidance on the problem statement

Task learners at the beginning of the unit or lesson with an activity concerning international trade most especially economic integration. Pose a few provoking questions, let them give the meaning of globalisation and the objectives / reasons of globalisation by show of hands. As they discuss they will be able to know some issues and open them to what they didn't know about international trade aspects and in this case globalisation.

### *Expected answers*

Economic globalisation is the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, services, technology and capital.

It is the process of increasing economic integration between countries leading to the emergence of a global market place or a single world market.

Causes of globalisation:

- Improved transport, making global travel easier.
- Containerisation.
- Improved technology which makes it easier to communicate and share information around the world.
- Growth of multinational companies with a global presence in many different economies.
- Growth of global trading blocs which have reduced national barriers.
- Growth of global media.
- Reduced trade cycle.
- Improved mobility of capital.
- Increased mobility of labour.

*Note: Be receptive to other correct answers.*

## List of lessons/ lesson map on Globalisation

|           |   |
|-----------|---|
| Lesson 1: | Globalisation and its main features/characteristics.    |
| Lesson 2: | Types and causes of globalisation.                      |
| Lesson 3: | Effects of globalisation.                               |
| Lesson 4: | Multinational Corporations, examples and their effects. |

|            |  |
|------------|--|
| Lesson 5:  | Foreign Direct Investments, examples, advantages and disadvantages.                        |
| Lesson 6:  | Measures of attracting foreign investments and Hurdles and constraints of FDI's in Rwanda. |
| Lesson 7:  | Global financial systems & institutions.   |
| Lesson 8:  | International Monetary Fund.   |
| Lesson 9:  | Structural Adjustment Programmes (SAPs).   |
| Lesson 10: | The World Bank (WB).   |
| Lesson 11: | Unit assessment.   |



## Lesson 1: Globalisation and its main features/ characteristics

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### *Student's Book Unit 7*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the term globalisation.
- Describe the characteristics of globalisation.

#### ***Prerequisites for the lesson***

Reflect on Unit 1 about international trade theories and Unit 6 about economic integration. Let learners brainstorm the reasons countries join international trade and the objectives of economic integration. This will open them to the day's lesson of globalisation.

#### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learner organises learners into groups of at least 4-5 learners. They go to the library or internet and research on globalisation based on Activity 1 Unit 7.

**Step 2:** Learners present their findings, group after group.

### ***Expected answers for Activity 1 Student's Book Unit 7***

- (a) Globalisation refers to the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information.
- (b) Features of globalisation:
- There is liberalisation.
  - There is free trade.
  - There is globalisation of economic activities.
  - There is connectivity.
  - Globalisation is borderless Globe.
  - Globalisation is a composite process.
  - It is a multidimensional process.
  - It is a top-down process.
  - There is interdependence.
  - Globalisation is an opportunity.
  - It means caring and sharing.
  - It links politics with economics.
  - Etc.

### ***Synthesis***

Basing on the learner's discussions, harmonise the learners' findings with reference to content notes in the Student's Book Unit 7. Explain the definition and the features of globalisation very clearly. Attend to learners' questions in case any.

### ***Assessment of the lesson***

Assess the learning objectives by asking probing questions on the lesson. This will help you to forge a way forward. For example; what are the different types of globalisation? Let learners answer by show of hands.



## Lesson 2: Types and causes of globalisation

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### *Student's Book Unit 7*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify and contrast the different types of globalisation.
- Explain the causes of globalisation

#### ***Prerequisites for the lesson***

Based on the library/Internet research carried out by learners, instruct them to explain the types of globalisation. Thereafter learners are put in groups to analyse the causes of globalisation.

#### ***Expected answers***

The different types of globalisation:

- Economic globalisation.
- Technological globalisation.
- Political globalisation.
- Cultural globalisation.
- Financial globalisation.
- Ecological globalisation.
- Sociological globalisation.

#### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners in their groups discuss on the causes of globalisation with reference to *Activity 2 in the Student's Book Unit 7*. Monitor the progress of learners as they discuss / research.

**Step 2:** Under your guidance, let learners present their findings group after. Moderate the discussions.

#### ***Expected answers to Activity 1 questions 'c' & 'd'***

##### ***Student's Book Unit 7***

c) The different types of globalisation:

- Economic globalisation.
- Technological globalisation.
- Political globalisation.

- Cultural globalisation.
- Financial globalisation.
- Ecological globalisation.
- Sociological globalisation.

d) causes of globalisation in the modern world include the following:

- Improved transport, making global travel easier.
- Containerisation.
- Improved technology which makes it easier to communicate and share information around the world.
- Growth of multinational companies with a global presence in many different economies.
- Growth of global trading blocs which have reduced national barriers.
- Growth of global media.
- Reduced trade cycle.
- Improved mobility of capital.
- Increased mobility of labour.

### ***Synthesis***

Harmonise the learners' presentations with reference to the content notes in the Student's Book Unit 7. Learners take down the harmonised points. Conclude by emphasising that globalisation is a necessary venture.

### ***Assessment of the lesson***

Assesse the achievement of the learning objectives by calling upon learners to give a recap of what was learnt in the lesson. This depends on the learner's response.



## **Lesson 3: Effects of globalisation**

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*Student's Book Unit 7*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Analyse the impact of globalisation on the economy (local, national and international).



- Appreciate the implication of globalisation on the economy of Rwanda.

### ***Prerequisites for the lesson***

In lesson one of this unit, we covered the meaning and forms of globalisation, therefore, the knowledge and understanding gained will help learners understand and link what they know with what they are to study in this lesson. Teacher needs to arouse the learner's curiosity by tasking them with engaging activities and guiding them student towards reaching harmonized consensus from the different discussions held in class.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Task learners with activity 2 from the Student's Book to analyse the figure therein and use it, either in groups, pairs or as individuals, to undertake research on causes and effects of globalisation

**Step 2:** Learners discuss the questions provided and make presentation in class. Teacher guides the discussion and harmonises their findings.

### ***Expected answers for Activity 2 Student's Book***

#### ***Unit 7***

Benefits of globalisation:

- Trans-national corporations (TNCs) bring wealth and foreign currency to local economies when they buy local resources, products and services.
- The sharing of ideas, experiences and lifestyles of people and cultures. People can acquire foods and other products not previously available in their countries.
- Globalisation increases awareness of events in far away parts of the world. For example, the UK was quickly made aware of the 2004 Tsunami tidal wave and in response sent help rapidly.
- Globalisation may help to make people more aware of global issues such as deforestation and global warming - and alert them to the need for sustainable development.

- Increased standard of living; economic globalisation gives governments of developing nation's access to foreign lending.
- Access to new markets.
- Business in the less industrialised countries become part of international production networks.
- It can lead to more access to capital flows, technology, human capital, cheaper imports etc.
- Firms in less industrialised world tap into more and large markets around the world.

Costs of globalisation:

- Globalisation makes it virtually impossible for regulators in one country to foresee the worldwide implications of their actions.
- Globalisation tends to move taxation away from corporations, and onto individual citizens.
- Globalisation sets up a currency "race to the bottom," with each country trying to get an export advantage by dropping the value of its currency.
- Globalisation encourages dependence on other countries for essential goods and services.
- Globalisation ties countries together, so that if one country collapses, the collapse is likely to ripple through the system, pulling many other countries with it.
- Finite resources are used up quickly.
- Cultural uniqueness is lost through homogenisation.
- It worsens income inequalities between and within industrialised countries and less industrialised countries.

### ***Synthesis***

Use the content notes in the Student's Book Unit 7 to harmonise learner's presentations. Learner's take notes of the harmonised summary, that globalisation is a necessary venture in the economy of any country.

### ***Assessment of the lesson***

Ask probing questions to assess the achievement of the learning objectives and competences developed. You can use remedial and extended activities.



## Lesson 4: Multinational Corporations, examples and their effects

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### *Student's Book Unit 7*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify several MNCs in Rwanda.
- Explain the impact of MNCs on economic development of Rwanda.
- Appreciate the implication of globalisation on the economy of Rwanda.

#### ***Prerequisites for the lesson***

Instruct learners to reflect on the types of globalisation and brainstorm examples of international companies in Rwanda and their operational activities. Refer to Activity 4 Unit 7 in the Student's Book. Thereafter task learners to discuss their effects on Rwanda's economy.

#### ***Expected answers for Activity 3 Student's Book Unit 7***

- i) Activities portrayed in the photos above are
  - A. Data, voice and IP connections.
  - B. telecommunication
  - C. Banking
  - D. Petroleum company.
- ii) Where they originate from
  - A. Johannesburg- South Africa.
  - B. South African- Johannesburg.
  - C. C- GT Bank- Nigeria
  - D. Cape Town-South Africa.
- iii) For examples of other multinational companies that operate in Rwanda' respect learner's views and guide their discussion.
- iv) Refer to subunit effects of globalisation from the Student's Book for the Impact of such and other companies to Rwanda's development trend.

### ***Positive effects of MNCs***

1. MNCs have bridged the forex gap in Rwanda by increasing forex inflow.
2. They have increased employment opportunities for citizens of the country since they operate on large scales.
3. They have closed the investment gap through forex investment abroad.
4. They have led to improvement in domestic technology through transfer of superior technology to Rwanda based on research and development.
5. MNCs have produced more output especially processed or manufactured which has increased exportation of manufactured goods hence more forex to Rwanda.
6. MNCs have promoted capital accumulation in Rwanda through transfer of capital and building infrastructure.
7. They produce good quality products.
8. They bring new marketing techniques in LDC's markets.
9. They train labour.
10. Can invest in longterm projects.
11. Provide large and cheap capital.

### ***Some of the negative effects of MNCs***

1. MNCs repatriate their profits to their mother countries which has led to resource outflow from Rwanda thus disabling the development potentials of Rwanda.
2. They are given tax exemption and holidays which has reduced net government revenue from them.
3. MNCs usually use capital intensive technology and therefore have not helped to reduce problems of unemployment in Rwanda since it is a labour surplus economy.
4. They have created social costs like quick exhaustion of natural resources, environmental degradation etc.
5. MNCs have influenced internal policies of Rwanda by bribing the legislature for example offering employment to the relatives of politicians in their companies and at times they subvert domestic fiscal policies which result into low standards of living.

6. They accelerate regional or sector imbalances.
7. MDCs cause income inequalities. They reserve top jobs for their nationals.
8. They promote external dependency.
9. Reduction of domestic initiative in technological and manpower development.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners are given chance to choose amongst themselves proposers and opposers on the motion that "MNCs have done more good than harm towards the development process of Rwanda". Refer to Activity 5 in the Student's Book page 218. Guide learners as they generate points for debate.

**Step 2:** Each side's representatives are called upon to take front seats ready for presentation. As they present, the rest in the audience are required to listen attentively and to contribute by asking and supplementing where possible. Moderate the debate.

### ***Synthesis***

Use the content notes in the Student's Book Unit 7 to harmonise learner's presentations. Learner's take notes of the harmonised summary. Explain thoroughly the impact of MNCs in Rwanda.

### ***Assessment of the lesson***

Probe into the lesson to assess the achievement of the learning objectives. Let learners brainstorm the impact of MNCs in Rwanda.



## **Lesson 5: Foreign Direct Investments, examples, advantages and disadvantages**

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*Student's Book Unit 7*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify several FDIs in Rwanda.
- Explain the impact of FDIs on economic development of Rwanda.

- Appreciate the implication of globalisation on the economy of Rwanda.

### ***Prerequisites for the lesson***

In lesson 1 of this unit, we covered the meaning and forms of globalisation, we saw that globalisation can be economic, i.e. citizens of different countries are free to transfer their goods, services and capital everywhere on the globe, therefore, the knowledge and understanding gained will help learner's understand and link what they know with what they are to study in this lesson. Also, in lesson 4, we saw the examples and role of multinationals towards Rwanda's development process, this will play a vital role in enabling the learners to link with any information about FDI's and make well thought judgement and conclusion about the operation and contribution of FDI's in Rwanda. Teacher needs to arouse the learner's curiosity by tasking them with engaging activities and guiding them towards reaching harmonized consensus from the different discussions held in class.

### ***Expected answers for Activity 4 (i) & (ii)***

- (i) Foreign direct investments are the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor.
- (ii) Examples of FDI's in Rwanda are;  
Sorwathe Tea Ltd., Forestry and Agricultural Investment Management, and West Rock Coffee Holdings, LLC, Kenya Commercial Bank (KCB), Kenya's National Media Group (NMG), and Kenyan supermarket chain Uchumi (USL).

### ***Teaching aids***

Student's Book, other recommended textbooks, internet and relevant journals.

### ***Learning activities***

Task learners with activity 4 from the Student's Book to analyse the images and discuss the questions provided therein. Learner's, either in groups, pairs or as individuals, undertake research about FDI's, discuss and make presentation in class. Teacher guides the discussion and harmonises learners' findings.

***Expected answers to Activity 4***

- a) The type of activities they deal in are;
1. Lifan - Moto assembling.
  2. JKK International Africa Ltd - Construction
  3. Movit Ltd Uganda - Cosmetics.
- b) Their countries of origin are:
1. China
  2. Dubai, U.A.E.
  3. Uganda
- c) Economic term given to such companies is Foreign Direct Investments. (FDIs)
- d) For other examples of companies that are not of Rwandan origin that extend their services to Rwanda, allow learners to express their views.
- e) Refer to the advantages & disadvantages of FDIs in the Student's Book unit 7 for the contribution of such companies to the development process of Rwanda

***Synthesis***

Use the content notes in the Student's Book Unit 7 to harmonise learners' presentations. Endeavour to explain the impact of FDIs to LDCs clearly.

***Assessment of the lesson***

Assess the lesson by asking probing questions on the lesson to check whether the learning objectives have been achieved. For example; how do FDIs affect influence the economy of LDCs?



## Lesson 6: Measures of attracting foreign investments and Hurdles and constraints of FDI's in Rwanda

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*Student's Book Unit 7.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Suggest measures of attracting foreign investors in Rwanda.
- Examine the constraints of FDI's in Rwanda.

### ***Prerequisites for the lesson***

Learners are asked to reflect on the previous lesson on the effects of FDI's and brainstorm the measures that can be taken to attract investors in Rwanda. Refer to Activity 7 in the Student's Book Unit 7. Instruct them to research on constraints FDI's face.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

Task learners with activity 5 from the Student's Book to undertake research, either in groups, pairs, and discuss and make presentation in class. Teacher guides the discussion and harmonises learner's views.

### ***Expected answers for Activity 5, Unit 5***

Ways of attracting foreign investors:

- Maintain a high-profile anti-corruption effort.
- Provide permanent residence and access to land to investors.
- Ensure stable country with low violent crime rates.
- Establish a free trade zone outside the capital, Kigali.
- Public Procurement Agency to ensure transparency in government tenders and divestment of state-owned enterprises.
- Provide tax and investment incentives to investors.
- Publicise investment opportunities abroad.
- Protection of property rights.
- Accept any other related points



***Expected answers***

- Rwanda suffers from a shortage of skilled labour.
- Some firms have reported occurrences of petty corruption in the customs clearing process.
- Political instabilities and insecurities within and in the neighbouring countries.
- Some investors claim that the RRA unfairly targets foreign investors for audits.
- Some investors complain that the strict enforcement of tax, labour, and environmental laws impede investment.
- Some investors have complained that the application process for work permits and extended stay visas has become onerous (burdensome).
- Co-ordination between RDB and RRA is limited.
- Inappropriate procurement methods.
- High transportation costs.
- Inadequate infrastructure.
- Ambiguous tax ruler.
- NB: Be open minded and capture any other points during the discussions.

***Synthesis***

Referring to content notes in the Student's Book Unit 7, base on the learner's presentations to harmonise their findings. Allow learners to ask where necessary and then, take note of the summary you give at the end.

Emphasise that Rwanda's economy is putting all efforts to attract investors.

***Assessment of the lesson***

Assess the achievement of the lesson learning objectives. For example, having seen the hurdles met by FDI's, reflecting on the impact of FDI's in Rwanda, what should be done to increase on their level of inflow? (*Refer to answers for Activity 7*)



## Lesson 7: Global financial systems & institutions

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*Student's Book Unit 7.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the meaning of international monetary systems.
- Describe the origin of Breton woods conference.

### ***Prerequisites for the lesson***

In lesson 1 and 2 of this unit, we covered the meaning, forms, causes and effects of globalisation. Learners are now equipped with globalisation aspects, thus be able to analyse, interpret any data or information about globalisation. This lesson seeks to introduce to learners the need by different countries especially developing nations, to join different international financial institutions to overcome different uncertainties that might be beyond their financial capacities. Teacher needs to arouse the learners' curiosity by tasking them with engaging activities and guiding them towards reaching harmonized consensus from the different discussions held in class.

### ***Teaching aids***

Student's Book, other recommended textbooks, the internet, and relevant economics journals.

### ***Learning activities***

Task learners with activity 6 from the Student's Book to carry out research about global financial systems and institutions and discuss the questions provided therein. Learners, either in groups, pairs or as individuals undertake research, discuss and make presentation in class. Teacher guides the discussion and harmonises learner's findings.

### ***Expected answers for Activity 7 Student's Book***

#### ***Unit 7***

- (i) Global financial system is the worldwide framework of legal agreements, institutions, and both formal and informal economic actors that together facilitate international flows of financial capital for purposes of investment and trade financing WHILE global financial institution is a financial

- institution that has been established (or chartered) by more than one country, and hence are subjects of international law
- (ii) The principal function or role of the global financial system is to move scarce loanable funds from those who save to those who borrow to buy goods and services and to make investments in new equipment and facilities so that the global economy can grow and increase the standard of living enjoyed by its citizens.
- (iii) In a global view, financial systems include the International Monetary Fund, central banks, government treasuries and monetary authorities, the World Bank, and major private international banks.

### ***Synthesis***

Use the content notes in the *Student's Book Unit 7* to harmonise learner's discussion. Learners take note of the harmonised points. Explain clearly the roles of international financial systems. You can attend to questions posed by learners if any.

### ***Assessment of the lesson***

Ask learners to briefly describe the origin of International Monetary Systems and the Breton woods conference. (*Refer to content notes in the Student's Book Unit 7*).



## **Lesson 8: International Monetary Fund**

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*Student's Book Unit 7.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the origin and operation of the operation of IMF.
- Analyse the objectives and functions of IMF.
- Assess the contribution of IMF towards the development process of LDCs.

### ***Prerequisites for the lesson***

Basing on the background of the international monetary/financial systems, ask learners to express their views about IMF. Accept views by show of hands. Give introductory remark on IMF.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

Task Learners with activity 7 from the Student's Book to carry out research about the IMF and discuss the questions provided therein. le, either in groups, pairs or as individuals, learners undertake research, discuss and make presentation in class. Teacher guides the discussion and harmonises learners' findings.

### ***Expected answers for Activity 9 Student's Book***

#### ***Unit 7***

- (i) The IMF was established as a result of the effects of the great depression of the 1930s which necessitated the 44 countries at the Bretton Woods conference to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the great depression of the 1930s.
- (ii) Objectives of IMF:
- To have a system with stable exchange rates and avoid competitive devaluation.
  - To work towards the removal of forex control which hinders the growth of the world trade.
  - To ensure there is sufficient international liquidity and total means of payment acceptable for international payment.
  - To give advice to countries with balance of payment difficulties.
  - To facilitate extension and balanced growth of international trade.
- (iii) Functions and criticisms of IMF:
- It gives technical advice to its member countries on monetary and fiscal policies.
  - Conduct some training services on fiscal and monetary issues.
  - Conduct research studies about member countries and publish the statistics about the balance of payment.

- IMF monitors the policies being adopted by the member countries.
- It ensures stable exchange rates by the member countries.
- It helps member countries to offset BOP deficits.
- It increases international liquidity by introducing the special drawing rights.

Criticisms of IMF:

- The IMF has put the global economy on a path of greater inequality and environmental destruction.
- The IMF serves wealthy countries and Wall Street because they are the ones which dominate decision making.
- The IMF forces countries from the Global South to prioritise export production over the development of diversified domestic economies which has led to earning of poor living standards.
- The IMF is a secretive institution with no accountability.

### ***Synthesis***

With reference to content notes in the Student's Book Unit 7, base on the learner's presentation and harmonise their findings. Let learners take note of the harmonised points. Emphasise that IMF's roles cannot be undermined in LDCs even if it has been criticised. Explain about (SDR) and its use.

### ***Assessment of the lesson***

Task learners to explain the achievements of IMF in Rwanda.

### ***Expected answers***

Refer to (ii) & (iii) above.



## **Lesson 9: Structural Adjustment Programmes (SAPs)**

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*Student's Book Unit 7*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify SAPs conditionality to Rwanda from IMF and WB.
- Practice SAPs conditionality from IMF and WB to attain economic growth
- Appreciate the implication of globalisation on the economy of Rwanda.

### ***Prerequisites for the lesson***

Introduce the lesson by telling learners that both the IMF and WB have got a package of policies that should transform the economy of the country accepting loans from them.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups use the library/internet and research on IMF conditionalities. Refer to Activity 10 in the Student's Book page 241. Thereafter, make class presentation.

**Step 2:** Learners in their groups do research on IMF conditionalities and discuss basing on Activity 10 in the Student's Book Unit 7. Move in groups facilitating the discussions.

**Step 3:** Calls upon a few groups to present their findings. The rest listen attentively, ask and supplement where possible. Moderate the discussions.

### ***Expected answers for Activity 8 Student's Book Unit 7***

- (a) IMF conditionalities include:
- Balance of payments deficits reduction through currency devaluation.
  - Privatisation or divestiture of all or part of state owned enterprises.
  - Budget deficit reduction through higher taxes and lower government spending, also known as austerity.
  - Retrenchment of the civil servants and demobilisation of the army in order to reduce on the size of the work force and government expenditure as well as ensure efficiency.

- Increase on tax collection revenue to avoid deficit financing by simply printing more money.
  - Infrastructure development.
  - Improvement of productivity through research and adoption of modern technology.
  - Market expansion through economic integration.
  - Ensure political stability.
  - Forex liberalisation.
  - Raising food and petroleum prices.
  - Improving governance and fighting corruption.
- (b) How IMF SAPs have impacted Rwanda's economy
- Some of the ways the SAPs have impacted Rwanda's economy positively include the following:

- There has been improvement in tax collection through expanding the tax base.
- Trade liberalisation has been practiced in Rwanda.
- Privatisation of public enterprises:
- There has been a reduction in public expenditure e.g. on social overhead expenditure.
- As one of the IMF recommendations, there has been increased production in agricultural sector.

The ways in which the SAPs have impacted Rwanda's economy negatively include the following:

- Cost sharing has led to reduced enrolment in schools there by perpetuating illiteracy.
- Cost sharing in hospitals has led to poor services hence poor health conditions.
- Removal of subsidises especially on food has deepened misery and suffering of the poor.
- Life expectancy has dropped and the infant mortality rate has increased due to malnutrition and poor standards of living.
- The SAPs policies have widened the gap between the rich and the poor.

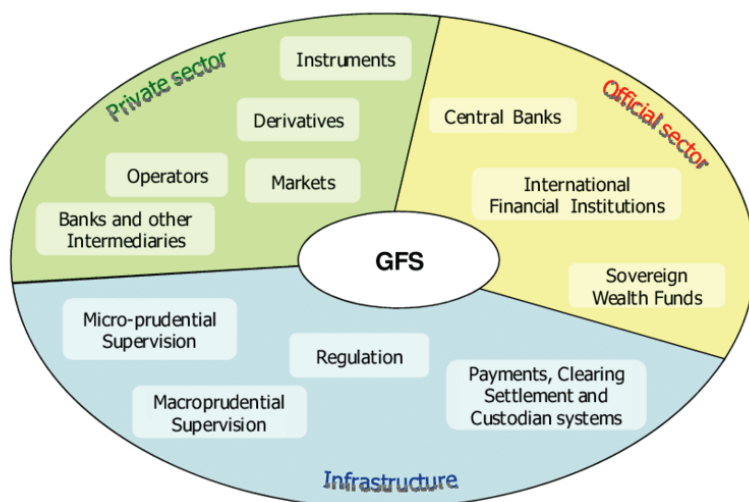
- The conditionalities have led to wide spread unemployment due to retrenchment.

### **Synthesis**

Refer to the content notes in the Student's Book Unit 7 to harmonise learner's presentations. Learners take notes on the summarised points. Emphasise the applicability of the SAPs in Rwanda.

### **Assessment of the lesson**

Ask probing questions about the lesson to check whether the lesson's learning objectives have been attained. For example, Do you think the IMF conditionalities on Rwanda can be attained? Base on their response to gauge their understanding of the lesson.



## Lesson 10: The World Bank (WB)

Student's Book Unit 7

### **Learning objectives**

By the end of this lesson, learners will be able to:

- Describe the origin and operation of WB.
- Appreciate the implication of globalisation on the economy of Rwanda.



- Analyse the impact of globalisation on the economy (local, national and international).

### ***Prerequisites for the lesson***

Give thought provoking questions to learners e.g What is the origin and objective of the World Bank? As learners share their views, build on them to introduce World Bank, origin and objectives.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

Task learners with activity 9. from the Student's Book to carry out research on the World Bank and discuss the questions provided therein. learners, either in groups, pairs or as individuals undertake research, discuss and make presentation in class. Teacher guides the discussion and harmonises learners' findings.

### ***Expected answers for Activity 9 Student's Book***

#### ***Unit 7***

- (i) The World Bank was established due to the need to tackle the problem of international investment in 1944 by promoting long term investment loans on reasonable terms alongside the I.M.F. This was designed to provide temporary assistance in correcting balance of payments difficulties.
- (ii) Objectives of World Bank include:
  - To help in the reconstruction and development of member countries.
  - To encourage the development of productive resources in developing countries by supplying them investment capital.
  - To promote private foreign investment through guarantees and participation in loans and other investment made by private investors.
  - To supplement private foreign investments by direct loans out of its own capital for productive purposes.
  - To bring about an easy transition from a war economy to a peace economy.

- To help in raising productivity, the standard of living and the conditions of labour in member countries.
- (iii) Functions and criticisms of World Bank:
- To assist in the reconstruction and development of the territories of its members by facilitating the investment of capital for productive purposes.
  - To promote private foreign investment by means of guarantee of participation in loans and other investments made by private investors.
  - To promote the long term balance growth of international trade and the maintenance of equilibrium in balances of payments.
  - To arrange loans made guaranteed by it in relation to international loans through other channels so that more useful projects, large and small, will be dealt with first.
- (iv) The main difference between the International Monetary Fund (IMF) and the World Bank lies in their respective purposes and functions. The IMF oversees the world's monetary system's stability, while the World Bank's goal is to reduce poverty by offering assistance to middle-income and low-income countries.

### ***Synthesis***

Refer to the content notes in the Student's Book Unit 7 to harmonise learner's presentations. Learners take notes on the summarised points. Explain clearly the projects supported by World Bank in Rwanda – as proof that World Bank has impacted Rwanda's economy.

### ***Assessment of the lesson***

Probe into the lesson to check whether the lesson learning objectives have been achieved. Let learners brainstorm the projects supported by World Bank in Rwanda. You can give Remedial activity and extended exercises.



## Lesson 11: Unit assessment

*Student's Book Unit 7*

### ***Learning objectives***

By the end of the lesson, learners will be able to analyse the impact of globalisation on Rwanda economy.

### ***Prerequisites for the lesson***

Prepare learners for an end of unit assessment by referring to the *Student's Book Unit 7*. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners in their groups.

**Step 2:** Learners in their groups start discussing and answering the questions given as you supervise them.

**Step 3:** Collect their written work for marking.

### ***Synthesis***

Refer to end of unit assessment in the *Student's Book on Unit 7* to have a general discussion.

### ***Assessment of the lesson***

To check whether the learning objective was achieved, ask more related questions and refer to the answers of the end of unit assessment at the end of Unit 7 in this Teacher's Guide.

## **End of unit**

### **Summary of the unit**

This unit covers global business organisations. It defines economic globalisation as the increasing economic interdependence of national economies across the world.

This is achieved through rapid increase in cross-boarder movement of goods, services, technology and capital. Globalisation has achieved most of it's objectives such as increasing access to new markets, more access to capital inflows, global awareness, increasing standards of living, trade creation, among others.

In this unit of globalisation, systems like MNCs, FDI, global financial systems, IMF, Bretton Woods conference IBRD, SAP and WB and their operations are well elaborated. (Refer to the Student's Book Unit 7)

### ***Additional information for you***

Economic integration simply known as globalisation, refers to the mobility of people, capital, technology, goods and services and how integrated a country is into global economy. It refers to how interdependent countries and regions have become across the world.

### ***According to United Nations***

“Economic integration refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of goods and services, flow of international capital and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for economic development in the whole world at the turn of millennium”.

Over the past 2-3 decades under the framework of General Trade Agreement (GATT) and World Trade Organisation (WTO), economic globalisation has been expanding at a much faster pace. Countries have rapidly been cutting down trade barriers and opening up their current accounts and capital accounts. This rapid increase in pace has occurred mainly with advanced economies integrating with emerging ones by means of foreign direct investment, some cross-border immigration, and the reduction of trade barriers.

### End of Unit 7 assessment answers (Student's Book Unit 7)

1. (a) Role that IMF has played in economic development of Rwanda
  - It has increased the supply of foreign exchange necessary for development in Rwanda.
  - It has enabled the government to control inflation and stabilise the market prices through a tight monetary policy and controlled government expenditure.
  - It has financed the rehabilitation and extension of social and economic infrastructure such as roads, water, electricity, etc.
  - It has improved the performance of the private sector.
  - It has reduced government expenditure and the burden on the public funds e.g. through privatisation of the loss making parastatals.
  - It has helped in reviving the formerly inefficient parastatals.
  - It has retrenched civil servants and demobilised soldiers who have used their packages well, have created more employment opportunities.
  - It has reduced Rwanda's budgetary deficits by financing the development expenditure, increased tax assessment and administration and reduced government expenditure.
  - It has encouraged liberalisation of the economy which has enhanced efficiency.
  
- (b) Structural Adjustment Programmes that have been implemented in Rwanda:
  - Privatisation of public enterprises.
  - Retrenchment of the civil service and demobilisation of the army.
  - Trade liberalisation.

- Reduction in government expenditure.
  - Devaluation.
  - Improvement in tax assessment and administration.
  - Liberalisation of foreign exchange market.
  - Tight monetary policies.
2. (a) Foreign Direct Investments (FDI's) refers to investment made to acquire lasting or long term interest in enterprises operating outside of the economy of the investor. Examples include:  
Financial institutions like AB Bank Rwanda, Access Bank Rwanda, Bank of Africa Rwanda, Equity Bank Rwanda Ltd, Guaranty Trust Bank, I & M Bank Rwanda Ltd etc.  
Consumer goods industries like Bourbon Coffee foods and beverages, Bralirwa Brewery.  
Utilities industries like Great Lakes Energy Electricity company.
- (b) Contribution of FDI's in the development process of Rwanda:
- Provision of employment opportunities to many Rwandan citizens directly or indirectly.
  - Promotion of local companies due to the exposure of the stiff competition.
  - Reduction of price of goods and services due to stiff competition and increased supply of commodities produced.
  - Encouraging innovation to local companies.
  - Development of modern infrastructure e.g. the building of AZAM factory at Masoro and buildings of other foreign companies in Free Zone near Nyandungu valley are one of the infrastructures brought by FDI's in Gasabo district, Rwanda.
  - Provision of revenue to the government of Rwanda through taxes which revenue has greatly helped in the development programmes in Rwanda.
  - Improved skills in management to Rwanda's citizens.
  - FDI's promote exportation in Rwanda since they produce for both local and foreign markets.

- (c) Although FDI stocks in Rwanda have increased in the recent years due to Rwanda's stability, and measures focused on improving the business climate, FDI flow still remains rather weak. This is due to following reasons:

The political instability of its neighbouring country, the DRC has had a great impact on the Great Lakes region and has had a negative role in Rwanda's FDI inflow.

- Low levels of human resource in Rwanda.
- Poor quality of its infrastructure.
- Landlockedness of the country.
- High operation costs.
- Limited natural resources.

3. (a) Roles of World Bank:

The World Bank or the International Bank for Reconstruction and Development (IBRD) was formed in 1945 purposely to rehabilitate economies which were damaged during the Second World War. Today, its roles are:

- Giving long term loans for purchase of capital goods.
- Mobilising funds for member countries through the sale of long term bonds.
- Lending member countries funds to build infrastructure.
- Giving loans to private sectors where payments are guaranteed by governments. This lending is done through the International Finance Corporation which is a branch of the World Bank.
- Advising countries on economic policy.
- Encouraging foreign investors through Multilateral Investment Guarantee Agency (MIGA), signatories to this agency assure investors compensation for non insurable risks.
- Giving recommendations to countries which apply for loans from other countries.
- Poverty eradication.
- Encouraging education in member countries e.g. by giving scholarships and providing scholastic materials at subsidised prices.

- (b) Sectors supported by World Bank in Rwanda:
- Tourism.
  - Natural resource/environment.
  - Rural and urban sectors.
  - Infrastructure like roads, electricity water etc.
  - Security.
  - Public service sector.
  - Education.
  - Agriculture.

## Remedial activity

1. Which companies or institutions do you know of in your locality or country that are not of Rwandan origin? Name them.
2. How have these companies impacted their areas of operation?

### *Expected answers*

1. Learners will site different foreign companies or institutions they know of in their areas/country.
2. Refer to advantages and disadvantages of MNCs and FDI in the Student's Book Unit 7 respectively.

### *Consolidation activities*

1. Having seen that there are several foreign companies in Rwanda, some producing different and others the same commodities like those of Rwandan origin, how do you think this has contributed to Rwanda's development process?
2. Advise your government on how to maintain the existing foreign companies and how to encourage more others to come in the country.

### *Expected answers*

1. Refer to effects of MNCs & FDI in the: Student's Book Unit 7 respectively.
2. Refer to measure of attracting foreign investors in Rwanda in the Student's Book Unit 7 Student's Book.



***Extended activities***

Discuss the view that global financial systems and institutions and business organisations have greatly contributed towards Rwanda's development process.

***Expected answers***

Refer to the contributions of IMF, WB, MNCs & FDIs in the Student's Book. (positive & negative).

## Topic Area 5: Development Economics

### Sub-topic Area 5.1: Economic Growth and Development

# Unit 8: Economic Growth, Development and Underdevelopment

*Reference to Student's text Book Unit 8*

**Key unit competence:** Learners will be able to analyse the determinants and indicators of economic growth and development in an economy.

### Prerequisites for this unit

Now that world economies have increasingly become interdependent through globalisation as seen in the previous unit, they need to promote sustainable growth and development of their respective economies. This is because they have freedom to adapt to new changes adopted from well to do economies and apply different techniques to improve their economies. This unit will tackle the obstacles to economic growth and development in different countries and therefore will have to largely dwell on how to lay strategies to attain economic growth and development especially in Rwanda. Learners, in this unit, should therefore be motivated to contribute to discussions by relating their views with everyday life experiences in their localities. They should come up with constructive ideas and suggestions towards improving their country's economy.

### Cross-cutting issues to be addressed

While teaching this unit/lessons, it will be important to consider the cross cutting issue of standardisation culture especially when dealing with influencing demand through advertising in a bid to win the market.

***Environment and sustainability*** should also be emphasised especially when looking at their capacities of production both in the short run and long run so as to protect and preserve the environment.

## Generic competences

Cooperation and interpersonal management is generated through all activities that are done in groups or pairs.

Communication skills are developed through presentation of research findings.

- Critical thinking is developed through analysing the factors for economic growth and development.
- Lifelong learning is gained through research on indicators of growth and development.

## Vocabulary or key words or concepts in the unit

***Absolute poverty***: A situation where people are so poor that they cannot even afford the basic means of subsistence like food, shelter among others.

***Balanced growth strategy of economic growth***: A strategy which advocates for a simultaneous upbringing of all sectors in an economy so that sectors grow together in harmony and complement each other.

***Big push theory***: The theory states, “developing countries must massively invest in a variety of industries and economic infrastructure so as to transform a backward agricultural economy into a self-sustained dynamic economy.”

***Critical minimum effort***: The minimum level of investment in all the sectors of the economy to ensure interdependence and self-sustaining growth.

***Economic growth***: This can be defined as the quantitative increase in the volume of goods and services. Or the persistent increase in the volume of goods and services over a period of time.

***Economic dependence***: The reliance of an economy on another for resources and economic decisions.

***Economic development***: This refers to the sustained quantitative and qualitative increase in the volume of goods and services produced over a period.

**Economic underdevelopment:** An economic situation where a society has resources but has failed to put them to maximum use or maximum exploitation so as to improve the welfare of individuals.

**Poverty:** A situation where the individual's income is low or where individuals in the society have insufficient income to buy basic necessities to maintain their livelihoods.

**Relative poverty:** This refers to the situation where people's standards of living is below what is regarded as socially acceptable minimum.

**Unbalanced growth theory:** This theory emphasises the growth of a few vital leading sectors in an economy such that they expand and others are developed at a later stage.

**Vicious cycle of poverty:** This is a trend that shows how the people and the economy have been trapped in a cycle from which they cannot easily come out.

### List of lessons/ lesson map on Economic growth and economic development and underdevelopment

|                   |   |
|-------------------|---|
| <b>Lesson 1:</b>  | Economic growth, its calculations and its determinants.   |
| <b>Lesson 2:</b>  | Benefits, costs and measures to promote economic growth.  |
| <b>Lesson 3:</b>  | Circumstances when economic growth may take place without corresponding levels of economic development. |
| <b>Lesson 4:</b>  | Balanced growth theory and its applicability in Rwanda.   |
| <b>Lesson 5:</b>  | Unbalanced growth theory and its applicability in Rwanda.   |
| <b>Lesson 6:</b>  | Big push theory and its applicability in Rwanda.  |
| <b>Lesson 7:</b>  | Rostow's stages of growth and its applicability in Rwanda.  |
| <b>Lesson 8:</b>  | Marxist theory of growth.   |
| <b>Lesson 9:</b>  | Dependence theory.  |
| <b>Lesson 10:</b> | Economic development, its measurement and requirements  |
| <b>Lesson 11:</b> | Objectives and indicators of economic development and Comparison between economic development.          |
| <b>Lesson 12:</b> | Economic underdevelopment, its indicators, causes and policies to solve it                              |
| <b>Lesson 13:</b> | Poverty, its types, causes and ways of reducing poverty.  |
| <b>Lesson 14:</b> | Unit assessment.  |



## Lesson 1: Economic growth, its calculations and its determinants

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### *Student's Book Unit 8*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain economic growth.
- Calculate economic growth.
- Explain the determining factors for economic growth.

#### ***Prerequisites for the lesson***

Basing on learners' daily life experiences and knowledge acquired from previous lessons on macroeconomics in senior five<sup>1</sup> and international economics so far covered in senior six, introduce the lesson on economic growth. Relate it with what the learners know about GDP and develop the lesson.

#### ***Expected answer***

Economic growth refers to the quantitative increase in the volume of goods and services over a period of time.

#### ***Teaching aids***

Student's Book, other recommended economics textbooks, the internet, newspapers with economics related issues on the lesson and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners in groups discuss with *reference to Activity 1 (i) & (ii) Unit 8 in the Student's Book*. Move in the different groups for guidance.

**Step 2:** Call upon different groups, one at a time to present their findings. Moderate the discussions.

#### ***Expected answers to Activity 1 Questions i) ii) and iii)***

- (i) The economic activities portrayed in the images in figure 1 above are;
- Dairy farming
  - Industrialisation
  - Tourism

- Trade & business

### ***Synthesis***

With reference to the content notes in the Student's Book Unit 8, facilitate learners to harmonise their discussion. Emphasise to learners that the level of the determining factors determines the level of economic growth.

### ***Assessment of the lesson***

Assess the lesson objectives by probing into the lesson. For example, ask questions like "What do you think could be the contributing factors to Rwanda's current level of economic growth?"

*Let learners refer to the above discussed points to discuss Rwanda's economic growth level.*



## **Lesson 2: Benefits, costs and measures to promote economic growth**

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### *Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Analyse the benefits and costs of economic growth in an economy.
- Design measures to improve economic growth in any given economy.

### ***Prerequisites for the lesson***

Guide learners to reflect on the factors that determine economic growth of any given economy. By doing so they are opened to the view that it's important to have increased productivity in their economy. Guide learners to form 2 groups and they debate on the motion that "Economic growth is more important in an economy" refer to Activity 1 (iii) in the Student's Book Unit 8.

### ***Teaching aids***

Student's Book, other recommended economic textbooks, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Fold 2 small papers written on sides of debate ie proposers and opposers. Let learners pick and have their sides defined.

**Step 2:** Learners join their groups and start discussing on the benefits and costs of economic growth respectively. Guide different groups where possible to generate relevant ideas.

**Step 3:** Group representatives present their points according to their reasoning. All members are expected to participate accordingly.

### ***Expected answers to activity 1 questions iv) and v)***

(iii) Merits of economic growth:

- There is increased production of goods and services.
- Widens the tax base of the country.
- Economic independence is attained.
- Leads to increase in infrastructure development.
- Urbanisation and industrialisation are achieved.

(iv) Costs of economic growth:

- Pollution of air and water.
- Environmental degradation.
- There is over exploitation of the natural resources.
- Congestion of traffic and houses .
- Erosion of cultural values.
- Etc.

### ***Synthesis***

Base on the learners' presentations, and lesson content in the Student's Book to guide learners to harmonise their points and take notes.

Give a remark that economic growth is very important in any economy.

### ***Assessment of the lesson***

Ask learners questions on the lesson to assess the attainment of the learning objectives. For example, what can be done by your country to raise the levels of economic growth?

### ***Expected answers***

- Infrastructural development.
- Removal of trade restrictions.
- Seek for foreign aid and grants.
- Population control programmes.

- Human capital development.
- Attracting both local and foreign investors.
- Ensuring peace and security in all parts of the country.

*Note: Be receptive to other correct answers.*



### Lesson 3: Circumstances when economic growth may take place without corresponding levels of economic development

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*Student's Book Unit 8.*

#### ***Learning objectives***

By the end of this lesson, learners will be able to compare and contrast economic growth and economic development.

#### ***Prerequisites for the lesson***

Through definitions guide learners to discover that there is a difference between economic growth and development. Learners basing on the definitions are then required to think, pair and share their views how economic growth is different from economic development.

#### ***Teaching aids***

Student's Book, other recommended economic textbooks, internet access, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners in pairs, are given Activity 2 in the Student's Book Unit 8 to share their views.

**Step 2:** Choose some pairs to present their views to the class. Let others listen attentively to supplement or ask/criticise where possible. Moderate the discussions and presentations.

#### ***Expected answers for Activity 2 Student's Book Unit 8***

- Economic growth makes people over work at the expense of leisure.
- Economic growth may be achieved but when people are still using traditional tools and under developed technology.



- Economic growth may be attained but when people's mode of thinking and attitude towards work have not yet changed from that of a backward primitive set up.
- Economic growth may be achieved but with high rates of pollution from industries set up to attain it.
- Economic growth can be attained but when the country is producing capital goods that do not have a direct impact on the standards of living of the people.

### ***Synthesis***

Basing on learner's discussions, refer to the content notes in the Student's Book to harmonise their findings. Let them thereafter take notes. You can emphasise to learners that economic growth is not necessarily economic development.

### ***Assessment of the lesson***

Ask learners questions related to the lesson to check whether the learning objective was achieved. For example;

Under what circumstances may economic growth lead to economic development?

### ***Expected answers***

- When there is ample time for leisure by workers.
- When growth is accompanied with quality commodities.
- When resources are equally distributed throughout the country.
- When there is peace and security in all parts of the country.
- When there is increase in GNP per capita.
- When there is technological development in the country.
- When production meets the tastes and preference of consumers etc.



## **Lesson 4: Balanced growth theory and its applicability in Rwanda**

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*Student's Book Unit 8.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the balanced growth strategy.

- Analyse the advantages and disadvantages of the balanced growth theory.
- Advocate for the best growth strategy for Rwanda.

### ***Prerequisites for the lesson***

In lesson 1 of this unit, we saw the measurement and factors for economic growth. Learners, based on their understanding about economic growth, can tell why growth trends for different countries and continents differ. To do this, learners have to research about the different models of economic growth that stress the alternative causes of economic growth. This lesson therefore seeks to explain one of the principal theories of economic growth. The teacher needs to guide them in their research and discussion to reach at a well built and thoughtful conclusion about the lesson..

### ***Expected answers***

Sector balancing: balanced growth, unbalanced growth and big push theories.

Causes of growth: Rostow's growth theory, Marxist theory of growth, dependence theory.

### ***Teaching aids***

Student's Book, other recommended economic textbooks, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Organize learners in groups and based on unit 8, activity 3 from the Student's Book, ask them to undertake research and analyse the different economic growth theories.

**Step 2:** Groups discuss with specific reference to the balanced growth theory of economic growth, and make presentation in class. Teacher checks on groups and facilitate their discussions.

### ***Expected answers for Activity 3 Student's Book Unit 8***

- (i) A balanced growth strategy of economic growth is the one that advocates for a simultaneous upbringing of all sectors in an economy so that sectors grow together in harmony and complement each other.
- (ii) Arguments in favour of balanced growth strategy:

- It encourages resource exploitation and utilisation because it creates high demand for these resources by the many sectors in operation.
- It widens the tax base of the country because all the developed sectors are taxed by the government.
- It encourages forward and backward linkages in the economy since some sectors provide raw materials while others provide market for those raw materials.
- Employment is created because of the increased demand for labour to work in the different developed sectors.
- Balanced of payment position may be improved especially when production is for export.

Disadvantages of the theory:

- It may lead to sectors being developed without quality since it calls for a critical minimum effort.
- It requires a lot of capital which may be lacking in developing countries.
- It may lead to over exploitation of resources.
- It may lead to uncoordinated plans and sectors which may not lead to the development of the economy.
- Over ambitiousness may at times lead to shoddy work since the expected results cannot be achieved.

(iii) Limitations of balanced growth:

- A balanced growth strategy requires a lot of capital funds which are not yet available in LDCs.
- Developing countries do not have adequate skilled manpower to scatter in all sectors being developed at the same time.
- A balanced growth strategy requires proper planning and implementation of plans so as to coordinate the different projects running at the same time, developing countries are not blessed with such planning skills.
- A balanced growth strategy requires developed infrastructure in terms of transport and

telecommunication network, hydro-electric power, among others.

### ***Synthesis***

Based on learner's discussion, harmonise their findings. Make a conclusion by referring to the content notes in the Student's Book Unit 8.

### ***Assessment of the lesson***

Assess the lesson by checking whether the learning objectives were attained. For example, ask how the balanced growth strategy is applicable in Rwanda.

### ***Expected answers***

- Rwanda is trying to balance production for domestic consumption and foreign consumption.
- Rwanda is trying to balance development of agriculture sector and industrial sector.
- Rwanda is trying to balance production of both consumer and capital good.
- Rwanda is trying to develop both socio-economic infrastructure and directly productive effort.
- Rwanda is trying development of both rural and urban areas.



## **Lesson 5: Unbalanced growth theory and its applicability in Rwanda**

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*Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the unbalanced growth strategy.
- Analyse the advantages and disadvantages of unbalanced growth strategy.
- Advocate for the best growth strategy for Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson and ask learners to explain "What would be the strategy if Rwanda decided to develop a few selected priority sectors. Then proceed to the new lesson of unbalanced growth strategy.

***Expected answer***

Unbalanced strategy.

***Teaching aids***

Student's Book, other text books, internet, and relevant journals.

***Learning activities***

**Step 1:** Organize learners in groups and based on the research made in lesson 4, activity 3 above, ask them to analyse and discuss about the concept of the balanced growth theory of economic growth. Teacher checks on groups in their discussion.

**Step 2:** Groups make presentation in class. Teacher facilitates their discussions and presentation.

***Expected answers for Activity 4 Student's Book***

***Unit 8***

- (i) An unbalanced growth strategy is the one that emphasises the growth of a few vital leading sectors in an economy such that they expand and others are developed at a later stage.
- (ii) Advantages of the theory:
- The strategy needs little capital and resources which makes it possible in LDCs which have always dealt with deficit budgets.
  - It requires less expenditure.
  - It is easy to control and manage because a few leading sectors can easily be coordinated compared to the balanced growth theory.
  - Production can be controlled basing on demand forces because the country will be producing according to available markets.
  - The theory reserves some resources for the future use since some sectors are developed at a later stage.

Demerits of the theory:

- It slows the rate of economic growth since the output from the few sectors is low and may not serve the whole nation at large.

- Regional inequalities come up because some areas will develop at the expense of others hence creating dualism with its associated problems.
  - Unemployment results since there are a few sectors developed and worse still the sectors may resort to capital intensive technology to produce good quality.
  - It encourages dependence because the country cannot satisfy the needs of its people.
  - Leading sectors may not be able to pull others hence they will develop at the expense of others sine they may not be compatible.
- (iii) Limitations of the theory:
- The strategy emphasises specialisation which has several weaknesses like limited varieties which limits choice and development.
  - The strategy limits employment opportunities, one or a few sectors promoted can employ only a few people and with special skills so limiting employment opportunities.
  - The strategy denies the economy a chance to diversify which is a great input to development.
  - Developing countries have a limited size of the market which cannot consume all the output from the sector being emphasised. This leads to wastage of resources.
  - It encourages dependence on other nations.
  - The emphasised sector may fail to have a serious impact on the country.
  - The neglected sectors may lag behind and this leads to widening of the gap between sectors.

### ***Synthesis***

Base on learners' discussion and content from the Student's Book to harmonise their findings. Learners take notes of the summary. Emphasise that it is a bit realistic in LDCs to opt for unbalanced growth theory because the economies don't have enough money to boost all the sectors at once.

### ***Assessment of the lesson***

Assess the lesson by checking whether lesson objectives were attained. For example, ask learners to base on valid examples and explain how this growth strategy is applicable in Rwanda.

### ***Expected answers***

- Due to limited resources, Rwanda is trying to develop a few priority sectors like agriculture, education, tourism etc.
- Rwanda is encouraging specialisation which has promoted efficiency especially in agriculture through value addition in her exports.



## **Lesson 6: Big push growth theory and its applicability in Rwanda**

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### *Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the big push growth strategy.
- Analyse the advantages and disadvantages of big push growth strategy.
- Advocate for the best growth strategy for Rwanda.

### ***Prerequisites for the lesson***

Ask learners to reflect on the previous lesson and compare the two strategies of growth already covered. Guide them to discover what the big push theory is all about. After that, link it to the day's lesson.

### ***Expected answer***

The theory states that, “developing countries must massively invest in a variety of industries and economic infrastructure so as to transform a backward agricultural economy into a self-sustained dynamic economy.”

### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups discuss on the big push growth theory, its advantages and disadvantages and limitations. (Refer to Activity 5 in the Student's Book Unit 8). Guide learners where need arises.

**Step 2:** Groups present their findings to the rest of the class as others supplement or ask questions where possible. Moderate the discussions and presentations.

### ***Expected answers***

- (i) Arguments in favour of big push strategy.
- The theory advocates for setting up complementary industries.
  - The massive investment programme emphasised by the theory accelerates a stagnant economy into high rates of economic growth.
  - The theory advocates for industrial growth that provides several employment opportunities to nationals, this develops the nation further.
  - The industrial progress that Walt Rodan advocated for, provides forward and backward linkages to the agricultural sector all of which are necessary for the rapid development of the developing countries.
  - The theory calls for maximum exploitation of resources of developing countries and this reduces underutilisation of resources.
- (ii) Disadvantages of the theory:
- The theory calls for massive expenditure, such funds are not readily available in LDCs, it calls for borrowing from other nations and this increases the indebtedness of LDCs.
  - The big push theory ignores the role of agriculture in development.
  - The massive industrialisation that Rodan advocates for, increases pollution that reduces the quality of life of the people.



- The theory calls for over exploitation of the natural resources due to the massive industrialisation, this leads to their quick depletion.
  - The heavy industrialisation and economic infrastructural growth brings about the use of machines in production, these replace laborers so causing technological unemployment.
- (iii) Limitations of the theory:
- They are inadequate funds and man power in LDCs to invest in the theory.
  - There are inadequate resources to act as raw materials may be a hindrance to the development of industries.
  - Developing countries do not have adequate skilled manpower to scatter in all sectors being developed at the same time.
  - The strategy requires proper planning and implementation of plans so as to coordinate the different projects running at the same time. Developing countries are not blessed with such planning skills.
  - The strategy requires developed infrastructure in terms of transport and telecommunication network, hydro-electric power, among other things, such developed infrastructure is still inadequate in LDCs, thus cannot be sustained.

### ***Synthesis***

Base on learners' discussion and content from the Student's Book Unit 8 to harmonise their findings. As you make a conclusion, learners take notes of the summary. Explain to learners that the theory may be denied by the inadequate funds in LDCs to massively develop the sectors of the economy.

### ***Assessment of the lesson***

Assess the lesson by checking whether lesson objectives were attained. For example, ask, learners to use valid examples to show how this growth strategy is applicable in Rwanda.

### ***Expected answers***

- Rwanda is trying to develop massive infrastructure in form of road network both feeder and main roads, power stations, water, educational institutions, financial institutions etc. All these aim at transforming the economy from traditional to modern methods of production.
- Rwanda is also trying to develop massive industrialisation though faced with financial constraints.

*Note: As learners give their responses, be open minded to any other answer that may not be listed here.*



## **Lesson 7: Rostow's stages of growth and its applicability in Rwanda**

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### *Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the Rostow's stages of growth.
- Describe the stages of growth according to Rostow.
- Evaluate the applicability of the strategy in Rwanda.

### ***Prerequisites for the lesson***

Remind learners to reflect on the categories of growth strategies that were seen at the beginning of lesson 4 (i.e balanced and unbalanced growth and big push theories). Guide them to discover by identifying that what has been covered is about sector balancing, what is remaining is on the causes of growth. Thereafter connect it to the day's lesson of Rostow's stages of growth.

### ***Expected answers***

- Sector balancing: balanced growth, unbalanced growth and big push theories.
- Causes of growth: Rostow's growth theory, Marxist, dependence theory.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities:***

**Step 1:** Ask learners in groups to visit the library/ internet and research on Rostow's stages of growth. With reference to Activity 6 page 284 in the Student's Book, let them discuss the characteristics of each stage and the applicability of the theory in the LDC's. Move around groups as learners are discussing to guide in any way possible.

**Step 2:** Different groups present their views, one at a time, as other members listen attentively, and contribute by supplementing or asking questions for clarity. Facilitate the discussions and presentations.

### ***Expected answers for Activity 6 Student's Book Unit 8***

- i) Rostow's view on economic growth is that, economic growth is a gradual process through which the transition from underdevelopment to development can be described through 5 gradual stages or steps. Rostow believed that all countries must pass through these 5 gradual stages to attain hyper rates of economic growth and development.

### **Traditional stage**

- Subsistence production where output is for home consumption.
- No use of money as a medium of exchange.
- There is a high degree of communal organisation where people work together as a community.
- Traditional beliefs in culture lead to a lot of conservatism.
- Production is highly labour intensive.
- No formal employment and organised income.
- No savings and investment.
- High levels of resource wastage.
- Be receptive to other points.

### **Transitional stage/pre-condition to take off**

- Dualism arises at this stage.
- The society starts moving away from dominant subsistence sector and traditional methods of production are reduced.

- A market economy starts emerging where people exchange their output for money.
- Industrialisation starts more so the processing industry, these are normally agro-based industries processing agricultural output.
- Entrepreneurs start to emerge.
- Savings and investment start to rise up to 5%.
- Mobility of labour begins.
- Education starts spreading.
- Banks and other institutions appear.
- Be receptive to other points.

### **Take off stage**

- Barriers to development are eliminated.
- Savings and investment grow to between 5% and over 10% of the Gross Domestic Product.
- More employment opportunities are created, people's incomes rise because wages are higher.
- Idle resources are put to more efficient use through exploitation by the industries.
- Modern and advanced technology is introduced in all sectors of the economy.
- Skilled and quality labour and entrepreneurs come up.
- Education and literacy rates increase.
- Rates of urbanisation increased faster.
- Both industrialisation and market expand.
- The increase in per capita output should outstrip the growth of population.

### **Prematurity stage/Drive to maturity stage**

- The rate of saving and investment is between 10% and 20% of GDP.
- The economy undergoes fundamental political, social and economic advancements, technology progresses rapidly.
- Production for export grows further and there is limited importation of manufactured goods.
- The industrial sector is transformed from small scale to heavy industrialisation.

- Agricultural mechanisation emerges.
- There is maximum utilisation of resources.
- Modernisation is very high, traditional customs and beliefs are kicked away.
- High level of employment opportunities (white collar jobs).
- Freely accept other relevant answers.

### **Stage of high mass consumption**

- All resources in the country are fully exploited and utilised.
- Consumer durables like washing machines, cookers etc. become necessities in every house hold.
- Incomes of people are extremely high due to full employment conditions.
- Industrial growth is at its peak and they start producing luxuries like cosmetics, necklaces among others.
- The rates of saving and investments are over 20% of gross domestic product.
- High rates of exploitation.
- Urbanisation increases.
- Country starts lending and donating to others.
- People reduce working hours and start enjoying leisure.
- Accept any other correct answers.

### **Applicability of the theory in low developing countries**

- Subsistence production where output is for home consumption is very common in developing countries as a means of survival.
- No use of money as a medium of exchange.
- There is a high degree of communal organisation where people work together as a community through cooperatives.
- Traditional beliefs in culture lead to a lot of conservatism.
- Production is highly labour intensive and this is because of the inadequacy in capital in developing countries.
- Be receptive to other correct answers.

### **Criticisms of Rostow's theory**

- Rostow talks about progressing from stage to stage but does not show the mechanism of how it is done.

- Rostow bases his theory on American and European history and defines the American norm of high mass consumption as an integral to the economic development process to all industrial societies, so his model has no impact on other nations especially the developing agricultural nations.
- Rostow fails to demarcate one stage from the other as the features of take off and transitional stage tend to overlap each other.
- Some countries have achieved high savings.
- Rostow does not appreciate that some countries were born free of some stages.

### ***Synthesis***

Basing on the learners' discussion and content from the Student's Book Unit 8 to harmonise their findings. As you make a conclusion, learners take notes of the summary. Emphasise to learners that some countries may not follow the stages systematically.

### ***Assessment of the lesson***

Assess learners by asking questions on the lesson to check whether learning objectives have been achieved.

For example, how is the theory relevant to Rwanda's situation?

Refer to the applicability of Rostow's stages of growth pages 289-290 in the Student's Book. Let it be discussed on the Rwandan context and with valid examples.



## **Lesson 8: Marxist theory of growth**

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*Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Analyse the different stages of growth according to Marxist theory.
- Examine the applicability of Marxist theory in Rwanda.

### ***Prerequisites for the lesson***

Remind the learners to reflect on the categories of growth strategies according to causes of growth, thereafter mention the day's lesson

of Marxist's stages of growth. Give them a research task referring to Activity 7.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups use the library/ internet and research on Marxist's stages of growth. With reference to Activity 7 page 291 in the Student's Book, learners discuss the characteristics of each stage and the applicability of Marxist's growth theory in LDC's. Move around the groups as learners are discussing to guide them in any way possible.

**Step 2:** Allow various groups to present their views, one at a time, as others listen attentively, and contribute by supplementing or asking questions for clarity. Facilitate the discussion.

### ***Expected answers for Activity 7 Student's Book***

#### ***Unit 8***

- (i) According to Karl Marx, growth is attained through stages that are determined by class struggle. Like Rostow, Marx also agreed that development started from nowhere, where everything was primitive, what he called the traditional stage.
- (ii) Stages of development according to Karl Marx
  - Traditional stage
  - Slave economy
  - Feudal economy
  - Capitalism.
  - Socialism
- (iii) Featuring of each stage of development

#### **Traditional stage**

- A generally peasant economy.
- Communal ownership of land.
- No use of money as a medium of exchange.
- Traditional beliefs in culture lead to a lot of conservatism.

- Production is direct for home consumption.
- Family labour is used.
- Output is little.

### **Slave economy**

- Private ownership of resources like land emerge.
- There is ownership of people as property.
- Slaves are used as free labour to increase output.

### **Feudal economy**

- Land is owned by the kings and other cultural leaders.
- Cultural leaders have a task of collecting tax revenue which may be in form of produce within their respective areas and present it to the kings.
- People pay for use of land through the output produced.

### **Capitalism**

- There is increased competition in the markets.
- Emergence of monopolies in form of big multinational corporations.
- Forces of demand and supply determine what is to be produced.
- Profit motivation is the major determinant of production.
- Government role is to regulate the production activities but participates little in the production process.
- There is increased use of machinery causing technological unemployment.

### **Socialism**

- Increased mechanisation worsening the unemployment problem.
- Creation of an army of the employed emerges due to high rates of unemployed.
- There are riots and strikes against the government.
- The workers tend to take over the states and their main aim is to distribute wealth.
- Ultimately, socialism leads to communism.



### ***Synthesis***

Harmonise learners' work by referring to the lesson content in the Student's Book Unit 8 and from the learners' presentations. Explain to learners that both Rostow and Carlmax believe that development started from nowhere, where everything was primitive and this they both called the 'traditional stage.'

### ***Assessment of the lesson***

Assess the learner's achievement of the lesson's learning objectives by asking questions about the lesson. This helps to give feedback you and learner's as well. For example, ask them the differences and similarities between Rostow and Carlmax theories of development.



## **Lesson 9: Dependence theory**

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*Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the meaning of dependence.
- Examine the causes of dependence and its likely effects.
- Suggest possible measures to reduce dependence in the country.

### ***Prerequisites for the lesson***

You can start by imagining a case study e.g. Mulisa an 18 year old boy in S.6 relies on his parents for school fees, shelter, clothing, and the rest. This implies that without his parents, Mulisa's life would be in danger. What economic term can you call this? Depending on their views/answers, tell them the right answer and introduce the lesson.

### ***Expected answers***

Dependence.

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Organize learners in groups, task them with activity 8. Ask them to carry out research about the dependence theory, analyse

it and discuss about it in their groups. Teacher checks on groups in their discussion.

**Step 2:** Groups make presentation in class. Teacher facilitates their discussions and presentation.

### ***Expected answers for Activity 8 Learners Book Unit 8***

- (i) a) Dependence refers to the situation where one country relies on another for resources or economic decisions.
- b) The dependency theory explains that the wealth of the richer nations increases at the expense of the poorer ones. That the growth trend involves a dominant world capitalist system that relies on a division of labour between the rich 'core' countries and poor 'peripheral' countries. The rich countries exploit their dominance over an increasingly marginalized periphery.
- c) Ways in which the poor nations depend on rich nations include;
- Sectoral dependence.
  - Trade dependence.
  - Direct dependence.
  - External resource dependence.
- d) refer to the causes of dependence in the Student's Book
- e) refer to the effects of dependence in the Student's Book under unit 8

### ***Synthesis***

Base on learners' discussion and content from the Student's Book to harmonise their findings. Make a conclusion and let learners take notes of the summary. Emphasise to learners that for most of the LDCs to develop, they might have to depend on MDCs for aid and other things but all these come with a cost.

### ***Assessment of the lesson***

Assess the lesson by checking whether the lesson objectives were attained. For example, ask the following questions

- (i) With valid examples, show how this dependence strategy is applicable to Rwanda?
- (ii) What causes dependence in Rwanda (our country)?

- (iii) How can we solve the problems of dependence in our country?

***Expected answers***

- (i) Rwanda is highly dependent on other countries for technology.
- Rwanda is highly dependent on other countries for human resource/ manpower.
  - Rwanda is highly dependent on other countries for loans.
  - Rwanda is highly dependent on other countries for economic social decisions.
  - Rwanda is highly dependent on other countries for trade (export and import).
  - Be open minded so that you can receive other correct answers.
- (ii) High population growth rate.
- Occurrence of natural catastrophes.
  - Poor education policy.
  - Low levels of industrialisation.
  - Inadequate forex.
  - High poverty levels.
  - Low tax base & capacity.
- (iii) Diversification of the economy.
- Diversification of markets.
  - Improvement in political climate to encourage production.
  - Promoting import substitution strategy.
  - Proper planning.
  - Any other correct answers are acceptable here.



## Lesson 10: Economic development, its measurement and requirements

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*Student's Book Unit 8*

***Learning objectives***

By the end of this lesson, learners will be able to:

- Compare and contrast economic growth and economic development.

- Describe the measurement of economic development.
- Analyse the requirements for economic development.
- Suggest measures that Rwanda can take to achieve economic development.

### ***Prerequisites for the lesson***

Review the previous lesson to arouse learners' interest in the lesson. Ask learners to tell the meaning of what economic development is by definition (by show of hands). Then give them a research task on economic development.

### ***Expected answer***

Economic development refers to the sustained quantitative and qualitative increase in the volume of goods and services produced over a period.

### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and other related economics sources.

### ***Learning activities***

**Step 1:** Task learners to use the library or internet and research on the measurement of economic development and what it requires to attain development in an economy. Please facilitate the group research.

**Step 2:** Guide groups to present their findings. Facilitate the group presentations.

### ***Expected answers to activity 9, unit 8, questions 'a – d'***

- a) The photos & case study above depict development aspects in Rwanda
- b) The sectors shown in the photos above are:
  - Education
  - Health
  - Agriculture
  - Tourism
- c) From the case study and images above the indicators of development in Rwanda include:
  - Improved education

- Improved health services
  - Modernized agriculture.
  - Respect of human rights and rule of law.
  - Progress on nutrition
  - Reduction in both income and multidimensional poverty;
  - Climate resilient and low carbon economy
  - Good governance and access to justice
  - Decentralization of civil registration system
  - Domestic resource mobilization, prudent debt management and macroeconomic stability.
- d) It took the government of Rwanda to the following to achieve the above developments
- A movement from subsistence production to monetary production;
  - A transformation of the economy from one being dominated by agriculture into one dominated by industry;
  - a change in the composition of goods;
  - Technological progress;
  - Indigenization of the economy.
  - Change in socio-cultural attitudes of the people.
  - A good, strong, competent and in-corrupt administration.
  - An efficient banking system that mobilises savings and channel them into productive projects.

### ***Synthesis***

Base on the learners' presentations, with reference to the Student's Book content notes unit 8 to harmonise their findings. Encourage learners to ask questions for clarity and take the summarised points. Explain to learners the meaning of the measurements and the requirements of development in an elaborative manner.

### ***Assessment of the lesson***

Assess the learners to check whether the learning objectives were achieved. For example, ask questions like;

- (i) What should be done to bring about development in Rwanda?

### ***Expected answers***

- (i) How to bring about development in Rwanda.

- Break through traditionalism to bring about positive attitude towards new changes in the economy.
- Infrastructural development in all parts of the country.
- Ensure conducive and sustainable investment climate in the country.
- Human resource development.
- Population control measures.
- Ensuring peace and security in all parts of the country.
- Market expansion and diversification.
- Allow learners to bring up any other points and correct them where necessary.



## Lesson 11: Objectives and indicators of economic development and comparison between economic growth and development

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### *Student's Book Unit 8*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the meaning of economic growth and economic development.
- Analyse the objectives and indicators of economic development.
- Compare and contrast economic growth and development.

#### ***Prerequisites for the lesson***

Review the previous lesson and ask learners to reflect on Lesson 3 of this unit and compare and contrast economic growth and development. You can turn back on Lesson 3 Unit 8 (*Refer to answers in Lesson 3 of this unit 8*). Introduce the day's lesson.

#### ***Teaching aids***

Student's Book, other text books, internet, and relevant sources.

#### ***Learning activities***

Task learners to reflect on activity 2 and 9 of unit 8 from the Student's Book, and as individuals or pairs or groups, through brain storming analyse the circumstances, with the reference to

Rwandan economy, that distinguish Rwanda's economic growth with her economic development drive.

In general class discussion, learners together with the teacher harmonise on such circumstances

***Expected answer for activity 9 question 'e' & 'f'***

***Remove i) from the answers***

(e) Objectives/goals of development:

- To reduce illiteracy rates and improve literacy among the citizens of the country.
- To attain higher rates of economic growth as shown by the increase in the gross domestic product.
- To attain price stability/fight against inflationary tendencies in an economy so as to create certainty in the markets.
- To reduce economic dependency or to attain self-reliance so as to reduce excess capital outflow and at the same time develop local production ventures.
- To fight against unemployment in order to reduce poverty and improve people's standards of living.
- To attain resource distribution so as to reduce income inequalities.

(f) Comparison between economic growth and development:

- Economic growth may involve the increase in the GDP only while economic development involves both quality and quantity.
- Economic growth may take place even with poor income distribution while development involves fair income distribution.
- Growth can take place even with poor quality while development involves good quality output.
- Economic growth may take a short period of time to achieve while development may take a long time to achieve.

- Economic growth may take place even with low quality of life of the people while development involves change in the quality of life.
- Economic growth takes a short period of time while development may take a long time to be achieved.
- Economic growth may take place even with low quality of life while economic development involves change in the quality of life.
- Economic growth is a rapid process while economic development is a slow process.
- Etc.

### ***Synthesis***

Base on the learners' discussion and the Student's Book content notes pages 298-305 to harmonise their presentations. Learners have a clear stand and take notes. Emphasise to learners that both economic growth and development are attainable but may not be at once.

### ***Assessment of the lesson***

Assess the achievement of the lesson objective by asking some questions e.g.;

- (i) Identify the indicators of development in Rwanda.

### ***Expected answers***

- (i) Indicators of development in Rwanda:
  - Development of socioeconomic infrastructure.
  - Joining of several economic integrations to expand market.
  - Prevailing peace and security in all parts of the country.
  - Massive education programmes to develop human resource.
  - Massive population control campaigns and a reduction in population growth.
  - Gender balance, equity and complementarity.
  - Etc.





## Lesson 12: Economic underdevelopment, its indicators, causes and policies to solve it

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### *Student's Book Unit 8*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the meaning of underdevelopment.
- Describe the characteristics of an underdeveloped economy.
- Analyse the causes of underdevelopment in any given economy.
- Suggest possible measures to attain development in Rwanda.

#### ***Prerequisites for the lesson***

Basing on the background of the previous lessons, ask learners to share what the situation would be if the requirements of development were not attained. Connect the learners' response to the day's lesson.

#### ***Expected answer***

- (i) There would be underdevelopment.

#### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Organise learners in groups and ask them to work on Activity 10 from the Student's Book Unit 8. Check on groups and facilitate their discussions.

#### ***Expected answers for Activity 10 Student's Book Unit 8***

- i) Economic underdevelopment.
- ii) Refer to the Student's Book for the characteristics of economic underdevelopment.
- iii) Refer to the Student's Book for the causes of economic underdevelopment.
- iv) Refer to the Student's Book for the policies that Rwanda has taken to overcome underdevelopment conditions

**Step 2:** Learners in the same groups discuss about Activity 11 in the Student's Book Unit 8. Groups have their findings presented to the entire class as you moderate the discussions and presentations.

***Expected answers for Activity 11 Student's Book  
Unit 8***

- (i) Causes of underdevelopment:
- High population growth rate.
  - Inadequate strategic raw materials.
  - Social cultural barriers such as backward rigid traditional attitudes, beliefs, and norms which hinder economic development.
  - Political unrests.
  - Under developed infrastructure.
  - Profit repatriation.
  - The debt servicing burden.
  - High levels of brain drain.
  - Unfavourable trade position.
  - The vicious cycle of poverty.
  - Neo-colonialism.
  - Low levels of science, technology, and research.
- (ii) Policies that can be undertaken to solve the problem of underdevelopment:
- Education reforms have been undertaken.
  - Land tenure reforms.
  - Kick start funds like — the one cow per family has helped people to access cows that can be used as source of income through selling milk.
  - Progressive taxation.
  - Improving infrastructure like roads which helps in the movement of people and goods from areas of production to markets helps people to increase their earnings.
  - Liberalisation of the economy.
  - Improvement in the political climate.
  - Encouraging development of small scale enterprises.
  - Formation of co-operation.

- Modernisation of agriculture.
- Improvement of the investment climate.
- Controlling population growth.

### ***Synthesis***

Basing on the learners' presentations and content notes in the Student's Book Unit 8, harmonise the learners' views and allow learners to take notes of the summary. Explain that the state of underdevelopment in LDCs is our own making as seen in the discussed points. Therefore we can fight and eradicate underdevelopment through the policies already discussed.

### ***Assessment of the lesson***

Assess the lesson to check whether the lesson learning objectives were attained. For example, ask them;

How is underdevelopment manifested in Rwanda? How best would you fight the manifestations of underdevelopment in your areas of origin and the country in general? (*refer to the characteristics of underdevelopment but let them be explained in Rwandan context and the measures as well*).



## **Lesson 13: Poverty, its types, causes and ways of reducing poverty**

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*Student's Book Unit 8*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Contrast the types of poverty
- Analyse the causes of poverty.
- Propose possible solutions to eradicate poverty in Rwanda.

### ***Prerequisites for the lesson***

Guide learners to review the previous lesson on indicators of underdevelopment. Thereafter, ask them to reflect on the specific conditions in their homes and in their neighbourhood. Assign them Activity 12 Unit 8 in the Student's Book for more understanding.

## ***Expected answers for Activity 11 Student's Book***

### ***Unit 8***

- a) Poverty refers to the inability to attain a minimal standard of living.
- b) The indicators of poverty to an individual or economy include,
- Low standards of living.
  - Absence of basic needs
  - Low self- esteem.
  - Poor living conditions
  - Consumption of inferior commodities
  - Low levels of savings
  - Constant family conflicts and break ups
  - High rates of school drop outs
- c) The different types of poverty include:
- Situational poverty: this is poverty that is generally caused by a sudden crisis or loss and is often temporary. Events causing situational poverty include environmental disasters, divorce, or severe health problems.
  - Generational poverty: This is poverty that occurs in families where at least two generations have been born into poverty. Families living in this type of poverty are not equipped with the tools to move out of their situations.
  - Absolute poverty: this refers to the situation which involves a scarcity of such necessities as shelter, running water, and food. Families who live in absolute poverty tend to focus on day-to-day survival.
  - Relative poverty refers to the economic status of a family or individual whose income is insufficient to meet its/ their society's average standard of living.
  - Urban poverty: this occurs in metropolitan areas with populations of at least 50,000 people. The urban poor deal with a complex aggregate of chronic and acute stressors (including crowding, violence, and noise) and are dependent on often-inadequate large-city services.

- Rural poverty: this occurs in nonmetropolitan areas with populations below 50,000. In this case, such areas are characterized by households and families which often have less access to services, support for disabilities, and quality education opportunities.
- d) The high levels of poverty in sub-Saharan Africa is due to the following.
- High cost of education.
  - Large family sizes.
  - Lack of physical assets.
  - Epidemic and endemic diseases.
  - Low agricultural productivity and poor marketing.
  - - High cost of social services.
  - - Market and micro-economics instability.
  - - Unemployment and low wages.
- e) Remedies to poverty in my country.
- Avail cheap credit facilities to the people
  - Development of infrastructure
  - Ensuring political stability and security so as to boost production and employment hence enabling people to earn incomes.
  - Progressive taxation of the rich.
  - Increase wages for labour by setting up a higher minimum wage
  - Subsidizing the poor by giving them unemployment benefits.
  - Seeking foreign aid.
  - Encouraging incentives eg. tax holidays.
  - Increasing price for agricultural products.
  - Encouraging people to join co-operatives

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals. Pictures showing poverty conditions etc.

### ***Learning activities***

**Step 1:** Let learners be in pairs and assign them Activity 13 from the Student's Book Unit 8. Facilitate their discussions.

**Step 2:** Guide learners to share their views with the rest of the class and allow them time for questions and supplements from other learners.

### ***Expected answers for Activity 12 Student's Book***

#### ***Unit 8***

- (i) Causes of poverty:
- High cost of education.
  - Large family sizes.
  - Lack of physical assets.
  - Epidemic and endemic diseases.
  - Low agricultural productivity and poor marketing.
  - High cost of social services.
  - Market and micro-economics instability.
  - Unemployment and low wages.
- (ii) Ways of reducing poverty:
- Avail credit facilities to the people and this will help them to start their own businesses hence earning incomes.
  - Development of infrastructure aimed at opening up rural areas to investment and also easy movement of goods from remote areas to markets.
  - Creating political stability so as to boost production and employment hence enabling people to earn incomes.
  - Progressive taxation of the rich so as to reduce income inequalities and subsidise the poor people.
  - Increase wages for labour by settling up a higher minimum wage so as to increase peoples' earnings hence raising their demand.

- Subsidising the poor by giving them unemployment benefits.
- Seeking foreign aid.
- Encouraging incentives eg. tax holidays.
- Increasing price for agricultural products.
- Encouraging people to join co-operatives.

### ***Synthesis***

Based on the learners' findings and lesson content notes from the Student's Book Unit 8, the teacher summarises the day's lesson and learners take notes of the summarised points. Emphasise that, poverty eradication in Rwanda and other LDCs is a gradual process, while applying and adhering to the already discussed policies.

### ***Assessment of the lesson***

Assess the learners to check whether the lesson objectives were attained. Give questions for example,

- (i) How is poverty manifested in your areas of origin?
- (ii) How can you assist in fighting poverty in your home, village, district and the entire economy?

### ***Expected answers***

- (i) Manifestations of poverty.
  - Low self esteem.
  - Absence of basic needs.
  - High rates of school dropouts.
  - Poor health and sanitation facilities.
  - Poor living conditions.
  - Be receptive to other correct answers.
- (ii) Ways of fighting/eradicating poverty.
  - Sensitise and encourage household savings.
  - Sensitise and encourage small scale domestic investments.
  - Encourage people to join different cooperatives that are helped by the government.
  - Encourage people to have the culture of borrowing for productive activities.
  - Be receptive to other correct answers that learners may bring up.



## Lesson 14: Unit assessment

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*Student's Book Unit 8.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Analyse determinants and indicators of economic growth and development of an economy.

### ***Prerequisites for the lesson***

Sit learners in groups of 4-5 members and give them end of unit assessment by referring to the Student's Book Unit 8. Let them be given clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners in their groups.

**Step 2:** Let learners in their groups start discussing and answering the questions given as you supervise them.

**Step 3:** After the discussions, collect their written work for marking and for correction.

### ***Synthesis***

Refer to end unit assessment in the Student's Book on Unit 8 to have a general discussion.

### ***Assessment of the lesson***

To assess the achievement of the learning objectives, ask more related questions and refer to the answers at the end of Unit 8 in this Teacher's Guide.

## **End of unit**

### **Summary of the unit**

This unit covers the following i.e meaning of economic development, determinants, costs, benefits, and measures to promote it (*Student's Book Unit 8*).



It helps learners to analyse which theory applies best to Rwanda's economy. The unit tackles the difference between economic growth and development, underdevelopment and poverty. The indicators, causes and policies to solve underdevelopment and poverty are equally elaborated in the unit. Hence the learner analyses the determinants, and indicators of economic growth and development in an economy. (Refer to Student's Book Unit 8).

***Additional information for the teacher***

Rwanda is one of the fastest growing economies in Central Africa. Although still poor and mostly agricultural (90% of the population is engaged in subsistence agriculture) the nation has made a significant progress in recent years. New industries such as tourism, floriculture and fish farming have been gaining importance. The major source of foreign trade is coffee, tea, tin cassiterite, wolframite and pyrethrum.

***Rwanda GDP growth rate***

The Gross Domestic Product (GDP) in Rwanda expanded 3.70 percent in the second quarter of 2017 over the previous quarter. GDP Growth Rate in Rwanda averaged 2.69 percent from 2000 until 2017, reaching an all-time high of 13.20 percent in the fourth quarter of 2002 and a record low of -2.20 percent in the first quarter of 2013.

**End of Unit 8 assessment answers (Student's Book Unit 8)**

1. Factors that influence productivity:
  - Political situation.
  - Availability of capital.
  - Market availability.
  - Size of population.
  - Availability of entrepreneurs.
  - Infrastructural development.
  - Quality and quantity of labour.
  - Availability of natural resources.
  - Government policy of subsidisation and taxation.
2. (i) Importance of the unbalanced strategy:
  - It needs little capital and resources.
  - It requires less expenditure.
  - It is easy to control and manage.
  - Production can be controlled basing on demand forces.
  - The theory reserves some resources for the future.
  - Specialisation is possible.
  - It requires microplanning.
  - There will be less reliance on foreign loans and donations.
- (ii) The nature of terms of trade.

In 2015 the terms of trade were unfavourable since the figure for terms of trade is below 100 (96.9) i.e. this means export price increased by 28% while imports increased by 32% causing terms of trade fall by 6.9%. Import prices rose above export prices.
- (ii) Advantages of balanced development:
  - Encourages resource exploitation and utilisation.
  - Widens the tax base of the country.
  - Encourages forward and backward linkages in the economy.
  - Employment is created.
  - Balanced of payment position may be improved.
  - Development in technology is undertaken.
  - Self reliance is created since all sectors are developed.
  - It reduces income inequality.

- Brain drain is reduced.
3. Economic dependence is a blessing because:
- It helps to cover the man power gap. Due to low education and skills, foreign aid in form of man power fills the labour gap.
  - It helps to cover the technology gap. The underdeveloped technology in developing countries can only be covered by foreign aid.
  - It helps to acquire financial resources and aid during periods of uncertainty like floods, famine among others.
  - It helps in the development of the local technology. This is mainly through technology transfer from developed to developing countries.
    - It is not a blessing because of the many problems as seen below:
      - It leads to underutilisation of resources.
      - It increases capital out flow.
      - It increases BOP problems.
      - It leads to the erosion of the social culture and values.
4. Obstacles to development:
- Inadequate funds and man power.
  - Inadequate resources to act as raw materials.
  - Inadequate skilled manpower to scatter in all sectors.
  - Requires proper planning and implementation of plans.
  - Requires developed infrastructure in terms of transport and telecommunication network, hydroelectric power, among others.
  - Under developed technology.
  - Inadequate local and foreign market.

## Remedial activity

1. Mention the different economic activities in your home area.
2. From your own analysis, what do you think has always hindered increased productivity in different parts of the country?
3. What do you think is required to increase productivity in your home area?

***Expected answers***

1. Learners mention different activities depending on where they come from.
2. Hindrances to increased productivity in Rwanda:
  - Poor infrastructure
  - Poor technology
  - Limited market
  - Limited entrepreneurial class
  - Lack of skilled personnel
  - Conservatism and traditionalism
  - Be broad minded so as to accept other responses.
3. Measures to increase productivity
  - Develop & rehabilitate infrastructure
  - Market research.
  - Technological development
  - Train labour
  - Ensure peace and harmony in all regions
  - Be broad minded to accept other responses.

***Consolidation activities***

1. Growth and development don't at times go hand in hand, Why?
2. What development aspects do you attribute to globalisation in Rwanda?

***Expected answers***

1. Refer to comparison between economic growth and development (*Student's Book Unit 8*).
2. Development aspects due to globalisation.
  - Increased efficiency in production and service delivery.
  - Improved skills in Rwanda.
  - Increased employment levels.
  - Full utilisation of resources.
  - Market expansion.
  - Infrastructural development.
  - Developed technology.
  - Be receptive to other responses.

***Extended activities***

1. “Poverty is a disease that can be cured once we put hands together” with reference to Rwanda’s economy, discuss the validity of the statement.
2. If only we can break the vicious cycle of poverty, Rwanda’s development goals can be achieved with ease. How is this possible?

***Expected answers***

1. Refer to characteristics, causes and measures to reduce poverty in Rwanda Student’s Book Unit 8.
2. Draw and explain the vicious cycle of poverty and explain the measures to reduce poverty.

## Topic Area 5: Development Economics

### Sub-topic Area 5.2: Development Process and Strategies

# UNIT 9: Agricultural Development

*Reference to Student's text Book Unit 9*

### Unit competence

Learners will be able to analyse the contribution of development strategies on the economy.

### Prerequisites for this unit

In the previous unit, we saw how to attain economic growth and development in Rwanda. Rwanda, being an agrarian country has to put much emphasis on agricultural development so as to attain a self-sustaining growth. About 90% of Rwanda's GDP is attributed to agricultural production, there is a need to acquire knowledge and understanding, skills, values and attitudes concerning agriculture by secondary school economics learners. This unit mainly addresses the reasons for agricultural development, benefits and obstacles towards agricultural development in most countries Rwanda inclusive. Therefore, learners are expected to analyse the agriculture practices in their localities and come up with possible suggestions on the strategies that Rwanda can use to develop and benefit more from the agriculture sector.

### Cross-cutting issues to be addressed

While teaching this unit, it will be important to consider the cross cutting issue of standardisation culture especially when dealing with influencing demand through advertising in a bid to win the market.

Environment and sustainability should also be emphasised especially when looking at their capacities of production both in the short run and long run so as to protect and preserve the environment.

Learners also need to be guided to develop a positive attitude towards agricultural practices. This creates love for agriculture and the entire population engaged in it.

### **Generic competences**

- Cooperation and interpersonal management is a competence gained through group activities e.g. debates and roleplays.
- Communication skills are gained through presentation of findings.
- Critical thinking is developed through analysing the appropriate strategies that can be undertaken to improve agricultural development in Rwanda.
- Lifelong learning is generated through documentary research on agricultural development in Rwanda.

### **Vocabulary or key words or concepts in the unit**

***Agriculture mechanisation:*** This is part of agriculture modernisation that involves the use of capital intensive techniques such as tractors, harvesters, irrigation pumps, ploughs and milking machines among others in the production process.

***Agriculture specialisation:*** This involves concentrating on the growing of a particular crop and or keeping of a particular kind of animal.

***Agriculture diversification:*** This refers to the act of engaging in growing a variety of crops and rearing a variety of animals.

***Agriculture co-operatives:*** These are agriculture business organisations formulated and owned by farmers who come together to achieve common farming objectives.

***Agricultural extension:*** This is the application of scientific research and knowledge to agricultural practices through farmer education.

***Agriculture:*** This is the growing of crops and rearing of animals.

***Agriculture development:*** This is the process of promoting proper conditions for farming so that the quantity and quality improves drastically.

**Commercialisation of agriculture:** This is the type of production that is intended for sell with an aim of getting profits.

**Development process:** This is a system of defined steps and tasks such as strategy and organisation that are used to convert ideas into commercially viable goods and services.

**Development strategy:** This is a set of guidelines which a country should follow in formulating and implementing long term policies meant for development.

**Extensive agriculture:** This is the system of crop cultivation where small amounts of labour and capital are used in relation to an area of land being farmed.

**Intensive agriculture:** This is a system of cultivation that involves using large amounts of labour and capital relative to land area.

**Land ownership:** This is a system by which a person, community or state has legal authority to land.

**Large scale commercial production:** This is the type of production that is carried out on a large scale.

**Modernisation approach:** This is the method of encouraging agriculture development that aims at improving the existing frame work to increase the quality and quantity of output.

**Small scale subsistence:** This is a system production where all the activities that are done in agriculture are done on a small area.

**Transformation approach:** This involves a complete and total change in the existing agricultural sector practices and systems.

## Guidance on the problem statement

Task learners to reflect on the agricultural practices back in their home areas and then share views related to the lesson/unit. Let them try an activity in this unit and as they discuss it, they will be able to know some more agricultural issues as well as more of agricultural development practices.

In this case, the problem statement is as follows:



Agriculture is a backbone of Rwanda, considering the state of the sector, advise the minister of agriculture in Rwanda on the need as well as the ways to develop it (agriculture).

***Expected answers***

Need to transform/develop agriculture in Rwanda.

- To produce enough food for the population.
- To provide raw materials for industries.
- To provide employment to the people to enable them earn a living.

Ways to improve agriculture

- Improving the breeds of animals.
- Subsidisation to farmers.
- Soil erosion and nutrient loss control
- Use of irrigation.
- Population control.
- Seeking foreign aid.
- Accept all correct answers

**List of lessons/ lesson map on Agricultural development**

|            |  |
|------------|--|
| Lesson 1:  | Goals of development process and strategies.   |
| Lesson 2:  | Agriculture development and characteristics of agriculture in LDCs.                              |
| Lesson 3:  | Arguments for and against agricultural development.  |
| Lesson 4:  | Limitations of agriculture development and ways of improving agriculture productivity in Rwanda. |
| Lesson 5:  | Approaches to agricultural development- Transformation approach.                                 |
| Lesson 6:  | Modernisation approach.  |
| Lesson 7:  | Small scale subsistence production.  |
| Lesson 8:  | Large scale commercial production.   |
| Lesson 9:  | Agriculture specialisation.  |
| Lesson 10: | Agriculture diversification.   |
| Lesson 11: | Intensive agriculture.   |
| Lesson 12: | Extensive agriculture.   |

|            |                                   |
|------------|-----------------------------------|
| Lesson 13: | Agriculture mechanisation.        |
| Lesson 14: | Commercialisation of agriculture. |
| Lesson 15: | Agriculture co-operatives.        |
| Lesson 16: | Agriculture research.             |
| Lesson 17: | Agriculture extension services.   |
| Lesson 18: | Land ownership and its forms.     |
| Lesson 19: | Land reforms in Rwanda.           |
| Lesson 20: | Unit assessment.                  |



## Lesson 1: Goals of development process and strategies

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*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Identify the goals of development in Rwanda.
- Explain the goals of development in Rwanda.
- Identify what has been achieved among the goals of development.

### ***Prerequisites for the lesson***

Teacher reviews the previous lessons about underdevelopment and poverty by asking learners reflect on them and state their characteristics. Then asks learners what should be done to rectify such problems? Then introduce the new lesson about goals of development process and strategies.

### ***Expected answers***

- Set policies and guidelines that must be followed to promote development.
- Startup different activities that will help attain economic development.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Given a case study in Activity 1 Unit 9, let learners in pairs analyse and discuss the questions. Facilitate pair discussion as a teacher.

**Step 2:** Call upon some pairs of learners to present their findings to the rest of the class. Moderate the discussions and presentations.

### ***Expected answers for Activity 1, Learners Book***

#### ***Unit 9***

- (i) (a) Development process is a system of defined steps and tasks such as strategy and organisation that are used to convert ideas into commercially viable goods and services.
- (b) Development strategy is a set of guidelines which a country should follow in formulating and implementing long term policies meant for development.
- (ii) To achieve fair income distribution.
- To reduce poverty among the people.
  - To attain favourable balance of payment position.
  - To reduce unemployment rates.
  - To reduce the rates of dependence.
  - To control population growth rates.
  - To improve health services.

### ***Synthesis***

Based on the learners' discussions and content notes in the Student's Book Unit 9, the teacher together with learners harmonise the discussed points. Learners take note of the harmonised points.

Emphasise to learners that development is a process that requires steps and well set guidelines of which should be conceived, formulated and implemented well.

### ***Assessment of the lesson***

To check on the achievement of the learning objectives of the lesson, give home work to learners to research on the attained goals of development in Rwanda.



## Lesson 2: Agriculture development and characteristics of agriculture in LDCs

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### *Student's Book Unit 9*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the meaning of agriculture development.
- Describe the characteristics of agriculture in Rwanda.

#### ***Prerequisites for the lesson***

Ask learners to reflect on the previous lesson of goals of development and ask them to mention some of them. Go ahead and ask them to identify some of the activities that can be taken to achieve the goals of development in Rwanda.

Introduce the day's lesson among those activities as agriculture development.

#### ***Expected answers***

- Agriculture development
- Industrial development
- Promote international trade
- Promote domestic investments by both local and foreign investors. Etc.

#### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Give learners Activity 1 i) ii) & iii) and they discuss the questions in groups. Keep moving in groups checking on their progress and guiding them where necessary.

**Step 2:** Call upon some sampled groups to present their findings to the rest of the class. Other members may contribute by supplementing to the presentation. Moderate the discussion.

#### ***Expected answers for Activity 1 (i), (ii) and (iii)***

- (i) Activities taking place are:
- Selling.
  - Digging.

- Cattle rearing.
- (ii) In photo C there is rearing of local breeds while in D there is rearing of modern breeds.
- (iii) Agricultural development is the process of promoting proper conditions for farming so that quantity and quality improve drastically.

**Step 3:** Ask learners to brainstorm the characteristics of agriculture in LDCs. They give answers which are noted on black/white board for general class discussion.

### ***Expected answers***

- Small scale peasant agriculture.
- Low quantity and quality output.
- Use of simple tools in production.
- Majorly food crops are grown. etc.

### ***Synthesis***

You and the learners harmonise the discussed points with reference to the Student's Book Unit 9. Learners write down the harmonised points in their notebooks. Tell learners that the main aim of improving agriculture is to promote proper conditions for farming to improve quality and quantity.

### ***Assessment of the lesson***

Assess the achievement of the learning objectives by asking learners to give characteristics of agriculture particularly in Rwanda. (Refer to the general characteristics of agriculture in LDCs but let learners explain in Rwandan context.)



## **Lesson 3: Arguments for and against agricultural development**

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*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the arguments for and against agriculture development.
- Appreciate the government policy of developing agriculture in Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson by asking learners to brainstorm the characteristics of agriculture in Rwanda. Ask them to brainstorm the reasons for agriculture development in Rwanda. Then introduce the lesson as the advantages and disadvantages of agriculture development.

### ***Expected answers on reasons for agriculture development***

- To fight poverty in Rwanda.
- To expand employment in the country.
- To expand the export levels as agriculture is the major export sector.
- To reduce the effects of rural urban migration.
- To increase food production for the alarming population.

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Organise learners in 2 separate groups and ask them choose on their own sides of proposition or opposition.

**Step 2:** Give them time to discuss on the motion that “*For Rwanda to develop, should develop agriculture at the expense of other sectors*”. Guide them to manage time and to generate the necessary points.

### ***Expected answers for Activity 1 Question iv***

Arguments in favour of agriculture development:

- It provides enough food necessary to feed the population.
- It provides employment to the people which enables them to earn income and improve their standards of living.
- It provides raw materials to the industries which increases the rate of industrialisation and employment.
- It increases output for export which in turn earns the country foreign exchange.

- It is a source of medicine to the people of the country especially through herbs.
- It reduces rural-urban migration.
- It facilitates development of infrastructure.
- It leads to fair distribution etc.

Disadvantages of agriculture development:

- Agriculture prices keep on fluctuating consistently due to the differences between planned output and actual output together with poor climate conditions all which affect the supply and affect the producers.
- Agriculture development may involve expansion of the firms among others and this may affect the growing population in terms of settlements leading to fragmentations.
- Products are perishable and difficult to store.
- Some crops have a long gestation period and thus the farmer may take long to gain from them even if the prices increase at present, the farmer may not increase supply thus losing out.
- Agriculture mostly depends on nature.
- Most LDCs produce same type of goods and services.
- High rates of conservatism among African farmers.
- Development of synthetic fibres acted as substitutes to Rwanda's agricultural products.

### ***Synthesis***

Together with learners, based on the discussed points and with reference to the content notes in the Student's Book Unit 9, harmonise the discussed points. Learners write down the harmonised points. Emphasise that, leaving other factors constant, agricultural development directly means that citizens will have enough food and will live healthy lives. Healthy lives mean a healthy nation.

### ***Assessment of the lesson***

Ask learners, to explain how agriculture development has been a blessing in their areas of origin. (*refer to advantages of agriculture*)



## Lesson 4: Limitations of agriculture development and ways of improving agriculture productivity in Rwanda

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### *Student's Book Unit 9*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the limitations of agriculture development in Rwanda.
- Suggest possible solutions to agriculture development in Rwanda
- Appreciate the role of government participation on developing agriculture.

#### ***Prerequisites for the lesson***

Teacher reviews the previous lesson with learners and asks them to reflect on the level of agriculture practices from their home areas and share their views to the rest of the class members. Base on the given answers to introduce the day's lesson about limitations and ways of improving agriculture in Rwanda.

#### ***Expected answers***

- Not developed.
- Moderately developed.

#### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners brainstorm the limitations and ways to develop agriculture in Rwanda. Teacher notes the mentioned points on board.

**Step 2:** Learners by show of hands are asked to explain the points one after the other. The teacher moderates the lesson. Encourage them to give live examples from their areas or country at large.

#### ***Expected answers for Activity 3 Unit 9***

- i) The differences between the two sets of photos is that.



In category, photo 1 harvesting is done using traditional methods while in photo 2 it is done using modern methods. (machine).

In category B, cultivation in photo 3 is done using traditional tools while in photo 4 it is done using modern methods (machine).

- (ii) Agriculture transformation refers to the complete and total change in the existing agricultural sector practices and systems.
- iii) Ways in which a farmer can transform his/her agricultural practices
  - Adopt large scale mechanized agriculture
  - Use of modern equipment and putting in place large storage facilities.
  - Change from subsistence to Commercialized agriculture
  - Change of culture and beliefs from conservatism to modernity, eg. from rearing local breeds of cattle to exotic Frisian breeds.
  - Move from one area to another to create land for large scale agriculture.
  - Develop social infrastructure like roads and communication network to ease movement of goods and people.
  - Comprehensively reform land like changing the system of land ownership.
- (iv) Refer to the disadvantages of agriculture transformation in the Student's Book for reasons why one may not support the transformation approach to agriculture development

### ***Synthesis***

Together with learners harmonise the discussed points with reference from the lesson notes in Student's Book Unit 9 and let learners take down the harmonised points. Emphasise to learners that most of the ways suggested for the improvement of agriculture development are underway in Rwanda.

### ***Assessment of the lesson***

Ask learners, with reference to agriculture in their home areas to identify the strategies that have been taken to improve agriculture development. (*respect each learners' views in line with agriculture development policies by the government*).



## **Lesson 5: Approaches to agricultural development- Transformation approach**

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*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the use of transformation approach.
- Examine the benefits and costs of transformation approach.
- Analyse the possible limitations of the approach in Rwanda.
- Appreciate the role of transformation in developing agriculture.

### ***Prerequisites for the lesson***

Basing on the background information about the limitations of agriculture development and the ways of improving agriculture development, tell learners that government has to devise a variety of approaches to try out the best suitable for agriculture development. Such policies may include;

- Transformation approach
- Modernisation approach
- Small scale agriculture
- Largescale commercial agriculture
- Agriculture specialisation
- Agriculture diversification
- Agriculture cooperatives
- Intensive agriculture
- Extensive agriculture
- Agriculture mechanisation.
- Commercialisation of agriculture.
- Agriculture research and extension services:
- Be broad minded to receive other correct answer.

### ***Teaching aids***

Student's Book, other recommended text books, internet, charts showing evidence of agricultural transformation in Rwanda.

### ***Learning activities***

**Step 1:** Put learners in groups and ask them to do Activity 3 Unit 9 in the Student's Book. Move around groups facilitating their discussions.

**Step 2:** Have a sample of groups to share their findings with the rest of the class. Moderate the discussions.

### ***Expected answers for Activity 3 Student's Book Unit 9***

- (iv) The differences between the two sets of photos is that.
- In category, photo 1 harvesting is done using traditional methods while in photo 2 it is done using modern methods. (machine).
- In category B, cultivation in photo 3 is done using traditional tools while in photo 4 it is done using modern methods (machine).
- (v) Agriculture transformation refers to the complete and total change in the existing agricultural sector practices and systems.
- (vi) Ways in which a farmer can transform his/her agricultural practices
- Adopt large scale mechanized agriculture
  - Use of modern equipment and putting in place large storage facilities.
  - Change from subsistence to Commercialized agriculture
  - Change of culture and beliefs from conservatism to modernity, eg. from rearing local breeds of cattle to exotic Frisian breeds.
  - Move from one area to another to create land for large scale agriculture.
  - Develop social infrastructure like roads and communication network to ease movement of goods and people.

- Comprehensively reform land like changing the system of land ownership.
- (vii) Refer to the disadvantages of agriculture transformation in the Student's Book for reasons why one may not support the transformation approach to agriculture development.

### ***Synthesis***

You and the learners harmonise the discussed points with reference to the Student's Book content on Unit 9. Emphasise to learners that transformation approach may lead to a total change to Rwanda's economic development.

### ***Assessment of the lesson***

Ask probing questions aimed at checking whether the objectives were achieved. For example, ask them what they think might limit this approach in their home areas.

Criticism of the transforming approach:

- Unemployment may come up because with development and the need to produce more, farms may resort to capital intensive techniques of production. Thus some farmers might not be willing to take it up.
- There is need for resources to train people about the new systems and worse still purchasing the required equipment seems costly.
- Some people are too conservative and unwilling to change,
- Entrepreneurship skills to carry out the innovations and inventions still lack in the country.
- The nature of land is a problem that may not encourage mechanisation. In areas of Musanze, there are many and steep hills, so the approach may not take off.
- Be open minded to receive other responses.



## Lesson 6: Modernisation approach

*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the use of modernisation approach.
- Examine the benefits and costs of the modernisation approach.
- Analyse the possible limitations of the approach in Rwanda.
- Appreciate the role of modernisation approach in developing agriculture.

### ***Prerequisites for the lesson***

Review the previous lesson and link it to the day's lesson by guiding them to discover that where transformation is not possible then we can just make some improvements within the existing agricultural framework. Link to the day's lesson of agriculture modernisation.

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Put learners in groups and task them to do Activity 4 in the Student's Book Unit 9. Learners discuss as you facilitate group discussions.

**Step 2:** Call sampled groups to present their findings. Groups which may have differing answers may raise their views for general class discussion. Moderate the discussions.

### ***Expected answers for Activity 4 Student's Book***

#### ***Unit 9***

- i) The differences between the two photos A and B. is that; in photo A the farmer is using rudimentary tools i.e. a hoe while in photo B, the farmer is using improved tools i.e. use of ox ploughs.
- (ii) The approach to agriculture development used in figure 3 above is agriculture modernisation because it involves

- improvement in the agricultural practices without wholly changing the entire system.
- (iii) Other ways of practicing agriculture using the approach other than the above showed in the photo above are;
- Persuading and encouraging farmers to improve on their methods of farming.
  - Acquisition of long-term or medium-term agricultural loans.
  - Seeking agriculture extension services through education and visiting demonstration farms.
  - Soil improvement through application of manure/fertilizers.
  - Undertaking land tenure adjustments to improve on the system of land ownership & use.
- iv) Refer to the benefits of using agriculture modernisation approach to agriculture development.
- v) Refer to the challenges of agriculture modernisation for the reasons why the approach is not common in Rwanda.

### ***Synthesis***

Together with learners, based on the discussed points and with reference to the content in the Student's Book Unit 9, harmonise the points on the lesson. Learners write down the notes. Explain to learners that the modernisation approach is more friendly to the economic situation of most LDCs including Rwanda than the transformation approach.

### ***Assessment of the lesson***

Assess the learners to check whether the lesson objectives were attained by learners. Give questions, for example, what is evident in your areas as agriculture modernisation?

### ***Expected answers***

- Land consolidation to increase output.
- Soil improvement through fertiliser application.
- Provision of agriculture extension services to farmers.
- Improvement in methods of production through use of improved tools.
- Getting short term and long term credit to increase agricultural practices.

*Note: Be receptive to other correct answers.*



## Lesson 7: Small scale subsistence production

*Student's Book Unit 9*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the characteristics of small scale subsistence production.
- Examine the advantages and disadvantages of small scale subsistence production.
- Appreciate the role of small scale subsistence agriculture production in an economy.

### ***Prerequisites for the lesson***

Review the previous lesson of modernising agriculture and connect it with the day's lesson a small scale subsistence production. Base on the case study in Activity 5 for learners to understand it better by answering (i) and (ii).

### ***Teaching aids***

Student's Book, other text books, the internet, and relevant journals as well as pictures showing subsistence farming.

### ***Learning activities***

**Step 1:** Learners in groups debate on the advantages and disadvantages of small scale subsistence agriculture.

**Step 2:** Groups present their findings to the rest of the class. Teacher moderates the discussions.

### ***Expected answers for Activity 5 (i) (ii) & (iii) Student's Book Unit 9***

(i) Small scale farmer.

(ii) Features of small scale (subsistence) production:

- Low output is produced since most is for home consumption.
- Low quality is produced because simple tools are used.
- Production is for minimum survival to protect the family from famine.

- Family labour is used since most of the times the gardens are located near the homes.
- Simple tools such as hoes, pangas, chop sticks, knives are used.
- Mainly food crops like cassava, yams, maize, banana etc. are grown.
- There is nothing available for sale.
- Normally done on a small piece of land.
- There is no specialisation carried since a variety of crops are grown.

iii) Merits of small-scale farming:

- Little marketing is needed since most of the food is for home consumption and only the incidental surplus is sold.
- Easy management.
- Little or no wastage.
- Variety is grown and kept.
- There is no major problem of labour since family members are used.
- May not require large plots of land to be carried out.
- Little losses are incurred in case of fire outbreaks.
- May require little capital.

Demerits of small-scale farming:

- Firms don't enjoy economies of scale.
- Little incomes are earned by the farmers because they are basically on low scale and for home consumption.
- It retards development of the agriculture sector since simple tools are used and scientific methods are not used so much.
- Low quality is produced since simple tools are used and poor farming methods are used.
- Vast lands may be underutilized since farmers prefer to concentrate on small pieces of land.
- Little revenue is collected.
- Discourages innovations and inventions.
- Mechanisation is not possible.



- iv) Refer to the criticisms of small scale production for the reasons why one may not advise Mukamuganga to continue carrying out small- scale farming.

### ***Synthesis***

You together with learners, based on the content notes in the Student's Book Unit 9, relate the points discussed to have harmonise stand on the advantages and disadvantages of small scale subsistence agriculture. Emphasise to learners that subsistence farming slows down economic development and so it should not be relied on by any economy.

### ***Assessment of the lesson***

Assess the achievement of the lesson objectives by asking probing questions on the lesson to learners as individuals. As questions like, what are the characteristics of small scale subsistence farming?



## **Lesson 8: Large scale commercial production**

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*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the characteristics of large scale commercial production.
- Examine the advantages and disadvantages of large scale commercial production.
- Appreciate the role of large scale commercial agriculture production in an economy.

### ***Prerequisites for the lesson***

Review the previous lesson of small scale subsistence farming and connect it to large scale commercial farming. Base on the case study in Activity 6 for learners to understand it better by answering (i) and (ii) Unit 9.

### ***Expected answers for Activity 6 (i) and (ii) Student's Book Unit 9***

- (i) Large scale farmer.  
(ii) Characteristics of large scale production:

- It is normally done on large scale and land covers wide areas.
- There are high output yields are got from the vast lands used.
- There are high rates of mechanisation especially if the areas are flat.
- High rates of specialisation normally concentrating on a particular commodity.
- High quality output is produced because of specialisation and use of machines.
- Production is for both domestic and foreign markets.

### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups debate on the advantages and disadvantages of large scale commercial agriculture.

**Step 2:** Groups present their findings to the rest of the class. Moderate the discussions and presentations.

### ***Expected answers for Activity 6 (iii) Student's Book***

#### ***Unit 9***

(iii) Advantages of large scale production:

- Mechanisation is possible since it covers large pieces of land unlike small scale farming.
- High volumes of output. This comes from the wide pieces of land on which agriculture is used.
- Tax base is widened from the produce and still the processing industries set up to increase the quality and also the workers in the farms.
- It leads to formation of industries. Agro based industries come up so as to increase the quality of the products both for home and foreign markets.
- It leads to infrastructure development.
- It increases employment opportunities.

- It improves the farmer's skills.
- It encourages field study and research.
- It easy for marketing.

Demerits of large scale production

- Land exhaustion: This comes as a result of land being used constantly since the main aim is profit maximisation.
- Technological unemployment comes up because of the need to increase output. Still the agriculture is done on a large scale which requires a lot of machines.
- Surplus at the market. Due to large scale production, the output increases and this may not be all consumed due to low incomes of the people hence creating wastage.
- High capital is needed. Large scale production requires large capital for set up. This capital may not readily be available in developing countries.
- Requires skilled employment.
- Displacement of people.
- Reduction in local foods.
- Leads to income inequality.

***Synthesis***

Based on the content notes in the Student's Book Unit 9, relate the points discussed to have a harmonised stand on the advantages and disadvantages of large scale commercial agriculture.

***Assessment of the lesson***

Assess learners masterly of lesson content and achievement of lesson objectives. For example; you can pose them the following questions.

- (i) Contrast small scale subsistence production with large scale commercial production.
- (ii) Of the two approaches; (small scale and large scale), which one would you advise your friend to apply for ? Justify your choice.

***Expected answers***

- (i)

| Small scale                 | large scale.                 |
|-----------------------------|------------------------------|
| Low output is produced      | Much output is produced.     |
| Low quality is produced     | High quality produced.       |
| Simple tools are used       | Modern methods are used.     |
| Done on small piece of land | Done on large piece of land. |
| Normally for domestic use.  | Normally for export.         |

(ii) For any of the choice, give its advantage and disadvantage.



## Lesson 9: Agriculture specialisation

*Student's Book Unit 9*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the characteristics of agriculture specialisation.
- Examine the advantages and disadvantages of agriculture specialisation.
- Appreciate the role of agriculture specialisation in agriculture development.

### ***Prerequisites for the lesson***

Refer to Activity 7 (i) in the Student's Book page to introduce the day's lesson.

### ***Expected answer***

Agriculture Specialisation.

### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners use Activity 7 (ii) and (iii) Student's Book page 347 to discuss in groups the advantages and disadvantages of agriculture specialisation. Check on groups, guiding them in their discussions.

**Step 2:** Ask a few pairs to share their views with the rest of the class. They all contribute to the discussion by asking and or answering questions that might arise. Moderate the discussions.

***Expected answers for Activity 7 (ii) and (iii) Student's Book Unit 9***

(ii) Advantages of agriculture specialisation:

- Time saving: it takes little time to learn the job and there is no time wasted in moving from one job to another.
- Workers gain experience and skills. They become efficient as a result of repeating the same tasks.
- It enables workers to exploit their natural talents by concentrating on the jobs which they can do better e.g. doctors, lawyers, teachers etc.
- It encourages and makes possible the use of machines at various stages of production because of production in bulk. This leads to invention and innovations, which leads to increased output.
- Regional specialisation and international division of labour enables regions or countries to exploit their natural resources and get what they cannot produce, from other regions or countries.
- It improves the quality and quantity of products.
- Economies of scale are enjoyed.
- It leads to mass production.
- It is easier to manage production of one type of crop.
- It is easy for marketing.

(iii) Disadvantages of agriculture specialisation:

- It involves production in bulk, which may be limited by markets. Over production leads to wastage.
- Division of labour can lead to unemployment. For instance, in case of change in fashions, or change in demand, specialist workers who are laid off cannot easily change to other jobs.
- International division of labour leads to over-dependence on other countries and also discourages

diversification. In case of a decline in demand or fall in prices, the country would suffer.

- Repetition of the same work leads to boredom and monotony which dulls intelligence.
- Farmers are exposed to immense risks.
- It may lead to regional imbalance.
- It may lead to seasonal unemployment.
- It may lead to overdependence.
- When machines break down work may stop.

### ***Synthesis***

Harmonise the lesson based on the learners' discussions and content in the Student's Book Unit 9. Give room for learners to seek clarification on any matter that might not be clear.

### ***Assessment of the lesson***

Assess the lesson by asking questions to learners to check the achievement of lesson objectives. For example;

Why would you decide to concentrate on the production of one crop or rear one type of animal?

### ***Expected answers***

Refer to the advantages/benefits of specialisation Student's Book Unit 9.



## **Lesson 10: Agriculture diversification**

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*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Describe the characteristics of agriculture diversification.
- Examine the advantages and disadvantages of agriculture diversification.
- Appreciate the role of agriculture diversification in agriculture development.

### ***Prerequisites for the lesson***

With reference to Activity 8 in the Student's Book, Unit 9, introduce agriculture diversification. Let learners know that it is the opposite of agriculture specialisation.

***Expected answer***

Agriculture diversification.

***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

***Learning activities***

**Step 1:** Learners with reference to Activity 8 ii) and iii) Student's Book Unit 9, discuss in groups the advantages and disadvantages of agriculture diversification. Move in groups guiding group discussions.

**Step 2:** Call upon groups to share their views with the rest of the class. Let them all contribute to the discussion by asking or answering questions that might come their way. Moderate the discussions.

***Expected answers for activity 8 unit 9 in the Student's Book***

(ii) Arguments in favour of agriculture diversification:

- It reduces the risks of uncertainty that face agriculture sector especially when depending on one crop.
- It widens the export base of the country.
- It generates more employment opportunities because people are able to engage in a variety of activities.
- It increases and stabilises farmers' income because of selling a variety of crops and this reduces fluctuation in their incomes.
- Tax base of the government is widened because of a variety of activities on which taxes can be levied.
- It increases on the variety of raw materials.
- It leads to economic growth.
- It reduces rural-urban migration.
- It reduces economic dependence
- It creates self-sustenance.

(iii) Limitations of agriculture diversification (criticisms):

- Inadequate market: Diversification will increase output without market.

- The activities require large pieces of land which may not be available in LDCs.
- Conservativeness of the farmers who can't change to grow a variety leads to agriculture remaining backward.
- Natural factors like floods, pests and diseases affect agriculture activities thereby limiting diversification.
- Underdeveloped infrastructure limits easy movement of the people and goods from one place to another.

### ***Synthesis***

Harmonise the lesson content based on the Learners' discussion and content in the Student's Book Unit 9. Endeavour to answer any question that may arise.

### ***Assessment of the lesson***

Assess the lesson by asking questions to check the achievement of lesson objectives. For example;

Why would you decide to engage in production of a variety of crops or rear several types of animals? (*Refer to the advantages of agriculture diversification.*)



## **Lesson 11: Intensive agriculture**

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*Student's Book Unit 9*

### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the characteristics of intensive farming.
- Analyse the advantages and disadvantages of intensive farming.
- Appreciate the role of intensive farming in agriculture development.

### ***Prerequisites for the lesson***

Refer to Activity 9 (1) (2) and (3) in the Student's Book page 352 to introduce the lesson.

### ***Expected answers to Activity 9***

1. Cabbage growing, cattle rearing, poultry keeping.
2. Small scale.



3. Intensive farming.

### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** In groups, learners with reference to Activity 9 (4) research and discuss the arguments for and against intensive farming. Moderate the discussions.

**Step 2:** Groups present their findings to the whole class. Moderate the presentations.

### ***Expected answers for activity 9 unit 9 in the Student's Book.***

- i) The activities that are being carried out in the figures A – cabbage growing and B- cattle rearing.
- ii). With reference to photos above, the scale at which those activities are carried out is small scale.
- iii). The type of farming practiced is intensive agriculture.
- iv). Refer to the Student's Book for the advantages and disadvantages of intensive agriculture.

### ***Synthesis***

Harmonise learners' findings with reference to content notes in the Student's Book Unit 9. Emphasise to learners that applicability of intensive farming in Rwanda LDCs is still favouring the minority not the majority because of expenses involved.

### ***Assessment of the lesson***

Ask questions on the lesson to check whether the learning objectives have been achieved. For example;

1. Give examples of intensive farming in your areas of origin.
2. How have they been helpful to the people carrying them out?

### ***Expected answers***

1. Learners can give different examples depending on where they come from.
2. Refer to the advantages of intensive farming Student's Book Unit 9.



## Lesson 12: Extensive agriculture

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### *Student's Book Unit 9*

#### ***Learning objectives***

By the end of this lesson, learners will be able to:

- Explain the characteristics of extensive farming.
- Analyse the advantages and disadvantages of extensive farming.
- Appreciate the role of extensive farming in agriculture development.

#### ***Prerequisites for the lesson***

With reference to activity 9 above, make review about intensive agriculture, let learners brainstorm on the issue about intensive farming and tell what method other than intensive farming can be used in agriculture. Then introduce the day's lesson about extensive agriculture

*NOTE: remove the prerequisite given the TG & expected answers below the prerequisites.*

#### ***Expected answers for Activity 10 Unit 9, Student's Book.***

- i) The activities that are being carried out in the figures A – Tea picking and B- tea growing.
- ii). With reference to photos above, the scale at which those activities are carried out is large scale.
- iii). The type of farming practiced is extensive agriculture.
- iv). Refer to the Student's Book for the advantages and disadvantages of extensive agriculture.

#### ***Teaching aids***

Student's Book, other recommended economic text books, internet access, and relevant economics journals.

#### ***Learning activities***

**Step 1:** In groups, learners, with reference to Activity 10 (4) Unit 9 in the Student's Book, research and later discuss the arguments for and against extensive farming. Move around the groups guide to their discussions.

**Step 2:** Groups present their findings to the whole class. Moderate the presentations.

***Expected answers for Activity 10 (4) Student's Book page 355***

(iv) Advantages of extensive farming:

- Less labour per unit areas is required to farm large areas.
- Mechanisation can be used more effectively over large, flat areas.
- Greater efficiency of labour generally lower product prices.
- Animal welfare is generally improved because animals are not kept in stifling conditions.
- It involves lower requirements of inputs such as fertilisers.
- Local environment and soils are not damaged by the use of chemicals.

Disadvantages of extensive farming:

- Yields tend to be much lower than with intensive farming in the short term.
- It requires watering plants regularly and this may be quite costly.
- Since it requires large lands, it may need high mechanisation which is costly.
- Wild fires can destroy the large acres of vegetation.
- Land exhaustion comes as a result of land being used constantly since the main aim is profit maximisation.
- Technological unemployment comes up because of the need to increase output. Still agriculture is done on a large scale which requires a lot of machinery.
- High capital is needed.
- Surplus in the market leads to wastage.
- Lack of skilled manpower in LDCs.
- It involves displacement of people.

### ***Synthesis***

Together with learners harmonise learners' findings with reference to content notes in the Student's Book Unit 9. Emphasise to learners that extensive farming gives great yields although it comes with a cost.

### ***Assessment of the lesson***

Ask questions on the lesson to check whether the learning objectives have been achieved. For example;

1. Give examples of extensive farming in your areas of origin.
2. How have they been helpful to the people carrying them out?

### ***Expected answers***

1. Learners can give different examples depending on where they come from.
2. Refer to the advantages of extensive farming in the Student's Book on Unit 9.



## **Lesson 13: Agriculture mechanisation**

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*Student's Book Unit 9*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Assess the impact of agriculture mechanisation in Rwanda.
- Identify the limitations of agriculture mechanisation in Rwanda.
- Appreciate the role of agriculture mechanisation towards the development process of Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson on extensive farming. Guide learners in discovering that such a practice requires the use of machines to be effective in developing agriculture. Thus introduction of a new lesson of agriculture mechanisation.

### ***Teaching aids***

Student's Book, other recommended economic textbooks, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** In groups, let learners refer to Activity 11 unit 9, in the Student's Book and undertake research about agriculture mechanisation and discuss among themselves about its applicability and usage.

**Step 2:** Let groups present their findings to the rest of the class as you moderate their presentations.

### ***Expected answers to activity 11, unit 9 in the Student's Book.***

- (i) The agricultural practices shown in the photos A and B are mechanisation of agriculture. This is because there is use of machines in farming practices.
- ii) Image c in figure 6 above indicates problems and solutions to agriculture mechanisation.
- (iii) Refer to the Student's Book unit 9 for the advantages and disadvantages of using agricultural mechanisation.
- v) refer to the Student's Book unit 9 for the limitations of agricultural mechanisation

### ***Synthesis***

Harmonise the presented points with reference to the lesson notes in the Student's Book Unit 9. Emphasise the use of machines as viable an approach to agricultural development basing on the presented arguments.

### ***Assessment of the lesson***

Assess the achievement of learning objectives by giving home work to learners to research on areas in Rwanda where agriculture mechanisation is practiced and how it has changed the lives of people in those areas.



## **Lesson 14: Commercialisation of agriculture**

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*Student's Book Unit 9*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Briefly explain the characteristics of commercial agriculture.

- Explain the benefits and disadvantages of commercial agriculture.
- Analyse the limitations of commercial agriculture in Rwanda.
- Appreciate the role of commercialisation of agriculture towards the development of agriculture in Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson and guide learners to discover that mechanisation is normally carried out to market such commodities not just for home consumption. Then introduce the new lesson about commercial agriculture.

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** In groups, let learners refer to Activity 11 unit 9, in the Student's Book and undertake research about commercialisation of agriculture and discuss among themselves about its applicability and usage.

**Step 2:** Let groups present their findings to the rest of the class as you moderate their presentations.

### ***Expected answers for activity 12, unit 9 Student's Book.***

- (i) The economic activities shown in the photos are:
  - A) Rice plantation
  - B) Poultry
  - C) Cattle keeping
  - E) Piggery.
- ii) The activities above are mainly for?
  - (a) Home consumption
  - (b) Market
  - (c) None of the above.
- iii). Refer to the Student's Book unit 9 for the benefits and demerits of using the commercialisation of agricultural.
- iv). Refer to the Student's Book unit 9 for the limitations of using commercialisation of agriculture.

### **Synthesis**

Give concluding remarks with reference to the content notes from the Student's Book Unit 9. Let learners take note of your remarks. Emphasise that commercial agriculture boosts the welfare, and the health of the people involved. This is because of the income earned.

Assessment of the lesson Ask questions about the lesson to assess the achievement of the lesson objectives.

For example;

Why would you advise your village mate to take on commercial agriculture? (*refer to the advantages of commercial agriculture*).



## **Lesson 15: Agriculture co-operatives**

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*Student's Book Unit 9*

### **Learning objectives**

By the end of the lesson, learners will be able to:

- Analyse the role of cooperatives in agriculture development.
- Explain the problems that face agriculture cooperatives in Rwanda.
- Appreciate the contribution of agriculture cooperatives towards the development of agriculture in Rwanda.

### **Prerequisites for the lesson**

Learners need not to be taken for granted! They are aware of agriculture cooperatives in the country. Teacher takes them through real life experience and discuss together the general picture about the agriculture cooperatives in Rwanda.

*NOTE: Remove the expected answers under the lesson pre requisite and merge them with those of activity 13.*

### **Expected answers**

1. Co-operatives.
2. Learners give the ones they know.
3. Principles of co-operatives.
  - They have open membership, everyone is free to join provided he or she can pay the membership fee.
  - They are financed by members themselves through the membership fees they pay.

- Leaders are elected democratically by the members of the cooperative through a one man one vote process.
- They are supposed to be impartial, they are not based on politics, or religion among others.
- Cooperative education is supposed to be provided to the members, workers and the general public by the cooperative.
- Members should have access to records of the cooperative so as to follow its progress.

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in pairs analyse the role and problems of agricultural cooperatives in agricultural development.

**Step 2:** Different pairs present their findings to the rest of the class. Teacher facilitates the discussions and the presentations.

### ***Expected answers for Activity 13, Unit 9 in the***

#### ***Student's Book***

- i) The products that are produced by the farmers identified in the photos above are;
  - A) Maize
  - B) Rice
  - C) Tea
  - D) Berries
- ii) They carry out their farming practices through agriculture cooperatives.
- ii) Let learner's give examples of such agriculture practices in their localities.
- iii) Rwanda Agriculture Board (RAB) is the body responsible for all cooperatives in Rwanda
- iv) Refer to the principles of cooperatives in the Student's Book for the rules governing such farmers.
- v) refer to the roles of cooperatives under unit 9 in the learner's boo for the importance of such agriculture practices in the community and to the entire economy.



### ***Synthesis***

Give conclusive remarks about co-operatives with reference to the content notes in the Student's Book Unit 9. Emphasise the benefits of co-operatives in the communities in Rwanda. Give examples of those co-operatives and site some of their achievements.

### ***Assessment of the lesson***

Ask learners questions on the lesson to assess the achievement of the learning objectives. For example;

With reference to any agriculture cooperative you know in Rwanda, explain its contribution towards the development of Rwanda. (*learners give different examples and refer to the role of cooperatives on Unit 9 Student's Book*).



## **Lesson 16: Agriculture research**

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*Student's Book Unit 9*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify the different issues that can be dealt with while carrying out agriculture research.
- Examine the role of agriculture research towards the development of agriculture in Rwanda.
- Analyse the factors that hinder agriculture research in Rwanda.

### ***Prerequisites for the lesson***

Base on the background of the previous approaches of agricultural development and tell learners that there is need to research and be knowledgeable for any of the approaches to become successfully implemented.

### ***Teaching aids***

Student's Book, other recommended text books, reports on research work in Rwanda, etc.

### ***Learning activities***

**Step 1:** Task learners in groups to research using text books/ internet on agriculture research and explain the issues that can be handled when researching on agriculture, importance and

limitations of agriculture research in development of agriculture.  
(Refer to Activity 14 from the Student's Book Unit 9.)

**Step 2:** Groups have their findings presented and shared to the class. Guide the discussions and presentations.

### ***Expected answers to Activity 14, i) – iv) Unit 9***

- i) Farmers get information about their agriculture practices through research & extension services.
- ii) Agronomists are responsible for the agriculture services in our local areas.
- iii) Rwandan farmers can access agriculture information from
  - i) Radios & TVs
  - ii) Newspapers
  - iii) Conferences & workshops
  - iv) Visiting demonstration farms.
  - v) Inviting agriculture experts within or outside the country.
- iv) Farmers need to look for such information as;
  - New crop and animal varieties.
  - New techniques of production.
  - Soil science.
  - Market for firm products and inputs.
  - Climatic conditions
  - Seasons with respect to crop requirements.
  - Disease control methods
  - Etc.

### ***Synthesis***

Harmonise the groups findings with reference to the content from the Student's Book Unit 9. You can mention some research organisations in Rwanda and their impact on development of agriculture.

### ***Assessment of the lesson***

Assess the learning objectives by tasking learners to mention some achievements research has on agriculture. You can give Remedial activity and extension exercises where necessary.



## Lesson 17: Agriculture extension services

### *Student's Book Unit 9*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify the different issues that extension service workers need to extend to farmers.
- Examine the role of agriculture extension services towards the development of agriculture in Rwanda.
- Analyse the factors that hinder agriculture extension services in Rwanda.

#### ***Prerequisites for the lesson***

Review the lesson on research services and guide the learners to discover that research findings can reach the farmers through agriculture extension service workers.

#### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners in pairs, explain and share to the whole class what extension service is and state its objectives.

#### ***Expected answers to activity 14 v)***

- v) why at every sector in Rwanda there is an official in charge of agriculture is to;
- Provide knowledge to farmers on better farm management.
  - Raise the standards of living of rural people.
  - Encourage farmers, grow their own food.

*N.B: Accept any relevant answers.*

**Step 2:** Through whole class discussions, learners analyse the merits and limitations of agriculture extension services.

### ***Expected answers to activity 14 vi)***

- vi) Refer to the importance of agriculture research and extension services and their limitations from the Student's Book unit 9.

### ***Synthesis***

Give conclusive remarks on the lesson with reference to the content notes in the Student's Book Unit 9. Learners note down the summarised points. Emphasise to learners that educating a farmer is the best facility the government of Rwanda can give to its economy. This helps farmers to solve their own problems hence improving their lives.

### ***Assessment of the lesson***

Ask learners to state the contribution of extension services in agriculture in their areas of origin and towards the development of agriculture in Rwanda.



## **Lesson 18: Land ownership and its forms**

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*Student's Book Unit 9*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the different forms of land ownership.
- Identify the form of land ownership in Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson. Guide learners to discover that for effective application of agriculture research findings, there should be a clearly defined land ownership policy in an economy. Thus link it to the new day's lesson of "land ownership".

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups use the library/ internet to research and analyse the different forms of land ownership in LDCs. Refer to Activity 15 from the Student's Book Unit 9.

**Step 2:** Different groups present their findings to the class through discussions. Moderate the discussions presentations.

***Expected answers to Activity 15, Unit 9 in the Student's Book***

- a) Land ownership or land tenure system is a system by which a person, community or state has legal authority to land.
- b) The Rwanda Natural Resources Authority (RNRA) is in charge of land registration and land use planning in Rwanda.
- c) a good land tenure can help agriculture development as below:
  - Registered land can be used as collateral security to acquire loans and improve on production.
  - Large scale production is encouraged eg. on leasehold
  - Scientific methods can be used by establishing
  - demonstration farms eg. on leasehold land tenure system.
  - It is easy to extend socio economic infrastructure by government e.g. on leasehold and freehold land tenure systems.
  - Under individual or private land ownership, there is self-initiative to develop land.

*Note: use the same points to explain how a bad land tenure system can hinder agriculture development.*

- d) refer to land reforms in Rwanda for the description of how the government of Rwanda has influenced agriculture development through land policies

***Synthesis***

Together with learners harmonises the discussed points with reference to the content in the Student's Book Unit 9. Explain the different forms of land ownership in Rwanda and how they operate.

***Assessment of the lesson***

Teacher asks learners to share in their groups about;

- (i) How can a good land tenure help in agriculture development?
- (ii) How can a bad land tenure not help in agriculture development?

### ***Expected answers***

How a good land tenure system helps in agriculture development?

- If land is properly owned and used, it helps increasing agriculture output.
- It encourages mechanised farming.
- It is used as collateral security to acquire credit and expand agriculture production.
- The owner has full rights over it and takes proper use of it.
- It encourages large scale commercial farming.
- It helps government to set demonstration farms for research and study purposes.

*Note: Be receptive to other correct answers.*

(iii) How can a bad land tenure not help in agriculture development?

- If land is not properly owned and used, it discourages agriculture practices.
- It discourages mechanised farming.
- It cannot be used as collateral security to acquire credit to expand agriculture production.
- The owner has no full rights over it thus doesn't take proper use of it.
- Discourages large scale commercial farming.



## **Lesson 19: Land reforms in Rwanda**

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*Student's Book Unit 9*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify the different land reforms in Rwanda aimed at improving agriculture development.

### ***Prerequisites for the lesson***

Review the previous lesson of land ownership and guide learners to discover that there should be proper policies towards land use in order to develop agriculture in Rwanda.

### ***Teaching aids***

Student's Book, internet access, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners identify the different land reforms that have been employed to improve agriculture development in Rwanda.

**Step 2:** Learners evaluate the applicability of the land reforms in Rwanda. Learners present their views as a whole class through discussions.

### ***Expected answers for Activity 15 (iii) Student's Book Unit 9***

- (iv) Land reforms in Rwanda:
- Land redistribution.
  - Land consolidation.
  - Land taxation.
  - Land reclamation.
  - Land registration.
  - Removal of communal land.
  - Resettlement schemes.
  - Land development Laws.

### ***Synthesis***

Explain clearly the land reforms in Rwanda and the particular impact of these reforms towards agricultural development.

### ***Assessment of the lesson***

Ask learners to identify the different land reforms that are evidently applied in their areas of origin and Rwanda in general. This depends on the learner.



## **Lesson 20: Unit assessment**

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*Student's Book Unit 9.*

### ***Learning objectives***

By the end of this lesson, learners will be able to analyse the contribution of development strategies on the economy.

### ***Prerequisites for the lesson***

Prepare and organise learners for end of unit assessment by referring to the Student's Book Unit 9. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners in their groups.

**Step 2:** Learners in their groups start discussing and answering the questions given as you supervises them.

**Step 3:** When time is up, collect their written work for marking and correction.

### ***Synthesis***

Refer to end of unit assessment in the Student's Book on Unit 9 to discuss what was required of the questions provided.

### ***Lesson assessment***

To check whether the learning objective was reached ask more related questions and refer to the answers of the end of Unit 9 in this Teacher's Guide.

## **End of unit**

### **Summary of the unit**

This unit introduces agriculture as a backbone of Rwanda's economy and the need to develop it.

Several strategies to develop agriculture are well elaborated in the unit and this helps the learner to analyse the one most applicable to Rwanda's economy (*Refer to Student's Book Unit 9*).

Agriculture needs to be developed; for provision of food, raw materials, employment, for sale /export, and to reduce rural urban migration. Possible ways include improving animal breeds,



subsidisation to farmers, controlling soil erosion and nutrients loss, use of irrigation, population control and seeking foreign aid. Land ownership and land reforms in Rwanda are also well represented in this unit.

***Additional information for the teacher***

Agriculture in Rwanda accounts for a third of Rwanda's GDP; constitutes the main economic activity for the rural households (especially women) and remains their main source of income. Today, the agricultural population is estimated to be a little less than 80% of the total population. The sector meets 90% of the national food needs and generates more than 50% of the country's export revenues.

In the short and medium term, Rwanda intends to continue focusing its efforts on the traditional cash crops of tea and coffee and pyrethrum, as well as on the nascent, non-traditional horticultural crops & plants, including various fruits and vegetables; flowers (mainly fresh roses); essential oils (pyrethrum; patchouli; etc.), stevia, dairy, meat, poultry, and fish.

***Key targets***

Agriculture is supposed to grow from 5.8% to 8.5% p.a by 2018, people living under primarily agriculture sector to reduce from 34% to 25% with focus on agro processing, exports to increase in average from 19.2% to 28% p.a and imports to be maintained at 17% average growth.

**End of Unit 9 assessment answers (Student's Book Unit 9)**

1. (i) Advantages of specialisation:
  - It is time saving.
  - Workers gain experience and skills.
  - It enables workers to exploit the natural talents.
  - It encourages and makes possible the use of machines.
  - Regional specialisation and international division of labour enable regions or countries to exploit their natural resources
  - It encourages firms to employ specialists at different stages of production.
  - It involves production in bulk.
- (ii) Problems of specialisation:
  - It involves production in bulk, which may be limited by markets.
  - Division of labour can lead to unemployment.
  - International division of labour leads to overdependence on other countries.
  - Repetition of the same work leads to boredom and monotony.
  - It encourages the use of machines, which are specific and hence may not serve more than one purpose.
  - It leads to loss of craftsmanship.
2. Why machines are not used in Rwanda:
  - It requires high skills to operate.
  - It requires large amounts of capital.
  - The relief of the area may not be suitable for the machines.
  - Attitude towards mechanisation is very poor.
  - It requires a good and efficient agricultural planning.
  - The approach may be inapplicable where human judgment is necessary during the production process.
  - Underdeveloped infrastructure and technology.
  - Small market for the output discourages the farmers.
  - Poor land tenure system i.e fragmented land.
  - Machines sometimes destroy the ecology of the soil.

3. Difference between small scale agriculture and large scale agriculture:
  - In small scale farming, low output is produced compared to large scale agriculture.
  - Low quality is produced in small scale agriculture than in large scale agriculture.
  - Production is for minimum survival in small scale agriculture while in commercial agriculture its in large amounts.
  - Family labour is used in small scale farming while in large scale agriculture, machines are used.
  - Simple tools are used in small scale agriculture compared to large scale agriculture.
  - Mainly food crops are grown under small scale agriculture while in large scale, cash crops are grown.
  - Small scale farming is normally done on a small piece of land while large scale farming is done on large scale.
  - There is no specialisation in small scale farming while it is the order of large scale farming.
- (ii) Large scale agriculture is suitable for Rwanda because:
  - Mechanisation is possible since it covers large pieces of land unlike small scale farming.
  - It produces high volumes of output.
  - Tax base is widen from the produce.
  - It leads to formation of industries.
  - It encourages infrastructural development like roads.
  - Employment opportunities are created.
  - Specialisation is favourably carried out.
  - It encourages field study and research.
  - Large scale farming is easy for marketing.
4. Importance of farmer's associations in Rwanda:
  - They participate in the production of goods and services say in agriculture, industry, transport among others.
  - Marketing cooperatives help farmers to market their products e.g. coffee, maize, tea etc.
  - They participate actively in the transportation, collection and storage of products.

- They provide farmers with cheap inputs like fertilisers, hoes etc.
- They provide education to members and to the public on how to use the fertilisers, new tools and new methods of production.
- They increase cooperation among the people and this brings unity in the society.
- They help members to get credit facilities through mobilising funds from financial institutions.
- They provide members with cheap consumer goods ie. they buy in bulk and sale in smaller quantities at lower prices to members than non members.

## Remedial activity

1. How has agriculture improved the livelihood of the people in your home area?
2. What has always hampered the development of agriculture in your home area?
3. How would you be of help towards agricultural development in your area?

### ***Expected answers***

1. Refer to arguments for agricultural development (*on Unit 9 in the Student's Book.*)
2. Refer to the limitations of agriculture development in Rwanda ie. (*on Unit 9 in the Student's Book.*)
3. Allow different learners to express their views and attitudes on ways of increasing agricultural productivity, (*refer to the Student's Book on Unit 9.*)

### ***Extended and Consolidation activities***

1. What characterises agriculture in your country?
2. How do you think a good land tenure system can help agricultural development?
3. What kind of knowledge would you offer to farmers if you were an agricultural expert/officer?

***Expected answers***

1. Characteristics of agriculture in Rwanda:
  - Subsistence production.
  - Dependence on nature.
  - Labour intensive.
  - Low productivity
  - Small scale peasant agriculture.
  - Inadequate extension services.
  - Etc.
2. How a good land tenure can help agriculture development:
  - Registered land can be used as collateral security to acquire loans and improve on production.
  - Large scale production is encouraged eg. on leasehold
  - Scientific methods can be used by establishing demonstration farms eg. on leasehold land tenure system.
  - It is easy to extend socio economic infrastructure by government e.g. on leasehold and freehold land tenure systems.
  - Under individual or private land ownership, there is self-initiative to develop land.

*Note: Be receptive to other relevant points.*

3. The kind of knowledge that farmers need includes:
  - How to conserve soils.
  - Use of pesticides, fertilisers etc.
  - Farm management techniques.
  - Selection of better crops and animal breeds.
  - Market conditions on supply and demand for farm inputs and products.
  - How to carry out crop rotation.
  - Record keeping.
  - Types of agricultural machinery and how they are used.
  - The basics of primary health care.

## Topic Area 5: Development Economics

### Sub-topic Area 5.2: Development Process and Strategies

# Unit 10: Industrial Development

*Reference to Student's text Book Unit 10*

### Unit competence

Learners will be able to analyse the contribution of development strategies on the economy.

### Prerequisites for this unit

In the previous unit we taught about the need for agricultural development in Rwanda in order to attain self-sustaining growth. However, there is also need to diversify the economy by developing the economy away from the agricultural sector. They will develop one another through linkages and therefore bring about quick economic growth and development. This unit will entirely look at merits and demerits of industrial development in Rwanda and its limitations. Learner's should be engaged in discussions about industrial development and propose possible strategies that Rwanda should undertake to develop industrialisation in their economy.

### Cross-cutting issues to be addressed

While teaching this topic, it will be important to emphasise the cross cutting issue of environmental studies because industrial development could be a thought to the environment therefore it's important to equip learners with skills of environment protection.

### Generic competences

- Co-operation and interpersonal management are competences developed through any group activities assigned to learners.
- Communication skills is gained through presentation of findings.

- Critical thinking is a competence gained through analysing the applicability of different industrial approaches.
- Lifelong learning is developed as learners engage in research activities.

### **Vocabulary or key words or concepts in the unit**

***Appropriate technology:*** This is the type of technology which is socially and economically suitable for a given society or country.

***Backward linkages:*** This is when an original firm within an industry leads to establishment of another in which the original firm provides market.

***Capital saving technique:*** This is one that uses more proportions of labour than machines. It can be called labour intensive technique.

***Development strategy:*** This is a set of guidelines which a country should follow in formulating and implementing long term policies meant for development.

***Export promotion industry strategy:*** This is a strategy undertaken by the government to set up industries that produce goods and services for export so as to increase foreign exchange. It can also be called outward looking industrial strategy.

***Forward linkage:*** This is when an original firm within an industry leads to establishment of another that uses its products as raw materials.

***Infant industries:*** These are industries which have just started operating and therefore have a small market, low output and high average costs.

***Import substitution strategy:*** This is a strategy undertaken by countries to produce goods that were formerly imported so as to reduce the outflow of forex. It can also be called import substitution strategy.

***Intermediate technology:*** This is the type of technology which is mid way between the modern technology and the traditional primitive technology.

***Labour saving technique of production:*** This is a technique that uses more proportions of machines than labour. It is also called capital intensive technique.

**Technique:** This is any alternative method of production available to produce goods and services.

**Technology transfer:** This is the movement/shifting of new efficient production techniques from one economy to another mainly from developed economies to developing economies/countries.

**Technology development:** This refers to the process of introducing and initiating new technology through improving the local/indigenous production techniques.

### Guidance on the problem statement

You can for example give a case study on any industrial issue at the beginning of the lesson and task them to make research about it in their respective groups or pairs. In the due course of the unit, they will discover more about industrialisation in and outside Rwanda and develop an attitude towards industrial development in Rwanda. In this case, the problem statement is as follows:

- As an economics student, if a friend asked you to describe an industry, how would you answer him/her?
- Is there any signs of industrial development in Rwanda?

### Expected answers

- An industry is a collection of firms.
- The learner names/mentions the industries or industrial works he/she had seen or heard about in Rwanda.

### List of lessons/ lesson map on Industrial development

|                  |  |
|------------------|--|
| <b>Lesson 1:</b> | Industrial development and classification of industries in Rwanda.   |
| <b>Lesson 2:</b> | Advantages and disadvantages and problems of industrial development. |
| <b>Lesson 3:</b> | Industrial development approaches- Capital intensive technology.     |
| <b>Lesson 4:</b> | Labour intensive technology.   |
| <b>Lesson 5:</b> | Intermediate technology.   |
| <b>Lesson 6:</b> | Appropriate technology.  |
| <b>Lesson 7:</b> | Technological transfer.  |



|                   |  |
|-------------------|--|
| <b>Lesson 8:</b>  | Technology development.                  |
| <b>Lesson 9:</b>  | Small scale industries.                  |
| <b>Lesson 10:</b> | Large scale industries.                  |
| <b>Lesson 11:</b> | Import substitution industrial strategy. |
| <b>Lesson 12:</b> | Export promotion industrial strategy.    |
| <b>Lesson 13:</b> | Unit assessment.                         |



## Lesson 1: Industrial development and classification of industries in Rwanda

### *Student's Book Unit 10*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the meaning of industrial development.
- Classify industries according to activities, ownership and location.

#### ***Prerequisites for the lesson***

Review the previous unit on agriculture development and relate it to the new unit of industrial development. Let learners define industrial development.

#### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics sources.

#### ***Learning activities***

**Step 1:** Task learners in pairs discuss to do Activity 1 (i), (ii) and (iii). Move around in groups guiding their discussions.

**Step 2:** Invite a few pairs to present their findings to the rest of the class. Facilitate the discussions and presentations. Write questions from learners about the lesson/activity and give satisfying answers.

#### ***Expected answers to activity 1 i)- v) unit 10 in the Student's Book.***

- i) The products from the industries in the photos provided are;
  - a) juice, milk and water.

- b) Clothes
- c) Tomato sauce
- d) Hygienic cleaning solutions
- ii) The industries can be categorized as;
  - a) Soft drinks industries
  - b) Textile industries
  - c) Agro-processing industries
  - e) Detergents industry.
- iii) The general name given to the development of the above activities all together is industrialisation / industrial development.
- iv) Respect and guide learners' views about other different firms that do different activities in Rwanda that do not fall under any category named in ii) above.
- v) An industry is a group of firms that are related based on their primary business activities (product produced or sold) while industrial development is the building and growing of industries within an economy.

### ***Synthesis***

You and the learners discuss and agree on the photos in the Student's Book Unit 10. You can give other industries in Rwanda that are not mentioned by learners neither are they mentioned / indicated in the book.

### ***Assessment of the lesson***

Ask questions to learners to check whether learning objectives were achieved. For example;

- Apart from the above mentioned industrial activities, what other examples from Rwanda can you give?
- Giving examples in each case, explain the types of industries.

### ***Expected answers***

Examples of industrial activities:

- Fishing
- Quarrying.
- Brewing
- Tourism.

*Note: Be receptive to other correct answers.*

### **Types of industries**

- Primary industries. e.g. mining, fishing, quarrying, lumbering etc.

- Secondary industries. e.g. manufacturing, brewing, processing leather tanning etc.
- Tertiary industries. e.g. Tourism, clearing and forwarding, construction etc.



## Lesson 2: Advantages and disadvantages and problems of industrial sector development

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*Student's Book Unit 10*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Discuss the advantages and disadvantages of industrial development.
- Describe the problems facing the industrial sector in Rwanda.
- Appreciate the need for industrial development.
- Suggest measures to industrial development in Rwanda.

### ***Prerequisites for the lesson***

Refer to the previous lesson and ask learners to why they think it is important to develop industries.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners through debate, present their arguments for or against industrial development in Rwanda. (*Refer to Activity 1 (iv) Unit 10 in the Student's Book.*)

### ***Expected answers for activity 1 (vi)***

- vi) Refer to advantages & disadvantages of industrial development, unit 10 in the Student's Book.

Advantages of industrial development.

- Industry enhances faster rates of economic growth.
- Prices of industrial products tend to be stable for a long period.

- Industry provides forward and backward linkages to agriculture.
- Industry requires relatively less land.
- Prices of industrial products are high, so the industrial sector fetches more money for the economy both locally and internationally.
- Increases foreign exchange.
- Provides more employment opportunities.
- It facilitates infrastructural growth.

Disadvantages of industrial development:

- Industry pollutes the environment.
- Industry worsens rural-urban migration and its side effects like slum development in urban centers, congestion of traffic and underdevelopment of rural areas, etc.
- Industry increases capital flight; the foreign industrialists who are the majority in the sector take back all the benefits from the sector rather than re-investing it in developing countries.
- Industry increases technological unemployment in LDCs.
- Industry strains the government budget.
- Industrial leads to environmental degradation.

**Step 2:** Learners through general class discussions describe the problems facing the industrial sector and suggest possible measures to improve industrial sector in LDCs.

### ***Expected answers***

Problems facing the industrial sector in LDCs.

- Narrow supply of quality raw materials.
- Limited supply of skilled personnel.
- Underdeveloped infrastructures.
- Limited capital funds.
- Competition from developed countries.
- Conservatism of people in developing countries.

N.B: Be open minded through out the discussion.

Possible measures to industrial development in LDCs.

- Liberalisation of the economy.

- Form different economic groupings to create market amongst themselves.
- Ensuring peace and security.
- Ensuring a conducive macroeconomic environment.
- Rehabilitation and construction of major infrastructure.

### ***Synthesis***

Together with learners, harmonise the discussion with reference to the Student's Book content notes. Emphasise to learners that much as the industrial sector in LDCs faces some challenges it breaks through and stand out in the economy.

### ***Assessment of the lesson***

Assess learners by asking them;

- Why they think it's important to develop industries in Rwanda.
- What problems face the industrial sector in Rwanda specifically.

### ***Expected answers***

- To promote quick economic growth and development.
- To diversify the economy.
- To widen employment opportunities.
- To widen the tax base.
- To attract both local and foreign investors.
- To promote and expand the export sector.
- To reduce government expenditure abroad through import substitution industrial development.
- Refer to the problems of industrial sector in LDCs but explain in Rwandan context.

*Note: Be receptive to other correct answers.*



## **Lesson 3: Industrial development approaches- Capital intensive technology**

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*Student's Book Unit 10*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the advantages and disadvantages of capital intensive industrial approach.
- Describe the limitations of capital intensive technology in Rwanda.
- Evaluate the applicability of capital intensive technology industrial approach to Rwanda's economy.
- Choose the appropriate industrial approach for industrial development in Rwanda.

### ***Prerequisites for the lesson***

Basing on the background of the previous lesson on industrial development, introduce approaches to industrial development. Task learners to do Activity 2 (i) and (ii) from the Student's Book page 388.

### ***Expected answers***

- (i) The machines are many while the people are few.
- (ii) Capital intensive technique is technique that uses more proportion of machines than other factors of production like labour.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners through debate present their arguments for and against capital intensive technology in industrial development. (Refer to Activity 2 (iii) in the Student's Book Unit 10)

### ***Expected answers to Activity 2 Unit 10, Student's Book***

- i) The machines are many while the people are few
- ii) Technology is a body of knowledge devoted to creating tools, processing actions and the extracting of materials. While a technique is any alternative method of production available to produce goods and services.
- iii) the type of technology applied in the above activities is capital intensive technology since the ratio of machines to labour is high.

- iv) Refer to the advantages and disadvantages of capital-intensive technology in the Student's Book for the benefits and costs likely to be faced using the technique mentioned above

### ***Synthesis***

Teacher together with learners, base on the content notes from the Student's Book to harmonise the discussion. Consider what learners have discussed and relate it to what is in the Student's Book. Emphasise to learners that much as capital intensive technology is good approach to industrial development, it may not help on the problem of unemployment in LDCs especially Rwanda.

### ***Assessment of the lesson***

Refer to Activity 3 from the Student's Book Unit 10 to assess the learner's achievement of the learning objectives.

### ***Expected answers for Activity 3 Student's Book***

#### ***Unit 10***

Limitations of capital intensive technique:

- Inadequate capital by the people limits them to acquire the required machines hence they resort to labour intensive technique.
- High tax charged on the importation of the machines makes people to shun away from them and they retain the labour.
- Inadequate market both internal and external discourages people to use the capital intensive technique since the excess supply will not have the market to consume it.
- Inadequate raw materials leading to constant importation creating constant balance of payment problems.
- High operation costs due to large scale production. Affects the operations of the business and it may result into increase in prices.
- Underdeveloped infrastructure like roads limit the movement of the machines and it may affect the development of the technique of production.

- Requires developed technology which still lacks. In developing countries, technology is still intermediate which is still low and cannot produce the large quantities.



## Lesson 4: Labour intensive technology

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*Student's Book Unit 10*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the advantages and disadvantages of labour intensive industrial approach.
- Describe the limitations of labour intensive technology in Rwanda.
- Evaluate the applicability of labour intensive technology industrial approach to Rwanda.
- Choose the appropriate industrial approach for industrial development in Rwanda.

### ***Prerequisites for the lesson***

In lesson 3, we have seen how Industrial development is not just a simple task, but a country has to take different closely examined long lasting approaches in order to take off. Therefore, among such approaches is technology. In this lesson learners have to apply the knowledge and understanding attained in lesson 3 of this unit to discuss the applicability of Labour-intensive technology in industrial development. In this case, they will have to analytically examine the application of capital-intensive technology versus labour-intensive technology in Rwanda and take value judgement at the end of the lesson. Teacher, is therefore required to guide the learners in discovering how the use of labour-intensive technology can be of great importance to industrial development in Rwanda.

### ***Expected answers for Activity 3***

- a) The technique of production being applied in the industries mentioned in the photos is labour-intensive technology



because human effort is more used than machines in the production process of such industries portrayed in the photos in the activity.

- b) Teacher respects learners' views over different activities that use labour-intensive technology.
- c) Refer to the advantages and disadvantages of labour-intensive technology in the Student's Book under unit 10.
- d) Refer to the limitations of labour-intensive technology in the Student's Book under unit 10

### ***Teaching aids***

Student's Book, other recommended economics text books, internet access, and relevant economics journals.

### ***Learning activities***

Based on the knowledge and understanding gained from the previous lesson about capital intensive technology, teacher tasks learners with activity 3. They analyse the photos therein and come up with their views in regard to the question requirements. In groups or pairs, learners discuss, present their views and reach a consensus about the lesson with the guidance of the teacher.

### ***Expected answers for Activity 4 (iii) Student's Book***

#### ***Unit 10***

Advantages of labour intensive technique:

- It is cheap and easily affordable since it uses mostly labour.
- It is a source of employment to the people and this reduces the unemployment problem in the country.
- It helps in income distribution since the number of the unemployed is low. The technique employs more labour.
- It requires little/limited skills. The techniques may not need complicated skills compared to the capital intensive technique.
- It reduces social costs such as pollution. The technique does not involve extrusion of fumes on land, water and atmosphere therefore it does not degrade the atmosphere.
- Increased employment increases aggregate demand and investment.

Disadvantages of labour intensive technique:

- There is low productivity compared to capital intensive technique. This is because the labour cannot do the work as quick as the machines do.
- It becomes costly in the long run in terms of feeding, medical care among others and this increases the costs of production compared to when machines are used.
- The technique produces low quality output because of the low skills possessed by the workers.
- Underutilisation of resources is common since the labour cannot cover wide areas during the production process.

### ***Synthesis***

Together with learners, based on the content notes in the Student's Book Unit 10, harmonise their discussion and learners take down notes.

### ***Assessment of the lesson***

Task learners to do Activity 5 Unit 10 from the Student's Book on limitations of labour intensive technique of production.

### ***Expected answers***

Limitations of labour intensive technique:

- There is inadequate labour due to rural urban migration most young people leave rural areas. This leaves industries with no option but capital intensive techniques.
- Need to produce good quality output. This calls for capital intensive technique so as to get output that can compete at the bigger stage in the market.
- Increase in demand calls for increased supply which can only be done by capital intensive techniques.
- Specialisation requires more use of machines since it requires use of expansive land or covers wide industrial areas.
- Production where human judgment is not needed can be easily done by machines compared to labour when the major aim is to maximise output.
- In the long run it may be costly because of the expenditures on medication, housing allowances among others.

- Government policy of standardisation may not be put into consideration by labour intensive techniques but rather capital intensive techniques.



## Lesson 5: Intermediate technology

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the features of intermediate technology industrial approach.
- Analyse the advantages and disadvantages of using intermediate technology industrial approach to Rwanda.
- Evaluate the applicability of intermediate technology industrial approach to Rwanda.

### ***Prerequisites for the lesson***

We have seen in lesson 3 and 4 that for Industrial development to takeoff, a country can choose either capital intensive or labour - intensive techniques of production. However, learners need to know that if a country isn't in position to apply capital intensive technology and neither can it keep using labour intensive (which is mostly known to be traditional) in some fields, it can upgrade its technology to intermediate technology. Teacher should assist learners in discovering the meaning and features of this technology. In this lesson therefore learners are meant to research about intermediate technology and describe its features and where possible contrast the 3 forms of technology covered in this unit and propose the most appropriate for Rwanda's industrial development process.

### ***Expected answers***

1. Maize milling, water drawing.
2. Between modern and traditional.

3. Intermediate technology is the type of technology which is mid-way between the modern technology and the traditional-primitive technology.

### ***Teaching aids***

Student's Book, other recommended economic textbooks, internet, and relevant economics journals.

### ***Learning activities***

Task learners with activity 4 from the Student's Book, they analyse and discuss the questions there in, either in groups or pairs, they present their findings to the whole class. Teacher guides the discussion and helps in harmonizing their findings at the end.

### ***Expected answers***

- Fairly simple to use.
- Uses local materials.
- Cheap and affordable.
- Manageable by the majority of the people.
- Environmental friendly
- Neither primitive nor modern.

*Note: Be receptive to other correct answers.*

**Step 2:** Task learners in groups to do Activity 6 (4) and (5) and present thereafter.

### ***Expected answers to Activity 4 Unit 10, in the Student's Book***

- a) The technique of production cited in photos A and B above is intermediate technology. This is because it is neither modern nor traditional but socially and economically efficient.
- b) Comparing the images in activity 2,3 and these in 4, the difference is that, in activity 2, where capital intensive is used, there is use of more machines than labour in production process, in activity 3, where labour intensive is used, there is more use of labour units than machines in production process, while in this activity 4, where intermediate technology is used, there is proportionately equal use of labour and capital in production process.
- c) Refer to the features of intermediate technology in the Student's Book unit 10 for the distinguishing features of the technique mentioned in a) above.

- d) refer to the arguments for & against & the limitations of intermediate technology under unit 10 in the Student's Book.
- e) How to attain intermediate technology.
- Reducing technological aid which discourages domestic technology.
  - Breaking down capital intensive techniques into small units to encourage employment of more labour.
  - To upgrade labour intensive technology and training labourforce to acquire more skills
  - Financing research to develop intermediate technology locally.
  - Education and training i.e. technical education should be encouraged which leads to innovations and inventions.
  - Protectionism to protect producers using intermediate technology from competition with imported products which are produced using advanced technology

### ***Synthesis***

Together with learners, based on the content notes in the Student's Book Unit 10, harmonise it with the discussion and let learners write down some notes.

### ***Assessment of the lesson***

Task learners to identify with examples from Rwanda the forms of intermediate technology.

(Allow learners to give different examples from their home areas or in the country at large. For example, groundnut shellers, bricklaying machines, power driven sewing machines, excavators etc.)



## **Lesson 6: Appropriate technology**

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain what an appropriate technology is.
- Describe its characteristics.

- Analyse its arguments for and against and limitations in Rwanda.

### ***Prerequisites for the lesson***

From the knowledge and understanding gained in lesson 2, 3, 4 & 5, learners are now conversant with the role of technology in industrial development. Through general class discussion, pose probing questions to stimulate learner's curiosity about the lesson in relation to the previous lessons' content mater. This helps them draw well thought conclusion about the most appropriate technology to foster industrial development in Rwanda.

### ***Teaching aids***

Student's Book, other recommended text books, and relevant economic journal.

### ***Learning activities***

Task learners to do activity 5 through groups or pairs and thereafter present to the rest of the class through general class discussions. Teacher facilitates the discussions and presentations..

### ***Expected answers for Activity 5 Unit 10 in the Student's Book***

- (i) A technique of production that is suitable for a country's social economic set up is called appropriate technology.
- (ii) Refer to the features of intermediate technology from the Student's Book under unit 10 for the distinguishing features of a technique of production that is regarded as being suitable for a given country's social economic setup.
- (iii) Refer to the advantages & limitations of intermediate technology in the Student's Book under unit 10.

Advantages of appropriate technology:

- It is simple and comparatively cheap compared to intermediate and modern technology and this makes it affordable.
- It is manageable by the majority of the people.
- It makes use of local resources and therefore reduces importation of raw materials that may lead to foreign exchange outflow.

- It meets the local needs of the people and so it is sufficient for them.
- It solves the local problems of the country. For instance, it creates employment opportunities; it solves the problem of income inequality; and it generates income for economic growth.

Limitations of appropriate technology:

- Low levels of funds hinder research on the techniques that suit the economy.
- Low levels of skills and education hinders innovation and invention of the methods that suit the economy.
- Low levels of innovation and inventions retards the growth of the technology.
- External foreign influence brings in the complicated technology that hinders the development of the one appropriate to our society.
- The government is not doing enough to develop appropriate technology it is instead interested in modern technology that quickens development.

### ***Synthesis***

Together with learners base on the content in the Student's Book Unit 10 to harmonise the discussion and let learners write down notes. Emphasise to learners that once the technique is not appropriate for a given society, it may achieve less success.

### ***Assessment of the lesson***

Give homework on the lesson to check the achievement of the learning objectives.

With convincing reasons, what would you support to be the appropriate technology for Rwanda's industrial development?

*(Learners can either give labour intensive or capital intensive or intermediate technology and support it with it's features and advantages).*



## Lesson 7: Technological transfer

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Examine the need for technological transfer.
- Describe the demerits and limitations of technological transfer.
- Acknowledge the role of technological transfer towards industrial development in Rwanda.

### ***Prerequisites for the lesson***

Briefly review the previous approach to industrial development and link them to technology transfer.

### ***Teaching aids***

Economics textbook related to the unit, internet, newspaper with economics related issues on the unit and relevant economics journals.

### ***Learning activities***

Learners through debate present arguments for and against technology transfer in LDCs. (*Refer to Activity 8 in the Student's Book Unit 10.*)

### ***Expected answers for Activity 6 Student's Book Unit 10.***

- a). Advantages of technology transfer:
- It helps to overcome backwardness.
  - It accelerates the rate of economic growth.
  - It increases productivity.
  - It reduces the technology gap.
  - It develops key industries and basic infrastructure.
  - It exploitation of resources involves high risks.

Demerits of technology transfer:

- High costs in buying technology and the raw materials.
- Technological dependence.
- Retards the development of local entrepreneurship.
- Tax evasion in form of tax holidays retards development.



- Social tensions caused by wage differentials.
- Unemployment problem is not solved.
- In most case MDCs transfer discarded technology to LDCs.

### ***Synthesis***

Together with learners, base on the content notes in the Student's Book Unit 10 to harmonise the discussions.

### ***Assessment of the lesson***

Task learners to explain the limitations of technology transfer particularly in Rwanda. (*refer to Activity 9 in the Student's Book*)

### ***Expected answers for Activity 7 in the Student's Book.***

- b). Limitations of technology transfer:
- Small size of domestic market can hardly support the output that will be produced by the advanced technology.
  - Lack of basic infrastructure — transport, energy and a well-developed banking system. Lack of skilled labour to operate the machines and technology will lead to use of foreign expatriates who are expensive.
  - Strict foreign exchange controls.
  - Political and economic instability affects the use of machines and may on the other hand distort the installations of the technology.
  - Heavy taxes like the heavy custom duties limit the importers of technology.



## **Lesson 8: Technology development**

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Discuss the advantages and disadvantages of technological development.
- Analyse the limitations of technological development in Rwanda.

### ***Prerequisites for the lesson***

Review the previous approach to industrial development and link to technology development. Guide learners to discover that a country should try as much as it can to develop its own technology

to reduce the much expenditure out and avoid the negative effects of technological transfer. Tell learners that technology transfer is the opposite of technology development.

### ***Teaching aids***

Student's Book, other recommended economics textbooks, and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in groups do Activity 10 in the Student's Book Unit 10.

**Step 2:** Learners present the groups' findings as you facilitate their discussions.

### ***Expected answers for Activity 7, Unit 10***

- (i) Technology development refers to the process of introducing and initiating new technology through improving the local/ indigenous production techniques.
- (ii) Advantages of technology development:
- Overcoming capital deficiency.
  - Development of infrastructure.
  - Development of basic industries.
  - Initiation of risky ventures.
  - Creation of employment opportunities.
  - National productivity.
  - Overcoming balance of payment problems.

Disadvantages of technology development:

- High social costs like pollution from machines lead to environmental degradation that may be harmful to the people.
- High rates of resource exhaustion.
- Promotes dependence on other countries for machines and expatriates and this may limit the country to be self-reliant.
- Promotes capital outflow when buying the machines and repairs.
- Worsens the balance of payment position when acquiring the machines since they are expensive.
- Promotes income inequality because it creates technological unemployment.

- It is expensive to install and maintain.
- It requires skilled manpower which is scarce in LDCS.

Limitations of technology development:

- Inadequate entrepreneurship skills to develop and maintain the technology is still a major obstacle.
- Inadequate capital by the people limits them to acquire the machines hence they resort to labour intensive technique.
- High tax charged on the importation of the machines makes people to shun away from them and they retain the labour.
- Inadequate market both internal and external discourages people to embrace technology development since the excess supply will not have the market to use it.
- Inadequate raw materials lead to constant importation and this creates constant balance of payment problems.
- High operation costs due to large scale production.
- Underdeveloped infrastructure like roads limit the movement of machines, etc.

### ***Synthesis***

Base on the lesson content notes in the Student's Book Unit 10 to harmonise the learners' discussions. Tell learners that the success of any country's industrial development depends highly on how much technology it has invested in it.

### ***Assessment of the lesson***

Assess the lesson by asking learners relevant questions, e.g.

- Give examples to show Rwanda is steadily developing its technology.
- Would you prefer Rwanda's economy to have technology transfer or technology reasons for your answer?



## **Lesson 9: Small scale industries**

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain characteristics of small scale industries.

- Examine the advantages and disadvantages of small scale industries in an economy.
- Discuss the limitations of small scale industries in an economy.

### ***Prerequisites for the lesson***

Refer learners to the first lesson of the unit, about what an industry is. After defining an industry by show of hands, tell them that industry can be small scale or large scale. Task learners to do Activity 11 in the Student's Book Unit 10.

### ***Expected answers for Activity 8, Unit 10 in the Student's Book***

- a) A small-scale industry is an industry that employs a small number of employees, little capital installed and produces low level of output
- b) let learners identify some industries in Rwanda which work under small scale production capacity.
- c) Characteristics of such industries described as small-scale industries include;
  - Employ few workers since they are labour intensive.
  - Normally produce low quantity output.
  - Technology used is not so much developed.
  - Low quality is produced due to low technology used.
  - Startup capital is always low.
  - Occupy small working areas.
  - They are run by their owners.
- d) Refer to advantages & disadvantages of small-scale industries under unit 10 in the Student's Book for the role of small-scale industries in the Rwanda's development
- e) Refer to limitations of small-scale industries under unit 10 in the Student's Book.

### ***Teaching aids***

Economics textbook related to the unit, internet, newspapers with economics related issues on the unit and relevant economics journals.

### ***Learning activities***

**Step 1:** Task learners to do Activity 12 Unit 10. Through debate, learners present the arguments for and against small scale industries.

### ***Expected answers for Activity 8 Student's Book***

#### ***Unit 10***

Advantages of small scale industries:

- Small scale industries can easily tap local skills and savings especially in the rural areas. These savings can be used to finance further development.
- Small scale industries are easy and cheap to finance as opposed to the large scale industries. They require less capital, energy and skilled labour. Their import requirements are usually small thus serving to minimise on foreign exchange outflow.
- They facilitate decentralisation and diversification of economic activities and stimulate integration of different sectors of the economy. They have both forward and backward linkages.
- Small scale industries can be widely spread throughout the country thus taking jobs to the people and reducing rural-urban migration. They provide an alternative employment to people who may not be gainfully employed in agriculture.
- Small scale industries usually offer means of livelihood to weaker sections of the community like women and people with disabilities. They produce relatively cheap products within the means of the people.

Disadvantages of small scale industries:

- Low output is produced since the industries are working on a small scale.
- It may cause pollution of the environment since they are small and can easily be created with minimum incomes.
- Wasteful competition may lead to duplication of goods and services and wastage of resources.
- It may lead to public revenue instabilities since production cannot be relied upon. It also leads to high rate of tax avoidance and evasion.

- It operates at low capacity due to the small units of capital they possess and this may create shortage at the market.
- They don't enjoy economies of scale. They operate at high costs and this increases the prices so as to cover the costs of production.

### ***Synthesis***

Together with learners, base on the content notes on small scale industries in the Student's Book Unit 10, to harmonise their discussion and learners take down notes.

### ***Assessment of the lesson***

Task learners to identify the limitations of small scale industries in Rwanda.

### ***Expected answers***

- Lack of entrepreneurial ability.
- Lack of effective demand.
- Poor infrastructural development.
- Lack of credit facilities.
- Unstable supply of raw materials
- Inadequate spare parts etc.



## **Lesson 10: Large-scale industries**

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain characteristics of large scale industries.
- Examine the advantages and disadvantages of large scale industries in an economy.
- Discuss the limitations of large scale industries in an economy.

### ***Prerequisites for the lesson***

Introduce the lesson by telling learners that industries may be on small or large scale. Task learners to do Activity 9 in the Student's Book Unit 10.

### ***Teaching aids***

Student's Book, other text books that you will recommend, internet access, and other relevant economics journals.

### ***Learning activities***

**Step1:** Task learners in groups to discuss the arguments for and against establishment of large scale industries in Rwanda. Refer to Activity 14 page 416 in the Student's Book.

**Step 2:** Groups present their findings to the whole class through discussions.

### ***Expected answers to Activity 9 Unit 10 in the Student's Book***

- i) The activities in the industries shown in the photos are carried out on large scale.
- ii) let learners identify other industries in Rwanda that operate under large-scale.
- iii) The distinguishing features of such industries that operate on such a scale include;
  - They have large capital equipment in form of machinery.
  - They operate on large areas.
  - Output produced is high.
  - Good quality is produced.
  - They employ large number of workers i.e. both skilled and unskilled.
  - They have large turn over at the end of the year.
  - They produce both for local and foreign market.
- iv) Refer to the advantages & disadvantages of largescale industries from the Student's Book under Unit 10 for the contribution of such industries to the development process of Rwanda.
- v) Refer to limitations of Large-scale industries in the Student's Book unit 10.

### ***Synthesis***

Together with learners, base on the lesson content notes in the Student's Book Unit 10 and other sources of economics, to harmonise the discussion and let learners take notes.

### ***Assessment of the lesson***

Task learners to discuss the limitations of large scale industries refer to Activity 9 in the Student's Book Unit 10.



## **Lesson 11: Import substitution industrial strategy**

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the objectives of import substitution industrial strategy.
- Identify different examples of import substitution industries in Rwanda.
- Present arguments for and against import substitution industrial strategy.

### ***Prerequisites for the lesson***

Learners are now aware of the scales of production as seen in lesson 9 & 10 above. They therefore need to understand the two scales are both varied in our country. As a means of promoting self-sustenance in the country, we need to strengthen both levels of production to produce even what we are used to importing. Thus, teacher connects to the day's lesson of import substitution industrial strategy.

### ***Teaching aids***

Student's Book, other text books that you will recommend and other economics sources.

### ***Learning activities***

**Step 1:** Learners, through debate, present their arguments for or against import substitution industrial strategy. (*Refer to Activity 17 Unit 10 in the Student's Book.*)

### ***Expected answers for Activity 10 Unit 10 in the Student's Book***

- a) The activities done in photos A and B are Cement parking, iron sheet manufacturing.



- b) Made in Rwanda policy is a policy in Rwanda which aims to address the trade deficit by boosting production of and stimulating sustainable demand for competitive Rwandan value-added products by addressing factors constraining the quality and cost competitiveness. Some examples of commodities that have been produced ever since the inception of made in Rwanda campaign include
- Local textiles manufacturer Utexrwa Ltd products.
  - Hand craft products made by Rwandans
  - Iwacu soap
  - ABChalk, .
- c) The government of Rwanda is emphasizing the made in Rwanda campaign in order to;
- Promote the growth of her Infant industries.
  - Create employment opportunities especially when the industries use labour intensive technique of production.
  - Reduce economic dependence
  - Check on imported inflation
  - Widen tax base of the country.
  - Improve resource utilisation.
  - To facilitate industrial development in the country
  - Promote economic growth
- d) refer to the disadvantages of import substitution industries in the Student's Book unit 10 for the costs that are likely to come with the development of such industries aimed at implementing the made in Rwanda policy.
- e) refer to the limitations of import substitution industrial strategy under unit 10 in the learner's book for the hindrances to the made in Rwanda policy.

### ***Synthesis***

Based on the learners' discussions, with reference to the content notes in the Student's Book Unit 10 and any other economics source, harmonise the points and let learners take down notes.

### ***Assessment of the lesson***

Assess learners to check whether the learning objectives were achieved, giving them homework on limitations of import substitution industrial strategy in Rwanda.

### ***Expected answers***

- Inadequate raw materials.
- Limited domestic market.
- Limited access to credit facilities.
- Poor or undeveloped infrastructure.
- High demonstration effect.
- Inadequate entrepreneurial skills.
- High cost unreliable power.

*Note: Be receptive to other correct answers.*



## **Lesson 12: Export promotion industrial strategy**

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*Student's Book Unit 10.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Contrast import substitution and export promotion industrial strategies.
- Explain the advantages, disadvantages and limitations of export promotion industrial strategy.
- Recommend the suitable strategy for Rwanda's industrial development.

### ***Prerequisites for the lesson***

Base on the previous lesson of import substitution to introduce the new lesson of export promotion. Guide learners to know that export promotion is the opposite of import substitution. Task learners in pairs to do Activity 11.

### ***Teaching aids***

Student's Book, other textbooks recommended by teacher, and other sources.

### ***Learning activities***

**Step 1:** Task learners in groups to discuss on the arguments for and against export promotion industrial strategy. (*Refer to Activity 19 in the Student's Book Unit 10.*)

***Expected answers for Activity 11 Unit 10 in the Student's Book.***

- a) Export promotion strategy is a strategy undertaken by the government to set up industries that produce standard goods and services for export so as to increase foreign exchange.
- b) Identify examples of industries in Rwanda that aim at increasing the export base.
- c) Refer to the arguments in favour & against export promotion industrial strategy in the Student's Book under unit 10 for the contribution of export promotion industrial strategy, as an alternative policy, towards industrial development in Rwanda.
- d) Refer to the limitations of export promotion industrial strategy in the Student's Book unit 10 for the hindrance to the efficient implementation of the export promotion industrial strategy in Rwanda

***Synthesis***

Together with learners, base on the discussion and content in the Student's Book Unit 10 and other related sources, to harmonise the discussion and let learners take down notes.

***Assessment of the lesson***

Assess the lesson by tasking learners to identify the limitations of export promotion strategy in Rwanda.

***Expected answers***

- Lack of enough raw materials.
- Production of similar commodities in LDCs
- Protectionism by MDCs.
- Poor technology.
- Undeveloped infrastructure

*Note: Be open minded to all correct answers.*



**Lesson 13: Unit assessment**

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*Student's Book Unit 10.*

***Learning objectives***

By the end of the lesson, learners will be able to analyse the contribution of development strategies on the economy.

### ***Prerequisites for the lesson***

Sit learners in groups of at least 4-5 members and provide them with end of unit assessment by referring to the *Student's Book Unit 10*. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets and the Student's Book Unit 10.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners in their groups.

**Step 2:** Learners in their groups start discussing and answering the questions given and the teacher supervises them.

**Step 3:** When time is over, collect their written work for marking and for correction.

### ***Synthesis***

Refer to end unit assessment in the Student's Book on Unit 10 to have a general discussion with the rest of the class.

### ***Assessment of the lesson***

To check whether the learning objective was achieved, base on the lesson synthesis, to ask more related questions and refer to the answers of the end of unit assessment at the end of unit 10 in this guide.

## **End of unit**

### **Summary of the unit**

This unit covers a number of approaches to industrial development and their applicability to Rwanda's economy. (*Refer to the Student's Book Unit 10*).

It helps the learner to analyse their contributions on the economy. The unit is introduced by a definition of industrial development as; putting up manufacturing, processing, mining, and construction plants among others with an aim of improving output and the standards of living.

Industries in Rwanda are named and classified in the unit. Also, the advantages, disadvantages, problems faced by industrial development are well handled. This will help the learner to describe industry, and to explain signs of industrial development in Rwanda.

### ***Additional information for the teacher***

#### **Industry and entrepreneurship development in Rwanda.**

Rwandan economic development and the attainment of the goals set out in the Vision 2020 rely to a large extent on industrial development.

To understand the structural changes required for Rwandan industry to move towards higher productivity activities and to identify priority sectors and future industrial opportunities requires a technical understanding of the industrial sector and a solid basis on which to design and inform industrial policy.

The broad goals of Rwanda Industrial Policy are those stipulated in the Vision 2020 and the Economic Development and Poverty Reduction Strategy (EDPRS): to create and build the transformational industrial growth that would make Rwanda regionally and internationally competitive.

These include promoting the growth of the economy with the target of \$900 GDP per capita by 2020 – requiring GDP growth of 8% on average per annum. They also include the goal of structural transformation, with industry accounting for 26% of GDP by 2020, the national investment rate reaching 30% of GDP, and non-farm employment reaching 1.4 million.

To achieve these high level goals, there are four main inputs required for the growth of industry:

- Provide high quality and affordable infrastructure: create attractive conditions for the development of economic activities, by setting up industrial parks, as delimited territorial areas, with quality and affordable infrastructure, utilities and adequate effluent treatment services.
- Facilitate trade by removing barriers and promoting standards and fostering greater integration into regional and international trading networks.

- Promote an environment conducive for business and private sector growth.

Develop the human resources required by the growing industrial and service sectors. These key requirements lead to the following key outputs:

- Increase the quality and quantity of existing exports particularly through focusing on value addition.
- Promote the diversification of exports and production into new sectors.
- Increase investment in industry and services and
- Ensure the environmental sustainability of industry through treatment at source.

Together policy and initiatives in these areas can lead to the key outcomes targeted:

- High GDP growth,
- Transformation of GDP shares,
- Employment creation and poverty reduction.

### **Priority programmes and activities**

- Special economic zones project in Kigali.
- Provincial industrial parks programme for rural industrialisation;
- Creation and promotion of viable and dynamic small and medium enterprises (SMEs).
- Market access for sustainable business development.

### **Main achievements**

Small and Medium Enterprise Policy and Strategy development. The overall objective of the policy is to foster job creation and an increase in the tax and export base through the promotion of competitive new and existing SMEs in value addition.

To achieve this, below are the strategic objectives:

- Promote a culture of entrepreneurship among Rwandans
- Facilitate SME access to development services including business development services.
- Access to local, regional and international markets and market information.

- Promote innovation and technological capacity of SMEs for competitiveness.
- Put in place mechanisms for SMEs to access appropriate business financing.
- Facilitate financial access for manufactures.
- SMEs Development Funds.
- Processing revolving funds supporting to buy farmer's produce.
- Facilitation in market access for sustainable business development.
- Organisation of innovation workshop, provincial and national competition towards innovative production and improving the quality of products;
- Craft production centers and selling points development in strategic area across the country.
- Facilitation to talented craft producers/SMEs to participate in foreign trade fairs and exhibitions (SIAO in Burkina faso, Bari in Italy, Shanghai – China, Jua-kali.
- Marketing plan for Rwandan craft products.

**End of Unit 10 assessment answers (Student's Book Unit 10)**

1. Advantages of industrial development:

- Industry enhances faster rates of economic growth.
- Prices of industrial products tend to be stable for a long period.
- Industry provides forward and backward linkages to agriculture.
- Prices of industrial products are high.
- Industry raises government tax revenue.
- Industry facilitates infrastructural growth.
- Industry provides more employment opportunities to all nationals.
- Industry increases the availability of foreign exchange and improves on the balance of payment position of the country.

Problems faced by the industrial development:

- Difficulty in disposing off industrial waste.
- A narrow supply of quality raw materials.
- A limited supply of skilled personnel.
- Under developed infrastructure.
- Limited capital funds.
- Heavy taxes levied by government.
- Competition from abroad.
- A small size of the local market.
- Conservatism of the local native people.

2. Advantages of capital intensive technique:

- There is production of better quality commodities.
- It reduces the costs of supervision.
- It encourages and promotes better and efficient methods and inputs that can lead to high output.
- It promotes proper utilisation of resources.
- It encourages technology transfer from developed nations to developing nations.
- It is relatively cheap.
- It reduces industrial strike cases.
- It increases labour mobility from one place to another.



3. (i) Advantages of technology transfer:
  - It helps to overcome backwardness.
  - It accelerates the rate of economic growth.
  - It increases productivity.
  - It reduces the technology gap.
  - It develops key industries and basic infrastructure.
  - It makes products from LDCs more competitive.
  - It saves time and financial resources.
- (ii) Demerits of technology transfer:
  - It involves high costs.
  - It encourages technological dependence.
  - It retards the development of local entrepreneurship.
  - It encourages tax evasion by the large firms.
  - It involves social tensions.
  - Unemployment problem is not solved.
  - Outdated technology is brought.
4. Limitations of small scale industries:
  - Lack of entrepreneurial ability.
  - Lack of infrastructure — inadequate transport and energy facilities.
  - Inadequate or lack of foreign exchange to import equipment, spares and raw materials.
  - Lack of effective demand.
  - Lack of credit facilities due to collateral required by banks to enable them secure loans.
  - They don't enjoy economies of scale due to the little capital they start with.
  - There is unstable supply of raw materials since they mostly use agricultural products which fluctuate constantly.
  - There are inadequate spare parts to repair the machines and this makes them to operate at excess capacity.
  - There is lack of serious positive attitude towards local industries.

## Remedial activity

- (a) Give any industries you may know of in your country.
- (b) How do you think they have impacted the areas they operate from and the country at large?

### ***Possible solutions***

- (a) Let learners give different industries in Rwanda. (Refer to Unit 10, Student's Book.)
- (b) Refer to arguments for and against industrial development in Rwanda. (*Student's Book, Unit 10*)

### ***Consolidation activity***

- (a) What do you understand by the term “made in Rwanda” campaign?
- (b) Why do you think there a made in Rwanda campaign?
- (c) How has it impacted Rwanda's economy?
- (d) What should be done to promote the made in Rwanda policy?

### ***Expected answers***

- (a) Made in Rwanda campaign is a policy in Rwanda trying to encourage Rwandan produce and consume local commodities so as to promote self-reliance and reduce import expenditure.
- (b) Made in Rwanda campaign was made to accelerate its economy by producing a lot and exposing local products and promoting and increasing the quantity to be exported rather than imported.
- (c) Refer to impacts of import substitution industrialisation in the Student's Book, Unit 10.
- (d) Sensitise the population to use local products and protect home industries through heavy import duties, secure markets, educate local entrepreneurs on better production technics.

### ***Extended activity***

- (a) What examples can you site in Rwanda that have been set up to produce commodities that were formerly imported into Rwanda?
- (b) How would you advise Rwanda to maintain and promote efficiency in such industries?

***Expected answers***

- (a) East African Granite Industries Ltd (construction items), steelRwa Ltd, Great Lakes Cement Co Ltd, Cimerwa Ltd, Kinazi Cassava Plant etc.
- (b) Secure markets, improve on infrastructure, provide technical assistance to boost their competitiveness, train senior management labour force and general appraisal of such firms, develop domestic technology, provide/avail cheap credit etc.

## Topic Area 5: Development Economics

### Sub-topic Area 5.2: Development Process And Strategies

# Unit 11: Development Strategies

*Reference to Student's text Book Unit 11*

### Unit competence

Learners will be able to analyse the contribution of development strategies on the economy.

### Prerequisites for this unit

Alongside agricultural development and industrial development, Rwanda has to take up other development strategies to foster economic growth and development. For example, we need skilled labour that requires a highly developed education system, infrastructural development that aids production, finances to fund such activities, etc. Therefore, this unit addresses such aspects as, education, infrastructure, foreign aid, etc. so as to have better and quick development of agriculture and industrialisation that will spearhead economic growth and development. The unit introduces to learners the aspects and their impact towards the development process of Rwanda. Learners will develop a positive attitude towards the struggle to development in their country.

### Cross-cutting issues to be addressed

While teaching this topic, it will be important to emphasise the cross cutting issue of ***standardisation culture, financial education and gender education***. This is because all these are important issue in development.

### Generic competences

- Co-operation and international management is developed as the learner interacts with others in group activities.

- Communication skills are gained through presentation of findings.
- Critical thinking is also gained through analysing the contribution of education to the development process of Rwanda.
- Lifelong learning is also achieved through research.

### **Vocabulary or key words or concepts in the unit**

***Bilateral aid:*** This is a government to government aid, one country giving aid to the other, major bilateral donors are; Great Britain, U.S.A, China.

***Direct foreign investment:*** These are resource transfers by foreign business people in form of business companies or investments.

***Education:*** This refers to the process of acquiring worthwhile knowledge, skills and values that aid an individual to engage in development activities of his/her country.

***Economic infrastructure:*** This refers to internal facilities of a country that make business activity possible, such as communication, transportation, and distribution networks, financial institutions and markets, and energy supply.

***Formal education:*** This is a set of worthwhile knowledge, skills and values obtained from organised institutions, monitored by qualified personnel and following a well-made curriculum.

***Foreign Aid:*** This is the international transfer of resources either on loan or grant from one country to another.

***Grants:*** These are resource transfers that do not require any repayment.

***Hard loan:*** This type of a loan attracts a high interest rate, a very short or no grace period and a very short repayment period.

***Informal education:*** This is a set of worthwhile knowledge, skills and values obtained from outside the formal set up. This can be got from anywhere, anyone especially an adult can be an instructor and no organised curriculum, anything can be studied anytime.

**Infrastructure:** This can broadly be defined as long-term physical assets that operate in economies and enable the provision of goods and services that are geared towards development of the country.

**Loans:** These are resource transfers which must be paid back with or without interest.

**Man power aid:** These are resource transfers to developing countries in form of high level qualified personnel like teachers, economists, technicians, doctors, researchers, etc.

**Medical aid:** This is extended to developing countries in form of drugs, medical research, and construction of health centers to improve upon the health of people.

**Multilateral aid:** This is aid from multilateral companies and international agencies. Major multilateral donors are; USAID, UN, I.M.F, world bank among others.

**Soft loans:** These are given with a long grace period, long repayment period and a very low or no interest at all.

**Social Infrastructure:** This is a combination of basic facilities which are necessary for human development.

**Tied aid:** This is extended to the recipient country with strings attached. It is sent to serve a specified purpose and sometimes in a specified place.

## Guidance on the problem statement

Learners have learnt different units that relate to the growth and development path of Rwanda. Task them to think on any other development aspect that can bring about sustainable growth and development in Rwanda. This unit entirely deals with different strategies that Rwanda need to put up in different sectors to spear head her development goals. Learners will be tasked to critically analyse some fields, their weaknesses and will develop an attitude towards streamlining such areas or sectors. Try Activity 1 on page 430 in the Student's Book.

## List of lessons/ lesson map on Development strategies

|           |  |
|-----------|--|
| Lesson 1: | Education as an investment and a consumer good                             |
| Lesson 2: | Role of education to development.  |
| Lesson 3: | Problems faced and measures to promote the education sector.               |
| Lesson 4: | Features, forms and need for foreign aid.                                  |
| Lesson 5: | Why donors give aid and problems of relying on foreign aid.                |
| Lesson 6: | Utilisation of aid, reasons why donor countries are reluctant to give aid. |
| Lesson 7: | Role of infrastructure in economic development.                            |
| Lesson 8: | Unit assessment.   |



### Lesson 1: Education as an investment and a consumer good

*Student's Book Unit 11.*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Compare and contrast the forms of education:
- Describe education as an investment and consumer good.

#### ***Prerequisites for the lesson***

Basing on learner's daily life experiences and knowledge acquired from previous lessons on agriculture and industry, introduce education as a development strategy. Relate it with what learners know about education in their country and its contribution to development. Thereafter relate to the day's lesson.

#### ***Teaching aids***

Student's Book, other textbooks recommended by the teacher, internet access, and other relevant economics sources.

#### ***Learning activities***

**Step 1:** Learners in groups describe education as an investment and as a consumer commodity and present their findings to the whole class. Teacher guides the discussions and presentations.

***Expected answers to Activity 1 Questions a) to c),***

***Unit 11 from the Student's Book:***

- a) Education refers to the process of acquiring worthwhile knowledge, skills and values that aid an individual to engage in development activities of his/ her country.
- b) The type of education that the government of Rwanda offers to its citizens is formal education because it obtained from organized institutions, monitored by qualified personnel and follows a well-made curriculum.
- c) The government of Rwanda has embarked on reforms aiming at improving every aspect of quality education in order to;
- Increase technological knowledge of labour thus promoting economic development.
  - Encourage innovation and invention that may lead to development of technology in the country.
  - Improve peoples' standards of living as they get exposed to different ways of life.
  - Break cultural rigidities since people have knowledge about the outside world hence, they can implement what they study about the outside world.
  - Save foreign exchange spent on expatriates
  - Reduce the subsistence sector since the educated will be in search for money therefore, they will engage in commercialized agriculture.
  - Widen the tax base since it provides employment to the people after studying and still in the education sector employment opportunities are created.
- Reduce the population growth rate since the educated are knowledgeable about the control measures and the dangers of population explosion.

*Note: Be broad minded to receive other correct responses.*

Like any consumer commodities, education is regarded as a consumer commodity because:

- It enables people to enjoy direct utility from knowledge and skills they acquire.
- Learners usually are end users of the skills they acquire.
- It improves the welfare and social status of individuals.



- It enables people share cultures and enjoy experiencing them.

### ***Assessment of the lesson***

Ask learners any question that regards the lesson to check whether learning objectives have been achieved. For example;

How is education an investment?

What causes many learners not to finish school?



## **Lesson 2: Role of education to development**

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*Student's Book Unit 11.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the role of education in development.
- Appreciate the role of both formal and informal education towards human development.

### ***Prerequisites for the lesson***

Refer to the previous lesson and guide learners discover that it's important to have high levels of education in order to foster development.

### ***Teaching aids***

Student's Book, other text books recommended, internet access, and other economics source.

### ***Learning activities***

**Step 1:** Learners in groups with reference to Activity 2 (i) page 432, discuss and present to the whole class the advantages and disadvantages of education in economic development.

### ***Expected answers for Activity 1 Question (d) in the Student's Book***

Positive role of education to development:

- It increases technological knowledge of labour and this can help in skill development necessary for development.
- It encourages innovation and invention which may lead to development of technology in the country.

- It encourages people to acquire good standard of living. This is because the people get exposed to different ways of life.
- It breaks cultural rigidities since people have knowledge about the outside world hence they can implement what they study about the outside world.
- It saves foreign exchange spent on expatriates since the country is able to produce its own citizens that can do the work of the expatriates.
- It reduces the substance sector. This is because educated people engage in commercialised agriculture.
- It widens tax base as it creates employment opportunities.
- It may lead to reduction in the population growth rate since the educated have knowledge of family planning methods.

Negative role of education:

- High demonstration effect by the educated people causes BOP problems.
- May not solve unemployment especially when it is theoretical.
- Leads to rural urban migration since learners are prepared for white collar jobs in towns.
- May lead to brain-drain due to low paying jobs at home and this retards domestic development.
- Accelerates income inequality between the educated and uneducated.

### ***Synthesis***

Teacher together with learners, base on the discussions and the lesson content in the Student's Book and other related economics sources to harmonise their points. Learners write down notes.

### ***Assessment of the lesson***

Ask learners to explain how education has been important to them and society where they come from. (respect all views with regard to importance of education)



## Lesson 3: Problems faced and measures to promote the education sector

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*Student's Book Unit 11.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify the problems facing education sector in Rwanda.
- Suggest possible measures to improve education levels in Rwanda.

### ***Prerequisites for the lesson***

Ask learners to reflect on the education system of Rwanda and share their views with each other. Ask them to be free and to share the challenges they face as they are studying.

### ***Teaching aids***

Student's Book, other recommended text books, internet, books on education reports etc.

### ***Learning activities***

**Step 1:** Learners in groups discuss the problems faced by the education sector and the measures to promote education. Thereafter they present to the class as you guides them. (*Refer to questions in Activity 2 (ii) &(iii) Unit 11.*)

### ***Expected answers for Activity 1 Questions e) & f), Unit 11 in the Student's Book***

- (e) Problems faced by the education sector in developing countries:
- There is limited motivation to teachers, they are underpaid and this keeps their morale down.
  - There are limited skilled and specialised personnel at all levels. Most qualified instructors move to other sectors and even abroad where they can have better remuneration.
  - There are limited teaching/learning materials, most of the subjects are theoretically taught, and this keeps the education sector backward.

- The education curriculum in developing countries is still colonial based. Most of the subjects taught and their content is no longer relevant, they train learners for white collar jobs, they make more job seekers than job creators. This accounts for the rampant unemployment in the country.
  - There is high school dropout especially among the females because of different reasons. It leads to lack of clients in the institutions.
  - Poverty among people makes them fail to send their children to school.
  - Lack of enough funds for the education sector.
  - Desire for quick money makes children abandon school. It hinders the country's major objective of education for all.
  - Some parents prefer to educate boys compared to girls. This accelerates gender inequality, hence income inequality among the males and females.
- (f) The government implemented policies over the years to ensure there is a high literacy rate among the population in Rwanda include:
- Changing the curriculum to competence based from the knowledge based.
  - Vocationalisation of the education sector so as to produce learners that have practical skills and can start their own businesses instead of waiting for employment.
  - Increasing the motivation of the teachers so that they can carry out their activities genuinely and professionally.
  - Cost sharing, to avoid school dropouts. Here the governments can undertake paying part of the learner's tuition and the learners pays a smaller part.
  - Policies for girl child should be embarked on through reducing their entry points at the higher institutions of learning and also when recruiting for secondary

schools. Organisations such as Imbuto Foundation in Rwanda has had a major role in girl child education.

- Promotion of universal education.
- Education loans should be given.

### ***Synthesis***

Base on the learners' presentations and content notes in the Student's Book pages 434-435 or any other related economics source to harmonise learners' discussion.

### ***Assessment of the lesson***

Let learners give experiences of challenges in the education sector within their local settings, identify the responsible people to provide tangible solutions to such challenges so as to increase the benefits of education.

### ***Expected answers***

For challenges, take any view by the learners as long as its related to education.

Responsible people may be: learners, parents, teachers, education stakeholders and the community at large.

For solutions, refer to the points mentioned in the activity above.



## **Lesson 4: Features, forms and need for foreign aid**

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*Student's Book Unit 11*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Define foreign aid and explain its forms.
- Analyse the need for foreign aid in an economy.

### ***Prerequisites for the lesson***

Review the previous lesson. Guide learners to discover that where there are little finances in LDCs they need to supplement it with aid from other countries. Thus the day's lesson of foreign aid. Task learners in pairs to do and present their findings on activity 3 (i) &(ii) Unit 11 in the Student's Book.

### ***Teaching aids***

Student's Book, other recommended text books, internet, and relevant economics sources.

### ***Learning activities***

Referring to question (iii) in Activity 3, learners in whole class discussion present their views on why countries seek aid. Guide the discussion.

### ***Expected answers for Activity 2 Questions a – c Unit 11 in the Student's Book***

- a) The major theme of concern depicted in the photos & statement is foreign aid.
- b) The photos with regard to the answer mentioned in 'a' above are classified as follows:
  - A) Medical aid
  - B) Food aid
  - C) Financial aid
  - D) Educational aid.
- c) Refer to the need for foreign aid in the Student's Book unit 11 for why some countries request for such items as seen in the photos A, B, C&D form others.
- d) Assess the impact of such and more other items to the recipient countries.
- e) It is really a question of dignity, our 'agaciro'. With reference to the statement above, why do you think the government of Rwanda emphasizes the issue of "our agaciro"?

### ***Synthesis***

Together with learners, base on the learners' presentations and content in the Student's Book Unit 11 and any other relevant economics resource, to harmonise the discussions. Learners write down the harmonised points.

### ***Assessment of the lesson***

Assess learners progress by asking questions related to the lesson. e.g. task learners to give different forms of aid Rwanda normally gets from other countries and why? (*learners based on the lesson give different forms of aid and the reasons for such aid*).



## Lesson 5: Why donors give aid and the problems of relying on foreign aid

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*Student's Book Unit 11.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the reasons why donors give aid to other countries.
- Describe the problems of over relying on aid.

### ***Prerequisites for the lesson***

Basing on the background on the need for aid by LDCs, ask learners to share reasons why they think donors give aid.

### ***Teaching aids***

Learner's Book, other economics recommended textbooks, internet access, other economics sources.

### ***Learning activities***

**Step 1:** Learners in groups discuss and present their views on reasons why countries give aid and the problems of relying on the foreign aid. (*Refer to Activity 4 in the Student's Book Unit 11.*)

### ***Expected answers to activity 2 d & e, Unit 11 in the Student's Book***

- d) Why developed countries give aid.
- To get more commercial gains. Aid in form of multinational companies is profit motivated.
  - To alleviate the effects of catastrophes.
  - To control valuable natural resources in the recipients.
  - To have military superiority.
  - To dispose-off their outdated machines and obsolete technology and fashions that was not bought in time.
  - To create a dumping ground for their poorly manufactured commodities and other surpluses.
- e) Problems of relying on foreign aid.
- It worsens the debt servicing problem.
  - There is high balance of payment deficit.
  - Sometimes the technological aid given is inappropriate.

- Sometimes the pre-conditions set for foreign aid are disastrous for the country.
  - Tied foreign aid is sometimes tied to unproductive projects like digging boreholes in rural areas, financing wars; etc.
  - The political strings tied to the aid ruins the country's independence.
  - It slows down initiative and hard work.
  - It distorts planning of developing countries.
  - It reduces local production.
- f) It is really a question of dignity, our 'agaciro'. With reference to the statement above, why do you think the government of Rwanda emphasizes the issue of "our agaciro"?

### ***Synthesis***

Harmonise learners' discussion based on their presentation and the content in the Student's Book Unit 11.

### ***Assessment of the lesson***

Ask questions about the lesson to assess the achievement of the lesson objectives. For example;  
Are there situations when donor countries do not help the receiving country?



## **Lesson 6: Utilisation of aid, reasons why donor countries are reluctant to give aid**

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*Student's Book Unit 11.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain how aid can be utilised.
- Analyse why LDCs have low absorptive capacity.
- Examine the reasons why donors are at times reluctant to give aid.



***Prerequisites for the lesson***

Guide learners to discover that aid given needs to be used efficiently so as to fulfill the aim for which it was sought. If not well utilised, it results into economic decline.

***Teaching aids***

Student's Book, other recommended text books, internet, and other economics sources.

***Learning activities***

**Step 1:** Learners in whole class discussion explain and present their views on how foreign aid can be utilised. Guide the discussions.

***Expected answers to Activity 2 f), g) Unit 11 in the Student's Book.***

- f) The government is emphasizing the issue of “our agaciro” because it wants to foster her home-grown solutions thus promoting self-sufficiency through;
- Reduction of the seeking for financial assistance & technical aid thus debt burden on the present & future generation.
  - Overcoming the high balance of payment deficit.
  - Developing her own technology & do away with inappropriate technology.
  - Avoiding the disastrous conditions from the donors to the country that hamper development prospects.
  - Promoting her socio-economic & political sovereignty through building internal capacity.
  - Promoting domestic initiatives and hard work.
  - Setting up education reforms to develop their own human resource base.
  - Increasing local production by setting up import substitution industries
- g) Refer to the Student's Book under unit 11 for why donor countries may be reluctant to give aid to some countries

***Synthesis***

Based on learners' presentations and content from the Learner's Book Unit 11 and any other economics resources, to harmonise the lesson's content.

### ***Assessment of the lesson***

Assess the learners to check whether the lesson objectives are achieved. Give questions, e.g;

- (i) Explain why LDCs are unable to utilise aid efficiently.
- (ii) What should be done to improve her absorptive capacity?

### ***Expected answers to the assessment lesson***

- (i) Absorptive capacity refers the extent to which a country can utilise foreign aid and capital optimally. Most LDCs are unable to utilise aid efficiently because of; (low absorptive capacity):
  - Poor infrastructures.
  - Limited projects.
  - Limited skills/ low level of education.
  - Poor government policies.
  - Political insecurity and instabilities in LDCs.
  - Limited resources.
  - Poor technology.
  - Financial indiscipline like corruption and embezzlement of funds.
  - Limited market for their products.
- (ii) How to improve aid utilisation capacity (absorptive capacity) in LDCs.
  - Develop their own technology.
  - Promote peace and security.
  - Develop and rehabilitate their domestic infrastructure.
  - Education reforms.
  - Borrow for self-liquidating projects.
  - Set up strict Anti-corruption agencies.
  - Attract domestic and foreign investors

N.B: Be open minded as learners give their responses.



## Lesson 7: Role of infrastructure in economic development

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### *Student's Book Unit 11*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Identify the different socio-economic infrastructure in Rwanda.
- Evaluate the role of infrastructure in development.
- Appreciate the role of infrastructure development in the development process of Rwanda.

#### ***Prerequisites for the lesson***

Ask thought provoking questions as a way of introducing the learners to a new lesson. E.g what entails infrastructure? Would Rwanda economy develop without infrastructural development?

#### ***Teaching aids***

Economics textbook related to the unit, internet, newspaper with economics related issues on the unit and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners do Activity 6 (i) and (ii) in the Student's Book Unit 11 i.e the role of infrastructure in economic development.

**Step 2:** Learners through whole class discussion, present their views on the role of infrastructure in development. Refer to Activity 6(iii) in the Student's Book Unit 11:

#### ***Expected answers to Activity 3, Unit 11 Student's Book.***

- i) The photos in figure 2 represent the following;
  - A) Health facilities
  - B) Road network
  - C) Education facilities
  - D) recreational facilities.
- ii) The general economic term given to the above facilities collectively is infrastructure.

- iii) Let learners give other examples of infrastructure.
- iv) Refer to the role of infrastructure to the development process of Rwanda's economy

*Note: Be receptive to other correct answers.*

### ***Synthesis***

Base on the presentations from learners, and content from the Student's Book Unit 11 to give a conclusive remark. Entertain any questions from learners for clarity.

### ***Assessment of the lesson***

Task learners to identify different examples of infrastructure from their home areas and let them share to the whole class their role towards the development of their local areas and country at large. (*accept all views from learners related to infrastructure and their role towards development*).



## **Lesson 8: Unit assessment**

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*Student's Book Unit 11*

### ***Learning objectives***

By the end of the lesson, learners will be able to analyse the contribution of development strategies on the economy.

### ***Prerequisites for the lesson***

Prepare learners for the assessment exercise. Refer to the *Student's Book Unit 11*. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners.

**Step 2:** Learners do the assessment exercise as you supervise them.

**Step 3:** When time is over, collect their written work and take it for marking and for corrections.

### ***Synthesis***

Refer to end of unit assessment in the Student's Book on page 448. Have a general discussion on what was required of the questions provided.

### ***Assessment of the lesson***

To check whether the learning objective was achieved, ask more related questions to the whole unit e.g.

How is education and foreign aid important to your life? (Accept learner's ideas as long as they are relevant)

## **End of unit**

### **Summary of the unit**

This unit elaborates development strategies of education, foreign aid as well as infrastructural development. The role and the contribution of the above strategies is well explained in the unit and how to achieve them. (Refer to Student's Book Unit 11).

## **Additional information for the teacher**

### **1. Infrastructure in Rwanda**

Rwanda understands the importance of infrastructure in the development of a competitive private sector. The government continues to invest heavily in infrastructure. Almost a tenth of Rwanda's annual budget is committed to transport and other infrastructure. To develop a vibrant private sector, Rwanda is investing in roads, rail and water transport infrastructure with the intent of dramatically reducing the cost of transport to businesses and individuals.

In addition, the transformation of Rwanda's economy works hand in hand with a greater urbanisation of the country. The current percentage of population living in urban settlements is of 15% and this number shall increase to 35% by 2017. The shift has already started and more urban settlement will be developed as well as secondary cities in combination with Kigali.

## **Opportunities for investment**

- Roads: The major road infrastructures open for investments are both located in the rural and urban areas.
- Kibungo-Ngoma-Nyanza (130Kms): This road aims to connect the South East to South West part of Rwanda.
- Nyagatare-Byumba-Base (130Kms) located in the North West and North East of the country.
- Kigali Ring road (80Kms): This project could be developed through a public private partnership.
- New Bugesera Airport Expressway: The road will connect the new airport to Kigali City (40Kms).
- Feeder Roads are rural roads that connect farmers to local markets.
- Urban roads shall be developed in Kigali and in every secondary city.
- Air transport

The project is to develop a new modern international airport at Bugesera. This airport will provide both extra capacity for passenger transport and also will develop the cargo freight. The New Bugesera International Airport target is to become an international hub in East Africa and beyond. This project will also increase significantly the land value in the airport area and attract more private investment and urban development.

## **Railway**

Rwanda wants to develop two major regional lines. The Dar-es-Salaam- Isaka Kigali railway project is estimated to 5 billion US dollars. The project is composed of the line rehabilitation in Tanzania and of the construction of the new Isaka-Kigali line of 494 kms in length (355km in Tanzania, 139km in Rwanda).

The Mombasa–Nairobi-Kampala-Kigali is the other railway route to unlock Rwanda and provide direct connection to the Indian Ocean. The project cost estimate is of 13 billion USD.

## **Inland Water Transport**

The idea is to develop the inland water transport for the transportation of goods and passengers on the Kivu Lake. The waterway will connect the cities of Rubavu, Karongi and Rusizi with the construction of new terminals and equipment of new ships.

## **Public transportation**

With the economic development there is an urgent need to develop a modern Public Transportation System. In Kigali the public transportation system shall be organised around a new Bus Rapid Transit System (BRT) composed of 43Kms of dedicated bus lanes. Also the government of Rwanda is in the process to restructure its public transport operator ONATRACOM to make it a private company.

## **2. Education in Rwanda**

Rwanda considers education a critical investment for the country's future growth and development. This is evidenced by the increased share of the national budget allocated to the education sector, which is projected to increase from 17% in 2012/13 to 22% in 2017/18.

In the past few years, the education system in Rwanda has gone through an impressive period of growth especially in terms of access. Still, the country faces many challenges such as the onerous task of double-shift teaching for the primary school teachers and the language transition from French to English for grades 4 and above, which has been very difficult for teachers who do not have adequate time to improve their proficiency in English language.

The concepts of universal equitable access and quality education provision are the foundation of the Education Sector Strategic Plan (ESSP) 2013/14 -2017/18. This plan builds upon the national priority of making quality twelve-year basic education available for all children and also reflects the country's mission to make education at all levels more accessible.

The ESSP outlines three main goals:

- Promoting access to education at all levels
- Improving the quality of education and training
- Strengthening the relevance of education and training to meet labour market demands.

- Equity in access to education is emphasised to ensure that disadvantaged students, such as girls, the poor and the impaired, have access to quality learning opportunities.

The following expected outcomes have been developed based on the goals mentioned above:

- Expand access to 12 years of basic education.
- Increase access for learners with special needs.
- Improve learning outcomes across primary and secondary education.
- Ensure qualified, suitably-skilled and motivated teachers.
- Increase equitable access to relevant, high-quality, demand-driven TVET programmes.
- Increase equitable access to affordable higher education.
- Improve access to school readiness programmes.
- Strengthen performance in science, technology and innovation at all levels.
- Increase access to adult basic education to improve adult literacy and numeracy.
- Improve administrative and management support services.



**End of Unit 11 assessment answers (Student's Book Unit 11)**

1. Importance of education

- Increases technological knowledge of labour.
- Encourages innovation and invention.
- Encourages people to acquire good standard of living.
- Breaks cultural rigidities.
- Saves foreign exchange which would be spent on expatriates.
- Reduces the subsistence sector.
- Widens the tax base.
- May lead to reduction in the population growth rate.

Problems faced by the education sector:

- There is limited motivation to teachers, teachers are underpaid.
- There are limited skilled and specialised personnel at all levels.
- There are limited teaching/learning materials.
- High school dropouts.
- Poverty among the people.
- Lack of enough funds for the education sector.
- Desire for quick money makes children abandon school.
- Some parents prefer to educate more of the boys than girls.

2. Why foreign aid in Rwanda is a curse:

- It worsens the debt servicing problem.
- There are high balance of payment deficits.
- Sometimes the technological aid given is inappropriate.
- Sometimes the preconditions set for foreign aid are disastrous for the country.
- Tied foreign aid is sometimes tied to unproductive projects.
- The political strings tied to the aid ruins the country its independence.

- Foreign aid slows down initiative and hard work.
- Foreign aid erodes the social and cultural values of nationals.
- Foreign aid distorts planning of developing countries.
- Foreign aid reduces local production.

Why foreign aid is a blessing in Rwanda:

- Foreign aid increases a country's resources.
- Foreign aid helps a nation to alleviate the effects of catastrophes.
- Foreign aid closes the manpower gap.
- Foreign aid improves upon the technology in developing countries.
- Foreign aid provides employment opportunities to people in LDCS.
- Foreign aid closes the foreign exchange gap in developing countries.
- Foreign aid strengthens international relations.

3. Why countries give foreign aid:

- To get more commercial gains.
- To alleviate the effects of catastrophes.
- To control valuable natural resources in the recipients.
- To have military superiority.
- To dispose off their outdated machines and obsolete technology and fashions that was not bought in time.
- To create a dumping ground for their poorly manufactured commodities and other surpluses.
- To extend political influence to the recipients.
- In the early days it was to extend ideology to other nations.

4. Importance of infrastructure in Rwanda:

- It provides services that are part of the consumption bundle of residents.
- Large scale expenditures for public works increase aggregate demand and provide short-run stimulus to the economy; and
- It serves as an input into private sector production.
- Education is a very important source of economic growth as the *Denison study shows*.
- Health, like education, is a very important argument in the socioeconomic production function.

- Investment in infrastructure is often considered as one of the most effective tools for fighting poverty.
- Access to infrastructure is essential for improving economic opportunities and decreasing inequality.
- Housing enables people to have a peace of mind and thus also improves their standards of living and livelihoods.
- Sports facilities are used for cocurricular activities that enable to have a disease free body.
- Prisons as part of correction centers and justice help to educate and bring right the people who may have created offences.
- Bus stations, car parks, rides and communication centers help to connect people through transit.

## Remedial activity

1. Describe:
  - (i) Yourself how would be if you had not gone to school.
  - (ii) An area without infrastructure.
  - (ii) A country that relies on foreign aid.

### *Expected answers*

- (i) Give characteristics of uneducated people e.g. unskilled, illiterate, conservative and traditional, ignorant, diseased, poor, unproductive, early marriages, etc.
- (ii) Areas without infrastructure are characterised by; low productivity, poor transport and communication, low or no savings, low investment, underdeveloped, ruralessness, diseased, high illiteracy rates, subsistence production, bad governance etc.
- (iii) A country that relies on aid is characterised by; dependence syndrome, low development, laziness, ignorance, demonstration effect, extravagancy, lack of independence, etc.

***Consolidation activities***

1. (a) Now that you got a chance to go to school and you are educated, what advice can you give to parents and children over education?
- (b) How has infrastructure promoted economic growth and development in your district?

***Expected answers***

- (a) Refer to the role of education in the Student's Book Unit 11.
- (b) Refer to the role of infrastructure in development in the Student's Book Unit 11.

***Extended activity***

1. (i) What should Rwanda do to break the vicious cycle of foreign aid?
- (ii) How would breaking vicious cycle of poverty promote development in Rwanda?

***Expected answers***

- (i) Increase incomes of people through for example increasing government expenditure, encourage savings, promote investments which will reduce the urge to seek aid thus encouraging productivity and thus self-sustenance.
- (ii) It will increase incomes of people thus improving their standards of living, increasing savings thus promoting investment. This increases productivity in the economy, increases incomes and that is development.

## Topic Area 5: Development Economics

### Sub-topic Area 5.3: Economic Development Planning

## Unit 12: Planning

*Reference to Student's text Book Unit 12*

### Unit competence

Learners will be able to analyse the need for economic planning of an economy.

### Prerequisites for this unit

From the previous unit on development strategies, learners need to understand that to achieve those strategies there is need for a well-built planning system. This helps in the allocation of resources to different sectors in order to attain equitable development of all regions, sectors and persons in the country. In this unit therefore, learners should analyse the importance of planning in Rwanda, the limitations therein and be in position to design possible measures to help in the planning process of the country, and where possible sacrifice their resources and time to facilitate and effect the planning process in Rwanda.

### Cross-cutting issues to be addressed

While teaching this topic, it will be important to emphasise the cross cutting issue of standardisation and financial education to enable them develop the culture of saving and planning for the future.

### Generic competences

- Co-operation and interperonal management is gained through group activities assigned by the teacher.
- Communication competences are gained through presentations of research findings about economic planning.

- Critical thinking is developed through analysing the rationale and obstacles of planning in LDCs.
- Lifelong learning is a competence that learners develop through research activities in economy planning.

### **Vocabulary or key words or concepts in the unit**

***Annual plan:*** This is a plan which cover a short term period of time usually a year.

***Bottom to top planning:*** This is a type of planning which starts from the grass roots where the plan is formulated by the local authority after consulting different units such as ministries and local people and then sent to the central authority for approval and financing.

***Capitalist plan:*** This is a plan common in market economies which emphasises the private sector as a way to bring development.

***Comprehensive plan:*** This is one which covers all sectors of the economy.

***Comprehensiveness:*** A good plan should cover the whole economy because of the linkages among the sectors.

***Consistence:*** A good plan must be consistent and must avoid any contradictions in the economy.

***Compatibility:*** A good plan should be able to use the available raw materials.

***Development planning:*** This refers to a deliberate government attempt to influence and direct economic resources and activities towards specific objectives in a specified period of time.

***Economic development planning:*** This focuses on government's attempt to influence and direct resources with an aim of achieving economic objectives.

***Feasibility:*** A good plan should be politically and administratively feasible so as to make its implementation easy.

***Indicative plan:*** This is a plan prepared by the government and it provides information to the private sector without influencing their decisions directly.

***Integrated public investment plan:*** This is where the government estimates the national resources and allocates them among sectors and projects according to order of priority.

***Imperative plan:*** This is a plan prepared and implemented by the central authority in consultation with various organs, offices and agencies.

***Medium term plan:*** This is a plan which covers between 3-10 years.

***Macro level planning:*** This is planning for the economy as a whole.

***Micro level planning:*** This is planning for a few sectors in the economy.

***National economic plan:*** This is a plan for the whole nation which has to be consistent with the national resources.

***Optimality:*** Planners should take into account the resources available and plan to exploit them in the most efficient way.

***Proportionality:*** A good plan must be on regional level than concentrating on a small area.

***Perspective:*** This is a plan which covers more than 25 years and has got long term objectives intended to bring about development in the economy.

***Project plan:*** This is a plan undertaken by agencies like parastatals, farmers where by output is produced taking into account the resources available.

***Partial plan:*** This is a plan prepared on sectoral level such that it may cover one sector or part of the economy. It may also be called fragmentary or micro plan.

***Project by project plan:*** This is a plan which covers only the public sector and identifies projects which may not be directly related to the national development plan.

***Relevance:*** A good plan should be in line to achieve the intended goals and objectives because this makes it socially important.

***Regional plan:*** This is a plan which integrates all activities, programmes and projects within the region aimed at attaining national objectives.

***Socialist plan:*** This is a plan not based on market mechanism but by the government which owns and allocates resources by administrative directives.

***Sequencing:*** This principle involves putting in place minor projects to facilitate the major ones.

***Sectoral plan:*** This is a plan for individual sectors like agriculture, industry and such a plan can be made as part of the national plan by the relevant ministries.

***Top to bottom planning:*** This is a form where the whole process is under the central planning authority which formulates the central plan, sets objectives and goals without consulting the local people. Plans are then forwarded to local authorities for implementation.

### **Guidance on the problem statement**

Having taught the development process and its strategies in Rwanda in the previous unit, the next thing to do is to explore learners on the need to plan for the available resources in the country so as to achieve the stated goals of development. They should know, analyse and appreciate why it requires engaging different persons in the development process of the country. Task them with a research topic on why they think it is necessary to plan, who should be involved and how should planning be done for effective results. Allow them time to research, share and discuss for general consensus of the subject matter. This will help them acquire skills on planning and develop a positive attitude towards full participation in the planning process where necessary and provide requirements for planning for the well-being of the entire Rwandan society.



## List of lessons/ lesson map on Planning

|                  |  |
|------------------|--|
| <b>Lesson 1:</b> | Characteristics of good development planning & Pre-requisites for successful planning.             |
| <b>Lesson 2:</b> | Principles of economic development planning and the need for planning.                             |
| <b>Lesson 3:</b> | The planning process, ways of financing development plans and obstacles faced in planning process. |
| <b>Lesson 4:</b> | Classification of plans.   |
| <b>Lesson 5:</b> | Planning under different economic systems.   |
| <b>Lesson 6:</b> | Current development plans in Rwanda- Vision 2020.  |
| <b>Lesson 7.</b> | Economic development and poverty reduction strategies (EDPRS 2).                                   |
| <b>Lesson 8:</b> | Unit assessment.   |



### Lesson 1: Characteristics of good development planning & Pre-requisites for successful planning

#### *Student's Book Unit 12*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the meaning of planning.
- Describe the characteristics of a good development plan.
- Analyse the necessary conditions for planning.

#### ***Prerequisites for the lesson***

Review the previous /unit about development strategies and guide learners to discover that to achieve those development strategies, government needs to have a comprehensive development plan. Tell learners the meaning of development planning, task them to research about the characteristics of a good development plan and the necessary conditions for planning.

#### ***Teaching aids***

Student's Book, other recommended text books, internet, other good books about planning etc.

## ***Learning activities***

**Step 1:** Let learners in groups do Activity 1 Student's Book Unit 12 and share their views with the rest of the class. Guide the discussions.

## ***Expected answers for Activity 1 Question a & b***

(a) Development planning refers to the deliberate government action to influence and direct economic resources towards specific desirable political, social, and economic objectives.

A good plan is characterised by the following:

- It should be as comprehensive as possible. It should cover practically all the sectors of the economy. It should cover both the rural and urban areas.
- It should combine top-down and bottom-up planning approaches through an intensive dialogue between the national, sectoral and local development agencies between the various levels of planning — national, sectoral, district and lower local governments.
- A development plan should be socially relevant, and it must involve the people in a development effort.
- A development plan must be economically feasible. The resources to implement the plan must be available.
- A development plan must be politically and administratively possible. It must be accepted by politicians otherwise it might never be implemented.

(b) Pre-requisites/conditions necessary for successful planning:

- Planning machinery should be organised and subdivided into small departments dealing with various aspects of the economy like economists, statisticians, engineers etc. for proper coordination.
- The objectives and goals of the plan should be well spelt out and should be in the interest of the majority of the society.
- The stated objectives should be consistent and on sectoral basis so as to balance growth in the economy.
- There should be a strong, efficient and incorruptible administration.

- There is need for political stability because instability and insecurity may lead to diversion of all funds which would have been used to finance the plans.
- Public cooperation is also important because the local people also give support when implementing the plan.
- Enough capital should be available for plan formulation and implementation.

### ***Synthesis***

Harmonise the presentations by learners with the content notes in the Student's Book. Learners note down in their books the main points of the lesson.

### ***Assessment of the lesson***

Ask any oral questions concerning the lesson to assess the achievement of the learning objectives. E.g What is planning? Does planning help Rwanda's economy? (Refer to the need and role of planning in the economy).



## **Lesson 2: Principles of economic development, planning and the need for planning**

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*Student's Book Unit 12.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the principles of economic development planning.
- Analyse the need for planning in an economy.
- Appreciate Rwanda's intentions to plan for the country.

### ***Prerequisites for the lesson***

Basing on the previous lesson, explain to learners that planners have to follow certain guidelines when planning so as to achieve the intended objectives.

### ***Teaching aids***

Student's Book, other recommended text books, internet, documents on planning etc.

### ***Learning activities***

**Step 1:** Learners in groups do library/internet search on the principles of planning and present their findings to the whole class.

### ***Expected answers***

- Consistence.
- Proportionality.
- Comprehensiveness.
- Optimality.
- Feasibility.
- Relevance.

*Note: Be receptive to other correct answers.*

**Step 2:** In whole class discussion, learners present their views on why government needs to plan for her economy. (*Refer to Activity 2 in the Student's Book Unit 12*).

### ***Expected answers for activity 1 question C.***

Reasons why the two provinces of Kigali & Eastern carried out planning:

- For optimum allocation of resources in the economy so as to eliminate imbalances in resource allocation.
- It helps the economy in mobilising funds from international organisations since they give funds according to the plans made.
- It helps to remove price instabilities and attain a favourable balance of payment equilibrium.
- To eradicate the defects of price mechanism; the automatic forces of demand and supply sometimes show weaknesses in efficiently allocating resources in an economy; these weaknesses are ironed out by development planning.
- Plans are needed to bring up a balance between the private and the public sector.
- To attain a higher level of economic growth and development.

### ***Synthesis***

Use the Student's Book content on Unit 12 and any other economics resource, harmonise the learner's discussion. Allow learners to ask questions where possible.

***Assessment of the lesson***

Ask oral questions related to the lesson to check on the achievement of the lesson objectives.

Must the government of Rwanda carry out planning?



### **Lesson 3: The planning process, ways of financing development plans and the problems met in the planning process**

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*Student's Book Unit 12.*

***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the planning process.
- Identify the sources of funding for effective planning.
- Discuss the obstacles met while planning.

***Prerequisites for the lesson***

Guide learners to discover that as we need planning, we need to take a certain trend to achieve the intended objectives. There needs to be a defined source of funding. However, it's not always easy for the process to be completed effectively due to different obstacles, both socio-economic and political.

***Teaching aids***

Student's Book, other recommended textbooks, internet, and other sources.

***Learning activities***

**Step 1:** Learners in groups do Activity 3 Unit 12 in the Student's Book and present their findings to the class. Guide the lesson.

***Expected answers for Activity 2***

- (i) (a) Plan preparation:
- Data gathering,
  - Data analysis,
  - Goals and objectives setting,
  - Generation of alternatives,
  - Evaluation and selection of preferred alternatives,
  - Detailing and refinement of preferred strategies.

- (b) Plan adoption: this involves accepting the plan which is on paper.
  - (c) Plan implementation; this involves putting the plan that has been laid on paper on the ground for action.
  - (d) Plan evaluation; this involves checking whether what was planned is what has been implemented on ground.
- (ii) Sources of financing development plans shown in case study 1 are;
- From the central government
  - Foreign aid. (loans & grants)
- Other sources of financing development plans not shown in case study 1 include;
- Through internal public borrowing
  - Through deficit financing.
  - Through taxation to raise revenue.
  - Relying on local savings.
  - Use of ploughed back profits from province.
  - Sale of provincial assets.
  - Fines & penalties from the law breakers in the provinces
  - Etc.
- (iii) Factors that might have hindered the success of the two provinces' economic plans.:
- Over ambitious plans.
  - Insufficient and unreliable data.
  - Unexpected social and economic disturbances.
  - Institutional weaknesses.
  - Lack of political will.
  - Inadequate resources.
  - Unqualified manpower.
  - Poor sequencing.

### ***Synthesis***

Based on the learners' presentations and content in the Student's Book, harmonise the discussions. Learners should be given chance to ask questions and express their views.

***Assessment of the lesson***

Ask oral questions on the lesson to check the achievement of the lesson learning objectives. For example, How can development plans in Rwanda be financed? (Accept all relevant views from learners).

**Lesson 4: Classification of plans**

*Student's Book Unit 12*

***Learning objectives***

By the end of the lesson, learners will be able to:

- Categorise different plans.
- Explain the different types of plans.
- Contrast the different plans.

***Prerequisites for the lesson***

Basing on the background of the previous lessons, introduce the lesson, telling learners that there are different types of plans that can be undertaken by different economies or with in the same economy.

***Teaching aids***

Student's Book, other recommended text books, internet access etc.

***Learning activities***

**Step 1:** Learners in pairs do Activity 4 in the Student's Book Unit 12 and share their views to the whole class. Teacher guides the discussion.

***Expected answers for activity 3 question a & b).***

- a) Refer to classification of plans in the Student's Book under unit 12.
- b)
  - i) The form of planning that was done by Kigali city & the eastern province is partial planning since the plan wasn't covering the entire nation.
  - ii) the planning by the two provinces is good because of the following reasons.

- It is cheap and easy to administer because it economizes the use of skilled manpower which is a problem in Rwanda.
- It allows planners to concentrate on a few vital sectors which they can develop successfully and achieve economic growth.
- It develops skills of planners which they can use to take more comprehensive plans.
- It is easy for implementation because it's in the financial reach of the country.
- It requires less data which can be got easily since it covers a small sector.
- It is suitable because of wide difference in the level of development between regions.
- Political instabilities in some regions make it a good idea to develop some areas first and others later.

However, the form of planning by the two provinces isn't good because of the following reasons.

- It leads to wastage of resources because of many uncoordinated plans.
- The economic objectives of the plan may turn out to be divergent on implementation. I.e. what is planned may not be what is implemented.
- Investments may not be regulated in an economy and this may lead to inflation.
- It leads to regional imbalances since the Eastern province & Kigali city may develop at the expense of others.

It may lead to underutilization of resources since some areas are not planned and catered for..

**Step 2:** Learners in groups do activity 3 question c) d) & e) through discussion and sharing of ideas. Thereafter present their findings with the guidance from the teacher.

***Expected answers for activity 3 question c) d) & e).***

- c) Refer to advantages of partial plan & disadvantages of comprehensive plans under unit 11 in the Student's Book



for the view that Rwanda should adopt a partial plan rather than a comprehensive one for her faster economic growth and development.

### ***Synthesis***

Harmonise the discussions based on the presentations and the Student's Book content page 462-465. Explain points that are not clearly discussed by learners.

### ***Assessment of the lesson***

Task learners with a home work e.g. What is a comprehensive plan and what are the arguments for and against it?

### ***Expected answers***

- A comprehensive plan is that plan which covers all sectors of the economy.

Arguments for a comprehensive plan:

- Encourages interdependence through linkages.
- Full utilisation of resources.
- Sectoral and regional balance.

It allows economic growth to go hand in hand with development.

- Solves economic problems e.g. unemployment

*Note: Be receptive to other correct answers.*

Arguments against comprehensive planning.

- It is expensive.
- In case plans fail, there is a lot of wastage.
- Difficult to monitor all sectors at ago.
- It is limited by inadequate funds in LDCs.
- May result into monetary inflation.

*Note: Be receptive to other correct answers.*



## Lesson 5: Planning under different economic systems

*Student's Book Unit 12.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Contrast the different plans under different economic systems.
- Explain their advantages and disadvantages.
- Identify the type of planning in Rwandan economy.

### ***Prerequisites for the lesson***

Review the previous lesson and relate it with the day's lesson. Guide learners to discover that different economic systems plan differently. This is because the system of resource allocation is different in different economies.

### ***Teaching aids***

Student's Book, other recommended textbooks, internet access, etc.

### ***Learning activities***

**Step 1:** Learners in groups discuss and present their views on the different plans under different economic systems. (*They refer to to Activity 6 from the Student's Book Unit 12.*)

### ***Expected answers for activity 3 questions d) & e)***

- d) Let learners express their views on the most ideal planning mechanism that tackles economic issues in an economy efficiently with the guidance of teacher. Refer to the advantages & disadvantages of Centralized and decentralized planning in the Student's Book under unit 11.,
- e) Match the following with their correspondences.

|                      |  |
|----------------------|--|
| a) Capitalistic plan | 3. are made in favour of private investors.    |
| (b) Medium term      | 4. cover between 3-10years.                    |
| (c) Sectoral plan    | 1. for individual sectors like agriculture     |
| (d) Regional plan    | 2. integrates all activities within the region |

**Synthesis**

Harmonise learners' presentations and content notes in the Student's Book. Explain the forms of planning clearly comparing their advantages and disadvantages.

**Assessment of the lesson**

Ask oral questions about the lesson to assess the achievement of the learning objectives of the day's lesson e.g.

Which form of planning is manageable by the Rwandan government? Why?



## Lesson 6: Current development plans in Rwanda-Vision 2020

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*Student's Book Unit 12.*

**Learning objectives**

By the end of the lesson, learners will be able to:

- Explain the pillars of vision 2020.
- Describe the cross cutting priorities in vision 2020.
- Discuss the objectives of vision 2020.
- Evaluate the achievements of vision 2020.

**Prerequisites for the lesson**

Basing on the knowledge about the previous lessons, guide learners to know that there are long term plans that Rwanda put to be achieved up to 2020. Thus there is need to analyse the progress of those plans by the government.

**Teaching aids**

Student's Book, other recommended textbooks, internet access, relevant economics sources.

**Learning activities**

**Step 1:** With reference to Activity 4 in the Student's Book page 468, learners in groups do library or internet research about vision 2020 and:

- Describe its background.
- Explain the pillars of vision 2020.
- Discuss the cross cutting priorities in the 2020 vision.

**Step 2:** Let learners' groups present their findings to the class. Facilitate the discussion.

***Expected answers for activity 4 a) & b)***

- a) Refer to the Student's Book unit 12 about the current economic development plans in Rwanda for the objectives and pillars of the policy stated above.
- b) Refer to the challenges vision 2020 in the Student's Book unit 12

***Expected answers for Activity 4***

- (i) Vision 2020 was a result of a national consultative process that took place in Village Urugwiro between 1998-1999. There was a broad consensus on the necessity for Rwandans to clearly define the future of the country. This process provided the basis upon which this Vision was developed. Since then, Rwanda has made much progress towards attaining these objectives and even surpassed some of the targets. The original Vision 2020 targets, through a consultative process were revised at the 9<sup>th</sup> Leadership retreat in February 2012. The original Vision 2020 contained 47 indicators and targets, which have been revised to a total of 48.
- (ii) Pillars of vision 2020
  - Good governance and a capable state.
  - Human resource development and a knowledge-based economy.
  - Private sector-led development.
  - Infrastructure development.
  - Productive high value and market oriented agriculture.
  - Regional and international integration.
- (iii) Cross cutting priorities in the 2020 vision.
  - Gender equality.
  - Natural resource and the environment
  - Science technology and ICT.

**Step 3:** From the research on Vision 2020, learners in groups refer to Activity 8 in the Student's Book, to discuss and present their findings

- (i) Objectives of vision 2020:

- (ii) Analyse the major challenges to vision 2020.

***Expected answers for Activity 4 questions c) & d) Unit 12, Student's Book.***

- c) Rwanda's future vision is being described in the photos A, B & C in the photos above.
- d) As seen in photo B above, 'FUTURE VISION', is outlined in vision 2020 policy

***Expected answers for Activity 5***

- (i) Objectives of vision 2020:
- Promotion of macroeconomic stability and wealth creation to reduce aid dependency.
  - Transforming from an agrarian to a knowledge-based economy.
  - Creating a productive middle class and fostering entrepreneurship.
- (ii) Major challenges of vision 2020:
- Diminishing agricultural productivity and arable land distribution.
  - Natural Barriers to trade. Rwanda is land-locked, with long distances from ocean ports; a factor that raises transportation costs for both exports and imports.
  - Narrow economic base. It is clear that increases in the productivity and exports of Coffee and Tea alone, will not be sufficient to build the Rwandan economy.
  - Weak institutional capacity. Governance, including the management of public resources remains insufficient due to lack of sound institutions and competent personnel.
  - Low level of human resource development. The severe shortage of professional personnel constitutes an obstacle to the development of all sectors.
  - Public debt. Rwanda's public debt constitutes a major obstacle to its economic development.

### ***Synthesis***

Compare the learner's presentations and the content in the Student's Book Unit 12. Harmonise gaps in the lesson.

### ***Assessment of the lesson***

Task learners with a homework.

- To explain the applicability of the different pillars and cross cutting priorities in their areas of origin. (learners reflect to their home areas and explain how these issues have been addressed).
- To examine the challenges of vision 2020 based on the experience in their home areas. (Refer to the challenges mentioned in step 3 above).



## **Lesson 7: Economic development and poverty reduction strategies 2**

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### *Student's Book Unit 12*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the background of EDPRS 2.
- Explain the objectives of EDPRS 2.
- Examine the thematic areas of EDPRS 2.

#### ***Prerequisites for the lesson***

Learners, now with the understanding of vision 2020 objectives & pillars, together with the daily real-life experience with reference to Rwanda's policy implementation programs common in their localities, can be able to express their views on different economic issues and how they are addressed in the country. Introduce to the learners the day's lesson about EDPRS 2.

#### ***Expected answers for Activity 5 Unit 12 in the Student's Book.***

- i) Why EDPRS 2 was introduced by the Government of Rwanda.
  - To ensure economic growth to middle income status.
  - To continue poverty reduction.

- To provide more off farm jobs and continued urbanization.
  - To reduce external dependency.
  - To empower the private sector as the engine to growth.
- ii) The thematic areas on which EDPRS 2 is based are:  
The four thematic areas on which EDPRS 2 is based:
- Economic transformation
  - Rural development
  - Productivity and youth employment
  - Accountable governance
- (iii) The principles that are addressed in EDPRS 2 are;
- Innovation.
  - Emerging priorities.
  - Inclusiveness and engagement.
  - District-led development.
  - Sustainability.

### ***Teaching aids***

Student's Book, other recommended economics textbooks, internet, other economics sources relevant to the lesson.

### ***Learning activities***

**Step 1:** Learners in groups, with reference to activity 11 from the Student's Book Unit 12, do library or internet research on thematic areas of EDPRS 2 and the principles to be addressed.

**Step 2:** Let the groups present their findings to the class. Facilitate the discussions.

### ***Expected answers for Activity 7***

- (i) The four thematic areas on which EDPRS 2 is based:
- Economic transformation** for accelerated economic restructuring and growth striving for middle income country status.

**Rural development** to address the needs of the vast majority of the population and to ensure sustainable poverty reduction and rural livelihoods.

**Productivity and youth employment** to ensure that growth and rural development are underpinned by appropriate skills

and productive employment, especially for the growing cohort of youth.

**Accountable governance**, to underpin improved service delivery and citizen participation in the development process.

(ii) Principle areas are addressed in EDPRS 1

**Innovation**: Emphasising new ways of thinking, working and delivering because the status quo will not be adequate to achieve Rwanda's ambitious targets.

**Emerging priorities**: Identifying thematic strategies which encompass new priorities, including new ways of doing business, to drive the achievement of Vision 2020 targets.

**Inclusiveness and engagement**: Creating ownership of development at all levels and providing learning and feedback mechanisms to improve solutions.

**District-led development**: Creating strong, mutually supporting linkages between district and sectoral strategies, and supporting administrative standardisation and efficiency.

**Sustainability**: Ensuring that programmes and targets achieved from EDPRS 2 are sustained over the long term in their economic, social and environmental dimensions.

### *Synthesis*

Harmonise the presentations with the content notes in the Student's Book. Give learners chance to ask questions about EDPRS 2.

### *Assessment of the lesson*

Assess learning objectives by asking oral questions on the lesson to make sure that they were achieved. Ask related questions like, Why was EDPRS 2 put in place in Rwanda?



## Lesson 8: Unit assessment

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*Student's Book Unit 12.*

### *Learning objectives*

By the end of the lesson, learners will be able to analyse the need for economic planning of an economy.



### ***Prerequisites for the lesson***

Prepare learners for unit assessment. Refer them to the *Student's Book Unit 12*. Give clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners.

**Step 2:** Learners do unit assessments as per the teacher's instructions.

**Step 3:** When time is over, collect their written work for marking and corrections.

### ***Synthesis***

Refer to end of unit assessment in the Student's Book on Unit 12 to have a general discussion with the rest of the class.

### ***Lesson assessment***

To check whether the learning objectives were achieved, ask oral related questions. e.g

Do you think the objectives of EDPRS1 and 2 are achievable in Rwanda? Give reasons.

## **End of unit**

### **Summary of the unit**

The unit unveils economic planning, its meaning, the rationale, principles and obstacles to planning (*Student's Book Unit 12*).

Plans are classified according to time, implementation, social-economic system, hierarchy of planning and coverage (*refer to Student's Book Unit 12*).

Current development plans in Rwanda, (pillars of vision 2020) as well as EDPRS1 and EDRSII are well explained in the unit. (*Refer to Unit 12 Student's Book*).

All the above will help the learner to analyse the need for economic planning, acquire skills in planning and develop a positive attitude

towards participation in the planning process, for the well being of the entire Rwandan society.

***Additional information for the teacher***

Vision 2020 is a government development programme in Rwanda, launched in 2000 by Rwandan president Paul Kagame. Its main objective is transforming the country into a knowledge-based middle-income country, thereby reducing poverty, health problems and making the nation united and democratic.

In 2011, the Ministry of Finance and Economic Planning issued a report indicating the progress of the Vision 2020 goals. The report examined the stated goals of the programme and rated each one with a status of “on-track”, “on-watch” or “off-track”. Of 44 goals, it found that 66% were on-track, 11% were on-watch, and 22% were off-track. The major areas identified as off-track were population, poverty and the environment. Research into Vision 2020, carried out in 2012 by academics based in Belgium, has rated progress as “quite encouraging”, mentioning development in the education and health sectors, as well as Kagame’s fostering of a favorable business environment. The research also raised concerns about the policy of “maximum growth at any cost”, suggesting that this was leading to a situation in which the rich prospered while the rural poor saw little benefit.

In national budgets, Rwanda focuses on education, health, looks at technology, skills, innovation, creativity. Rwanda is always thinking about people.

## End of Unit 12 assessment answers (Student's Book Unit 12)

1. a) Imperative plan is the type of plan prepared and implemented by the central government after consulting various organs. While indicative plan is a plan prepared by the government and it provides information to the private sector without influencing their decisions directly.
- b) The importance of economic planning towards a country's development include:
  - It helps in optimum allocation of resources.
  - Helps the economy in mobilizing funds from international organizations.
  - Helps to remove price instabilities.
  - Helps in eradication of the defects of price mechanism.
  - Planning helps in bringing up a balance between the private and the public sector.
  - helps in attaining a higher level of economic growth and development.
  - Planning helps in getting foreign assistance.
  - helps reduce dependence on other nations.
  - helps in fighting hyper rated of inflation.
  - Helps in eradication of the unemployment problem.
2. Reasons as to why many economic development plans in developing countries have not achieved their major objectives include the following.
  - Over ambitious plans.
  - Insufficient and unreliable data.
  - Unexpected social and economic disturbances.
  - Institutional weaknesses.
  - Lack of political will.
  - Inadequate resources.
  - Inadequate qualified man power.
  - Political instabilities and constant change of governments.

- In LDCs there is lack of funds to put up micro/ small projects which can lead to bigger plans.
  - Corruption and embezzlement.
3. What has been achieved in the vision 2020 policy in Rwanda?
4. Objectives of 2020 vision:
- Short term: Promotion of macroeconomic stability and wealth creation to reduce aid dependency.
  - Medium Term: Transforming from an agrarian to a knowledge based economy.
  - Long Term: Creating a productive middle class and fostering entrepreneurship.

Major challenges of 2020 vision:

- Diminishing agricultural productivity and arable land distribution.
  - Natural Barriers to trade (being land locked country).
  - Narrow economic base.
  - Weak institutional capacity.
  - Low level of human resource development.
  - Public debt.
  - Social and Economic Consequences of the Genocide.
5. Thematic areas of EDPRS 1.
- Economic transformation for accelerated economic restructuring and growth striving for middle income country status.
  - Rural development to address the needs of the vast majority of the population and ensure sustainable poverty reduction and rural livelihoods.
  - Productivity and youth employment to ensure that growth and rural development are underpinned by appropriate skills and productive employment, especially for the growing cohort of the youth.
  - Accountable governance, to underpin improved service delivery and citizen participation in the development process.
  - Five Principles of EDPRS 1.
    - Innovation.
    - Emerging priorities.

- Inclusiveness and engagement.
- District-led development.
- Sustainability.

## Remedial activity

1. If you were the district planner, what would you have in place for effective planning?

### *Expected answers*

Refer to prerequisites for planning (Student's Book Unit 12)

### *Consolidation activity*

1. Taking an example of your district, why do you think plans fail?
2. What should be done to make planning effective?

### *Expected answers*

1. Why plans fail:
  - They are not compatible i.e. do not base on available resources.
  - At times they are irrelevant.
  - Over ambitious plans.
  - Inadequate skilled manpower.
  - Corruption and embezzlement of plan funds.
  - Lack of political will.
  - Poor technology.
  - Etc.
2. What should be done to make plans effective:
  - Plan according to resources.
  - Train planning manpower.
  - Mobilise and sensitise the masses on planning process.
  - Plan comprehensively.
  - Mobilise planning fund.
  - Improve technology.
  - Etc.

***Extended activity***

- What is noticeable in your sector that is attributed to EDPRS 1 & EDPRS 2 and vision 2020?

***Expected answers***

1. Let learners give achievements of EDPRS1&2 and vision 2020 in their respective areas.

## Topic Area 5: Development Economics

### Sub-topic Area 5.2: Development Process and Strategies

# Unit 13: Sectors of the Rwandan Economy

*Reference to Student's text Book Unit 13*

**Unit competence:** Learners will be able to describe the role of various sectors of Rwandan economy.

### Prerequisites for this unit

In the previous unit, we discussed/taught about planning in Rwanda. Planning covers the entire economy. As we plan for all sectors we need to discover what transpires in the economy. This brings us to the sectors of Rwandan economy. In this unit, we analyse the operation of all sectors in the economy, private and public, and their contribution to national economy and also analyse the population growth and structure versus the level of economic resources development.

### Cross-cutting issues to be addressed

While teaching this unit/lessons, it will be important to consider the cross cutting issue of *gender education* especially while dealing with the meaning and advantages of various sectors of the economy.

Environment and sustainability should also be emphasised especially when looking at informal sector their capacities of production both in the short run and long run so as to protect and preserve the environment.

### Generic competences

- Co-operation and interpersonal management is developed through group work and discussions.
- Communication and interpersonal relations is generated through presentation of research findings.

- Critical thinking through analysing the achievements and weaknesses of the private sector in Rwanda.
- Research skills is gained through research activities on the various sectors of Rwandan economy.
- Lifelong learning is a competence that is developed through research activities and other problem solving activities.

### **Vocabulary or key words or concepts in the unit**

***Contract management:*** This is where the government owns the property but gives out management like maintenance, providing goods and services among others.

***Cost sharing:*** This is where the government retains ownership of the enterprises but the beneficiaries contribute to the running costs. eg.in schools and universities where the government pays part of the fees and the learners pay the rest.

***Community sector:*** This is a sector which is neither in the private nor the public sector but is in the hands of the community. Examples of the sector include NGOs, cooperatives and other self-employed/help community development organisations.

***Commercial sector:*** This is the sector where most of what is produced is for the market.

***Contracting out:*** This is where the provision of the good or service is transferred from the public to the private sector while the government retains the responsibility to supply the good or service.

***De-nationalisation:*** This involves the sale of all or part of the enterprise owned by the government to private people or the public. It can also be called divestiture.

***Dualism:*** This is the co-existence of two contrasting sectors one advanced and modern and the other backward and traditional, one superior and the other inferior, one desirable and the other undesirable.

***Economic liberalisation:*** This is the removal of unnecessary control on economic activities, giving people the liberty to participate in them without government controls.



***Economic dependence:*** This is the reliance of an economy on another for resources and economic decisions. OR It is the reliance of an economy on specific economic activities/sectors for economic livelihood and development.

***Franchising:*** This is the right to market on behalf of the government.

***Government enterprises:*** These include public corporations/enterprises which provide specific services for free or reduced prices, government parastatals which are non profit making and local authorities which provide essential services.

***Informal sector:*** This is an intermediate sector existing between the traditional and the modern sector comprised of the self-employed.

***Leasing or renting:*** Here the government contracts the private sector to provide part of the service or to use/rent its assets.

***Liberalisation:*** This involves opening up entry into activities which were previously restricted to the public sector enterprises only. It can also be known as de-regulation.

***Private sector:*** An area of production where activities are not mainly controlled by the government.

***Public sector:*** This is part of the economy owned and operated by the government.

***Privatisation:*** This is the reduction of the role of the state in the national economy while increasing private ownership and private sector both local and foreign. OR it refers to the transfer of production assets from state ownership to private ownership.

***Parastatals organisations:*** These are organisations owned by the government and set by the act of parliament to provide specific services but are none profit making.

***Subsistence sector:*** This is a sector where most of what is produced is for home consumption and the incidental surplus is exchanged through barter trade to meet the other basics.

## Guidance on the problem statement

As this unit deals with a diversity of issues, begin by engaging learners in a general discussion about the different sectors in Rwanda economy. Ask them to share on the activities they know of from their home areas. Help them to share experience from their areas of origin. This will help them realise that there are different activities and sectors in Rwandan economy which contribute to the GDP and revenues of the country. Moderate discussions with real life experiences. Soon or later they will appreciate that all activities as long as they are legal whether small or large, formal or informal, are worth undertaking for livelihood. They should recognise that some activities are either run by private individuals or government or run jointly but they all work hand in hand to promote economic growth and development of the entire economy. Assign them activity 1 on page 504 in the Student's Books.

## List of lessons/ lesson map on Sectors of the Rwandan economy

|                   |  |
|-------------------|--|
| <b>Lesson 1:</b>  | Structure of Rwanda's economy and its implication. |
| <b>Lesson 2:</b>  | Dual economy.                                      |
| <b>Lesson 3:</b>  | Economic dependence.                               |
| <b>Lesson 4:</b>  | Structure of trade.                                |
| <b>Lesson 5:</b>  | Subsistence sector.                                |
| <b>Lesson 6:</b>  | Informal sector.                                   |
| <b>Lesson 7:</b>  | Private sector.                                    |
| <b>Lesson 8:</b>  | Public sector.                                     |
| <b>Lesson 9:</b>  | Privatisation.                                     |
| <b>Lesson 10:</b> | Economic liberalisation.                           |
| <b>Lesson 11:</b> | Unit assessment.                                   |



## Lesson 1: Structure of Rwanda's economy and its implication

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### *Student's Book Unit 13*

#### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the structure of Rwanda's economy.
- Examine the implication of the structure of Rwanda's economy.

#### ***Prerequisites for the lesson***

Guide learners to discover that having seen all the issues in different units, this as a last one, we need to describe our economy in various aspects economically. Thus learners need to characterise the structure of our economy by giving it's differing features.

#### ***Teaching aids***

Student's Book, other recommended textbooks, internet access, newspaper with economics related issues on the unit and relevant economics journals.

#### ***Learning activities***

**Step 1:** Learners in whole class discussions based on Activity 1 (ii) examine and present their views on the implication of the features of the Rwandan economy. Teacher facilitates the discussion.

#### ***Expected answers for Activity 1 Unit 13 in the Student's Book***

- i) The basic features of the Rwandan economy mentioned in the case study are.:
  - Rwanda is a densely populated country.
  - Rwanda bases mostly on subsistence agriculture.
  - High levels of poverty with 40% of the population lives below the national poverty line.
  - High rates of poverty.
  - Open economy since it participates in international trade e.g. with EAC.
- ii) Refer to the Student's Book under unit 13 for the features of Rwandan economy which are not mentioned in the case study above.

- iii) Refer to the Student's Book under unit 13 for the implication of such features of Rwandan economy.

### ***Synthesis***

Base on the presentations and the content in the Student's Book page 502-505, to harmonise the content on features of Rwandan economy and the implications. Learners take down notes.

### ***Assessment of the lesson***

Assess the lesson by asking questions to learners to check the achievement of the learning objectives and to have a way forward.

For example;

How is the Rwandan economy dual?

### ***Expected answers***

It has two contrasting sectors e.g

rich and poor

subsistence and commercial

educated and uneducated



## **Lesson 2: Dual economy**

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*Student's Book Unit 13*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the meaning of dualism.
- Discuss the features and forms of a dual economy.
- Analyse causes of dualism in an economy.
- Examine the advantages and disadvantages of a dual economy.

### ***Prerequisites for the lesson***

Guide learners to discover that in an economy not all things go or grow at the same pace, some are developed while others are not. But they all can happen in the same setting/economy or different settings/ economies. Introduce that concept as dualism. Task learners to do Activity 2 (i) and (ii) to know more about dualism.

### ***Teaching aids***

Student's Book, other recommended text books, internet, newspapers with economics related issues on the lesson and relevant economics journals.

### ***Learning activities***

**Step 1:** Learners in small groups or pairs or as individuals, re-analyse case study in activity 1 of this unit and discuss the provided questions in activity 2.

**Step 2:** Different groups or pairs or individuals are called to present their findings. The teacher moderates the discussion and together with the entire class reach a harmonized conclusion.

Expected answers to activity 2 unit 13 from the Student's Book.

### ***Expected answers***

(a) Advantages of dualism

- Linkages can develop between the developed sectors and the underdeveloped sectors and also within the same sector.
- International dualism helps some poor countries to access aid and assistance from the developed nations and also through trade, the underdeveloped countries are able to access foreign exchange.
- Income is in the hands of few people who can invest it and produce commodities for other people.
- It encourages the poor to work hard so as to survive.
- The rich can invest in research and innovations and improve technologies.
- The few rich employ the poor in the different activities that may not be done by the rich people.
- More tax revenue is realised by taxing the rich and the developed sectors in the economy.
- Developed technology can lead to the development of the local technology in the country and this can be through innovation and invention.
- Foreign exchange is earned by rich export firms compared to the ones that produce for home market.

- (b) Disadvantages of economic dualism
- It leads to income inequalities and this creates tension and mistrust in the society.
  - Regional inequalities create regional imbalances.
  - Exploitation of the poor by the sellers.
  - Miss allocation of resources.
  - Social unrest in the society between the rich and the poor.
  - Low revenues are collected because of the low tax base.
  - Policy implementation becomes difficult.
  - Government planning becomes hard.
  - It causes rural urban migration.

### ***Synthesis***

Together with learners, the teacher, harmonises the presentations with reference to the content in the Student's Book Unit 13 and any economics source. Learners are given chance to ask questions and write down the lesson notes.

### ***Assessment of the lesson***

Ask learners to mention some forms of dualism reflected in their home areas, school, and the entire country.

### ***Expected answers***

- Sectoral dualism

This shows the co-existence of two sectors i.e the developed and the backward. For example, industry and agriculture, rural and urban, among others.

Economic dualism eg the rich and poor.

Technological dualism e.g labour intensive and capital intensive.

### **Intra-sector dualism**

This involves differences within the sector e.g in the agricultural sector. The commercial agriculture and subsistence production.

### **Regional dualism**

E.g regional inequalities where regions are more developed than others.



## Lesson 3: Economic dependence

*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain economic dependence.
- Analyse the causes of economic dependence.
- Present arguments for or against dualism.
- Suggest possible measures to reduce dependence in an economy.

### ***Prerequisites for the lesson***

Guide learners to discover on their own that most LDCs are unable to sustain their economies and therefore have to rely on other countries' economies. Due to low financial and human resource capacity, an economy can rely for its livelihood on one or a few sector(s). Introduce such situation as economic dependence.

### ***Teaching aids***

Student's Book, other recommended economics textbooks, internet etc.

### ***Learning activities***

**Step 1:** Learners in small groups or pairs or as individuals, re-analyse case study in activity 1 of this unit and discuss the provided questions in activity 3.

**Step 2:** Different groups or pairs or individuals are called to present their findings. The teacher moderates the discussion and together with the entire class reach a harmonized conclusion.

### ***Expected answers for Activity 3, Unit 13 in the Student's Book***

- i) The term to describe the economy's basing mostly on subsistence agriculture or external market for her export is economic dependence.
- iii) Where Rwanda's natural resources are not sufficient for her development programmes, she imports or seeks assistance from other countries which have them in abundance.

- iii) If she continuously relies on such sources for her livelihood, it is likely to impact her economy's development trend as below;
- It may worsen the debt servicing problem thus draining the national resources and deny nationals essentials.
  - It may lead to high balance of payment deficits.
  - Sometimes it may be technological assistance which may be inappropriate thus, it may be promote development
  - At times, the assistance may be with pre-conditions which may be disastrous for our country.
  - Paying back is difficult in case the assistance is in form of loans which are not productive.
  - It may slow down the initiative to hard work by the citizens in our country as they become lazy expecting to live on foreign assistance.
  - It may distort planning and plan implementation of our country because it may not be sure when the assistance will come.
  - It may reduce local production as people expect to live on foreign imported goods which retards economic growth of the country.
- iv) Refer to the measures to reduce economic dependence in the Student's Book under unit 13 to describe how best the government of Rwanda can get out of such a trap of relying on other sources than her own homemade solutions.

### ***Synthesis***

Together with learners, base on the presentations from different groups and the content notes in the Student's Book Unit 13 and any other economics resource, to harmonise the discussion.

### ***Assessment of the lesson***

Assess learners by asking any questions on the lesson to check the achievement of the lesson objectives.

For example,



- (i) What is the difference between economic dependence and economic interdependence?
- (ii) How is Rwanda economically dependent?

***Expected answers***

- (i) Economic dependence is the reliance of an economy on another for resources and economic decisions. While economic interdependence refers to the situation where countries rely on each other in respect to trade, technology and other resources.
- (ii) How is Rwanda economically dependent:
  - Foreign aid dependence in form of loans, grants etc from donors.
  - Manpower dependence in form of expatriates.
  - Technological dependence i.e. dependence on foreign technology in form of capital equipment and technical knowhow.
  - Private foreign investment. i.e. dependence on FDIs and MNCs.
  - Trade dependence in form of import and export market.
  - Direct economic dependence where most of economic decisions are dictated or influenced by donors, MNCs, IMF and WB.



## Lesson 4: Structure of trade

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*Student's Book Unit 13.*

***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the structure of Rwanda's trade.
- Explain the impact of the structure of such trade in Rwanda.

***Prerequisites for the lesson***

Learners are now knowledgeable about some features of the Rwandan economy, therefore, through brain storming they can describe other feature which show the real picture of Rwanda. Thus, base on that to introduce the day's lesson.

### ***Teaching aids***

Student's Book, other recommended text books, internet.

### ***Learning activities***

**Step 1:** Learners in small groups or pairs or as individuals, undertake research about the structure of Trade in Rwanda. Analyse the situation and discuss the provided questions in activity 4.

**Step 2:** Different groups or pairs or individuals are called to present their findings. The teacher moderates the discussion and together with the entire class reach a harmonized conclusion

### ***Expected answers to activity 4***

(i) Characteristics of structure of trade in Rwanda

- Exports are mainly raw materials such as coffee, coffee and the imports are manufactured goods like computers and cars.
- Export earnings are low while expenditure on the imports is high leading to balance of payment problems.
- The exports are similar to those of other countries and this leads to floating at the world market hence low earnings. Most of the countries, export coffee, cotton, tea among others
- The export- import exchange is unbalanced because LDCs export low value items and import high value goods.
- Most of the trade is with the colonial masters however because of integration, the trend is changing to trading with a variety of countries.
- The export of manufactured products is limited in LDCs due to low levels of technology, low manufacturing capacity etc.
- Export promotion industries are mainly owned by foreigners meaning that profit repatriation is likely to be high. Examples of these are Azam, Matella and Dodoma.

(ii) Refer to Student's Book, Subunit 13.4

### ***Synthesis***

Harmonise the learners' discussions based on their presentations and with reference to the content notes Unit 13 and any other

economics resource. Emphasise that Rwanda's trade is still relying on agricultural products, raw materials and that import costs are higher than export earnings. This needs to be improved.

### ***Assessment of the lesson***

Ask any questions orally to assess the achievement of the learning objectives. e.g How would you describe the nature of Rwanda's trade? How does it affect its economy. (Refer to the characteristics and consequences of Rwanda's trade on the economy above).



## **Lesson 5: Subsistence sector**

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*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the characteristics of subsistence sector.
- Examine its effect on the economy.

### ***Prerequisites for the lesson***

Basing on the previous lesson, guide learners in discovering that though we have to produce for market, we need to have production for home consumption so as to sustain our livelihood. Thus the need to value a subsistence sector in an economy.

### ***Teaching aids***

Student's Book, other text books, internet, and relevant sources.

### ***Learning activities***

**Step 1:** Learners in groups base on Activity 5 page 518 in the Student's Book to explain the characteristics and effects of a subsistence sector in an economy.

### ***Expected answers for Activity 5 Unit 13, Student's Book.***

- a) Allow and guide learners to express their views with reference to their localities on where they get their basic necessities, especially food. Some will say they produce them at home while others buy them from the market.

- b) Subsistence sector refers to that part of the economy where most of the production is for home use and little or incidental surplus is sold off to meet the basic needs of life.
- c) Refer to the characteristics of the subsistence sector in the Student's Book, unit 13 for the description of the features of such a sector in Rwanda.
- d) Refer to the advantages and disadvantages of the subsistence sector in the Student's Book, unit 13 for the contribution of the subsistence sector to the development process of Rwanda

### ***Synthesis***

Harmonise learners' discussions basing on their presentations and in reference to the content in the Student's Book Unit 13, and any other related economics source. Emphasise to learners that subsistence farming is vital in an economy but relying totally on it can never help the economy to develop. Hence the need for diversification.

### ***Assessment of the lesson***

Ask learners to express how subsistence has been of great importance to their homes. (*refer to the advantages of subsistence production*).



## **Lesson 6: Informal sector**

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*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Give different examples of an informal sector in Rwanda.
- Describe the characteristics of the informal sector.
- Assess the role played by the informal sector to the economic development of Rwanda.

### ***Prerequisites for the lesson***

Guide learners to discover that there are so many activities that different people are engaged in for their wellbeing and the economy as well. Some of those activities are registered by the government while others are not. This is the informal sector. Ask learners to

mention the different activities categorised under the informal sector. Refer to Activity 6 Student's Book Unit 13.

### ***Teaching aids***

Student's Book, other recommended economics text books, internet access, and relevant economics sources.

### ***Learning activities***

**Step 1:** Learners in groups discuss and present as a whole class, the role of the informal sector in Rwanda. (Refer to question iii) Activity 6 in the Student's Book.)

### ***Expected answers for activity 6 Unit 13 from the Student's Book.***

- (i) The activities taking place in the above pictures are:
  - A) Carpentry
  - B) Iron smelting.
  - C) Grocery vending
  - D) Motor cycling.
- (ii) Refer to the characteristics of informal sector from the Student's Book under unit 13 for the common features of the activities in the above pictures.
- (iii) Allow learners to cite other activities in Rwanda that have similar features like the above mentioned.
- (iv) Refer to the advantages & disadvantages of the informal sector in the Student's Book under unit 13 for how important the above activities are to the economy.
- (v) The above sector faces the following problems in their day to day activities.
  - Lack of permanent structures.
  - Limited support from the government.
  - Limited capital to expand their businesses
  - Limited market for their commodities.
  - Poorly developed infrastructures.
  - Limited entrepreneurial skills.
  - Limited research innovations & inventions.

- (vi) How to improve the informal sector.
- Provide gazzeted workplace.
  - Avail them with cheap credit facilities.
  - Provide research to improve their technological base and productivity.
  - Provide training to equip them with skills.
  - Formation of cooperatives.
  - Provide them with market.
  - Provide basic infrastructures to facilitate their production.

### ***Synthesis***

Together with learners, harmonise learners' ideas with reference to the content notes in the Student's Book Unit 13, and any other relevant economics sources. Learners then write down notes. Emphasise to learners that informal sector is actually boosting Rwanda's economy considering it's simplicity in operations.

### ***Assessment of the lesson***

Ask learners to give different examples of the informal sector activities and explain how such activities have impacted the lives of the people involved and the entire economy. (*accept the views by learners related to the lesson*)



## **Lesson 7: Private sector**

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*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- State the characteristics of a private sector.
- Analyse the role and challenges of the private sector in Rwanda.
- Evaluate the achievements and weaknesses of the private sector.
- Suggest possible measures to promote the private sector.

### ***Prerequisites for the lesson***

Basing on the lesson about the informal sector, guide learners to discover that Rwanda needs to develop at a faster rate, so it should encourage the private individuals to participate in economic activities. Task learners in pairs to do Activity 7 (1) & (2) as the introduction of the lesson.

### ***Teaching aids***

Student's Book, other recommended economics text books, internet access, and relevant economics sources.

### ***Learning activities***

**Step 1:** Learners, either in groups, pairs or as individuals, visit the library or the internet to research about private sector, based on activity 7 figure 4 & case study.

**Step 2:** Different groups, pairs or as individuals, one at a time are called upon to present their findings. Teacher guides & moderates their discussion.

### ***Expected answers to Activity 7 Unit 13 in the Student's Book.***

- (i) The organization in Rwanda that uses the above logo is the private sector.
- (ii) Allow learners to cite some of the enterprises in their localities that work under such an organisation.
- (iii) A private sector is an area of production activities not mainly controlled by the government.
- (iv) Refer to the characteristics of the private sector in the Student's Book under unit 13 for the description of the features of a sector under which the enterprises given in (ii) work.
- (v) Refer to the role of the private sector in the Student's Book under unit 13 for the way the how such enterprises have contributed to the development of the areas they operate from and the entire nation at large.
- (vi) Refer to the challenges of the private sector in the Student's Book under unit 13 for the explanation of what normally hampers their effective operation

### ***Synthesis***

Harmonise the discussions and the presentations, with the content in the Student's Book Unit 13. Give a conclusive remark that, the private sector in Rwanda, employs the majority of the people. It has reduced unemployment problems to a great extent.

### ***Assessment of the lesson***

Task learners with a home work to reflect on their home areas economic situation and identify some private sector activities and examine their achievements and weaknesses and how they can be solved. (*Refer to the content discussed above*)



## **Lesson 8: Public sector**

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*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the characteristics of a public sector.
- Explain the objectives of the public sector.
- Justify the need for the private sector.
- Discuss the problems faced by the public sector in Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson and link it to the day's lesson. Guide learners to discover that a private sector is important but cannot run all the activities in the economy. Some are sensitive and others are risky and expensive to be done by the private sector. Thus a need for the operation of a public sector. Task learners to do Activity 9 in the Student's Book page 530 to introduce the day's lesson.

### ***Expected answers***

- (i) Public sector is part of the economy owned and operated by the government. The government owns and carries out the major economic decisions.
- (ii) Characteristics of the public sector:
  - It is development oriented i.e. It aims at developing the nation.



- It is characterised by bureaucracy and red tape. This involves a range of procedures so as to achieve what someone wants.
  - It takes on projects which require large capital that cannot be taken up by the private sector.
  - Medium and large scale industries dominate.
  - It employs a large size of the population.
  - It is normally organised on monopoly basis as it provides services which are vital to the people.
  - There is high level of external influence.
  - There is limited flexibility in the production of goods and services.
- (iii) Objectives of the public sector:
- To create employment for the people so as to reduce the problems associated with unemployment.
  - Provision of goods and services at reduced prices since the public sector does not aim at profit maximisation but welfare maximisation.
  - To ensure equitable income distribution so as to have balanced development.
  - To Provide public utilities that don't yield profits such as defense, water and sanitation among others.
  - To regulate the activities carried out in the country and this is mainly done by the central government.
  - To bring competition with the petition with the private sector for efficiency.
  - To develop the economy through planning and implementation.
  - To take up project that cannot be done by the private sector.

### ***Teaching aids***

Student's Book, other recommended economic text books, internet, and relevant economics sources.

### ***Learning activities***

**Step 1:** Learners, either in groups, pairs or as individuals, visit the library or the internet to research and discuss about public sector in Rwanda, based on activity 8.

**Step 2:** Different groups, pairs or as individuals, one at a time are called upon to present their findings. Teacher guides & moderates their discussion.

### ***Expected answers to Activity 8 Unit 13 in the Student's Book.***

- a) Write the following in full.
  - i) RURA stands for Rwanda Utilities Regulatory Authority.
  - ii) RSB stands Rwanda Standards Board.
- b) Based on their operation, above enterprises are categorized under the public sector.
- c) Other organisations or enterprises in Rwanda that fall under such a category as the above mentioned include.
  - RWANDA DEVELOPMENT BOARD. (RDB),
  - RWANDA EDUCATION BOARD. (REB),
  - WORKFORCE DEVELOPMENT AGENCY, (WDA)
  - RWANDA ENVIRONMENT MANAGEMENT AUTHORITY. (REMA),
  - RWANDA REVENUE AUTHORITY. (RRA),
  - RWANDA AGRICULTURAL BOARD. (RAB),
  - RWANDA TRANSPORT DEVELOPMENT AGENCY. (RTDA),
  - RWANADA NATURAL RESOURCES AUTHORITY (RNRA),
  - RWANDA HOUSING AGENCY. (RHA)
  - RWANDA SOCIAL SECURITY BOARD. (RSSB)
- d) Refer to the characteristics of the public sector in the Student's Book under unit 13 for the distinguishing features of the sector given in (b) above.

- e) Refer to the role of the public sector from the Student's Book under unit 13 for the contribution of such a sector towards national development of our country.
- f) Refer to problems faced by public sector from the Student's Book unit 13 for the factors that hinder the effective effort of public sector towards spearheading Rwanda's development process

### ***Synthesis***

Base on learners' presentations and content from the Student's Book Unit 13 to harmonise their ideas.

### ***Assessment of the lesson***

Task learners with oral questions about the lesson to assess the learning objectives e.g

Who takes decisions in the public sector?

Is the public sector successful in Rwanda? (Refer to their discussions above).



## **Lesson 9: Privatisation**

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*Student's Book Unit 13*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Analyse the reasons behind privatisation in an economy.
- Describe the different forms of privatisation.
- Assess the impact of privatisation on an economy of Rwanda.
- Analyse the limitations of privatisation in Rwanda.

### ***Prerequisites for the lesson***

Review the previous lesson and guide learners to discover that due to the weakness of the public sector, some enterprises have to be transferred to the hands of the private people for efficiency purposes and this is called privatisation.

### ***Teaching aids***

Student's Book, other recommended economics text books, internet access, and relevant economics journals and magazines.

### ***Learning activities***

**Step 1:** Learners, either in groups, pairs or as individuals, visit the library or the internet to research and discuss about privatisation in Rwanda, based on activity 9.

**Step 2:** Different groups, pairs or as individuals, one at a time are called upon to present their findings. Teacher guides & moderates their discussion.

### ***Expected answers for Activity 9, Unit 13 in the Student's Book***

- a) Privatisation means the reduction of the role of the state in the national economy while at the same time increasing private ownership and private sector both local and foreign.
- b) let learners express their views on the enterprises in Rwanda they know that have been privatized.
- c) Refer to the reasons for privatisation in the Student's Book, unit 13 for the account of our country's privatisation move.
- d) In some countries, most politicians and citizens of that country are always unsupportive when it comes to the privatisation issue due to some of the following reasons.
  - It leads to increased resource outflow by the new owners of the enterprises through profit repatriation especially when the privatized enterprises are taken over by foreign firms.
  - The government loses property through transactions with dubious businessmen who don't pay but spoil the property.
  - It Increases debts to the government because a lot of money is borrowed to fund the process yet little may be realized after selling.
  - It involves domination of foreign businesses in the economy as the domestic ones are reduced because of lack of enough funds to purchase the privatized firms.
  - It leads to poor working conditions to the workers inform of low wages, longer hours of work, etc.
  - It is associated with environmental degradation through over exploitation of natural resources.

- It is associated with low levels of labour absorption in some sectors, underemployment and even reduction of local employment in case the enterprises are transferred to foreign hands who at times bring in foreign labour.
- It leads to use of non-price competition measures which include reduction in weight of goods

### ***Synthesis***

With reference to the content notes on Unit 13 and any other related economics resource, the teacher together with learners harmonises the discussed and presented ideas about privatisation.

### ***Assessment of the lesson***

Task learners with a home work to identify some of the privatised companies in Rwanda and evaluate the impact of their privatisation on Rwandan economy.



## **Lesson 10: Economic liberalisation**

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*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Explain the meaning of liberalisation.
- State objectives of economic liberalisation.
- Assess the impact of liberalisation on the Rwandan economy.
- Analyse the limitations of liberalisation in Rwanda.

### ***Prerequisites for the lesson***

Base on the previous lesson of the private sector. Guide learners to discover that to attain quick and sustained economic growth and development, the government should lessen its regulations towards the private sector. Thus the day's lesson of economic liberalisation.

### ***Teaching aids***

Student's Book, other recommended economics text books, internet access, and relevant economics sources.

### ***Learning activities***

**Step 1:** Learners, either in groups, pairs or as individuals, visit the library or the internet to research and discuss about economic liberalisation, based on activity 10.

**Step 2:** Different groups, pairs or as individuals, one at a time, are called upon to present their findings. Teacher guides & moderates their discussion

***Expected answers for Activity 10, Unit 13 in the Student's Book.***

- a) Economic liberalisation means the lessening of government regulations and restrictions in an economy in exchange for greater participation by private entities.
- b) An economy of a given country is said to be liberalized when there is;
- Freedom of opening/starting production units.
  - No government interference in production.
  - Free flow of foreign investment.
  - Privatisation of public companies
- c) Let learners give their views on what they think about whether Rwanda is liberalized economy or not.
- d) A given economy may decide to liberalize the economy of her country in order to;
- Increase international competitiveness of industrial production, foreign investment and technology.
  - Diversify the economy.
  - Increase the competitive position of domestic goods in the international markets.
  - To improve financial discipline and facilitate modernisation.
  - Increase specialisation and thus enjoy economies of scale.
- e) Refer to the limitations of liberalisation under unit 13 in the Student's Book for the reasons why economic liberalisation hasn't been an easy attempt by some countries

***Synthesis***

Harmonise the learner's ideas about economic liberalisation. Base on the content in the Student's Book Unit 13, their research and presentations and other related economics sources. Learners take notes on the lesson.

### ***Assessment of the lesson***

Ask learners oral questions about the lesson to assess the achievement of the learning lesson objectives e.g.

Why do many countries in Africa fear economic liberalisation?

How is economic privatisation different from economic liberalisation? (Accept relevant answers only).



## **Lesson 11: Unit assessment**

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*Student's Book Unit 13.*

### ***Learning objectives***

By the end of the lesson, learners will be able to:

- Describe the role of various sectors of Rwandan economy.

### ***Prerequisites for the lesson***

Prepare learners for end of unit assessment. Refer to the *Student's Book Unit 13*. Give them clear instructions on how to do the assessment.

### ***Teaching aids***

Classroom environment, printed assessment sheets and answer sheets.

### ***Learning activities***

**Step 1:** Distribute preprinted/ written assessment sheets and answer sheets to learners.

**Step 2:** Learners do the assessment exercise as the teacher supervises them.

**Step 3:** After the end of the exercise, teacher collects their written work for marking and for correction.

### ***Synthesis***

Refer to end of unit assessment in the Student's Book on Unit 13 to have a general discussion with the rest of the class.

### ***Assessment of the lesson***

To check whether the learning objectives are achieved, based on the lesson synthesis, ask more related questions.

## End of unit

### Summary of the unit

The unit unveils a number of sectors in the Rwandan economy i.e dualism, economic dependence, subsistence and informal sectors, private and public sectors, privatisation and economic liberalisation (Refer to Student's Book Unit 13).

Considering the objectives, characteristics, achievements and limitations of the above sectors. We can say that they are all worthy to be sustained in Rwanda, in particular magnitudes of their capacity and performance.

### Additional information for the teacher

#### Privatisation overview

Since 1995, the Government of Rwanda has put in place a series of economic mechanisms aimed at reviving the national economy so as to address the deteriorating situation of public enterprises. This programme, which aims to achieving a sustained economic growth, is centered on three complementary pillars:

- Search for greater rationalisation of public expenditure;
- Encouraging greater participation of the private sector in financing the country's economic development;
- Improving competitiveness of Rwanda's economy through a series of fiscal, legal and administrative reforms, aimed at setting up an environment that is more conducive to business development.

#### Background

Established by law n°2 of 11/03/96 on Privatisation and Public Investment

Institutional framework established by Presidential Order n° n°08/14 of 03/05/96

Privatisation Unit in MINECOFIN: August 1996

Privatisation Secretariat started in October 1997

First Privatisation Operations by 1998

Privatisation Unit moves to RDB by the law published in 2008



## Objectives

- Reduce the financial and administrative burden for the Government
- Ensure improved and more efficient management, financial, accounting and budgetary discipline of state companies
- Separation of ownership and management functions
- Ensure more accountability
- Restructuring and rehabilitation of public companies
- Stimulate Rwandans to participate in private ownership and enhance entrepreneurship among Rwandans.

It is the GoR's objective to encourage investment of shares of successful companies amongst the citizens of Rwanda, and to promote the development of the country's capital markets. The GoR is pursuing a divestiture programme of state-owned enterprises, which kicked off in earnest in 1997 with a total of 72 institutions earmarked for privatisation/divestiture.

The specific objectives of GoR's privatisation /divestiture programme entail:

- Reducing the shares held by Government in public companies and thus alleviating the financial burden on its resources (through the elimination of subsidies and state investments) and reducing its administrative obligations in the enterprises
- Ensuring better management and financial discipline in privatised companies
- Attracting foreign investment in Rwanda and the accompanying transfer of technology and knowhow.
- Developing and promoting Rwanda's capital markets and
- To give to the wider public the opportunity to participate in the shareholding of a well-run company.

## Results

| S/N   | Category                                   | Number |
|-------|--|--------|
| 1     | Companies fully privatised                 | 56     |
| 2     | Companies planned for future privatisation | 20     |
| 3     | Companies liquidated                       | 7      |
| Total |  | 83     |

Since privatisation programme started, around 56 companies were fully privatised, 20 are still under privatisation with different phases of privatisation or awaiting decision to be privatised.

### Companies planned for Privatisation (20)

| Company name               | Sector  |
|----------------------------|---|
| GISOVU TEA FACTORY         | Tea   |
| MULINDI TEA FACTORY        | Tea   |
| SHAGASHA TEA FACTORY       | Tea   |
| ELECTROGAZ                 | Water and electricity generation and distribution |
| RUBILIZI NATIONAL HATCHERY | Poultry hatchery                                  |
| KIGEMBE FISHERY            | Fishing   |
| GISHWATI DAIRY             | Dairy plant                                       |
| BANK OF KIGALI (80%)       | Banking   |
| BRALIRWA (30%)             | Brewery   |
| HOUSING BANK               | Banking   |
| MTN 10%                    | Telecommunications                                |
| BRD (28%)                  | Banking   |
| MAGERWA (6.25%)            | Public warehouse                                  |
| SOPROTEL (40%)             | Hotel   |
| ONATRACOM (100%)           | Public Road Transportation                        |
| SONARWA (6.5%)             | Insurance   |
| RWANDAIR EXPRESS (99%)     | Air Transport                                     |
| KIBUYE GUEST HOUSE         | Hotel   |
| RWANDA PAPER MILLS OF ZAZA | Paper Industry                                    |
| LABOPHAR                   |   |

**End of Unit 13 assessment answers (Student's Book Unit 13)**

1. The private sector has been ineffective in the development drive of developing countries' economies in the following ways.
  - Private sector is mostly located in urban centres hence leading to rural urban migration with its associated problems like theft, prostitution and slum development among others. All which problems have retarded development.
  - Tendency of using capital intensive techniques to increase production by the private sector has failed to solve unemployment with its associated problems like poor standards of living etc.
  - Private sector tends to specialise in few activities leading to consumer exploitation in form of high prices since sometimes they become monopolies with no competition.
  - Private sector concentrates on small scale production activities and this does not enable it to generate adequate economies of scale.
  - The use of rudimentary/ outdated technology by sometime enterprises in this sector, limits production hence little output for the growth of the country.
  - The sector is profit motivated hence it does not at times provide services that are good for the society.
  - Where the productive ventures are owned by foreigners, it has always led to capital outflow and thus leading to loss of the country's foreign exchange.
  - The limited level of diversification due to production of similar commodities has caused the consumers not to get a variety of commodities hence deterioration of their living standards.
  - At times the sector gets engaged in production of low-quality goods and this has fetched little when exported hence low foreign exchange.

- Private sector has failed to curb down income inequalities because a few people get engaged in such activities and this has created tension in society and underdevelopment of some regions.
2. (i) Governments transfer some of their enterprises to private hands in order to;
- Enable firms, operate more efficiently.
  - Reduce corruption tendencies in the public sector.
  - Attract foreign investments in the economy without fear of nationalisation.
  - Reduce government expenditure on public sector enterprises
  - Fulfilment of the International Monetary Fund conditionality of a private sector led economy.
  - Create more job opportunities in the long run because when the private sector expands, job opportunities also expand.
  - Improve resource utilisation through efficiency of the private sector and the profit motive.
  - Allow government concentrate on provision of essential services like health and education.
  - Expand the tax base for revenue to the government.
  - Encourage competition and improve quality of services offered by reducing monopoly basis.
- (ii) The government may decide to nationalize private firms due to the following reasons.
- Provision of goods and services at reduced prices since the public sector does not aim at profit maximization but welfare maximization
  - To ensure equitable income distribution so as to have balanced development
  - To Provide public utilities that don't yield profits such as defense, water and sanitation among others
  - To regulate the activities carried out in the country and this is mainly done by the central government
  - To reduce monopoly powers of the private firms.

- To develop the economy through planning and plan implementation which may be both short-term, medium- and long-term plans.
  - To take up projects that cannot be done by the private sector because they may require large amounts of capital and at the same time, they may be non-profit generating
- (iii) Problems faced by the government when transferring her enterprises to the private sector include:
- Corruption in the privatization unit
  - Opposition from the general public
  - Poor valuation of the enterprises
  - Poor states of the enterprises due to poor maintenance.
  - Political sabotage.
  - Poverty among the nationals
  - Small market discourages potential buyers
  - Political instability in some parts of the economy
  - Unscrupulous buyers.
  - Under developed capital markets.
3. The public sector is in most cases inefficient due to;
- Limited finance as a result of narrow tax base and thus limiting its expansion
  - Corruption and embezzlement which depletes funds that would be invested
  - Persistent inflation in the country that increases the cost of production and amount of risks.
  - Inadequate skilled man power due to poor man power training policy and this has always led to dependence on foreign labour which is expensive
  - Foreign influence by external organizations like IMF and World Bank into the sector activities and dictating policies to be followed by the country.
  - Poor management because of heavy government intervention through selecting top management and constant change of officials among others.

- Inadequate infrastructural facilities needed for development like road facilities, telecommunication among others which limits coordination of different sectors
- Bureaucratic red tape which slows down decision making and implementation
- Sector runs a lot of objectives which conflict and in the end, there is poor performance due to involvement in unproductive enterprises.
- Limited market both domestic and foreign which explains the poor performance of the public establishments.
- Limited competition within the sector itself due to lack of profit motive & monopoly tendencies.

## Remedial activity

1. Having seen different sectors and their characteristics in Rwanda, which activities among those you are used to in your home areas, would you categorise under the informal sector.
2. How have those activities improved the livelihood of people participating in them and the entire society?

### ***Expected answers***

1. Give learners a chance to mention different activities under informal sector in their localities.
2. Refer to merits of the informal sector. (*Student's Book Unit 13*)

### ***Consolidation activities***

1. Which activities do you know of in your sector or district that are under the private sector?
2. How have those activities impacted your sector or district?
3. If you were made a district mayor, how would you help improve the private sector in your district?

### ***Expected answers***

1. Give learners a chance to mention different activities they know of.

2. Refer to the advantages and disadvantages of the private sector, in the Student's Book (Unit 13).
3. Refer to the Policies adopted to promote the private sector, in the Student's Book (Unit 13).

### ***Extended activity***

1. "Dualism is inevitable in any given economy" discuss
2. What advice would you give to Rwanda to improve on her trade structure?
3. Rwanda wants to privatise most of her public companies, what advice would you offer as a person who has studied economics?

### ***Expected answers***

1. Refer to causes of dualism (Student's Book Unit 13)
2. How to improve trade structure.
  - Process her primary products so as to improve her export value forex earnings.
  - Liberalise the economy so as to encourage entrepreneurs in the country.
  - Improve technology so as to increase production of manufactured commodities.
  - Commercialise the economy.
  - Trade protectionism so as to reduce the volume of imports.

*Note: Be receptive to other correct answers*

3. Advice on privatisation in Rwanda; (*Refer to advantages and disadvantages of privatisation Student's Book Unit 13*)

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