

# **ECONOMICS**

**TUTOR'S GUIDE  
FOR TTC**

**3**

**OPTION:**

SSE



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## FOREWORD

Rwanda Education Board is honored to present year 3 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.

Special attention was paid 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 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 that allow them to make a difference not only to their own lives 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 attitudes 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. They are encouraged to bring their own real experiences and knowledge into the learning processes. In view of this, the role of the teacher is to:

Plan 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 teaching activities, the content of this teacher's guide is self-explanatory so that you can easily use it. This teacher's guide is divided in 3 parts:

**Part 1:** Explains the structure of this book and gives the teacher methodological guidance;

**Part 2:** Gives sample lesson plans as reference for lesson planning process;

**Part 3:** Provides details and teaching guidance for each concept given in the student book.

Even though this teacher's guide contains the answers for all activities given in the learner's book, you are requested to work through each question and activity before judging learner's findings.

I wish to sincerely appreciate all people who contributed towards the development of this teacher's guide, particularly REB staff who organized the whole process from its inception. Special gratitude goes to the University of Rwanda which provided experts in design and layout services, illustrations and image anti-plagiarism. Lecturers and teachers who worked diligently to the successful completion of this book.

Any comment or contribution would be welcome for the improvement of this textbook for the next edition.

**Dr. NDAYAMBAJE Irénée**

**Director General of REB**

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# **PRESENTATION OF THE TUTOR'S GUIDE**

## **PART I. GENERAL INTRODUCTION**

### **1.0. Introduction**

The purpose of this teacher's guide is to help the Tutor to implement the Economics syllabus. It is designed to stimulate the Tutor to create exciting and meaningful lessons by enabling him/her to choose relevant and purposeful activities and teaching strategies. It will encourage the Tutor to research and look for new and challenging ways of facilitating students' learning. The tutor guide and the syllabus must be used side by side. The syllabus states the learning objectives for the subject and for each unit. It outlines the content and skills that students will learn, and the assessment requirements.

The tutor's guide provides direction in using the outcomes approach in the classroom using a step by step approach. This tutor's guide provides examples of teaching and learning strategies for economics. It elaborate, suggests activities, content and detailed information on how to make assessment tasks and the resources needed to teach Economics.

### **1.1. The structure of the guide**

This section presents the overall structure, the unit and sub-heading structure to help tutors to understand the different sections of this guide and what they will find in each section.

#### **Overall structure**

##### **Part I: General Introduction.**

This part provides general guidance on how to develop the generic competences, how to integrate cross cutting issues, how to cater for learners with special educational needs and how to use active methods and techniques of teaching and assessing Economics.

##### **Part II: Sample lesson plan**

This part provides a developed sample lesson and designed to help the tutor to develop their own lesson plans.

##### **Part III: Unit development**

This is the core part of the tutor's guide. Each unit is developed following the structure below.

The guide ends with references.

## **Structure of a unit**

Each unit is made up of the following sections:

- Unit title: From the syllabus
- Key unit competence: From the syllabus
- Prerequisites (knowledge, skills, attitudes and values)

This section indicates knowledge, skills and attitudes required for the success of the unit. The competence-based approach calls for connections between units/topics within a subject and interconnections between different subjects. The teacher will find an indication of those prerequisites and guidance on how to establish connections.

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

This section suggests cross-cutting issues that can be integrated depending on the unit content. It provides guidance on how to come up with the integration of the issue.

Note that the issue indicated is a suggestion; tutors are free to address other crosscutting issues taking into consideration the learning environment.

### **Guidance on the introductory activity:**

Each unit starts with an introductory activity in the learner's book. This section of the tutor's guide provides guidance on how to conduct this activity and related answers.

Note that learners may not be able to find the right solution but they are invited to predict possible solutions or answers. Solutions are provided by learners gradually through discovery activities organized at the beginning of lessons or during the lesson.

### **List of lessons/sub-heading**

This section presents in a table form suggestion on the list of lessons, lesson objectives copied or adapted from the syllabus and the duration for each lesson. Each lesson /subheading is then developed.

### **End of each unit**

At the end of each unit the tutor's guide provides the following sections:

Summary of the unit which provides the key points of content developed in the student's book.

Additional information which provides additional content for the tutor to have a deeper understanding of the topic.

End unit assessment which provides the answers to questions of end unit assessment in the textbook and suggests additional questions and related answers to assess the key unit competence.

Additional activities: remedial, consolidation and extended activities. The purpose of these activities is to accommodate each learner (average and gifted) based on end unit assessment results.

### **Structure of each-sub heading**

Each lesson/sub-heading is made up of the following sections:

- Lesson /Sub-heading title
- Prerequisites/Revision/Introduction:

This section gives a clear instruction to tutor on how to start the lesson

**Teaching resources:** This section suggests the teaching aids or other resources needed in line with the activities to achieve the learning objectives.

Tutors are encouraged to replace the suggested teaching aids by the ones available in their respective TTCs and based on the learning environment.

**Learning activities:** This section provides a short description of the methodology and any important aspect to consider. It also provides answers to learning activities with cross reference to text book:

**Exercises/application activities:** This provides questions and answers to exercises/ application activities.

## **1.2. Methodological guidance**

### **1.2.1. Developing competences**

Since 2015, Rwanda shifted from a knowledge based to competence based curriculum for pre-primary, primary and general secondary education. This review came as response to the needs of learners, society and the labour market. With a holistic learner-centered approach, it demands major changes in teaching methodology and the use of a wider range of assessment techniques focusing more on formative or on-going continuous assessment. This has implications for teacher education and the necessary provision of support and guidance provided to colleges to ensure effective implementation. From 2016 to 2018, TTC curricula have been revised to be competence-based in line with the basic education curriculum. The review was to align the pre-service teacher education programs to the new National Basic Education competence-based curriculum.

This called for changing the way of learning by shifting from teacher centered to

a learner-centered approach. Teachers are not only responsible for knowledge transfer but also for fostering student's learning achievement, and creating safe and supportive learning environment. It implies also that a student has to demonstrate what he/she is able to do using the knowledge, skills, values and attitude acquired in a new or different or given situation.

The competence-based curriculum employs an approach of teaching and learning based on discrete skills rather than dwelling on only knowledge or the cognitive domain of learning. It focuses on what learner can do rather than what learners know. Learners develop basic competences through specific subject unit competences with specific learning objectives broken down into knowledge, skills and attitudes. These competences are developed through learning activities disseminated in learner-centered rather than the traditional didactic approach. The student is evaluated against set standards to achieve before moving on.

In addition to specific subject competences, learners also develop generic competences which are transferable throughout a range of learning areas and situations in life.

Below are examples of how generic competences can be developed in the subject of Economics

- **Critical Thinking:** Learners analyse their environment or community for problems or challenges faced and the causes. After, they suggest possible remedies to the identified problem.
- **Research and problem solving:** Learners collect data using interviews, questionnaires and any other tool, analyze the data gathered and suggest solutions to the problems identified.
- **Creativity and Innovation:** Learners analyse resources such as waste materials existing in the community or environment. They develop or come up with new ways of utilizing such resources or how they can be put to use.
- **Communication Skills:** Learners can present themselves and their abilities by writing application letters or CVs to potential employers. Can write different documents such Memos, Notices in a clear and understandable language to convey on information effectively during interpersonal communication.
- **Teamwork, Cooperation, Personal and Interpersonal management and life skills:** Learners in teams complete different tasks where each may take on a different role while complementing each other's strengths and weaknesses in team leadership.
- **Lifelong Learning:** Learners lead a problem solving and decision

making process in a team. Does a self-evaluation to identify own areas of strengths, areas of weaknesses and propose strategies for enhancing and improving in a team leadership. Alternatively, learners analyze a scenario involving conflicts at a workplace, identify the causes, suggest solutions and propose how they will apply the learned lessons to similar situations in real situations.

### 1.2.2. Addressing cross-cutting issues

Among the changes in the competence-based curriculum is the integration of cross cutting issues as an integral part of the teaching learning process-as they relate to and must be considered within all subjects to be appropriately addressed. There are eight cross cutting issues identified in the national curriculum framework.

Some cross-cutting issues may seem specific to particular learning areas/ subjects but the teacher need to address all of them whenever an opportunity arises. In addition, learners should always be given an opportunity during the learning process to address these crosscutting issues both within and out of the classroom.

Below are examples of how crosscutting issues can be addressed in Economics Subject:

- **Gender education:** Remind learners that both males and females have similar opportunities, rights and obligations in the workplace, and therefore need to be treated fairly and equally when dealing with contracts or resolving conflicts. People's opinion of gender roles should not deny or hinder one's right or responsibilities to meet his or her contractual obligations while teaching Economics.
- **Environment and sustainability:** During the teaching of Economics, learners need to acknowledge the importance of protecting the environment in which we live in. So, throughout the unit/lesson there is need to appreciate and take great care for environment as it is paramount.
- **Inclusive education:** Learners all need to realize that universal laws do not discriminate as they apply to all regardless of social, economic, political, physical background. Emphasis should be on how we all have the same rights. During the lessons of Economics, learners may discuss and appreciate the need to respect and advocate for employer's and worker's rights and responsibilities at workplace.
- **Peace and Values:** Right before the lesson begins; there are quite a lot of opportunities for tutors to promote peace and values among learners. Being punctual for activities (time management), involvement in various activities (teamwork), keeping their school environment clean

(responsibility), greeting one another are among such opportunities (empathy).

- In a lesson, encourage learners to greet one another, create a conducive learning environment, clean the chalkboard and arrange the classroom, books, class work, among others. Also in case of conflicts within a lesson, take time to address the conflicts and discuss with learners the need to resolve conflicts amicably. You may also give learners an opportunity to participate in conflict resolution and decision making.
- **Comprehensive sexuality education (HIV/AIDS, STI, Family planning, Gender equality and reproductive health):** During the lessons/activities, learners should be given an opportunity to discuss freely about the various changes they are undergoing, as they are adolescents. They should be aware of how to manage the changes in their bodies, discuss HIV/AIDS without stigmatization, STIs and how to control them, family planning, gender equality and reproductive health. Learners should be encouraged to seek for appropriate help whenever needed. This may not directly fit or come in the lessons but utilize opportunities observed among the learners both in and outside of the class.
- **Financial Education:** For example in setting personal goals, learners may be requested to make a plan of what they plan to save, how much and when they plan to achieve their saving goals. Learners may describe strategies to reduce spending and increase savings to become financially fit. In every lesson, learners can share briefly their progress towards their goals: how much, strategies that worked and what needs to improve on.
- **Standardization Culture:** In every lesson take an opportunity to share with learners that standards should be respected since they are part and parcel of our lives. From school uniform, to class size, to lesson duration, language of instruction, among others. So always create opportunities to have learners discuss where standards apply and when they need to be cautious about standards during their everyday life. Throughout the unit, Standardization will be the opportunity to learn all concepts related to standardization Culture and to see how it can apply in different area.
- **Genocide Studies:** Learners need to become aware that all human beings are equal and have equal rights. At the work place they should avoid and denounce all instances that result into other's rights being violated. Give learners opportunities to share how economics student can promote the fight against genocide ideologies. During rights and responsibilities session, learners relate the genocide of 1994 against the Tutsi and violation of human rights.



### **1.2.3 Attention to special educational needs and inclusive education**

In the classroom, learners learn in different way depending to their learning pace, needs or any other special problem they might have. However, a tutor has the responsibility to know how to adopt his/her methodologies and approaches in order to meet the learning need of each student in the classroom. Also tutors need to understand that learners with special needs; need to be taught differently or need some accommodations to enhance the learning environment. This will be done depending to the unit and the nature of the lesson. In order to create a well-rounded learning atmosphere, tutors need to:

- Remember that learners learn in different ways so they have to offer a variety of activities. For example role-play, music and singing, word games and quizzes, and outdoor activities.
- Maintain an organized classroom and limits distraction. This will help learners with special needs to stay on track during lesson and follow instruction easily.
- Vary the pace of teaching to meet the needs of each learner. Some learners process information and learn more slowly than others.
- Break down instructions into smaller, manageable tasks. Learners with special needs often have difficulty understanding long-winded or several instructions at once. It is better to use simple, concrete sentences in order to facilitate them understand what you are asking.
- Use clear consistent language to explain the meaning (and demonstrate or show pictures) if you introduce new words or concepts.
- Make full use of facial expressions, gestures and body language.
- Pair a learner who has a disability with a friend. Let them do things together and learn from each other. Make sure the friend is not over protective and does not do everything. Both learners will benefit from this strategy.
- Use multi-sensory strategies. As all learners learn in different ways, it is important to make every lesson as multi-sensory as possible. Learners with learning disabilities might have difficulty in one area, while they might excel in another. For example, use both visual and auditory cues.

Below are general strategies related to each main category of disabilities and how to deal with every situation that may arise in the classroom. However, the list is not exhaustive because each learner is unique with different needs and that should be handled differently.

#### **Strategy to help a learner with developmental impairment:**

- Use simple words and sentences when giving instructions.
- Use real objects that the learner can feel and handle; rather than just

working abstractly with pen and paper

- Break a task down into small steps or learning objectives. The learner should start with an activity that s/he can do already before moving on to something that is more difficult.
- Gradually give the learner less help.
- Let the learner work in the same group with those without disability.

### **Strategy to help a learner with visual impairment:**

- Help learners to use their other senses (hearing, touch, smell and taste) to play and carry out activities that will promote their learning and development.
- Use simple, clear and consistent language.
- Use tactile objects to help explain a concept.
- If the learner has some sight difficulties, ask them what they can see.
- Make sure the learner has a group of friends who are helpful and who allow the child to be as independent as possible.
- Plan activities so that learners work in pairs or groups whenever possible

### **Strategy to help a learner with hearing impairment:**

- Always get the learner's attention before you begin to speak.
- Encourage the learner to look at your face.
- Use gestures, body language and facial expressions.
- Use pictures and objects as much as possible.
- Keep background noise to a minimum.

### **Strategies to help learners with physical disabilities or mobility difficulties:**

- Adapt activities so that learners who use wheelchairs or other mobility aids can participate.
- Ask parents/caregivers to assist with adapting furniture e.g. The height of a table may need to be changed to make it easier for a learner to reach it or fit their legs or wheelchair under.
- Encourage peer support
- Get advice from parents or a health professional about assistive devices

### **Adaptation of assessment strategies**

Each unit in the tutor's guide provides additional activities to help learners achieve the key unit competence. Results from assessment inform the teacher which learner needs remedial, consolidation or extension activities. These activities are designed to cater for the needs of all categories of learners; slow, average and gifted learners respectively.

#### 1.2.4. Guidance on assessment

Assessment is an ongoing process of identifying, gathering and interpreting information about students' achievement of the learning outcomes and can be integrated into the students' normal learning activities. Assessment is an important part of teaching and learning. It is used to:

- Evaluate and improve teaching and learning
- Report achievement
- Provide feedback to students on their progress.

#### Types of Assessment

- **Assessment for learning (Continuous/ formative assessment):**  
Assessment for learning is often called formative assessment and is assessment that gathers data and evidence about student learning during the learning process. It enables tutors to see where students are having problems and give immediate feedback, which will help students to learn better. It also helps tutors to plan lessons make student learning and teaching more effective. Often it is informal and students can mark their own work or their friends. An example is a quick class quiz to see if students remember the important points of the previous lesson.
- **Assessment of learning (Summative assessment):**  
Assessment of learning is often called summative assessment. It is used to obtain evidence and data that shows how much learning has occurred, usually at the end of the term or unit. End of year examinations are examples of summative assessment. It is usually done for formal recording and reporting purposes.
- **Assessing Economics units**  
In the Economics syllabus, the key unit competences, which link to the broad learning outcomes, are assessed through specified assessment tasks using a range of assessment methods. Assessment criteria for each unit outcome provide clear indications of how, and to what extent, the achievement of the learning outcomes may be demonstrated. Performance standards, marking guides and assessment criterion help teachers with the marking process and this ensures that assessment is consistent.

#### When you set a task, make sure that:

- The requirements of the task are made as clear as possible to the student
- The assessment criteria and performance standards or marking guides are provided to the student so that they know what it is that they have to do
- Any sources or stimulus material used are clear and appropriate to the task
- Instructions are clear and concise

- The language level is appropriate for the grade
- It does not contain gender, cultural or any other bias
- Materials and equipment needed are available to students
- Adequate time is allowed for completion of the task.

### **Feedback**

- When you assess the task, remember that feedback will help the student understand why he/she received the result and how to do better next time.

### **Feedback should be:**

- Constructive so that students feel encouraged and motivated to improve
- Timely so that students can use it for subsequent learning
- Prompt so that students can remember what they did and thought at the time
- Focused on achievement and effort of the student
- Specific to the unit learning outcomes so that assessment is clearly linked to learning.

### **Feedback can be:**

- **Informal or indirect** – such as verbal feedback in the classroom to the whole class, or person to person
- **Formal or direct** – In writing, such as checklists or written commentary to individual student either in written or verbal form.
- **Formative** – given during the topic with the purpose of helping the student know how to improve for example use of portfolios as a tool of assessment during, after or at end of the lesson.
- **Summative** – Given at the end of the unit with the purpose of letting the students know what they have achieved for example use of portfolios as a form of end of unit assessment.

### **Tests**

A test is a formal and structured assessment of student achievement and progress which the tutor administers to the class. Tests are an important aspect of the teaching and learning process if they are integrated into the regular class routine and not treated merely as a summative strategy. They allow students to monitor their progress and provide valuable information for you in planning further teaching and learning activities.

Tests assist student learning if they are clearly linked to the outcomes. Evidence has shown that several short tests are more effective for student progress than one long test. It is extremely important that tests are marked and that students are given feedback on their performance.

There are many different types of tests. Tests should be designed to find out what students know and about the development of thinking processes and skills. Open questions provide more detailed information about achievement than a question to which there is only one answer.

### **Principles of designing classroom tests**

Tests allow a wide variety of ways for students to demonstrate what they know and can do. Therefore:

- Students need to understand the purpose and value of the test
- The test must assess intended outcomes
- Clear directions must be given for each section of the test
- The questions should vary from simple to complex
- Marks should be awarded for each section
- The question types (true/false, full-in-the-blank, multiple choice, extended response, short answer, matching) should be varied.

### **Tests should:**

- Be easy to read (and have space between questions to facilitate reading and writing)
- Reflect an appropriate reading level
- Involve a variety of tasks
- Make allowance for students with special needs
- Give students some choice in the questions they select
- Vary the levels of questions to include gathering, processing and applying information
- Provide sufficient time for all students to finish.

### **Tutor assessment**

- Assessment is a continuous process. You should:
- Always ask questions that are relevant to the outcomes and content
- Use frequent formative tests or quizzes
- Check understanding of the previous lesson at the beginning of the next lesson through questions or a short quiz
- Constantly mark/check the students' written exercises, class tests, homework activities
- Use appropriate assessment methods to assess the tasks.

### **Self-assessment and peer assessment**

Self and peer assessment helps students to understand more about how to learn.

Students should be provided with opportunities to assess their own learning (self-assessment) and the learning of others (peer assessment) according to set criteria.

### **Self and peer assessment:**

- Continues the learning cycle by making assessment part of learning
- Shows students their strengths and areas where they need to improve
- Engages students actively in the assessment process
- Enables students to be responsible for the learning
- Helps students understand the assessment criteria and performance standards.

### **1.2.5 Students' learning styles and strategies to conduct teaching and learning process**

- How students learn
- What I hear I forget.
- What I hear and see I remember a little.
- What I hear, see and discuss I begin to understand.
- What I hear, see, discuss and do, I acquire knowledge and skills.
- What I teach to another, I master. (Active Learning Credo statement by Silberman 1996)

In support of this are the findings that we remember:

- 20% of what we hear
- 40% of what we see
- 90% of what we see, hear, say and do or what we discover for ourselves.

### **A student-centered approach to learning**

Different students learn in different ways. Some students learn best by writing, others by talking and discussing, others by reading and others by listening. Most students learn by using a combination of those. All students learn skills through practicing and repetition. You need to use a variety of teaching strategies to cater for the different ways your students learn. The selection of teaching method should be done with the greatest care and some of the factors to be considered are: the uniqueness of subjects; the type of lessons; the particular learning objectives to be achieved; the allocated time to achieve the objective; instructional materials available; the physical/sitting arrangement of the classroom, individual students' needs, abilities and learning styles.

## Teaching and learning strategies

In order to cater for different students' learning styles and to assist and encourage students to learn, teachers need to perform certain tasks. These are teaching strategies.

You need to engage students directly in learning but there are times when you have to take charge of the learning in the class and teach particular concepts or ideas

### Teaching strategies include:

- Group work
- Skills lab
- Research/inquiry
- Class discussions/debates
- Problem-solving activities
- Teacher talk, instructions, explanations, lectures or reading aloud
- Directed question and answer sessions
- Audio-visual presentations
- Text books or worksheets
- Directed assignments
- Demonstration and modeling
- Guest speakers
- Classroom displays.

### 1.2.6. Student Economics Club and Skills lab

#### a) Student Economics club.

The student **Economics** club (SEC) is an extra-curricular activity to enhance student learning of **Economics** competencies.

It is a club in which students work in groups under the supervision of their teacher.

#### Why - Learning by Doing

Part of **Economics** is practical. For example, Economics, Students must have time to practice what they learn.

#### Student Economics Club:

- Enhance the learner's Economics competences.
- Apply the knowledge, skills, and attitudes learned.
- Inspire young people to succeed in the global Economy.

### **Who- The Club is Open to All Students**

A' level Economy students typically lead the student economy club. The Club runs multiple different business projects managed by small teams (Skills Lab teams). The club has student leaders and recruits club members from the total school population to join them.

### **How – Students Lead Business Projects**

The club is student-led but is supervised by entrepreneurship teacher(s).

The Club should be student run. Students should be actively engaged in idea generation, planning, procurement, sales, record keeping, and decision making. Teachers should only guide them. Clubs should start small with what the students can afford. Clubs should start with or no capital and use recycled materials and seeds only! Teachers should not ask the administration to give the Club huge sums of money to start operating. The Club experience should reflect the real business world. No one will just give them big capital for free when they graduate, so you should request only what is realistic. Club funds and profits should be kept in a safe and secure place. The best place is a club account with the school bursar. Students should not keep Club money in their suitcases as cases of theft and misuse of funds will arise. The patron should organize inter Club competitions / exhibitions at the school to motivate students to work to succeed and to showcase the Club work to the rest of the stakeholders.

Skills Lab Teams meet during extracurricular time to create their projects. The students of Economics club hold regular club meetings to plan and coordinate activities.

### **When – Extra-curricular time**

Student Business Clubs meet at a time convenient for students, after classes. The Student Business Club is one of the best extra-curricular activities that strengthens both academic and practical competencies.

### **Where – In-school and back home**

Students of economy club activities take place both in school and in the community. Club members can decide on what to do and when? Both boarding and day students can participate in Economics club.



## b) Skills Lab

### i) What is skills lab

Skills lab is a method of teaching where students are required to complete learning activities working in manageable groups. Skills Labs are a no cost, easy method to change teacher's pedagogy from theory-based to competence-based instruction.

- The basic characteristics of Skills Lab are:
- It takes place during a double period (80 minutes)
- Students work in small groups (manageable teams)
- Assessment takes place through portfolio activities
- Students talk more than teachers (10% teacher talk time and the rest is for the students)
- Students receive constructive feedback on their work (Teacher gives quality feedback on student presentations.
- Skills lab consists of three components: build, practice and present.

### Note

Skills lab as a methodology of teaching can be used at any time within a unit (i.e. at the start, during or at the end of the unit). It can be used as a method of teaching during teaching and learning of a given lesson NOT necessarily only at the end of the week. Skills Lab follows a 3-part format, which helps teachers plan for practical and competency-based lessons. This format includes Build, Practice and Present, described below:

### ii) Steps of skills lab lesson plan



### iii) Use of Present Boards and Portfolios during Skills Lab

Present boards are boards made by learners using locally available resources that contain learners' work/achievements. When learners finish their work from presentations as a group, it's hang on the present board. This can be used by both the teacher and students for reference.

The biggest sign of a successful skills lab is the activities students complete. And how do we know whether students completed their group activity? It's through **Present Boards**. Each team has their own board to display all the work they completed during the Skills Lab. At the end of each Skills lab, each team makes a verbal presentation to the class and shows their Present Board.

	<b>When?</b>	<b>How?</b>	<b>Where?</b>
<b>Present Boards</b>	Last activity of each Skills Lab. Each lab team/group has their own 1 Present Board.	Made by students. Boards have cool designs to showcase the notes and work product of each lab	Boards are hung on the walls of classroom and kept there for others to see

### iv) Relationship between Portfolios and Present Boards

#### What is a Student Portfolio?

A portfolio is a collection of student work for individual assessment. Learners fill their portfolios by completing a series of assignments. These individual assignments are the evidence that students have mastered a learning objective. Each assignment requires learners to apply the skill they learned in that unit practically.

Portfolios are the basis for Skills Lab. First, teachers create the portfolio assessment for students to complete.

Skills Lab is when students will work on group activities to prepare for completing the portfolio assessment individually. Skills Lab is one of your teacher's normal lessons (no extra time is needed) that are especially designated for the purpose of students working in groups to complete their activities. Skills Lab prepares students to complete portfolio assignments on their own after classes. So, the classroom activity should connect directly to the portfolio assignment.

For example, they set goals as a group in class, and set individual goals as portfolio assignment.

	<b>Done by?</b>	<b>When?</b>	<b>Where?</b>
<b>Present boards</b>	Groups	During Skills Lab	On Present Boards
<b>Portfolios</b>	An Individual	As an Assignment	In Portfolio Folder

### **1.2.7. Steps for a lesson in active learning approach**

Generally, the lesson is divided into three main parts whereby each one is divided into smaller steps to make sure that learners are involved in the learning process. Below are those main part and their small steps.

#### **1. Introduction**

Introduction is a part where the teacher makes connection between the previous and current lesson through appropriate techniques. The teacher opens short discussions to encourage learners to think about the previous learning experience and connect it with the current instructional objective. The teacher reviews the prior knowledge, skills and attitudes which have a link with the new concepts to create good foundation and logical sequencings.

#### **2. Development of the new lesson**

The development of a lesson that introduces a new concept will go through the following small steps: discovery activities/prediction, presentation of learners' findings, exploitation, synthesis/summary and exercises/application activities, explained below:

#### **Discovery activity/prediction**

##### **Step 1**

- The teacher discusses with students to take responsibility of their learning
- He/she distributes the task/activity, necessary resources and gives instructions related to the tasks (working in groups, pairs, or individual to instigate collaborative learning, to discover knowledge to be learned)

##### **Step 2**

- The teacher let the students work collaboratively on the task.
- During this period the teacher refrains to intervene directly in the working of activity or results/findings of the task
- He/she then monitors how the students are progressing towards the results, output, results, and expectations knowledge to be learned and boost those who are still behind (but without communicating to them the knowledge).

#### **Presentation of learners' productions**

- In this period, the teacher invites representatives of groups to share their productions/findings.
- After three/four or an acceptable number of presentations, the teacher decides to engage the class into exploitation of the students' productions.
- Exploitation of learner's productions

- The teacher asks the students to evaluate the productions: which ones are correct, incomplete or false
- Then the teacher judges the logic of the students' products, corrects those, which are false, completes those, which are incomplete, and confirms those, which are correct.

### **Institutionalization (summary/conclusion/ and examples)**

- The teacher summarizes the learned knowledge and gives examples, which illustrate the learned content. Then links the activities to the learning objectives, and guide learners to make notes.

### **Exercises/Application activities**

- Exercises of applying processes and products/objects related to learned unit/sub-unit
- Exercises in real life contexts
- Teacher guides learners to make the connection of what they learnt to real life situations. At this level, the role of teacher is to monitor the fixation of process and product/object being learned.

### **3. Assessment**

- In this step, the teacher asks some questions to assess achievement of instructional objective. During assessment activity, learners work individually on the task/activity.
- The teacher avoids intervening directly. In fact, results from this assessment inform the teacher on next steps for the whole class and individuals. In some cases, the teacher can end with a homework assignment, or additional activities

## PART II: SAMPLE LESSON PLANS

### 2.1. Template of a lesson plan in active learning approach

While formulating the instructional objectives, the type of game will be mentioned if it will be applied in lesson assessment

The teacher should take into account learners with special need to ensure that the play is adapted to all learners

Term	Date	Subject	Class	Unit No	Lesson No	Duration	Class size
Type of Special Educational Needs (SEN) to be catered for in this lesson and number of learners in each category							
Unit title							
Key Unit Competence:							
Title of the lesson							
Instructional Objective							
Plan for this Class (location: in / outside)							
Learning Materials (for ALL learners)							
References							
Timing for each step					Description of teaching and learning activity		Generic competences and cross cutting issues to be addressed + a short explanation
					Teacher activities	Learner activities	
1. Introduction							
2. Development of the lesson							
2.1 Discovery activity							
2.2 Presentation of learner's productions							
2.3 Exploitation							
2.4 Conclusion/ Summary							
3. Assessment							
Observation on lesson delivery							

This part is a summary of the teaching and learning process. Teacher mentions the game if it is one of techniques to be applied.

The teacher mention the generic competences to be developed and cross-cutting issues to be addressed in relation to learners' activities and lesson content. The teacher provide short explanations justifying how above mentioned generic competences and cross cutting issues are catered for.

After game, the teacher asks effective questions on how learners perceive the lesson, how it's connected to their life experience and how they will use the acquired competences.

The teacher describes the learners expected activities, findings and answers

The teacher describes the activity using action verb in infinitive form. The questions and instructions are also indicated

The teacher indicates the steps to follow that are:

- Discovering activities,
- Presentation of learners' findings,
- Exploitation (RCA) and
- synthesis/summary

## 2.2. Simple of a Competence – Based Lesson Plan

**School Name:**

**Teacher's Name:**

Term	Date:	Subject	Class	Unit No	Lesson Number	Duration	Class size
1	15/ June/ 2020	Economics	Year 3	13	1 of 4	80 min	30
Types of special Educational needs to be catered for in this lesson and number of learners in each category				Slow learners: 3 Low Vision: 1 Talented: 6			
<b>Unit title</b>		<b>UNIT 5: Sectors of the Rwandan economy.</b>					
<b>Key Unit Competence</b>		To be able to describe the role of informal sector and privatization to the Rwandan economy					
<b>Title of the lesson</b>		Informal sector.					
<b>Instructional Objective</b>		In small groups, student teachers should undertake a documentary research from textbooks, internet or any other source of information to come up with the meaning of informal sector, its advantages and disadvantages correctly.					
<b>Plan for this lesson (Location)</b>		In the classroom setting, in small groups.					
<b>Learning materials</b>		Newspapers, magazines, textbooks, journals, internet access and audio media.					
<b>References</b>		Economics textbooks Year 3					

Timing for each step	Brief description of teaching and learning activities		Generic competences and cross-cutting to be addressed + short explanation
	In small groups, student teachers undertake a documentary research from textbooks, internet or any other source of information to come up with the meaning of informal sector, its advantages and disadvantages and share their prior knowledge (either in pairs or groups or brain storm) and then present to the class the results from discussions.		
	Tutor's activities	Student teachers' activities	
<b>1. Introduction</b>	<p>The tutor should guide the student teachers to find out the meaning of informal sector and its advantages and disadvantages. This is done by asking them to first give their own views on what they think about informal sector, then after allow them carry out research in the textbooks or internet, as they compare with what they had in their minds. As a tutor, you should organize the class in a convenient and most effective way of making the lesson interactive. For example, basing on the size of the class, you can have the student teachers in pairs or groups and ask them to share their views on what they think about exchange rates and the terms used in therein.</p>	<p>Listen to the instructions from the tutor, ask for any clarifications</p> <p>Follow, instructions to attempt the activity, discuss their responses to the activity</p>	<p>While teaching this lesson, endeavor to emphasis the role of standardization and financial management. It is very vital in the management of different tasks in the informal sector.</p>
<b>2. Development of the lesson</b>			

<p><b>2.1. Presentation of learner's productions</b></p>	<p>Guide groups to share their findings or act out the interview Ensures all learners are actively participating and following. Support learners while addressing any challenges. Makes notes of any misconceptions from learners</p>	<p>Learners present their findings in groups or act out the interview  Ask questions, complement each other,</p>	<p><b>Generic competences:</b> Communication will be developed through answering questions and group work/class presentation  Cooperation will be developed through working together in groups.</p>
<p><b>2.2. Exploitation</b></p>	<p>Correct any misconceptions from learner's presentations. Lead a discussion on particular cross cutting issues to be addressed from the presentation.</p>	<p>Ask for clarifications,</p>	<p><b>Generic competences:</b> Critical thinking; through answering more challenging questions and as they relate to what the teacher is emphasizing to live a real life experience.</p>
<p><b>2.3. Conclusion/ Summary</b></p>	<p>Guide learners to derive the meaning of informal sector and its advantages and disadvantages.  Let learners turn to their note books to make a summary and notes about the meaning of informal sector and its advantages and disadvantages.</p>	<p>Draw conclusions to the meaning of informal sector and its advantages and disadvantages  Refer to the text books to make a summary and notes about the informal sector and its advantages and disadvantages.</p>	<p><b>Generic competences:</b> Lifelong learning; as learners discover more from the teacher's points of emphasis, they become eager to learn and discover more. <b>Cross cutting issue:</b> Inclusive education: While some students will be busy writing their conclusion, the teacher will check on slow learners and provide some extra explanations where they are still struggling. Where possible slow learners will be helped to draw their conclusion by providing them some major guidelines to follow.</p>



<p><b>3. Assessment</b></p>	<p>Application activity 13.1</p> <p>In small groups, student teachers will undertake an analysis of the picture identify the activities taking place and provide their arguments on how to improve the informal sector. Student teachers will share their views and present the findings to the class. The activity is intended to test the student teacher's level of knowledge, skills, attitudes and values gained in the due course of the lesson.</p>	<p>Learners do the application activity following the instructions from the teacher</p> <p>Ask for clarifications</p>	<p><b>Cross cutting issues:</b></p> <p><b>Gender equality:</b> Girls and boys should be involved in groups in equal or almost equal proportions. Whether in sharing views or in presentations, they should be treated equally</p> <p><b>Inclusive education:</b></p> <p>Ensure that slow learners are following in their group by checking on them frequently. If they are lost completely, they will have to be given special treatment in the group, and be given extra help. For the gifted learners, check if they are participating in the group. If not provide them another activity on their level to avoid boredom and distractibility.</p> <p><b>Standardisation culture.</b></p> <p>Student teachers should understand that productive tasks in the informal sector should measure up to the agreed standards.</p>
<p><b>Observation on lesson delivery</b></p>	<p>The lesson was well delivered and understood by student teachers and 3 of them who did not score highly in application activity were given remedial activities.</p>		

# UNIT 1

## INTERNATIONAL TRADE THEORIES.

### 1.1. Key unit Competency:

Analyse the importance of international trade to the development of the economy

### 1.2. Prerequisite (knowledge, skills, attitudes and values)

As seen at the beginning of year one, Economics is concerned with man's living styles and conditions in everyday life, everywhere on the globe. Therefore, the study of economics, continues to instil the knowledge, understanding, skills, values and attitudes worth, to student teachers that pursue economics subject study now and for lifetime. It should be noted that, student teachers have daily experience on business world, therefore already have some knowledge of trade related issues. They therefore, can link the knowledge, understanding values and attitudes obtained in other related subjects like geography and entrepreneurship to what they experience in daily life to understand the whole unit about international trade theories. The tutor thus, needs to build on this knowledge and guide the student teachers towards application of various knowledge, skills, attitudes and values, acquired and developed in real life experience.

Since Economics is not an isolate subject, student teachers should be guided on how to draw relevant conclusions from other related subject studies and interpret any economic and social phenomena and data especially those that affect them directly and their societies and be able to act accordingly with watchful minds. It's therefore the mandate of the tutor to accurately guide the student teachers for deep understanding of the concept of international trade theories; for example, what it requires, how and why to participate in international trade. In year one and two Geography for example, units 10.7 and 17 respectively, student teachers covered the concepts of transport, communication and trade in Rwanda and trade and communication in the world respectively. This background will enable the student teachers to analytically study the concept of international trade in economics and be able to come up with long-lasting opinions on how best they can advocate for Rwanda's

full and smooth participation in international trade so as to gain equally from it and to yield sustainable results for the achievement of development goals of the economy. This will be a visible impact of the achievement of the key unit competence above by student teachers even when they are in the world of work.

### **1.3. Cross-cutting issues to be addressed:**

The teaching and learning of economics, tackles different arenas of social political and economic part of life, it therefore should be handled with care, otherwise it might cripple the economy of as country if not handled with care. For instance, while teaching this unit of International trade theories tutors need to emphasize to the student teachers the need for proper use of natural resources so as to conciliate their future availability. If not properly utilised, in the name of gaining more from international trade, then environmental sustainability is at stake and the future prosperity may not be determined for Rwanda and the generation to come.

Furthermore, for smooth operation of international trade, there must be peace, harmony and understanding between and among countries involved in international trade. Therefore, student teachers need to understand that peace, security and political understanding is fundamental to smooth bilateral and multilateral trade agreements.

Important to note is that, during the teaching and learning process, tutors should fittingly set the activities and use language and instructional techniques that enable the student teachers to grasp the different related cross cutting issues in connection with this unit, not necessarily the ones mentioned herein.

### **1.4. Guidance on the introductory activity:**

The introductory activity in this unit, in the student teacher's book, is a basic tool used as orientation activity. It enables the student teachers to connect the knowledge, skills, attitudes and values already acquired in other subjects and in real life and the new unit title they are to study.

In the introductory activity, tutor guides the student teachers to express themselves, for example, through brain storming or pair work, groupwork on;

- i) What they think is the difference between international trade and domestic trade, by defining the two.
- ii) Giving their views on how they think internal / domestic trade is different from international trade.
- iii) Explaining how countries get involved in international trade.

- iv) Giving their views on how international trade is costlier than domestic trade based on the extract provided.
- v) Explaining why countries go ahead to take part in international trade even when it practically seems complex and costlier than domestic trade.

**Possible answers to the introductory activity:**

i) **International trade** is the exchange of capital, goods, and services across international borders or territories, which could involve the activities of the government, companies and individuals. While **domestic trade**, also known as *internal trade* or *home trade*, is the exchange of domestic goods within the boundaries of a country.

ii) **Differences between international trade and domestic trade.**

Domestic trade	International trade
- involve the use of one currency	- involve the use of many currencies
- not subjected to barriers restricting the movement of goods internally.	- Subjected to barriers restricting the movement of goods across borders
- Goods exchanged tend to be more standardized	- Producers are confronted with different markets and may have a variety of different standards for different markets to fulfill.
- Less voluminous paper work involved	- Much paper work involved
- Mobility of factors of production	- limited mobility of production across national borders.

iii) Countries get involved in international trade by making either **bi-lateral or multilateral agreements**.

iv) International trade is costlier than domestic trade due Tariffs and non-tariff barriers like time costs due to border delays, and costs associated with country differences such as language, the legal system, or culture etc.

v) **Countries go ahead to take part in international trade despite it being a more complex process than domestic trade due to the following reasons.**

- *Differences in natural resource endowments*: Since different countries have different types of natural resources and of which are non-transferable, like climate, minerals, oil, etc., and in differing quantities, it is important to participate in international trade to acquire and enjoy the benefits of these resources.
- *Lack of self-sufficiency*: A country may be producing a commodity but not in sufficient quantities that it requires, and hence a need for international trade to overcome the shortage. On the contrary, some goods cannot be found in the country at all may be due to lack of natural resources, capital and skilled labour. Therefore, that country may engage in international trade in order to acquire the goods, which it cannot produce.

- *Need to dispose-off surplus:* A country may produce a commodity in excess of what can be absorbed by the domestic market hence, where the economic exploitation of the resource or commodity requires a larger market than the domestic market, international trade between this country and others will develop in order to avoid wastage. Similarly, in a situation where a country possesses a resource it does not demand at all but demanded by other countries, the country would exchange its resources so as to acquire what it needs from other countries. This is known as the vent-for-surplus cause of international trade.
- *Lack of co-operant factors:* A country may be well endowed with natural resources but find itself unable to exploit them either for its own direct utilization or for exchange to acquire what they need from other countries. This may be due to lack of skills, technology, capital, etc. Exploitation of such resources would inevitably make the country to engage in international trade so as to acquire the vital missing co-operant factors.
- *Differences in skills:* Different people have different skills that may be natural or acquired by training which results into production of different products. The desire for those products beyond one's productive capacity leads to international trade.
- *Differences in technology:* Nations have differences in technology that enable them to produce different goods and hence international trade arises.
- *Differences in tastes or demand:* International trade might also arise because of differences in tastes. With development, peoples' living standards increase and they may demand not only high-quality products but also a wider variety of goods and services. Thus, even if one country can produce a certain commodity, importation may still take place due to people's desire for a better-quality product from abroad. This connects with the idea of competitive forces and the exercise of choice. In a free market economy, consumers are free to choose which goods to buy. A foreign good may be more appealing. This is not necessarily a matter of it being cheaper, but may simply reflect the consumer's tastes.
- *Comparative advantage:* International trade might arise out of the need to minimize the costs of production. Thus, when one country finds it cheaper to consume imported goods and services rather than consuming those domestically produced, it would be engaged in international trade. Some countries may be able to produce given commodities but at relatively higher costs than others may. Therefore, those countries at a relative cost disadvantage may initiate and engage in exchange relations with those countries having a relative cost advantage so as to minimize their costs. This is exchange based on comparative cost advantage.

- *Need to acquire Foreign exchange:* Some countries trade because they want to acquire foreign exchange to finance development. Many African countries export their produce to earn foreign exchange.
- *Need to strengthen Political ties:* Sometimes, international trade may arise simply to promote political ties between the trade participants or to extend a form of political ideology from one country to another. Two similarly ideologically disposed countries may promote trade between themselves even when it is not necessary. However, it would have been advantageous to one country to trade with another country, which is not ideologically favourable.
- *Need to increase to increase competition and efficiency:* Countries need to join international trade in order to increase competition and efficiency between or among themselves. This lowers prices and reduces local monopolies who might cheat consumers through high prices.
- *Need to reduce subsistence sector:* Countries participate in international trade to produce for market through exporting their commodities which reduces on the subsistence sector and its negative effects.
- *Need to promote employment opportunities:* International trade promotes employment directly or indirectly i.e. those involved in handling international trade at border posts, collecting taxes, checking standards and those producing for exports.
- *Vent for surplus:* Countries need international trade in order to exploit their idle resources so as to increase their export level and provide employment.
- *Need for specialization:* Countries prefer to specialize in few commodities in which they are efficient so that they can maximize output and preserve resources. Thus, international trade arises due to the fact that a country would exchange what it produces efficiently for what it cannot.

### 1.5. List of lessons/ subheadings:

NO	Lesson tittle	Lesson objectives	No of periods.
1	Meaning, forms and terminologies used in International trade.	Describe the forms of international trade with relevant example. Explain the different terminologies used in international trade.	1

2	Advantages, disadvantages and limitations of international trade	Discuss the advantages and disadvantages of international trade and its limitations. - Advocate for the efficient use of available resources to increase gains from international trade.	1
3	Theories of international trade; Absolute advantage.	- Describe the gains from international trade based on theory of absolute advantage. - Advocate for the efficient use of available resources to increase gains from international trade.	1
4	Comparative advantage theory	Describe the gains from international trade based on the theory of comparative advantage. - Advocate for the efficient use of available resources to increase gains from international trade.	2
5	End of unit assessment	- Analyse the importance of international trade to the development of the economy.	1

### **Lesson 1: Meaning, forms and terminologies used in International trade.**

#### **a) Learning objective:**

- Describe the forms of international trade with relevant example.
- Explain the different terminologies used in international trade.

#### **b) Teaching resources:**

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

#### **c) Prerequisite/Revision/introduction.**

Basing on the student teacher's knowledge on their everyday life experience and their prior knowledge and understanding on international trade from other subjects in year one and year two, student teachers integrate their understanding in this lesson as they share their views amongst themselves with the guidance from the tutor. Tutor introduces them to international trade theories and encourages them to freely express themselves by relating what they already know with what they are going to be study.

#### d) Learning activities.

##### i) Guidance to the learning activity 1.1.

Present to student teachers, the photos provided in category A and B in activity 1.1. in the student teacher's book, in groups or pairs for clear analysis and they use them to answer the questions as provided therein. Sample groups or pairs for presentation and general class discussion concerning the activity and lesson.

#### Answers to learning activity 1.1

- i) Category 'a', deals with **trade in goods** while category 'b', deals with **trade in services**.
- ii) Commodities entering the country are called **imports** while those leaving the country are called **exports**.
- iii) When goods and services are exchanged within the boundaries of a country where they are produced it is called **Domestic/ internal / local trade**.
- iv) When goods and services are exchanged across the boundaries of a country where they are produced it is called **International or global trade**.
- v) Refer to the answers in question (ii) of the introductory activity above, for the difference between local and international trade.

##### ii) Guidance to activity 1.2:

Present to student teachers, the photos A, B, C and D provided in activity 1.2. in the student teacher's book, in groups or pairs for clear analysis and they use them to answer the questions as provided therein. Sample groups or pairs for presentation and general class discussion concerning the activity and lesson.

#### Answers to activity 1.2:

- i) A & b are for **bilateral trade relations** while c and d are for **multilateral trade relations**.
- ii) **a** is **Zimbabwe**, **b** is **Angola**, while **c** is **Common Wealth countries** and **d** involves all African countries.
- iii) Refer to sub unit 1.1.3 in the student teacher's book for the different terms used in international trade.

#### e) Guidance to application activity 1.1

Provide research questions to student teachers, as given in the application activity 1.1. in the learner's book; either in pairs or groups or individual work.



Guide them on how to reach consensus based on their findings before the next lesson begins.

### **Answers to the application activity 1.1**

#### **1. Why Rwanda participates in international trade.**

In today's global economy, international trade is at the heart of development. Nations, developed or underdeveloped, trade with each other because trade is mutually beneficial. In other words, the basic motivation of trade is the gain or benefit that accrues to nations. In a state of isolation, benefits of international division of labour do not flow between nations. It is advantageous for all the countries of the world to engage in international trade. Rwanda therefore participates in international trade in order to;

- Acquire and enjoy the benefits of natural resources which are not found in Rwanda but can be got elsewhere due to differences in natural resource endowments in different countries.
- Acquire the goods which she cannot produce using her natural resources, capital and skilled labour since she cannot be self-sufficient. Also, Rwanda may produce some commodities but not in sufficient quantities that it requires and hence a need for international trade to overcome the shortage.
- Dispose-off surplus because at times she may produce some commodities in excess of what can be absorbed by the domestic market hence, where the economic exploitation of resources or commodity requires a larger market than the domestic market, international trade between Rwanda and others develops in order to avoid wastage.
- Acquire what it needs from other countries via the vent-for-surplus cause of international trade. i.e. Rwanda may possess some resources it does not demand at all but demanded by other countries, thus would need to exchange its resources so as to as to acquire what it needs.
- Acquire the vital missing co-operant factors like skills, technology, capital needed to exploit natural resources either for its own direct utilization or for exchange acquire what they need from other countries.
- Attain technology that enables her to produce different goods for either local or foreign consumption.
- Acquire a wider variety of goods and services in order to fulfil peoples' desire for better-quality product from abroad. This connects with the idea of competitive forces and the exercise of choice. Due to differences in tastes and preferences, in Rwandan economy, consumers are free to choose which goods to buy. Foreign goods normally seem more appealing to consumers, not necessarily a matter of it being cheaper, but simply because they reflect the consumer's tastes.

- Minimize the costs of production. Rwanda, has at some point found it cheaper to consume imported goods and services rather than consuming those domestically produced based on the comparative cost argument, thus her engagement in international trade. Some countries may be able to produce given commodities but at relatively higher costs than others may. Therefore, those countries at a relative cost disadvantage may initiate and engage in exchange relations with those countries having a relative cost advantage so as to minimize their costs. This is exchange based on comparative cost advantage.
- Acquire Foreign exchange through export to finance development.
- Strengthen and promote Political ties between her and her trade partners.
- Increase competition and efficiency between her and her trade partners. This lowers prices and reduces local monopolies who might cheat consumers through high prices.
- Reduce subsistence sector by producing for market through exporting her commodities which reduces on the subsistence sector and its negative effects.
- Promote employment opportunities directly or indirectly; for example, those involved in handling international trade at border posts, collecting taxes, checking standards and those producing for exports.
- Promote specialization by concentrating in producing a few commodities in which she is efficient so that she can maximize output and preserve resources. Thus, need to participate in international trade in order to exchange what it produces efficiently for what it cannot.

## **2. Arguments for and against bilateral and multilateral trade relations.**

### **Advantages of Bilateral Trade;**

- Bilateral trade agreements are easier to negotiate than multilateral trade agreements, since they only involve two countries. This means they can go into effect faster, reaping trade benefits more quickly.
- The country's consumers also benefit from lower prices. For instance, some types of products may be more expensive without an agreement.
- Bilateral agreements increase Local production between the two countries. As markets open to successful industries, countries are encouraged to increase production to benefit from massive production.
- Bilateral trade agreements also expand the market for a country's goods which helps spread the tune of trade liberalization and encourage open borders for trade.
- When the parties involved see demand, they will open more job opportunities, this fights unemployment problem within the two countries' economies.

- Promotes vent for surplus between the countries involved, this increases GDP and hence promote economic growth of the two countries.
- Disadvantages of bilateral trade;
- Any trade agreement will cause less successful companies to go out of business. They can't compete with a more powerful industry in the foreign country. When protective tariffs are removed, they lose their price advantage. As they go out of business, workers lose jobs.
- Bilateral agreements can often trigger competing bilateral agreements between other countries. This can whittle away the advantages that the free trade agreement confers between the original two nations.
- Bilateral trade agreements can skew/reduce a country's markets when large multinational corporations, which have significant capital and resources to operate at scale, enter a market dominated by smaller players. As a result, the latter might need to close down when they are competed out of existence.

#### **Advantages of Multilateral trade;**

- Multilateral agreements make all signatories treat each other the same. No country can give better trade deals to one country than it does to another. That levels the playing field. It's especially critical for emerging market countries. Many of them are smaller in size, making them less competitive. The most favoured Nation Status confers the best trading terms a nation can get from a trading partner. Developing countries benefit the most from this trading status.
- It increases trade for every participant since their companies enjoy low tariffs. That makes their exports cheaper.
- It standardizes commerce regulations for all the trade partners. Companies save legal costs since they follow the same rules for each country.
- Countries can negotiate trade deals with more than one country at a time. Trade agreements undergo a detailed approval process. Most countries would prefer to get one agreement ratified covering many countries at once.
- It makes emerging markets stronger which helps their economies to develop over time. As those emerging markets become developed, their middle-class population increases. That creates new affluent customers for everyone.

#### **Disadvantages of Multilateral trade;**

- The biggest disadvantage of multilateral agreements is that they are complex. That makes them difficult and time-consuming to negotiate. Sometimes the length of negotiation means it won't take place at all.
- The details of the negotiations are particular to trade and business practices. The public often misunderstands them. As a result, they receive lots of press, controversy, and protests.

- Some companies and regions of the country suffer when trade borders disappear.
- A multilateral agreement gives a competitive advantage to giant multi-nationals. They are already familiar with operating in a global environment. As a result, the small firms can't compete. They lay off workers to cut costs. Others move their factories to countries with a lower standard of living. If a region depended on that industry, it would experience high unemployment rates. That makes multilateral agreements unpopular.

## **Lesson 2: Advantages, disadvantages and limitations of international trade**

### **a) Learning objectives:**

- Discuss the advantages and disadvantages of international trade and its limitations.
- Advocate for the efficient use of available resources to increase gains from international trade.

### **b) Teaching resources.**

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

### **c) Prerequisite/Revision/introduction.**

Having seen what international trade is, how its different from internal trade and modalities of engaging in international trade in lesson 1 above, student teachers apply the knowledge, understanding, skills, values and attitudes in this this lesson about the advantages, disadvantages and limitations of international trade. Tutor guides them to discover the likely advantages, disadvantages, and limitations of international trade in relation to Rwanda's context and compare with other neighbouring countries well known to them.

### **d) Learning activities.**

#### **i) Guidance to activity 1.3.**

Basing on the research carried out in the application activity 1.1 in lesson 1 above, student teachers, through either brain storming, general class discussion or debate, discuss the advantages, disadvantages and limitations of international trade.

### Answers to learning activity 1.3

- a) Benefits from international trade identified in the extract are:
- International trade allows countries, states, brands, and businesses to buy and sell in foreign markets;
  - It diversifies the products and services that domestic customers can receive.

Costs that are cited in the extract are;

It can undercut domestic markets by offering cheaper, but equally valuable goods.

- a) Refer to subunits 1.2.1 and 1.2.2 in the student teacher's book for advantages and disadvantages of international trade.
- b) Refer to subunit 1.2.3 in the student teacher's book for the limitations of international trade.

### e) Guidance to Application activity 1.2.

Arrange student teachers in groups, present the application activity 1.2 for research and discussion. They then present their findings later in general class discussion before the introduction of the next lesson. Tutor guides the student teachers to reach consensus.

### Answers to application activity 1.2:

- a) Photo A- Coffee production

Photo B- Flower production

Photo C- Cars

Photo D- Fuel / petroleum production

Photo E- Import and export sign posts

Photo F- wild animals/ Tourism sector

### b) The exports and imports of Rwanda shown in the above photos are;

- i) Exports: coffee, Flowers, wild animals/ tourism.
- ii) Imports: fuel / petroleum products and cars

### c) Other than the above imports and exports, others include the following

- i) Exports: Gems, precious metals, Ores, slag, ash, tea, spices, Raw hides & skins, leather, Lead, Vegetables, Machinery including computers, Cereals, Gums, resins, other vegetable saps, Live trees, plants, etc.
- ii) Imports: Packaged Medicaments, Broadcasting Equipment, Raw Sugar and Wheat, food products, machinery and equipment, construction materials etc.

**d) International trade has brought a number of valuable impacts to Rwanda's economy, including some of the following:**

- The exploitation of Rwanda's comparative advantage, which has encouraged her to specialise in producing only those goods and services which she 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 meaning that she can produce in higher volumes, which provides further cost benefits in terms of economies of scale.
- International trade has increased competition and lowered world prices, which has provided benefits to Rwanda's consumers by raising the purchasing power of their own income and has led to a rise in consumer surplus.
- International trade has also broken-down domestic monopolies, which face competition from more efficient foreign firms, thus efficiency in service delivery.
- The quality of goods and services has increased as competition encourages innovation, design and the application of new technologies. This has led to improved living standards in the country.
- International trade has also encouraged the transfer of technology from other countries to Rwanda, which has led to improved production techniques hence increasing capital accumulation as well as GDP.
- It has led to exploitation of idle resources in a bid to serve a larger market in international trade hence, improving her economic growth.
- International trade has also led to increased employment opportunities in Rwanda, given that employment is closely related to production. More people have been employed in the export sector and, through the multiplier process, more jobs have been created across the whole economy.
- Rwanda has recently enjoyed strong economic growth rates, creating new business prospects and lifting people out of poverty. For example, Rwanda has developed the economy and reformed the financial and business sectors thus improving the business climate dramatically between 2010 and 2016, increasing its rank from 139 to 62 on the annual World Bank Doing Business Report.
- It has enhanced private sector competitiveness with a focus on increasing market access and has removed barriers to private sector growth so as to participate favourably in international trade. This has improved on the level of entrepreneurial development in the country.
- It has helped Rwanda to upgrade her infrastructure at border posts. Rwanda being a landlocked country, has been able to work together with her neighbours and trade partners to improve her infrastructure for efficient and effective trade with them e.g. Uganda, Tanzania, and the Democratic Republic of Congo; so as to enable her meet its goal of becoming a middle-income country by 2020. This has led to a reduction in time for goods to clear customs thus smoothening her trade between or among those and other countries trading with her.

- Rwanda has been able to implement activities that promote increased trade for example, USAID's Trade and Investment Hubs have been designed to reinforce regional and bilateral efforts to strengthen Africa's economic competitiveness and assist countries to take greater advantage of the trade opportunities provided by the African Growth and Opportunity Act (AGOA) and other global trade initiatives of which Rwanda is part.
- Rwanda has been able to attract private investment in agriculture, and other sectors of the economy, targeting market opportunities to improve and upgrade within key value chains. This has helped in increasing smallholder incomes and assisted in moving Rwanda from an agriculture-based economy to a knowledge-based economy.

**Despite the benefits, international trade has brought to Rwanda's economy, it has also led to some negative impact on the economy as follows:**

- It has led to overspecialization with her economy at risk of losing market for their commodities should world demand them fall or when goods for domestic consumption can be produced more cheaply abroad.
- Certain industries have not gotten a chance to grow because they face competition from more established foreign firms, such as new infant industries which find it difficult to establish themselves.
- Local producers, who supply a unique product tailored to meet the needs of the domestic market, have suffered because cheaper imports destroy their market. Over time, the diversity of output in Rwanda's economy has diminished as local producers leave the market.

### **Lesson 3: Theories of international trade- Absolute advantage**

#### **a) Learning objectives:**

- Describe the gains from international trade based on theory of absolute advantage.
- Advocate for the efficient use of available resources to increase gains from international trade.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Student teachers based on the knowledge understanding and attitude gained from lesson 1 and 2 above, they now can be able to analyse any information

provided on international trade to describe the gains from international trade. For example, the lesson about the advantages, disadvantages and limitations of international trade, the tutor guides student teachers to discover the likely gains from based on the theory of absolute advantage.

#### **d) Learning activities.**

#### **Guidance to activity 1.4**

Tutor provides case study in activity 1.4 in the student teacher's book to student teachers either in groups of pairs for analysis and research, about the theories of international trade and specifically the theory of absolute advantage and thereafter make general class presentation and discussion. Tutor guides them to reach a consensus.

#### **Answers to activity 1.4:**

- a) The theory of international trade is portrayed in the case study is **the theory of absolute advantage**. This is because each country is better in production of a given commodity than the other. For example, Kenya has absolute advantage in soap production (is better in soap production than Rwanda) while Rwanda has absolute advantage in juice production (is better than Kenya in Juice production than Kenya).
- b) International trade will be made possible through **specialisation and exchange**.
- c) The two countries will benefit if each country devotes its limited resources and manpower to production of a commodity in which it may enjoy an absolute advantage, rather than trying to compete with each other's efficiency and then exchange with each other to get what they cannot produce better using their resources.

### **Lesson 4: Comparative advantage theory**

#### **a) Learning objectives:**

- Describe the gains from international trade based on theory of Comparative advantage.
- Advocate for the efficient use of available resources to increase gains from international trade.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Student teachers based on the knowledge, understanding, values and attitude



gained from lesson 3 above, they now can be able to describe the gains from international trade based on absolute advantage thus use the gained knowledge and understanding to interpret comparative cost advantage and make any thoughtful conclusion and decision about Rwanda's participation in international trade. The tutor therefore, should work to guide the student teachers to thoroughly understand how comparative cost advantage makes a country gain in international trade once they base on it in their production and exchange.

#### **d) Learning activities.**

##### **i) Guidance to activity 1.5**

Tutor provides case study in activity 1.5 in the student teacher's book to student teachers either in groups of pairs for analysis and research about the theory of comparative advantage and thereafter make general class presentation and discussion. Tutor guides them to reach a consensus.

#### **Answers to activity 1.5:**

- a) The theory of international trade manifested in the case study provide in activity 1.5 is the **Theory of absolute advantage**. Because the college Principal has ability to provide all the services (administrative and management and secretarial) better than his secretary.
- ii) Service delivery will be made possible if the two people **specialise** in the service provision where each one of them incurs less opportunity cost compared to his/her counterpart and exchange between themselves the services provided.
- iii) The College Principal should specialise in administrative and management services while the secretary should specialise in secretarial duties (typing and organizing work). This is because, to produce Rwf40,000 in income from secretarial work, the College Principal must lose Rwf100,000 in income by not participating in administration and management. His opportunity cost of secretarial work is high. He is better off by producing a day's worth of administrative and management services and hiring the secretary to type and organize. While for the secretary to produce Rwf0 of administrative and management services, she foregoes Rwf30,000 in income worth of secretarial duties. The secretary is therefore, much better off typing and organizing for the College principal; her opportunity cost of doing so is low.
- iv) The basis of specialisation by the two parties is **'least opportunity cost'** incurred by each
- v) Refer to subunit 1.3.2.3 and 1.3.2.4 for the applicability and limitations of comparative cost advantage.

## ii) Guidance to activity 1.6.

Having practiced in activity 1.5 about comparative advantage, student teachers are now conversant with the theory, how it works and how countries gain should they participate in international trade on the basis of this theory. Tutors should now play a vital role in guiding the student teachers to critically think about the factors that determine the comparative cost advantage and its benefits to the country that bases on it for participation in international trade. With reference to absolute advantage tackled in lesson 3, student teachers now understand that, even if a country has absolute advantage in production of both commodities, using comparative advantage, a country will have to specialise based on the least opportunity cost. Tutors then, guides them in their discussion and presentation about this lesson.

### Answers to activity 1.6:

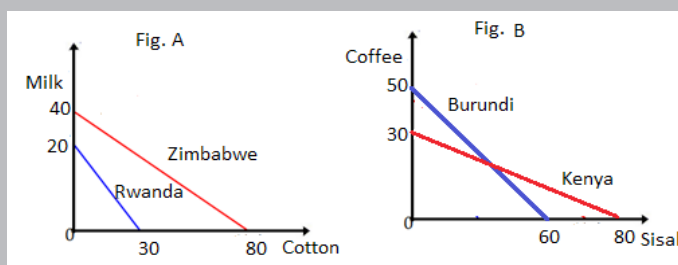
- Refer to sub unit 1.3.2.5 a in the student teacher's book for the factors that determine comparative advantage.
- Refer to subunit 1.3.2.5 b in the student teacher's book for the benefits of comparative advantage.

## e) Guidance to Application activity 1.3.

Present the application activity to student teachers as groups, pairs or individuals, to apply the knowledge understanding, skills and values got from the theory of absolute advantage and comparative advantage. It can be homework or in class test. Tutor guides them to reach a consensus as they present their findings in class through discussion.

### Answers to application activity 1.3:

- In both figures, "A" and "B", the theory portrayed is **absolute advantage** because in fig. "A" Zimbabwe produces both milk and cotton better than Rwanda. While in "B" Burundi produces more coffee than Kenya while Kenya produces more Sisal than coffee.
- The two figures above are different in a way that, in Fig A. portrays *non-reciprocal absolute advantage* where Zimbabwe produces both milk and sisal better than Rwanda. While in Fig. B it portrays *reciprocal absolute advantage* where each country has absolute advantage over another in production of a given commodity. E.g. Burundi is better in coffee production while Kenya is better in sisal production.



In Fig. A, specialisation should be as follows:

$$\begin{array}{l} \text{Rwanda to produce Milk. } \frac{\text{Alternative foregone}}{\text{Actual production}} = \frac{3030}{2020} = 1.5 \\ \text{Rwanda to produce Cotton. } \frac{\text{Alternative foregone}}{\text{Actual production}} = \frac{2020}{3030} = 0.67 \\ \text{Zimbabwe to produce Milk. } \frac{\text{Alternative foregone}}{\text{Actual production}} = \frac{8080}{4040} = 2 \\ \text{Zimbabwe to produce Cotton. } \frac{\text{Alternative foregone}}{\text{Actual production}} = \frac{4040}{8080} = 0.5 \end{array}$$

Therefore, Rwanda should specialise in Milk production since it incurs least opportunity cost than Zimbabwe. While Zimbabwe should specialise in cotton production, since it incurs least opportunity cost than Rwanda.

**In figure 'B', countries should specialise as follows.**

Burundi should specialise in coffee production since it produces it better than Kenya while Kenya should specialise in Sisal production since it produces it better than Burundi.

**e) Why developing countries are not able to benefit from international trade as much as developed countries, based on the comparative cost advantage.**

- The less developed countries are mainly primary producing countries. Their exports mostly include primary products which are price and income inelastic.
- Adoption of raw-material saving techniques by developed countries which reduces the demand for developing countries' export.
- Most of the international trading policies are influenced by developed countries which favour them however disfavour developing countries. For example, developing countries are price takers in the world market hence their export prices are usually low, making them not to earn more from international trade.
- Discovery of substitutes such as synthetic fibres by developed countries e.g. plastics, nylon, rayon, which replace natural fibres in developing countries. This reduces on the volume of exports for developing countries.
- Price fluctuations of primary products which has made developing countries to suffer an unfavourable movement in their terms of trade.
- The less developed countries use backward technology as compared to the developed countries. As a result, their relative productivity is low, cost ratios are high, and price structure is also relatively high. This leads to the adverse terms of trade for the poor country, placing it at a disadvantageous bargaining position.

- Most of the less developed countries experience overpopulation and high population growth. As a result, there is high internal demand for the goods and low exportable surplus. Moreover, the import demand of these countries is highly inelastic.
- Lack of Import Substitutes: Poor countries are greatly dependent on the advanced countries for their imports and have not developed import substitutes. On the other hand, the advanced countries are not so much dependent on the poor countries because they are capable of producing import substitutes. Thus, the poor countries have weak bargaining position in the international trade.
- High transport costs: Most developing countries are land locked countries, this makes it difficult to link to regional or international markets make it difficult for trade development in the country. Therefore, making it costly to transport commodities to and from international markets, adversely affecting their gains from international trade.
- Most developing countries produce more less the same products which leads to limited market among themselves. They therefore tend to increase their export shares to developed countries by reducing prices, yet they have to continue importing manufactured goods from developed countries which are highly priced.
- Most developing countries lack a considerable manufacturing sector as a result of political instability and insecurities, thus reduce the volume of manufactured commodities that would be exported.
- Lack of diversification in production in developing countries; Most of them depend on a few traditional cash crops like tea, coffee, cotton tobacco, sisal, cocoa etc. which limits the amount of income they get from exports compared to developed countries that export to developing countries a wide variety of manufactured goods.

## 1.6. Summary of the unit:

This unit tackled and covered the following;

### International trade

- Meaning
- Forms terminologies used
- Advantages, disadvantages and limitations

### Theories of international trade

- Absolute advantage
- Comparative advantage

## 1.7. Additional information for the Tutor:

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.

## 1.8. Answers to End unit assessment

1. Refer to sub section (iv) in the introductory activity above.

### 2. Why we buy goods from abroad if 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 the imported ones might be from 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 need to increase 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 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. Discuss the view that where there is no comparative advantage there is nothing to gain from international trade.**

#### **Benefits of comparative cost 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 diseconomies of scale.
- Governments may restrict trade.
- It measures static advantage but not any dynamic advantage eg 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

### **4. 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 exports, low prices for imports and improving terms of trade. Developing countries 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 which increases prices further.
- Declining volume of exports which reduce income terms of trade due to protection by developed countries and low production as a result of lack of capital and skills
- High rates of inflation in developing countries which reduce demand for their exports
- Poor investment climate in developing countries that encourage people to invest in developed countries thus continuous capital outflow.
- Natural calamities in most developing countries which has caused agricultural failure and led to low agricultural export earnings.
- Most developing countries are landlocked thus the high transport costs reduce the gains from trade by developing countries.
- Poor infrastructure like storage facilities and air transport in most developing countries which makes export of delicate products like fruits and flowers difficult.
- Weak economic integration among developing countries.
- Monopoly power of developed countries which pay less for raw materials and charge high prices for final commodities. Etc.

## **1.9. Additional activities**

### **1.9.1: Remedial activities.**

*Analyse the case studies below and answer the questions that follow.*

*1. Muramuzi and Munana are both traders in Rwanda they produce and sell their goods in any district of their choice in Rwanda.*

*2. Nkurunziza and Vuguziga produce flowers and craftwork respectively, they sell in Rwanda and other countries outside Rwanda.*

Required:

- i) Basing on types of trade you know, what do we call trade in scenario 1 and 2 respectively?
- ii) What are the likely effects from each scenario above?

### Expected answers

- i) Scenario 1 is Internal trade while scenario 2 is international trade.
- ii) Likely effects of internal trade.

Student teachers can give a variety of them but we can have a sample as below.

- 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.

Refer to advantages and disadvantages of international trade in student teacher's book under unit 1 sub unit 1.21. and 1.2.2 respectively.

### 1.9.2. Consolidation activities.

**Analyse the case studies below and answer the questions that follow.**

1. Suppose Ishimwe, a Rwandan trader, signs a trade agreement with Musheija, a Tanzanian trader, to always exchange commodities together, how would you call that in relation to the notion of forms of international trade?
2. Ishimwe and Musheija have now diversified their trade agreements, after their countries joining different economic groups like African Union COMESA etc., they exchange their commodities with other countries' traders; how would you call that in relation to forms of international trade?
3. Muhirwa and Masenge are two farmers who produce same commodities i.e. Passion fruits and oranges respectively. It is assumed that they all have equal resources but Muhirwa produces 60 tons of passion fruits and 90 tons of Oranges per season while Masenge produces 40 tons of passion fruits and 80 tons of oranges 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?
  - ii) If they are to specialise, who should specialise in which commodity and why?



### Expected answers:

1. The trade agreement between the two traders is *Bilateral trade*
2. The trade agreement as the two diversify is called *multilateral trade*.
3. i) The theory of international trade explained in case study 3 is absolute advantage theory because it shows that Muhirwa, given the same resources as Masenge, produces both passion fruits and oranges than Masenge.

ii) if the two specialise, this is how they should produce;

	Passion fruits	Oranges
Muhirwa	90	120
Masenge	50	100

$$\text{Opportunity cost} = \frac{\text{Alternative foregone}}{\text{Actual production}}$$

Muhirwa (passion fruits)

$$\frac{120120}{9090} = 1.33$$

Masenge (passion fruits)

$$\frac{100100}{5050} = 2$$

Muhirwa (oranges)

$$\frac{9090}{120120} = 0.75$$

Masenge (oranges)

$$\frac{5050}{100100} = 0.5$$

Therefore, based on the above information and comparative cost advantage theory, Muhirwa should devote all his resources in production of Passion fruits since he foregoes (1.33) less of oranges compared to Masenge (2) while Masenge should devote all her resources to production of oranges since she foregoes less of passion fruits (0.5) compared to Muhirwa (0.75).

### 1.9.3. Extended activities.

1. How would you call the form of trade where:
  - i) Rwanda receives tourists from Ethiopia or hires doctors from India?
  - ii) Rwanda sells her Tea to Zimbabwe or buys cars from China?
  - 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) when Rwanda receives tourists from Ethiopia or hire doctors from India it is called Invisible trade (trade in services).
- ii) When Rwanda sells her tea to Zimbabwe or buys cars from China, we call it Visible trade (trade in goods).
- iii) The exchange in (i) is not seen or touched but in (ii) it is visible, seen and touched i.e physical.
- 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 and growth and development of the country both in the short run and long run.

# UNIT 2

## TERMS OF TRADE

### 2.1. Key unit competence

Describe the terms of trade in LDCs.

### 2.2. Prerequisite (knowledge, skills, attitudes and values)

Student teachers having gained knowledge and understanding, skills and attitudes about international trade as seen in unit 1 above, they 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, student teachers 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 tutor 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, Student teachers need also to discover 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 student teachers 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 tutor thus, through application of different methodologies in the teaching-learning process, needs to engage the student teachers 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 globalised world in general.

### 2.3. Cross-cutting issues to be addressed:

While teaching this unit of Terms of trade, we deal with prices of goods and services (both imports and exports), therefore, there are some cross-cutting

issues that come in indirectly when explaining different issues therein the unit. For example, tutors need to emphasize to the student teachers the need for proper use of natural resources so as to conciliate their future availability. If not properly utilised, in the name of gaining more from international trade as they export more, then environmental sustainability is at stake and the future prosperity may not be guaranteed for Rwanda and the generation to come.

Furthermore, for Rwanda to gain more from international trade, her terms of trade must be favourable. Meaning her export value should be greater than import value, thus her commodities must be competitive in the world market basing on their quality, therefore stress the issue of standardisation culture and quality control in production, a reason why Rwanda Standards Board was introduced so as to allow Rwanda's exports reach and win market not only by domestic consumers but also international consumers. This adds value to commodities produced and exchanged thus improving terms of trade for the country in question. Therefore, student teachers need to understand quality matters in all they do if they are to favourably compete internationally in the goods and labour market respectively.

Important to note also is that, during the teaching and learning process, tutors should fittingly set the activities and use language and instructional techniques that enable the student teachers change or develop positive attitude over the different related cross cutting issues in connection with this unit, not necessarily the ones mentioned herein.

#### **2.4. Guidance on the introductory activity:**

The introductory activity of this unit, in the student teacher's book, is for opening up the student teacher's mind toward the general concept of terms of trade. The Questions therein are intended to arouse the student teacher's curiosity over the unit and make them eager to undertake research to discover more about the unit. This enables the student teachers to link the knowledge, skills, attitudes and values already acquired in other subjects and units in economics to the studying of this unit for its better understanding and proper interpretation of different related economic phenomena. The tutor therefore, should appropriately guide the student teachers, either in groups or pairs, to do research based on the questions provided and thereafter in their general discussion for consensus.

#### **Possible answers to the introductory activity:**

- a) The relationship between Rwanda's export prices and import prices is called ***Terms of trade***.
- b) The terms of trade for Rwanda in 2017 and 2019 respectively can be calculated as follows.

Terms of trade for 2017

$$\text{TOT} = P_x/P_M = 800/1700 = 47.05\%$$

$$\text{TOT 2017} = 47.05\%$$

TOT for 2019.

$$\text{Tea prices fell by 20\% therefore, } P_x = (20/100) * 800 = 160$$

$$\text{Thus } P_x = 800 - 160 = 640$$

$$\text{TOT 2019} = (640/1700) * 100$$

**TOT 2019 = 37.6%**

- c) The nature of terms of trade of Rwanda in 2017 was unfavourable since it was less 100 (47.05%) while in 2019 it was deteriorating terms of trade since the terms of trade figure continually fell below 100 (i.e. 37.6%).

**d) Terms of trade be expressed as;**

- i) Barter / commodity terms of trade.
- ii) Income/ monetary terms of trade.

## 2.5. List of lessons/ subheadings

NO	Lesson title	Lesson objectives	No of periods.
1	Meaning and forms of terms of trade	<ul style="list-style-type: none"><li>- Differentiate between income and barter terms of trade.</li><li>- Demonstrate the terms of trade and balance of trade in LDCs through calculations and interpret the results.</li></ul>	3
2	The nature and how to improve terms of trade in developing countries	<ul style="list-style-type: none"><li>- Describe the nature of the terms of trade in LDCs.</li><li>- Analyse the ways of improving the terms of trade in LDCs.</li><li>- Take part in improving the terms of trade in LDCs/Rwanda.</li></ul>	2
3	End of unit assessment	<ul style="list-style-type: none"><li>- Describe the terms of trade in LDCs</li></ul>	1

### Lesson 1: Meaning and forms of terms of trade:

**a) Learning objectives:**

- Differentiate between income and barter terms of trade.

- Demonstrate the terms of trade in LDCs through calculations and interpret the results.

### b) Teaching resources.

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media:

### c) Prerequisite/Revision/introduction.

Student teachers now equipped with knowledge, understanding, skills and attitudes about international trade, how it's carried out and what it requires to take part in, together with the curiosity aroused in the introductory activity above, student teachers need to get clear picture and understanding about terms of trade. Tutor guides them to discover the meaning, forms and interpretations about terms of trade.

### d) Learning activities.

#### i) Guidance to activity 2.1:

Present activity 2.1. in the student teacher's book, to student teachers, either in groups or pairs or as individual work, they analyse it and undertake research to answer the questions therein. Tutor guides them as they are discussing together in class after the research.

#### Answers to activity 2.1:

In 2018, to purchase laptops from China, it required Rwanda to export 200 tons of coffee there. Suppose each ton of coffee cost \$20 and that of laptop is \$50;

- i) Rwanda purchased 8 laptops from China using her tons of coffee as seen below;

$$\frac{\text{Index of export prices} \times \text{export quantity}}{\text{Index of import prices}} = \frac{20 \times 200}{50} = 400/50 = 8 \text{ units.}$$

- ii) The relationship between the value of Rwanda's coffee and China's laptops is called **terms of trade**.
- iii) Terms of trade of an economy means the amount of import goods that economy can purchase per unit of her goods exported i.e. the import purchasing power of a country's exports.
- iv) Terms of trade can be expressed in the following forms:
  - **Barter/ commodity terms of trade**. i.e. the relationship between export prices and import prices. I.e. the ratio of average price index of exports to the average price index of imports.
  - **Income/ monetary terms of trade** i.e. the ratio of the value of exports (revenue from exports) to the price index of imports.

### e) Guidance to application activity 2.1.

Present to student teachers the questions in application activity 2.1 in the student teacher's book, either in groups, pairs or as individual work, to research about

and discuss in general class discussions before the introduction of the new lesson. Tutor guides the student teachers in their discussion for harmonisation and concentrating about the activity findings.

**Possible answers to application activity 2.1:**

i) **The capacity to import of a country may increase, other things remaining the same if;**

- the price of exports ( $P_x$ ) rises,
- the price of imports ( $P_m$ ) falls,
- the volume of its exports ( $Q_x$ ) rises at constant prices.
- The volume of its imports ( $Q_m$ ) falls at constant prices
- Increase in the value of the exporting country's currency.

ii) **The capacity to import of a country may reduce, other things remaining the same if;**

- the price of exports ( $P_x$ ) falls,
- the price of imports ( $P_m$ ) rises,
- the volume of its exports ( $Q_x$ ) decreases at constant prices.
- The volume of its imports ( $Q_m$ ) increases at constant prices.
- Decrease in the value of the exporting country's currency.

**b) The different directions which terms of trade position can take are;**

i) *'Favourable terms of trade.'* which happens when terms of trade are above 100. If this persists year after year, the country experiences *'improving terms of trade'*.

ii) *'Unfavourable terms of trade'* which happens when a country's terms of trade are below 100. If this persists year after year, a country is said to face *'deteriorating terms of trade'*.

c)

i) We are interested in looking at Terms of trade for Rwanda.

ii) The relationship between Rwanda's export and import values is unfavourable because prices of exports are less than prices of imports.

iii) Barter TOT =  $\frac{P_x}{P_m} \times 100 = \frac{500}{2000} \times 100 = 25$

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

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

## **Lesson 2: The nature and how to improve terms of trade in developing countries.**

### **a) Learning objectives.**

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

### **b) Teaching resources.**

Economics and other textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media:

### **c) Prerequisite/Revision/introduction.**

Student teachers now conversant with what terms of trade mean and its forms. So with the knowledge gained from lesson 1 of this unit, and with the guidance of the tutor, student teachers are able to identify and interpret the nature of terms of trade in developing countries and Rwanda specifically, analyse the cause for the nature and suggest possible solutions to rectifying the unfavourable terms of trade in Rwanda.

### **d) Learning activities.**

#### **i) Guidance to activity 2.2:**

Put student teachers in groups or pairs, provide them with the extract in the student teacher's book in activity 2.2. Guide them to reach consensus as they make class presentation after their discussion in groups or pairs.

### **Answers to activity 2.2:**

- 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.*
- c) Refer to sub unit 2.2.1 in the student teacher's book for the causes of deteriorating terms of trade for developing countries
- d) Refer to sub unit 2.2.2 in the student teacher's book for the possible measures that developing countries should undertake to streamline its export-import price relationship.



### **e) Guidance to application activity 2.2:**

Tutor gives application activity 2.2 for research as homework activity to students either as individuals, pairs or groups. Thereafter, tutor holds and guides general class discussion to harmonize and reach a consensus about their findings.

### **Answers to application activity 2.2:**

#### **a) The possible causes of changes in the terms of trade for developing countries include;**

- In the short-run, changes in relative prices of imports and exports are 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 lessen the demand for several raw materials from developing countries 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 which tend to be price inelastic, such that decreases in prices bring about less than proportionate increases in the quantity demanded.
- Changes in factor endowments also increase exports or reduce them. With tastes remaining the 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) The effects of deteriorating terms trade in Rwanda include;**

- 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.

## 2.6. Summary of the unit

This unit covered the following;

### ▪ Terms of trade

- Meaning.
- Forms of terms of trade.
- Nature of terms of trade in LDCs.
- Improving terms of trade.

## 2.7. Additional information for the Tutor:

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.

## 2.8. Answers to End unit assessment

1. a) Barter terms of trade refers to the relationship between export prices and import prices. I.e. the ratio of average price index of exports to the average price index of imports. While income terms of trade, refers to the ratio of the value of exports (revenue from exports) to the price index of imports.

b)

Year	Export price index	Import price index	Terms of Trade
2015	100	100	100
2016	130	110	
2017	110	124	
2018	120	140	
2019	165	190	

i) the terms of trade for the years 2015 to 2019

$$\text{TOT for 2015} = P_x / P_m * 100$$

$$100 / 100 * 100 = 100$$

$$\text{TOT 2015} = 100$$

$$\text{TOT for 2016} = P_x / P_m * 100$$

$$130 / 110 * 100 = 118.2$$

$$\text{TOT for 2016} = 118.2$$

TOT for 2017  
 $10/124 * 100 = 88.7$

**TOT for 2017 = 88.7**

TOT for 2018  
 $120/140 * 100$

**TOT for 2018 = 85.7**

TOT for 2019  
 $165/190 * 100$

**TOT for 2019 = 88.8.**

ii) The nature of terms of trade between 2017 and 2019 is such that, in 2017 it was unfavourable and kept falling below 100 till 2019 thus it is said to be deteriorating between that period.

2. The terms of trade have tended to move against developing countries' economies due to the following reasons:

- 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) 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 and 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.

## 2.9. Additional activities.

### 2.9.1: Remedial activities.

1. Calculate the terms of trade index given the index of export prices as 80 and the index of import prices as 120. Interpret your answer.
2. Given that in 2018 the price of exports is 160, price of imports is 280 and quantity of exports is 80, calculate;
  - i) Barter terms of trade.
  - ii) Income terms of trade.
  - iii) If in the following year price of exports increased to 200 holding prices of imports constant, calculate the barter terms of trade and interpret the terms of trade.

### Expected answers.

$$1. \text{ Terms of trade} = \frac{\text{Price index of exports}}{\text{Price of imports}} \times 100 = \frac{80}{120} \times 100 = 66.67$$

This means that export prices reduced by 20% (80-100) and import prices increased by 20% (120-100) so, the country experienced unfavourable terms of trade during the year because.

$$2. i) \text{ Barter terms of trade} = \frac{P_x}{P_m} \times 100 = \frac{160}{280} \times 100 = 57.1$$

$$ii) \text{ Income terms of trade} = \frac{P_x Q_x}{P_m} = \frac{160 \times 80}{280} = 45.7$$

iii) If in the following year price of exports increased to 200 holding prices of imports constant, barter terms of trade =

$$\frac{P_x}{P_m} \times 100 = \frac{200}{280} \times 100 = 71.4$$

This implies that the terms of trade deteriorated because the prices of exports continually fell below import prices. And the terms of trade figure is below 100 by 28.6%.

### 2.9.2. 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?
2. What conditions do you think are in place for?
  - i) Favourable terms of trade.
  - ii) unfavourable terms of trade.

#### Expected answers:

1. 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 them 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. i) favourable terms of trade are due to;

- Prices of exports are rising.
- 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) Unfavourable terms of trade are due.

- Prices of exports are falling.
- Prices of imports are rising.
- 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.

### 2.9.3: Extended activities.

Study the table below showing the terms of trade for country G (2011-2015) and answer the questions that follow;

Year	Export price index	Import price index	Terms of trade
2014	100	100	100
2015	420	370	
2016	250	210	
2017	180	230	
2018	160	190	

#### Required:

- Calculate the terms of trade for the years 2014-2018 and interpret for each year.
- Describe the terms of trade for country G in 2017.
- Advise country Z on her terms of trade position for the next year.

#### Expected answers:

##### i) Terms of trade for

$$2014 = \frac{100}{100} \times 100 = 100$$

$$2015 = \frac{420}{370} \times 100 = 113.5$$

$$2016 = \frac{250}{210} \times 100 = 119$$

$$2017 = \frac{180}{230} \times 100 = 78.2$$

$$2018 = \frac{160}{190} \times 100 = 84.2$$

The terms of trade were at equilibrium in 2014, favourable in 2015, improving in 2016, unfavourable in 2017 and deteriorating in 2018.

- ii) The terms of trade for country G in 2017 and 2018 is deteriorating because the figure continually fell below 100 from **78.26 to 84.2**.
- iii) **For country Z to improve her terms of trade position in the next years should**
- Carry out adequate market research
  - Develop a strong human resource through education and training.
  - Promote Peace and Security.
  - Promote good governance by fighting financial indiscipline like corruption and embezzlement of government funds
  - Join different regional integration and economic cooperation
  - Take up strong measures to control population growth.
  - Diversify their production so as to reduce dependency on few traditional exports.

# UNIT 3

## FREE TRADE AND TRADE PROTECTIONISM.

### 3.1. Key unit competence:

Learners will be able to analyze the impact of free trade and trade protectionism in an economy.

### 3.2. Prerequisites (knowledge, skills and values)

Basing on the knowledge student teachers have on the terms of trade for Rwanda and other developing countries. They can interpret the relationship between export and import price indices. The tutor can 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, the tutor will tackle free trade versus trade protectionism. It will help student teachers to gauge which economic policies can be taken if Rwanda is to benefit more from international trade. This will be explained in the advantages and disadvantages of each trade policy and also focusing on.

### 3.3. Cross-cutting issues to be addressed

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

**Standardization culture:** Student teacher 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. The tutor has to emphasis it to the student teachers that it is the culture of producing quality products in Rwanda has been and will still remain a key factor in promoting trade with other countries whether free trade or protected trade.

**Peace and values education:** the student teachers should understand that whenever peace is promoted between countries, regions, communities and people etc. then one of the immediate benefits is trade promotion. In other words, the promotion of trade between parties bases so much on the relationships



between those parties. Therefore, student teachers should know having peace with all parties involved is so essential in promoting, personal family, local and national wealth.

The student teachers should also know that with trade especially free trade, involves a lot movement of people from one country to another, meeting other people from different countries, buying and selling different goods and services across countries but they still need to value their culture and maintain the good consumption habits of their country which maintains national identity and dignity.

**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.

### **3.4. Guidance on the introductory activity:**

The introductory activity in this unit, in the student teacher’s book, is a basic tool used as orientation activity, that enables the student teachers to connect the knowledge, skills, attitudes and values already acquired in other subjects and in real life and the new unit title and subject they are to study. In this case, it tests the level of student teacher’s understanding of the subject matter of economics they may be already having.

Student teachers' activities Step 1: Organize student teachers in the groups of 4, tell them make group discussion and let them come up answers about the following questions, give them some minutes to generate more points and make presentation to the whole class. . Each group selects amongst themselves main speakers or presenters. Guide them to generate sound and strong points and enable them manage time.

#### **Answers to the questions**

- a) Definition of free trade is expected here as it is written in the student teachers’ book.
- b) The student teachers are expected to come up with advantages and disadvantages of free trade. The answers are well stated in the student teachers’ book.
- c) Here the student teachers are required to come up with the tools or methods used in protectionism which are also found in the student teachers’ book. Those are the measures that can be used to protect a country from the costs of free trade.

### 3.5. List of lessons/ subheadings:

No	Lesson title	Lesson objectives	No. of periods. 10
1	Free trade:	– Define the term free trade – Explain the advantages and disadvantages of free trade	2
2	Trade protectionism	– Define protectionism. – Identify and explain the reasons for protectionism. – Identify and explain the tools of protection	3
3	– Arguments for and against trade protectionism	– analyze the impact of protectionism on the economy.	2
4	– Commercial policy:	– define commercial policy – explaining objectives and tools of protectionism	2
	– End unit assessment		1

#### Lesson 1: Free trade.

##### a) Learning objective:

- Define the term free trade
- Explain the advantages and disadvantages of free trade

##### b) Teaching resources:

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.

##### c) Prerequisite/Revision/introduction

Reflect on the previous unit about causes of deteriorating terms of trade and to stimulate student teachers' interests in the lesson. Through class discussion, task student teachers 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.

The tutor should also be equipped with necessary and appropriate information about free trade and its advantages and disadvantages, materials and methodology that will enable him/her guide the student teachers in their research

and discussion, and attend to their questions appropriately. This will make the student teachers enjoy the lesson.

#### **d) Learning activities**

##### **i) Guidance to the learning activity 3.1:**

By use of brain storming student teachers are expected to give the define of free trade and through their research, they are expected to also definition of tree trade as defined by adam smith.

#### **Expected answers.**

- a) **Free trade** refers to the unrestricted purchase and sale of goods and services between two or more countries. Under a free trade policy countries agree to buy or sell goods and services across international boundaries with little or no government tariffs, quotas, subsidies and other forms of restriction.
- b) According to Adam smith. "Free trade refers to the system of commercial policy which draws no difference between domestic and foreign commodities. In other words, there are no barriers to movement of commodities among countries and exchange takes its perfectly natural course.

##### **ii) Guidance to the learning activity 3. 2**

Make research and discuss the view that free trade does more good than harm on the economy.

Step 1: Organise learners into 2 different groups and ask them to agree amongst themselves on the sides of opposers and proposers. Give them a motion in Activity 3.2 in the student teachers' to debate on: "free trade does more good than harm on the economy." Step 2: Give them time to generate points depending on the side taken. Each group selects amongst themselves main speakers or presenters. Guide them to generate sound and strong points and enable them manage time. Step 3: Selected members present on behalf of their groups. The audience is encouraged to defend and ask questions in the course of the debate.

### **Expected answers**

#### **1. Advantages of free trade**

- Free international trade avails consumers in a particular country with a wider choice of goods, as they find imported as well as domestic goods on display in the shops.
- Domestic businesses may also have a chance to reduce costs by buying imported raw materials from abroad or importing new technology without restriction.
- It promotes access to imported products that do not exist on the domestic market by both individuals and businessmen.
- 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.

### **e) Guidance to the application activity 3. 1**

The student teachers are expected to state the extent to which free trade has contributed towards the growth and development of a country's international trade. Student teachers also need to know that most developing countries have less exports and then import much from other countries. Therefore, when free trade is practiced will be more beneficial to developed countries than developing

countries because of having less to export. So, it is to the small extent that free trade contributes towards growth and development of a country's international trade.

**Expected answers;**

Refer to sub unit 3. 1 In the student teacher's book for the advantages and disadvantages of free trade

**Lesson 2. Trade protectionism (meaning, reasons and tools)**

**a) Learning objective:**

by the end of the lesson the student teachers should be able to define and explain reason and the tools of protectionism.

**b) Teaching resources:**

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

**c) Prerequisite/Revision/introduction**

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 if there is no free trade, what would be the reasons to do away with free trade and what methods would be used to achieve it. Connect the discussion to the day's lesson about trade protectionism its rationale and tools used in protectionism in different countries.

**d) Learning activities:**

**Answers to learning activity 3:3**

- a) The student teachers are supposed to define trade protectionism as the definition is stated well in the student teachers book and also explain the reasons as why countries carry out trade protection as the points are also well explained in the student teachers' text book.
- b) The student teachers are expected to explain the tools used in protection as the answers are well stated in the student teachers' book in subunit 3.2

**Lesson 3: Arguments for and against trade protectionism**

**a) Learning objective:**

Analyze the impact of protectionism on the economy.

### **b) Teaching resources:**

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

### **c) Prerequisite/Revision/introduction**

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).

### **d) Guidance to the learning Activity 3.4**

Step 1: Organise learners into 2 different groups and ask them to agree amongst themselves on the sides of opposers and proposers. Give them a motion in Activity 3.4 in the student teachers' to debate on: "**protectionism should be adopted if developing countries are achieve high growth rates**" Step 2: Give them time to generate points depending on the side taken. Each group selects amongst themselves main speakers or presenters. Guide them to generate sound and strong points and enable them manage time. Step 3: Selected members present on behalf of their groups. The audience is encouraged to defend and ask questions in the course of the debate.

### **Expected answers;**

(advantages) disadvantages of trade protectionism). All these answers can be found in the student teachers' text book in subunit 3.2

### **e) Application activity 3.2**

The expected answers; the student teacher is expected to first define term protectionism and then up with supporting arguments for protectionism as the best strategy that can be used in promoting growth of domestic firms by identifying its advantages and then coming up with however side where the arguments against protectionism are given and all these answers well noted in student teachers' text book.

## **Lesson 4:Commercial policy:**

### **a) Learning objectives,**

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

### **b) Teaching resources**

Economics textbooks that cover trade commercial policy, internet access,

newspaper with articles on trade policies, magazines with economics related issues on the lesson and relevant economics journals.

### **c) 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.

### **d) Guidance to the learning Activity 3. 4**

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. Let them use their knowledge from previous lessons of free trade and trade protectionism and also their research from different sources and then clearly explain the meaning, tools, benefits and costs of commercial policy in relation to Rwanda.

#### **Expected answers**

- a) The definition of commercial policy as it is stated from student teachers text book is expected from student teachers.
- b) The objectives of commercial policy are also expected from the student teachers, and the points are also well stated in the student teacher's text book.
- c) The student teacher is expected to come up with a goods explanation of some tools of commercial policy as are well stated in the student teacher text book.

### **e) Application activity 3.3**

#### **The expected answers from student teacher include the following;**

- The need to increase the quantity of trade with foreign nations.
- The need to preserve, the essential raw materials for encouraging the development of domestic industries.
- The need to stimulate the export of particular products with a view to increasing their scale of production at home.
- The need to prevent the imports of particular goods for giving protection to infant industries or developing key industry or saving foreign exchange, etc.
- The need restrict imports for securing diversification of industries.
- The need to encourage the imports of capital goods for speeding up the economic development of the country.

### 3.6. Summary of the unit.

- Free trade
- Meaning
- Advantages and disadvantages
- Trade protectionism
- Meaning
- Reasons for trade protectionism
- Tools of trade protectionism
- Benefits and dangers of trade protectionism
- Commercial policy
- Meaning
- Objectives
- Tools of commercial policy

### 3.7. Additional information for the Tutor: (more inform)

The teacher should also look at different trade policies among developed countries in Europe and America and then be able to compare them with that of developing countries.

### 3.8. End unit assessment

#### Expected answers

#### Qn.1

Tariff **barrier** is when a country limits/ restricts imports or exports using taxes (tarrif) while **non-tariff** s where a country restricts imports or exports using other means rather than taxes.

#### Qn.2

- a) Devaluation. Refers to the official reduction of the value of a country's currency in terms of other country's currency. This makes exported cheaper and encouraged, and imports expensive and discouraged.
- b) Licensing importers or exporter. This restricts those without license to import or export.
- c) Total ban or embargos. Refers to the total refuse of a certain commodity to be imported or exported.
- d) Using quotas. This is when the government fixes the amount of goods to be imported or exported for a certain period of time.



Foreign exchange control. This involves restricting the amount of foreign exchange to be given to importers so as to restrict some imports from importing more goods.

- e) Subsidizing domestic industries. When the government subsidizes the domestic firms they grow and expand and then sell their products at a cheaper price than foreign goods which reduces on importations.
- f) Quality control measures. This is when the government sets high standards of the quality of goods to be imported or exported so as to limit the poor quality goods.
- g) Direct administration control. This involves the government to get involved directly in restricting imports or exports using its organizations.

### **Qn3.**

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.

Dangers (argument against 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.

#### **Qn.4**

a) Refers to the removal of all trade barriers between countries so as to allow countries trade with each other without any restrictions.

#### **b) Guideline to the answers**

Here student teacher may say “yes” or “no” and then explains the advantages or disadvantages depending on the stand given.

Answered refer to the student teachers’ text book in the subunit 3.1

### **3.9. Additional activities**

#### **3.9.1: Remedial activities.**

These activities are set to compensate the slow learners to pick up with others. Such student teachers need to be attended to because there is need for inclusiveness in their learning process.

Set simpler questions which will help them revise through what they studied during the lesson.

For example

- a) What are infant industries?
- b) Suggest any three ways of protecting infant industries in your country.

#### **Answers to remedial activities.**

Qn. a) Infant industries are firms in industrial that have just started operating and therefore have limited market.

Qn. b).

- Imposing high import duties on imported substitutes.
- Banning substitutes, (totally refusal of substitutes).
- Restricting imported substitutes.
- Giving tax incentives to infant industries. (Charging low taxes to infant industries.)
- Controlling the quality of the imports.
- Using administrative control measures.

### **3.9.2. Consolidation activities.**

These activities are meant help quick learners not to be bored and relaxed as others are studying therefore, provide additional home work to fast learners.

For example

Qn. Explain reasons as why the government may take an increase in the use of quartos compared to other methods.

#### **Answers to the consolidation activity.**

- When others methods of protectionism fail.
- Quartos cannot be resented (avoided) like taxes.
- Quartos can be used in all economic situations compared to when taxes are used.
- It is very easy to determine the amount of out puts imported or exported than when taxes are used.
- Quartos cannot easily lead to inflation like others methods like import duties

### **3.9.3. Extended activities.**

The questions in activities may not be exhaustive, as a tutor, you can set other questions from the unit to make student teachers express themselves widely on this unit. For example,

Explain the following theories of commercial policy

- a) The national defense theory
- b) The infant industry theory.
- c) The antidumping theory.

### Answers to extended activities

- a) According to national defense theory, certain industries such as weapons, aircraft, and petroleum are vital to a nation's defense. Therefore, proponents of this theory argue that these domestic industries should be protected from foreign competitors so that there is a domestic supply on hand in case of an international conflict. No country would like to be dependent on another country when it comes to weapons.
- b) Under infant industry theory, it is believed that new domestic industries should be protected from foreign competition for so long so that they will have a chance to develop. Ideally, as the new industry matures and becomes able to stand on its own feet and compete effectively with other producers, the protections will be removed. It is intended to help a new domestic industry develop without being immediately crushed by already established foreign industries.
- c) Dumping is simply the selling of a good in a foreign country at a lower price than it is sold for in the domestic market. It is an illegal practice and current laws provide relief in the form of tariffs imposed against the violators. Proponents of this argument believe that if dumping is allowed, foreign producers will temporarily cut prices and drive domestic firms out of the market. Then they will use their monopoly to exploit consumers. Antidumping legislation is implemented to prevent this.

# UNIT 4

## BALANCE OF PAYMENT (BOP)

### 4.1. Key Unit competence

Analyse the balance of payment position of LDCs.

### 4.2. Prerequisites for this unit:

We have covered 3 different units so far, but having connection on international trade. In unit 1 for example, we saw why countries participate in international trade and thus gains expected from it. In unit 2, we saw the relationship between prices of exports and imports and thus gains from international trade based on export-import price ratio. While unit 3, we saw whether a country can undertake free trade policy or trade protectionism policy in case they want gain much from trade with her partners everywhere in the world. All these 3 units consecutively mean a lot with regard to a country's BOP position. Therefore, with the knowledge, understanding, skills and attitudes gained in the preceding units above, student teachers are in position to determine whether Rwanda should open up for other countries' commodities to enter freely or to restrict her international trade. The tutor therefore, is required to guide student teachers in teaching and learning this unit to discover that, whichever the trade policy undertaken, a country requires to first critically examine the relationship between earnings from and expenditures abroad in terms of exporting and importing goods and services, once undertaken. This will help student teachers to finally make analytical conclusions on whether Rwanda is gaining or losing from international trade basing on the current international trade policy taken by Rwanda and thus come up with the spirit of working together 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 the attitude developed in this unit, student teachers will design the possible measures towards improving Rwanda's trade position in global trade.

### 4.3. Cross-cutting issues to be addressed

When handling this unit, a tutor should emphasize the cross cutting issue of finance education by making student teachers understand that for a country to attain equilibrium, it needs to balance her transactions receipts and expenditures abroad, otherwise a country is likely to suffer recurring BOP problems in their international trade dealings with the rest of the world.

Peace and values education need 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 too.

### 4.4. Guidance on the introductory activity

Task student teachers with the case study in the introductory activity 4.1, they analyse it, undertake research about balance of payment and discuss in pairs or groups based on the questions provided therein. Tutor guides them as they discuss in groups or pairs, thereafter, they make presentation in class as the tutor finally assists in harmonizing their findings. As they get engaged in the activity, they develop curiosity to know more about the unit, thus undertake research to discover answers to most of the questions they ask themselves about the unit.

#### Expected answers to Introductory activity 4.1

- i) The economic term given to the document that Country 'Z' 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 to sub units 4.2.2.1 and 4.2.2.2 in the student teacher's book for the likely measures' country 'Z' would put to bring her economy back to equilibrium.

**4.5. List of lessons/ subheadings**

<b>NO</b>	<b>Lesson tittle</b>	<b>Lesson objectives</b>	<b>No of periods.</b>
<b>1</b>	Meaning and terminologies used in Balance of Payment (BOP)	Explain the terminologies used in BOP.	<b>1</b>
<b>2</b>	Structure of BOP accounts.	Describe and interpret the structure of BOP accounts.  Show the desire to control BOP problems in Rwanda	<b>2</b>

<b>3</b>	How to offset a BOP deficit and surplus.	<ul style="list-style-type: none"> <li>- Explain the measures that can be taken to off-set either a BOP surplus or deficit.</li> <li>- Show the desire to control BOP problems in Rwanda</li> </ul>	<b>1</b>
<b>4</b>	Causes and Solutions to BOP deficits/problems in developing countries.	<ul style="list-style-type: none"> <li>- Analyse the causes of BOP problems in Rwanda.</li> <li>- Suggest possible solutions to BOP problems in Rwanda.</li> <li>- Show the desire to control BOP problems in Rwanda</li> </ul>	<b>1</b>
<b>3</b>	End of unit assessment	Analyse the balance of payment position of LDCs	<b>1</b>

### **Lesson 1: Meaning and terminologies used in Balance of payment (BOP):**

#### **a) Learning objectives:**

Explain the terminologies used in BOP.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Student teachers now equipped with knowledge, understanding, skills and attitudes about international trade theories, terms of trade, free trade and protectionism, together with the curiosity aroused in the introductory activity above, student teachers need to get clear picture and understanding about balance of payment. Tutor guides them to discover the meaning and terms used in balance of payment and how they are interpreted. It helps them to analyse and interpret certain economics data and phenomenon and relation what is studied with what they experience in daily life experiences.

#### **d) Learning activities.**

##### **i) Guidance to activity 4.1:**

Tutor incites student teachers' morale by asking probing questions about any of the previously covered units so as to connect to what is to be seen in the lesson. This can be done through brainstorming, think, pair and share tactic etc. Thereafter, present to student teachers' activity 4.1 in the student teacher's book. Guide them to harmonise and reach a consensus.



### **Possible answers to activity 4.1:**

- a) Balance of payment** is a statement that summarizes an economy's transactions with the rest of the world for a specified time period. Or It is a summary statement of a nation's financial transactions with the outside world.
- b) State the economic terms given to the situations where there is;**
- i) Import expenditure being greater than export earnings is called *BOP deficit or unfavourable BOP*.
  - ii) import expenditure being less than export earnings is called *BOP surplus or favourable BOP*.
  - iii) import expenditure and export earnings are equal is called *BOP equilibrium*.
  - iv) trade in only goods is called *Visible trade*
  - v) trade in only services is called *Invisible trade*.
  - vi) relationship between trade in goods only is *Balance of trade (BOT)* while in services only is *Balance of invisible trade*.
  - vii) statistical record of the character and dimensions of the country's economic relationships with the rest of the world is *BOP account*.

### **Lesson 2: Structure of BOP Accounts.**

#### **a) Learning objectives:**

- Describe and interpret the structure of BOP accounts.
- Show the desire to control BOP problems in Rwanda.

#### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media:

#### **c) Prerequisite/Revision/introduction.**

In connection to lesson one above, student teachers discovered the meaning of BOP and BOP accounts. Now tutor helps them discover how BOP accounts are made, interpreted.

#### **d) Learning activities.**

##### **i) Guidance to activity 4.2:**

Present the BOP account structure to groups, or pairs of student teachers, in activity 4.2 in the student teacher's book, they analyse the information therein

and use it to answer the questions that follow. Tutor assists student teacher to harmonize and reach consensus.

**Possible answers to activity 4.2:**

- a) The table portrays **BOP accounts**.
- b) Some items are recorded on the credit items because they are payments received (receipts) from a foreign country thus add to revenues of a country while others are recorded on the debit side because they are 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 4.2.1 in the student teacher's book for the description of how each BOP account works.

**e) Guidance to application activity 4.1:**

Tutor gives application activity 4.1 from the student teacher's book, either as classwork individual trial work or pair work or brainstorming. Student teachers give their views and finally the tutor concludes with harmonizing remarks about the student teachers' views.

**Answers to application activity 4.1:**

1. A credit item on the balance of payment account is any financial flow that leads to money entering the country. **Examples of Credit items may include:**
  - Export receipts.
  - Borrowings from abroad
  - Official sale of reserve assets
  - Current transfers into the country
  - Capital transfers into the country

- Direct and portfolio investment into the country

While a debit item on the balance of payment account is any financial flow that leads to money leaving the country. **Examples of debit items will include:**

- Imports payments
  - Lending to foreign countries.
  - Official purchase of reserve assets or gold from foreign countries and international agencies.
  - Current transfers out of the country
  - Capital transfers out of the country
  - Direct and portfolio investment out of the country.
- i) A “+” placed on the credit entry means that **money is being received in exchange for that item.**
    - ii) While a “-” placed on the debit entry indicates **a money payment for that item.**
  - i) Any time an item (good, service or asset) is exported from a country, the value of that item is recorded as a **credit (+)** entry on the balance of payments, while
    - ii) Any time an item (good, service or asset) is imported into a country, the value of that item is recorded as a **debit (-)** entry on the balance of payments.
  - a) If credits are Rwf5, 000,000 and debits are Rwf4, 000,000, how much is the net balance on the BOP account? Interpret your answer.

The net balance on the BOP account is Rwf5, 000,000 – Rwf4, 000, 000 = Rwf1, 000,000. There is **a BOP surplus** since credits are in excess of debits by Rwf1, 000,000.ie. (+1000, 000)

- b) If exports are Rwf80bn and imports are Rwf100bn then how much are net exports? Interpret your answer.

Net exports = Rwf80bn – Rwf100bn = **Rwf-20bn**. This implies that there is **a BOP deficit** since net exports are Rwf-20bn. meaning that imports are greater than exports by Rwf20bn.

### **Lesson 3: How to offset a BOP deficit and surplus.**

#### **a) Learning objectives:**

- Explain the measures that can be taken to off-set either a BOP surplus or deficit.

- Show the desire to control BOP problems in Rwanda

### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media:

### **c) Prerequisite/Revision/introduction.**

In connection to lesson one above, student teachers discovered the meaning of BOP and BOP accounts, how they are made and interpreted. Now tutor helps student teachers to discover how to find solutions in case of any irregularity by guiding them in their discussions about the lesson of how to offset a BOP deficit or a surplus.

### **d) Learning activities.**

#### **i) Guidance to activity 4.3:**

Through brainstorming or individual work basis, present activity 4.3 from the student teacher's book to student teachers. Tutor guides the discussion and make a general conclusion for the harmonization of the lesson's findings.

#### **Possible answers to activity 4.3:**

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 sub unit 4.2.2.1 and 4.2.2.2 for the measures to offset a BOP deficit and BOP surplus respectively.

### **e) Guidance to application activity.**

Through brainstorming using a cabbage game tactic, or individual work basis, present application activity 4.2 in the student teacher's book to student teachers. Tutor guides the discussion and makes a general conclusion for the harmonization of the activity findings.

### Answers to application activity 4.2:

1. A balance of payments surplus means
  - a) A country's export earnings are less than her expenditures on imports.
  - b) *A country's export earnings are more than her expenditures on imports.*
  - c) A country's earnings from exports are equal to what it spends on imports.
  - d) Only exports but does not import at all.
2. The balance of payments always balances in the accounting sense because of the following except;
  - a) Total domestic expenditures ( $C + I + G$ ) must equal current income ( $C + S + T$ )
  - b) *Inflows must always be greater than outflows.*
  - c) Domestic saving ( $S_d$ ) must equal domestic investment ( $I_d$ ).
  - d) An export surplus on current account ( $X > M$ ) must be offset by an excess of domestic saving over investment ( $S > I_d$ ).
3. There are three ways of measuring deficit or surplus in the balance of payments.
  - There is the basic balance which includes the current account balance and the long-term capital account balance.
  - There is the net liquidity balance which includes the basic balance and the short-term private non-liquid capital balance, allocation of SDRs, and errors and omissions.
  - There is the official settlements balance which includes the total net liquid balance and short-term private liquid capital balance.
4. Fill in the gaps below;
  - a) If the total debits are more than total credits in the current and capital accounts, including errors and omissions, the net debit balance measures *the deficit in the balance of payments of a country.*
  - b) If total credits are more than total debits in the current and capital accounts, including errors and omissions, the net debit balance measures *the surplus in the balance of payments of a country.*

## **Lesson 4: Causes and Solutions to BOP deficits/problems in developing countries.**

### **a) Learning objectives:**

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

### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media:

### **c) Prerequisite/Revision/introduction.**

Basing on lesson 2, student teachers are able to interpret whether a country is facing a deficit or a surplus. With the guidance from the tutor, they now can identify which trade position their country is facing and suggest practical measure their country can undertake to offset it in case may arise in the due course of calculating and recording BOP statistics on respective accounts.

### **d) Learning activities.**

#### **i) Guidance to activity 4.4:**

In pairs, groups or general class discussion, tutor presents activity 4.4. to student teachers for discussion. Tutor guides them to identify which international trade position their country is facing and they thus discuss based on the side they have agreed upon. Tutor assists in guiding the discussion and finally gives conclusive and binding remarks about the lesson.

#### **Possible answers to activity 4.4:**

- In our country-Rwanda, just like 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 for foreign exchange; meaning we import and thus spend more on imports than what we export and thus earn less forex in return.
- Refer to sub unit 4.2.3.1 for the causes of BOP problems in developing countries.
- Refer to sub unit 4.2.3.2 for the measures taken by developing countries to rectify BOP problem.

#### **e) Guidance to application 4.3:**

Present to student teachers, application activity 4.3 from the student teacher's book. Let them take it as a research question either in groups, pairs or individual research. Before the introduction of the next new lesson, tutor guides and harmonises student teachers' findings.

### **Possible answers to application activity 4.3:**

#### **Impact of BOP problem in developing nations' economies.**

- If a BOP deficit is financed through borrowing it is said to be more unsustainable. This is because borrowing is unsustainable in the long-term and countries will be burdened with high interest payments. Countries with large interest payments have little left over to spend on investment.
- If a country runs a BOP deficit on the current account, it means it needs to run a surplus on the financial / capital account. This means foreigners have an increasing claim on a country's assets, which they could desire to be returned at any time. For example, if a country runs a current account deficit it could be financed by foreign multinationals investing in that country or the purchase of assets. There is a risk that the country's best assets could be bought by foreigners, reducing long term income.
- A current account deficit may imply that a country is relying on consumer spending, and is becoming uncompetitive which leads to lower growth of the export sector.
- A Balance of payments deficit may cause a loss of confidence by foreign investors. Therefore, there is always a risk, that investors will remove their investments causing a big fall in the value of a given country's currency (devaluation). This can lead to decline in living standards and lower confidence for investment.
- A trade deficit can lead to currency weakness and higher imported inflation which worsens the BOP position further.
- Deficit countries need to import financial capital to achieve balance and this, in the long run leads to capital flight in form of profit repatriation.
- Trade deficit can lead to loss of jobs in home-based industries as investors are discouraged from investing in the country.
- Countries may run short of vital foreign currency reserves. This worsens the value of the local currency and people would lack confidence in it and resort to investing in foreign countries. As a result, economic development is retarded.
- Currency weakness can lead to capital flight / loss of investor confidence. This creates savings-investment gap which calls for seeking aid and grants, and its negative consequences, that hinders further long-term investments in the country thus underdevelopment.
- A deficit leads to lower aggregate demand and therefore slower growth. This is due to the fact that people are earning less from their exports which reduces their purchasing power

- In the long run, persistent trade deficits undermine the standard of living. As it becomes less profitable to export, importing would also be problematic due to less earnings from trade thus worsening the standard of living of people.
- A trade deficit is a reflection of lack of price / non-price competitiveness

#### **4.6. Summary of the unit:**

**This unit tackled and covered the following;**

##### **Balance of payment**

- Meaning.
- Terminologies used.
- Structure of BOP accounts.
- How to offset BOP deficit or surplus.
- Causes of BOP deficit / problem in developing countries.
- Possible solutions to BOP deficits in developing countries.

#### **4.7. Additional information for the Tutor:**

BOP is a method that 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.

#### **4.8. Answers to End unit assessment.**

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.

However, other than inflation there are other causes of BOP problems in developing countries which include, among others, the following:

- Protectionism in form of high taxes by developed countries.
  - Decline in world demand for agricultural products due to discovery of synthetic fibers by developed countries.
  - 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 developing countries.
  - Inadequate infrastructure like storage facilities and air transport.
- b) Policy measures to reduce BOP problems in developing countries.
- Export promotion strategy.
  - Import substitution strategy.
  - Devaluation.
  - Ensure political stability
  - Balance of payment (BOP)
  - Seeking for donation from friendly countries.
  - Forming economic integrations among themselves
  - Etc.
2. a) Fiscal and monetary policies employed to reduce inflationary pressures on the external BOP should be two-way;
- Tight monetary or fiscal policies so as to reduce import expenditure.

- Expansionary monetary or fiscal policies 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.
3. in real sense, 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 becomes 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.
- Etc.

## 4.9. Additional activities

### 4.9.1. Remedial activities.

1. Read the statement below and answer the questions that follow.

“As we sell outside Rwanda, we earn money from our sales and as we buy from there, we spend money outside our country. At times, we can earn much than what we spend and vice versa in some cases.

- i) What do we call the relationship between what we earn and what we spend on outside countries?
- ii) Based on the knowledge and understanding from the lesson about BOP accounts, where would you register export earnings and import expenditure by Rwanda?
- iii) When do you think we are in a better or worse position? Support your answer.
- iv) Suppose you are the minister of economic policy and planning in your country, and in a given financial year, your country earned more from exports than what it spent on imports, state how you would use the surplus of what you earned.
- v) If you earned less from exports than what you needed to spend on import, how would you go about it to get what you want from other countries?

### **Expected answers.**

- i) The relationship between what we earn and what we spend on outside countries is called balance of payment. (BOP).
- ii) Export earnings and import expenditure by Rwanda would be registered on the credit and debit sides respectively.
- iii) We are in a better position when we earn more from outside the country than when we spend there while as we earn less and spend more outside the country, we are in a worse position. This is because when we earn more than what we spend outside the country, we are in position to get a surplus that can help us rectify major economic issues in the country thus improving development projects and living standards of people. While when we earn less from outside the country and spend much there, we are short of funds to facilitate major economic and development projects thus economic decline and general living standards of people.
- iv) Refer to methods used to offset a BOP surplus under sub unit 4.2.2.2. in the student teacher's book.
- v) Refer to methods used to offset a BOP deficit under sub unit 4.2.2.1. in the student teacher's book.

### **4.9.2. Consolidation activities.**

#### **Card sort game:**

#### **Categorise the following into autonomous and accommodating items.**

Buying gold or currencies, Selling gold or holdings of foreign exchange, Borrowing from other Central Banks or the International Monetary Fund (IMF), Paying off debts, Building a stock of foreign exchange reserves, Using of foreign exchange reserves available, Lending to foreign countries, Sale of public assets abroad, Seeking aid and grants from other countries, Providing aid and grants to other countries, Purchase and storage of durable goods, Attracting foreign investments into the country, Import substitution strategy, Opening current account deposits in foreign banks, Restrictive monetary policy, Improving the service industry e.g. tourism, Devaluation, Purchase of short- and long-term securities from abroad, Direct investments abroad, Export promotion strategy, Tight fiscal policy, import restrictions.

**Expected answers:****Accommodating items:**

- Selling gold or holdings of foreign exchange,
- 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
- Improving the service industry e.g. tourism
- Devaluation.
- Export promotion strategy
- Tight fiscal policy.
- Import restrictions

**Autonomous items:**

- 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
- Purchase and storage of durable goods
- Opening current account deposits in foreign banks
- Purchase of short- and long-term securities from abroad
- Direct investments abroad.

**4.9.3. Extended activities.**

Is it always the case that whatever you earn must equal what you spend?  
Support your answer.

**Expected answers:**

1. Refer to question 3 in the end unit assessment above for reasons BOP should always balance and what makes it not to.

# UNIT 5

## EXCHANGE RATES.

### 5.1. Key unit Competency:

Student teachers will be able to analyse the various forms of exchange rate determination and their impact on economic development.

### 5.2. Prerequisite (knowledge, skills, attitudes and values)

Economics is concerned with man's living styles and conditions in everyday life. The tutor needs to build on everyday life experience and develop the student teachers ability to apply various knowledge, skills, attitudes and values, acquired and developed in other related units and subjects like entrepreneurship and in their everyday life experiences to this unit.

It is helpful for the tutor to always draw examples from other related subjects and real-life situations to explain exchange rate systems. Student teachers should be guided on how to interpret and draw conclusions on the economic and social phenomena.

The tutor needs to help the student teachers to understand deeply the exchange rates and changes in exchange rates impacts on everyday life of student teachers and the economy.

### 5.3. Cross-cutting issues to be addressed

There is a wide range of cross-cutting issues that can be integrated into the teaching of this unit. For example, when teaching this unit, it is important to emphasize to the student teachers the need for proper use of resources especially financial resources. It is essential to efficiently use government expenditures to produce maximum output that can lead to growth of the economy and influence exchange rates.

Furthermore, the activities, language and instructional techniques used in class, should enable the tutor to fittingly integrate other cross-cutting issues e.g.

- **Inclusive education** like engaging all student teachers in class activities and discussion without discrimination,
- **Peace and values education** by handling class environment in an orderly and peaceful manner,
- **Gender education** like using gender responsive language by not harming or minimizing any gender in his/her speech and examples given in his or her explanations etc.

Even though in student teacher's book there are examples and activities indicated, the tutor can improvise and use any other data that may be related to a given cross-cutting issue that he or she needs to integrate.

#### 5.4. Guidance on the introductory activity:

The introductory activity in this unit, in the student teacher's book, is a basic tool used as orientation activity. It enables the student teachers to connect the knowledge, skills, attitudes and values already acquired in other subjects and in real life and the new unit title they are to study.

##### In the introductory activity,

- Arrange the student teachers in pairs and present the task given in the introductory activity for them to analyse and come up with their own views on the questions therein.

For instance,

i)

Country	Currency name	Currency symbol	Value in Rwf as of 27 <sup>th</sup> Nov 2019
Kenya	Kenya shilling	Ksh	8.964534
Tanzania	Tanzanian shilling	Tsh	0.399321
South Sudan	South Sudanese Pound	£	5.781897
Japan	Yen	¥	8.409615
EU	Euro	€	1010.741941
USA	Dollar	\$	917.980056
Britain	British Pound	£	1179.833867
China	Yuan	¥ or ₤	130.602859

- Either government, forces of demand and supply for the currency or both.
- From 100,000Rwf, one can exchange around 11,155 Ksh basing on the given exchange rate in the table.
- If Rwf gains more value against a Ksh, the above value in the exchange rate (8.964534) shall go below.

- v) The price in Rwf of goods that Rwanda imports from Kenya shall increase if the Ksh gains more value against the Rwf.
- vi) If Rwanda has been importing goods with inelastic demand from Kenya their quantity demanded in Rwanda may not change if the Ksh gains more value against the Rwf.

### 5.5. List of lessons/ subheadings

NO	Lesson title	Lesson objectives	No of periods.
1	Exchange rates.	<ul style="list-style-type: none"> <li>– Explain the various forms of exchange rates.</li> <li>– Analyse the impact of changes in exchange rates on the economy.</li> </ul>	6
2	Devaluation.	<ul style="list-style-type: none"> <li>– Explain the reasons for and the conditions necessary for the success of devaluation.</li> <li>– Analyse the impact of devaluation on the economy.</li> </ul>	5
3	End of unit assessment	Analyse the various forms of exchange rate determination and their impact on economic development.	1

#### Lesson 1: Exchange rates.

##### a) Learning objective:

- Explain the various forms of exchange rates.
- Analyse the impact of changes in exchange rates on the economy.

##### b) Teaching resources:

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

##### c) Prerequisite/Revision/introduction.

Basing on student teachers daily life experiences and knowledge acquired from previous lessons in Unit 1 on international trade theories and Unit 3 on free trade and protectionism introduce the lesson exchange rate. Relate it with what the student teachers know about exchange rates and develop the lesson.



#### **d) Learning activities**

##### **i) Guidance to learning activity 5.1.**

- Arrange the student teachers in groups.
- Present to them the case study in activity 5.1 and let them discuss and come up with answers.
- Thereafter, organise class presentation.

#### **Answers to learning activity 5.1**

- Agasaro uses Rwf to buy the handcraft products from Rwanda Women Cooperative society.
- Agasaro is paid in either Chinese Yuan ( ¥ or 元) or US dollars (\$) when she sells her products in China.
- Agasaro uses either Dirham ((دولار)) or US \$ to pay for the Kitchenware in Dubai markets and she gets by exchanging it with the Chinese Yuan ( ¥ or 元) she got from China.

#### **Guidance to the learning activity 5.2.**

- Arrange the student teachers in pairs.
- Present to them activity 5.2 and let them make research from any available sources and find the meaning of the terms given.
- Arrange for each pair to make presentations.

#### **Answers to learning activity 5.2**

On the meaning of the terms refer to sub unit 5.1.2 in student teacher's book.

#### **Guidance to the learning activity 5.3.**

- Arrange the student teachers in groups.
- Present to them the case study given in activity 5.3 and let them discuss and come up with answers.
- Hereafter, organise class presentation.

#### **Answers to learning activity 5.3**

- On the meaning of flexible exchange rate refer to sub unit **5.1.3.3** in student teacher's book.
- The Foreign Exchange Interbank Market is the top-level foreign exchange market where banks exchange different currencies and can either deal with one another directly, or through electronic brokering platforms like the Electronic Broking Services (EBS) or the Thomson Reuters Dealing that are the electronic brokering platform business connecting over 1000 banks. The interbank market is a wholesale segment of the foreign exchange market through which most currency transactions are channeled. It is mainly used for trading among bankers.
- On the other types of foreign exchange rate systems refer to sub unit 5.1.3 in student teacher's book.

### Guidance to the learning activity 5.4.

- Arrange the student teachers in two groups for a debate.
- Set a motion basing on activity 5.4 and organise them to hold a debate.

### Answers to learning activity 5.4

Refer to sub unit **5.1.3.2** in student teacher's book.

### e) Application activity 5.1.

#### Guidance to application activity 5.1

- Arrange student teachers in groups and present to them application activity 5.1.
- Guide them to discuss and come up with their own answers.
- Let each group present to the whole class.

#### Answers to application activity 5.1.

#### Factors that Influence Foreign Exchange Rates

The foreign exchange rates, just like other financial assets, fluctuate every day as the demand and supply of different currencies changes. These changes in exchange rates affect everyone either directly or indirectly. Some of the important factors that influence the exchange rates include the following.

- **Inflation Rates;** A country with low inflation rate compared to another country will see its currency appreciate compared to the other country. This is because in the country where the inflation rate is low, the prices of goods and services are increasing at a slower rate. That country's exports will become more competitive thereby increasing the demand for that currency. At the same time the foreign goods in that country will become less competitive and imports will reduce, thereby decreasing the demand for the foreign currency.
- **Interest Rates;** A higher interest rate causes the country's currency to appreciate. This is because the country with higher interest rates can offer better rates to lenders thereby attracting more foreign capital, which causes the exchange rates to rise.
- **Balance of Payments;** The changes in current account also impact the value of currency. A current account deficit indicates that the country's value of imports is more than the value of exports. Therefore, to balance the trade it requires more foreign currency than it receives through exports. The country will therefore borrow foreign capital which will increase the demand for foreign currency and the domestic currency will depreciate. This can be changed only by either increasing exports by making the goods more attractive/competitive or by reducing imports.

- **Public Debt;** A country with huge public debt attracts less foreign capital. This is because high public debt leads to increase in inflation which erodes the country's currency value. Additionally, if there is a risk of default by the country, investors will sell their bond holding in the open market. This leads to a depreciation of the currency value.
- **Political Uncertainty and Economic Instability;** This again is related to how foreign investors perceive the prospects of the country. If the country has high political uncertainty or economic instability, it will attract less foreign capital compared to a country that offers high stability to investors.
- **Government Intervention;** Sometimes even the governments can intervene to artificially maintain a currency value at a certain level. For example, China has kept its currency undervalued by buying dollars so that its exports are attractive.
- **Speculation;** The movement in exchange rates is also influenced by the current sentiment in the market. For example, if the general sentiment is that the euro will rise in value, the speculator will start buying Euro to make a profit causing the value of Euro to rise. Similarly, if there is speculation that a country's interest rates will rise, it will cause a lot of speculative activity in the foreign exchange market leading to the rise in currency value

## **Lesson 2: Devaluation.**

### **a) Learning objectives:**

- Explain the reasons for and the conditions necessary for the success of devaluation.
- Analyse the impact of devaluation on the economy.

### **b) Teaching resources.**

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

### **c) Prerequisite/Revision/introduction.**

- Basing on student teachers daily life experiences and knowledge derived from the previous lessons on exchange rates and introduce the lesson on devaluation.

### **d) Learning activities.**

#### **Guidance to learning activity 5.5.**

- Arrange student teachers in pairs.
- Present to them task given in activity 5.5.
- Guide them make research, and make calculations to come up with their own answers.
- Let each pair present their answers.

### Answers to learning activity 5.5.

i) **Devaluation** refers to deliberate government policy of reducing the value of domestic currency in the terms of other currencies.

**Currency depreciation** is the decrease in the value of a currency in terms of other currencies in a flexible exchange rate system.

**Currency depreciation** is the increase in the value of a currency in terms of other currencies in a flexible exchange rate system.

ii) **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 × 900 = 900,000Rwf.**

The price of Made in Rwanda cotton fabric in **US\$ =  $\frac{27000}{900} = 30$  \$**

iii) New exchange rate. **US\$ 1 = 1200Rwf.**

The price of the above car in **Rwf. = 1000 × 1200 = 1,200,000Rwf.**

The price of the Made in Rwanda cotton fabric in **US\$ =  $\frac{27000}{1200} = 22.5$  \$**

When the country's currency loses value against other currencies, then

- Her domestic products become cheaper in foreign currencies.
- Foreign products become expensive in

### Guidance to learning activity 5.6.

- Arrange student teachers in groups.
- Present to them the task given in activity 5.6 and let them discuss and to come up with their ideas.

### Answers to learning activity 5.6.

On conditions necessary for devaluation to succeed refer to sub unit 5.3.3 in student teacher's book

### Guidance to learning activity 5.7.

- Arrange student teachers in two groups for a debate.
- Set a motion basing on activity 5.7 and arrange the the student teachers to hold the debate.

### **Answers to learning activity 5.7.**

Student teachers give their views related to what is given in to sub unit 5.2.4 in student teacher's book

### **Guidance to learning activity 5.8.**

- Arrange student teachers in groups.
- Present to them the case study given in activity 5.8 and let them discuss and to come up with their ideas.
- Then arrange class presentation.

### **Answers to learning activity 5.8.**

On why devaluing currencies in developing countries may not easily benefit them refer to sub unit 5.2.5 in student teacher's book

### **e) Application activity 5.2.**

#### **Guidance application 5.2.**

- Arrange student teachers in groups.
- Present to them task given in activity 5.2 to discuss and come up with their own ideas.
- Then each group makes a presentation to the whole class.

### **Answers to application activity 5.2.**

Students give their opinions related to

- Rwandan products become cheaper to Kenyans holding Ksh. This increases the volume of Rwanda's exports to Kenya if they have elastic demand.
- Kenyan products become expensive for Rwandans holding Rwf. This reduces the volume of Kenyan exports to Rwanda if they have elastic demand.

## **5.6. Summary of the unit:**

This unit looks at the following

- Meaning of exchange rate.
- The different terms used in exchange rates.
- Types of exchange rates and their advantages and disadvantages.
- Meaning of devaluation.
- Reasons for devaluation.
- Conditions necessary for devaluation to succeed.
- Effects of devaluation.
- Why devaluation usually fails.

## 5.7. Additional information for the Tutor:

### Factors that Influence Foreign Exchange Rates

The foreign exchange rates, just like other financial assets, fluctuate every day as the demand and supply of different currencies changes. These changes in exchange rates affect everyone either directly or indirectly. Some of the important factors that influence the exchange rates include the following.

- **Inflation Rates;** A country with low inflation rate compared to another country will see its currency appreciate compared to the other country. This is because in the country where the inflation rate is low, the prices of goods and services are increasing at a slower rate. That country's exports will become more competitive thereby increasing the demand for that currency. At the same time the foreign goods in that country will become less competitive and imports will reduce, thereby decreasing the demand for the foreign currency.
- **Interest Rates;** A higher interest rate causes the country's currency to appreciate. This is because the country with higher interest rates can offer better rates to lenders thereby attracting more foreign capital, which causes the exchange rates to rise.
- **Balance of Payments;** The changes in current account also impact the value of currency. A current account deficit indicates that the country's value of imports is more than the value of exports. Therefore, to balance the trade it requires more foreign currency than it receives through exports. The country will therefore borrow foreign capital which will increase the demand for foreign currency and the domestic currency will depreciate. This can be changed only by either increasing exports by making the goods more attractive/competitive or by reducing imports.
- **Public Debt;** A country with huge public debt attracts less foreign capital. This is because high public debt leads to increase in inflation which erodes the country's currency value. Additionally, if there is a risk of default by the country, investors will sell their bond holding in the open market. This leads to a depreciation of the currency value.
- **Political Uncertainty and Economic Instability;** This again is related to how foreign investors perceive the prospects of the country. If the country has high political uncertainty or economic instability, it will attract less foreign capital compared to a country that offers high stability to investors.
- **Government Intervention;** Sometimes even the governments can intervene to artificially maintain a currency value at a certain level. For example, China has kept its currency undervalued by buying dollars so that its exports are attractive.

- **Speculation;** The movement in exchange rates is also influenced by the current sentiment in the market. For example, if the general sentiment is that the euro will rise in value, the speculator will start buying Euro to make a profit causing the value of Euro to rise. Similarly, if there is speculation that a country's interest rates will rise, it will cause a lot of speculative activity in the foreign exchange market leading to the rise in currency value

### **Foreign exchange liberalisation**

**Foreign exchange liberalization** is the lessening of government regulations and restrictions in an economy in exchange for greater participation by private entities in forex market. Forex liberalization offers the opportunity for the private sector to compete internationally, contributing to GDP growth and generating foreign exchange.

#### **a) Advantages of foreign exchange liberalization**

- It reduces bureaucracy and corruption hence making it easier for investors to obtain foreign exchange
- It encourages forex inflow because of free movement of currencies
- It increases employment opportunities from several forex bureaus
- Forex bureaus facilitate customers in forex transfer to and from abroad
- It reduces over valuation and under valuation of currencies
- It reduces government expenditure in managing the exchange rates
- It eliminates black marketing in the forex market
- It encourages competition in the forex market which improves service delivery
- Forex bureaus give technical advice to customers with regard to investment and bureau dealings

#### **b) Disadvantages of foreign exchange liberalization**

- It undermines the local currency because citizens tend to prefer foreign currencies to domestic currencies
- It results into capital outflow in form of profit repatriation in case foreign exchange bureaus are owned and operated by foreigners
- It encourages speculation which leads to hoarding and shortages of foreign exchange
- It leads to foreign exchange instability because of excessive competition in the foreign exxchange market
- Government loses full control over foreign exchange which may worsen BOP problems
- It leads to misallocation of resources e.g. if scarce foreign exchange is used to import luxuries

## 5.8. End of unit assessment.

1. a) When and why is devaluation carried out?  
b) How is devaluation of a currency supposed to address an economy's balance of payments current account deficit?
2. Under what circumstances may devaluation fail to achieve its intended objectives in an economy?
3. Explain the merits and demerits of floating exchange rate system.

### Answers to end of unit assessment.

#### Question 1.

- a) Refer to sub units 5.2.1 and 5.2.3 for why and when is devaluation carried out?
- b) It increases the volume of both visible and invisible export and so export revenue also increases.

It decreases the volume of both visible and invisible imports and so expenditure also reduces.

It increases the capital inflow e.g. through foreign investment because it becomes cheaper to produce in the devaluing country.

#### Question 2.

Refer to sub unit 5.2.5 in student teacher's book.

#### Question 3.

On floating exchange rate system refer to sub unit 5.1.3.3 in student teacher's book.

## 5.9. Additional activities

### 5.9.1: Remedial activities.

1. Distinguish between currency depreciation and currency appreciation.
2. What causes currency depreciation in a floating exchange rate system?

### Answers to remedial activity

**1. Currency depreciation** is the decline in the value of one currency in terms of another in a flexible exchange rate system.

**Currency appreciation** is the increase in the value of a currency in terms of another in a flexible exchange rate system.



## **2. Causes of Currency depreciation in LDCs**

- Decline in the volume and value of exports (primary products)
- Decline in foreign exchange inflow due to political instabilities
- Decline in international payments in the domestic banks
- Reduction in the volume of grants, aid and loans
- Increase in demand for imports especially capital inputs and essential consumer goods
- Increase in foreign exchange expenditure e.g. on embassies, official trips abroad etc.
- Government policy of devaluation
- High rates of inflation which reduces domestic production

### **5.9.2. Consolidation activities.**

Consolidated activity.

1. Analyse the effect of currency depreciation on the economy.
2. Explain the different ways of pegging a currency exchange rate.

### **Answers to consolidated activity.**

#### **Question 1. Effects of currency depreciation**

##### **Positive effects**

- It increases the volume of exports hence foreign exchange earnings
- It encourages export promotion and import substitution industrialization which reduces foreign exchange expenditure
- It encourages domestic investments because the cost of production is low at home if inputs are not imported.
- It reduces the BOP problems because the expenditure on imports reduces
- It increases capital inflow and foreign investments
- It encourages exploitation of domestic resources because it is cheap to produce at home
- Negative effects
- It reduces the volume of imports which might lead to scarcity of goods and services in the economy
- It makes projected planning difficult and distorted
- It increases the cost of production at home because of expensive imported inputs
- It increases the country's indebtedness abroad

- It worsens BOP problems since imports become expensive than exports
- It leads to loss of confidence in the local currency
- It may lead to over exploitation of resources since it is cheaper to produce at home.

## Question 2. Pegging a currency exchange rate.

### The pegged float exchange rate can be;

- **Crawling bands.** The market value of a national currency is permitted to fluctuate within a range specified by a band of fluctuation. This band is determined by international agreements or by unilateral decision by the central bank. Generally, the bands are adjusted in response to economic circumstances and indicators
- **Crawling pegs.** This is an exchange rate regime, usually seen as part of a fixed exchange rate regime that allows gradual depreciation or appreciation in an exchange rate. The system is a method to fully utilize the peg under the fixed exchange regimes as well as the flexibility under the floating exchange rate regime.

It is designed to peg at a certain value but, at the same time, to “glide” in response to external market uncertainties.

- **Pegged with horizontal bands:** This system is similar to crawling bands, but the currency is allowed to fluctuate within a larger band of greater than one percent of the currency's value.

### 5.9.3. Extended activities.

Extended activity.

1. Describe the various sources of foreign exchange for developing countries.
2. Define and explain the merits and demerits of the gold standard.

### Answers to extended activity.

#### 1. 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 organizations e.g. UNICEF
- Private foreign bank deposits in the local banks
- Borrowing from international countries, companies and individuals.

## **2. The gold standard**

Under the gold standard, a country's government declares that it will exchange its currency for a certain weight in gold. In a pure gold standard, a country's government declares that it will freely exchange currency for actual gold at the designated exchange rate. This "rule of exchange" allows anyone to go the central bank and exchange coins or currency for pure gold or vice versa. The gold standard works on the assumption that there are no restrictions on capital movements or export of gold by private citizens across countries.

Because the central bank must always be prepared to give out gold in exchange for coin and currency upon demand, it must maintain gold reserves. Thus, this system ensures that the exchange rate between currencies remains fixed. The main argument in favor of the gold standard is that it ties the world price level to the world supply of gold, thus preventing inflation unless there is a gold discovery.

### **a) Advantages of the gold standard**

- It solves the BOP problems automatically because of the automatic adjustment mechanism.
- There is neither currency appreciation nor currency depreciation since every unit of currency is tied to gold.
- There is economic stability because of a stable exchange rate system.
- Liquidity problem is easily solved because of free flow of gold.
- There is smooth international trade because gold is used as a medium of exchange.

### **b) Disadvantages of the gold standard exchange rate system**

- It is difficult for the central bank to control money supply.
- When gold is in excess supply, it loses exchange value.
- It does not favour economic growth in countries with small quantities of gold.

# UNIT 6

## ECONOMIC INTEGRATION

### 6.1. Unit Competency

Learners will be able to explain the importance of an economic integration on the development of his economy

### 6.2. 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 developing countries gain less than developed countries. The reason developed countries decided to integrate so as to trade amongst themselves. If developing countries want to increase their bargaining power and promote economic development they also need to work towards economic integrations. This unit will tackle the reasons behind economic integration and the likely benefits and dangers or limitations. Student teachers will therefore develop a positive attitude towards integration of countries as an important aspect that will help them appreciate the current need by Rwanda to join several other groupings and how such groupings are so important to the economy of Rwanda as far as economic issues are concerned.

### 6.3. Cross-cutting issues to be addressed.

The cross cutting issue of peace and values education need to be emphasized because for countries to successfully integrate, they need to have good social, economic and political relationships. This brings greater gains from the integration. Inclusive education needs also to be emphasized 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.

#### 6.4. Guidance on the introductory activity.

Task student teachers at the beginning of the unit or lesson with thought provoking questions. This causes them to be inquisitive or curious to know what happens or will happen in the unit/lesson. As they get engaged in the unit, they will discover answers to the questions they had in mind at the beginning.

In this case, as all student teachers know that many countries consider regional economic integration as one of the crucial elements of achieving their developmental goals and Rwanda as a nation has joined a number of economic groupings.

##### Expected answers

1. 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.
2. Rwanda belongs to EAC, COMESA, CEPGL, SADC etc.
3. Rwanda aims at the following by joining different integrations:
  - Enlarging and diversifying market for local produced commodities.
  - Increasing the utilization of domestic resources.
  - Promoting skills and technology in the country.
  - Reducing the cost of production by adopting large scale enterprises.
  - Increasing her bargaining power in the international market.
  - Improving her terms of trade.
  - Boosting industrialization and production in the country.
  - Expanding employment opportunities for nationals

#### 6.5. List of lessons/ subheadings:

No	Lesson title	Lesson objectives	No. of periods
1	Economic integration: objectives.	Explain the meaning and objectives of economic integration	1
2	Conditions of economic integration	Analyze the conditions for successful economic integration.	1
3	Steps of economic integration	Identify the steps of economic integration	1

<b>4</b>	Advantages and disadvantages of Economic integration	Discuss the advantages, disadvantages and the problems of economic integration.	<b>1</b>
<b>5</b>	Obstacles to economic integration in LDCs	Explain the obstacles of economic integration	<b>1</b>
<b>6</b>	Case studies of economic integration: (EAC: background, objectives, achievements & challenges)	Describe the objectives behind EAC formation.  Analyse the contribution of EAC on Rwandan economy.	<b>2</b>
<b>7</b>	End unit assessment		<b>1</b>

## **Lesson 1: Economic integration**

### **a) Learning objective:**

- Explain the meaning of economic integration
- Identify the objectives of economic integration.

### **b) Teaching resources:**

Student teacher's Book, other recommend textbooks, internet access, and relevant economics journals. Maps/charts/diagrams showing economic groupings in Africa

### **c) Prerequisite/Revision/introduction**

Guide student teachers 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. Therefore, there many objectives which have to be achieved whenever countries integrate.

### **d) Learning activities**

#### **i) Guidance to the learning activity 16.1:**

With reference to Activity 6: 1 in the student teacher's Book, student teacher go to the library/ internet to do research on economic integration.

**ii) Expected answers**

a)

i) **EAC** - East African Community

ii) **COMESA** - Common Market of East and Southern Africa.

iii) **SADC**- Southern Africa Development Community

iv) **ECOWAS**- Economic Community for West African States-

v) **OPEC** - Oil and Petroleum Exporting Countries

b) The objectives behind economic integrations in developing countries are well stated in the student teachers text book under unit 6.1

**Lesson 2: Conditions that favour economic integration**

**a) Learning objective**

Analyze the conditions for successful economic integration

**b) Teaching resources**

Student teacher's Book, other recommend textbooks, internet access, and relevant economics journals. Maps/charts/diagrams showing economic groupings in Africa

**c) Prerequisites for the lesson**

Tell student teachers that for the groupings to achieve their goals, there must be conditions to fulfil. Guide them to research on the necessary conditions for successful integration.

**d) learning activity**

**i) Guidance to the learning activity 6.2**

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.

**ii) Expected answers**

- Geographical proximity.
- Common and same ideology.
- They should be at the same level of development.
- There should be strong political will among cooperative countries.
- Countries should preferably be equal in size.
- The economies of countries should be competitive in nature.
- There should be political stability among cooperative countries.

## **Lesson 4: Advantages and disadvantages of Economic integration**

### **a) Learning objective**

Discuss the advantages, disadvantages and the problems of economic integration.

### **b) Teaching resources:**

Student teacher's Book, other recommend textbooks, internet access, and relevant economics journals.

### **c) Prerequisites for the lesson**

Divide student teachers 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 has brought more benefits than cost to an economy's development"

### **d) Learning activity**

#### **i) Guidance learning activities 6:4**

Step 1 Tutor helps learners to generate points for the motion. Move around the two groups guiding them on time. Step 2: Organize learners for debate. Selected members present on behalf of their groups. The audience defends and asks questions during the due course of the debate.

#### **ii) Expected answers**

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 specialization based on comparative cost advantage.
- Promoting industrialization 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.



### **e) Application activity 6:1**

Here student teachers are required to applied their knowledge from the previous lesson

#### **Expected answers**

##### **a) Trade diversion**

This is when a country shifts her trade from low cost nonmember country to high cost member country. While **Trade creation** this is when a country shifts her trade from high cost nonmember country to low cost member country.

##### **b) Effects of trade diversion**

- Getting low quality goods from member state
- A country losses import and export tax revenue.
- A country buys goods at high price from member states.
- It reduces a country's variety choice
- It increases self-reliance within the region.

### **Lesson 5: Obstacles to economic integration in developing countries**

#### **a) Learning objective**

Examine the obstacles of economic integration developing countries.

#### **b) Teaching resources:**

Student teacher's Book, other recommend textbooks, internet access, and relevant economics journals

#### **c) Prerequisites for the lesson**

Basing on the factors for successful economic integrations discussed in the previous lessons, task the learners to use the same knowledge so that they may come up with factors that hinder successful integration.

#### **d) Learning activity**

##### **i) Guidance learning activities 6:5**

Divide the student teachers in the group of four to five, let them discuss about the factors that hinder the successful economic integration and let every group get one student teacher to present their work.

**ii) The expected answers of the learning activity 6:5**

- Dependence on a few primary exports.
- Capital versus labour intensity.
- Underdeveloped human resources.
- Proliferation of regional groupings.
- Political obstacles to integration.
- High transport costs
- The fear to lose the self-reliance of the country.
- Differences in levels of development.
- External obstacles especially developed countries who always fight against the economic integration.
- Unfavorable exchange rate system.
- Differences in cultures.
- Need for self-reliance
- Production of similar products,

**b) Application activity 6. 2**

This activity aims at test the student teachers' understanding about the factors for successful or fail of economic integration. Here the student teachers are tasked to use the knowledge and understand and apply in his/her own understanding.

**The expected answers**

Student teachers are expected explain factors that contribute to the success or fail of economic integration and all the points are well stated in student teacher text book in the unit6.

**Lesson 6. East African community.**

**a) Learning objective:**

- Describe the objectives behind EAC formation.
- Analyse the contribution of EAC on Rwandan economy.

**b) Teaching resources:**

Student teacher's Book, other recommend textbooks, internet access, and relevant economics journals.

**c) Prerequisites for the lesson**

Review with student teachers the advantages of economic integration. 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.

## **d) Learning activities**

### **i) Guideline to learning activity 6: 6**

Let student teachers in groups do library research on EAC and they state countries that make up EAC and explain the objectives behind EAC. Divide student teachers into discussion groups and let them discuss the achievements and challenges of EAC. Let groups present their findings to the rest of the class as others note the discussed points. Once they have different points, other groups are asked to also present.

### **ii) Expected answers.**

1. The EAC is composed of six countries in the African Great Lakes region in Eastern Africa: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.
2. 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.

### **3. 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.

## **e) Application activity 6:3**

Here, student teachers are supposed to apply their knowledge about the achievements of EAC and then by giving examples and show how these achievement have contributed to the growth and development of Rwanda's economy.

### **Expected answers**

Refers to the achievement of EAC in the student teachers' text book in unit 6.

## 6.6. Unit summary

- Economic integration
- Meaning
- Reasons/ rationale for economic integration
- Conditions for economic integration
- Steps/ levels of economic integration
- Advantages and disadvantages
- Obstacles of economic integration
- Case studies East African community (EAC)

## 6.7. Additional information for the Tutor:

The tutor should also additional research on meanings, objects, achievements and obstacles other economic integrations like Common Market of East and Southern Africa-COMESA, Oil and Petroleum Exporting Countries- OPEC, Southern Africa Development Community (SADC) and Economic Community for West African States-ECOWAS. This give the tutor a wide range of examples to be used in the lesson, and it will also help the student teachers to know other economic integration where Rwanda belongs.

## 6.8. End unit assessment

All the questions in the end of unit assessment guide the student teachers into the knowledge of economic integration, the rationale for integration, conditions, steps, advantages and disadvantages , factors for the successful economic integration and obstacles in general and also in specific on EAC. The following are the answers to the questions in the end of unit assessment.

### Expected answers

- a) Features of an economic union.
  - Free trade among member countries.
  - Free movement of factor services.
  - Common (harmonised) external tariff structure on goods from nonmember states.
  - Harmonized 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 objectives as 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. percapita.
- 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
- Geographical proximity of member states e.g. Uganda, Kenya, Tanzania, Rwanda, and Burundi. Are geographically close.

**2. 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 neocolonialism 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 goods 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.

## **6.9. Additional activities**

### **6.9.1. Remedial activities.**

These activities are set to compensate the slow learners to pick up with others. Such student teachers need to be attended to because there is need for inclusiveness in their learning process.

Set simpler questions which will help them revise through what they studied during the lesson.

For example,

1. Which countries are neighboring 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 from student teachers' text book subunit 6.

### 6.9.2. Consolidation activities.

- a) What is COMESA in full?
- b) Explain the advantages of COMESA.

### Expected answers.

- a) **COMESA** this refers to the common market for East and South African states who agreed to cooperate in the development of natural and human resources.
- b) It encourages the establishment of joint transport and communication network in member countries which encourages international trade.
  - It increases relationships between countries.
  - It expands the country's market in other countries.
  - It increases the production competition between countries which leads to production of high quality products.
  - It increases the technological transfer between countries.

### 6.9.3. Extended activities

1. What is NEPAD (New partnership for Africa development)
2. Discuss the factors that have limited implementation of NEPA

### Expected answers

1. NEPAD: is a strategic and visionary pledge by African countries for a shared and common duty to solve challenges like poverty, unemployment etc.
2.
  - Political instability
  - Poor governance in some countries
  - Lack of commitment by some leaders.
  - Limited institutional capacity for implementation
  - Financial limitations
  - Different ideologies of African countries
  - Macroeconomic problem
  - Political disagreements among countries
  - Differences in levels of development.

# UNIT 7

## GLOBALISATION

### 7.1. Key Unit Competency

Analyse the impact of globalisation on Rwandan economy.

### 7.2. Prerequisite (knowledge, skills, attitudes and values)

The fact that many countries have been brought together by their respective economic groupings, it means that almost the whole world is close to one society. We have seen in the previous unit (unit 6) the reasons behind countries integrating, therefore almost all countries belong to different blocks and benefit almost equally from such blocks. Thus, in connection to the previous unit, this unit seeks to explain why globalisation has come up in the recent past, how it manifests itself, the benefits and likely dangers. This therefore develops learner's curiosity to know and understand the aspect of globalisation and to develop the attitude towards adapting to changes in world's economic trends and to appreciate the current global economic trends and their contribution towards the development process of Rwanda.

### 7.3. Cross-cutting issues to be addressed:

While handling this unit, the tutor should emphasize the crosscutting issue of finance education stressing that, whereas globalisation involves movement of people, commodities and capital, there needs to be serious care capital flows of the country. For example, as the borders are open for goods and services to enter and leave Rwanda's economy, citizens should endeavour to attract more of inflows than outflows to avoid capital flight and economic crisis.

Stress also the issue of environmental sustainability in a way that student teachers have to know and appreciate that as much as there might be market expansion with globalisation, Rwanda needs to protect her environment by reserving the natural resources from being over utilised leading to quick exhaustion and extinction.

Since globalisation is also political, peace and values education should be stressed while teaching this unit. Tutor should guide student teachers in understanding that 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, student teachers need to understand and appreciate the need for global peace and understanding among countries if globalisation is to yield equitable results the world over. This develops in student teachers, the attitude of working together to take preventive measures against any turmoil, where need arises, so as to maintain and keep global peace.

#### **7.4. Guidance on the introductory activity.**

Provide the extract in introduction activity, student teachers either in groups or pairs, analyse it and base on it to undertake research on globalisation and answer the questions that follow. From the knowledge and understanding gained by student teachers in unit 6 about economic integration, student teachers are equipped with the knowledge and understanding as to why countries integrate. This therefore, helps them to understand all about globalisation. Tutor guides them in their discussion and consenting about their research results.

#### **Answers to introductory activity.**

- a) Refer to the definition of globalisation under subunit 7.1.1 from the student teacher's book.
- b) Refer to the causes of globalisation under subunit 7.1.3 from the student teacher's book.

#### **7.5. List of lessons/ subheadings:**

<b>NO</b>	<b>Lesson title</b>	<b>Lesson objectives</b>	<b>No of periods.</b>
<b>1</b>	Meaning and forms of Globalisation	<ul style="list-style-type: none"> <li>- Explain the meaning of globalisation.</li> <li>- Explain the forms of globalisation.</li> </ul>	<b>1</b>
<b>2</b>	Causes and effects of Globalisation	<ul style="list-style-type: none"> <li>- Explain the causes of globalisation.</li> <li>- Analyse the impact of globalisation on Rwandan economy as well as international economy.</li> </ul>	<b>2</b>

<b>3</b>	Multinational Corporations (MNCs)	<ul style="list-style-type: none"> <li>- Identify examples of MNCs in Rwanda</li> <li>- Assess the contribution of MNCs to the development process of Rwanda.</li> </ul>	<b>1</b>
<b>4</b>	Foreign Direct Investments (FDIs)	<ul style="list-style-type: none"> <li>- Identify examples of FDIs in Rwanda</li> <li>- Assess the contribution of FDIs to the development process of Rwanda.</li> </ul>	<b>2</b>
<b>5</b>	Global Financial Systems (GFS) and Institutions (IFI). I.e. The IMF and WB	<ul style="list-style-type: none"> <li>- Explain the objectives of IMF &amp; World Bank</li> <li>- Explain the functions of IMF and World Bank</li> <li>- Describe the SAPs by IMF in Rwanda.</li> </ul>	<b>3</b>
<b>3</b>	End of unit assessment	<ul style="list-style-type: none"> <li>- Analyse the impact of globalisation on Rwandan economy.</li> </ul>	<b>1</b>

### **Lesson 1. Meaning and forms of Globalisation:**

#### **a) Learning objectives:**

- Explain the meaning of globalisation.
- Explain the forms of globalisation.

#### **b) Teaching resources. Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

#### **c) Prerequisite/Revision/introduction.**

We saw in unit 1 the need for international trade, unit 3, we saw free trade while in unit 6 we saw the reasons for economic integration, therefore, student teachers are well equipped with knowledge and understanding about different international economic issues. In this unit of globalisation, we are going to see the forms, causes and effects of globalisation. Student teachers need to link the knowledge and understanding got from other units as cited above to this unit's requirements so as to be able to efficiently understand the whole concept of globalisation. Tutors are therefore supposed to guide the student teachers in discovering and interpreting the basics of this unit as applied to real life experience and develop in them an attitude of adapting to a globalised world humanly.

#### **d) Learning activities.**

##### **i) Guidance to activity 7.1:**

Present the photos in activity 7.1, from the student teacher's book, to student teachers either in groups or pairs, to analyse take documentary research about globalisation and its types and answer the questions that follow. Tutor guides the discussion and harmonises student teacher's findings.

##### **Answers to activity 7.1:**

- a) Globalisation is 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) The forms of globalisation portrayed in the images in the activity are
  - i) Technological Globalisation.** This is the connection between nations through technology such as television, radio, telephones, internet, etc.
  - ii) Cultural Globalisation:** Cultural globalization refers to the transmission of ideas, meanings, and values around the world in such a way as to extend and intensify social relations.
  - iii) Environmental globalisation:** This refers to the internationally coordinated practices and regulations (often in the form of international treaties) regarding environmental protection.
- c) Refer to subunit 7.1.2 for other different forms which globalisation can take, apart from those forms identified in the activity images.

##### **e) Guidance to application activity 7.1:**

Task student teachers with application activity 7.1 to undertake research about the indicators of globalisation. This can be done through, individual work, pair work or group work. Teachers guide the discussion before the start of the next lesson.

##### **Answers to application activity 7.1:**

Characteristics of globalisation:

- There is interdependence with globalisation.
- Globalization is a one-way traffic flowing from the developed nations to developing nations.
- Economically, there is opening up of national market, free trade and commerce among nations, and integration of national economies with the world economy.
- Culturally, there is exchange of cultural values among societies and nations.

- Ideologically, there is spread of liberalism and capitalism.
- There is integration of nation-states across the world by common economic, commercial, political, cultural and technological ties; creation of a new world order with no national boundaries.
- There is connectivity i.e. Localities being connected with the world by breaking national boundaries; forging of links between one society and another, and between one country and another through international transmission of knowledge, literature, technology, culture and information.
- Control of economic activities by domestic market and international market; coordination of national economy and world economy;

## **Lesson 2: Causes and effects of Globalisation:**

### **a) Learning objectives.**

- Explain the causes of globalisation.
- Analyse the impact of globalisation on Rwandan economy as well as international economy.

### **b) Teaching resources. Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### **c) Prerequisite/Revision/introduction.**

In lesson one of this unit, we covered the meaning and forms of globalisation, therefore, the knowledge and understanding gained will help student teachers understand and link what they know with what they are to study in this lesson. Tutor needs to arouse the student teacher's curiosity by tasking them with engaging activities and guiding them student towards reaching harmonized consensus from the different discussions held in class.

### **d) Learning activities.**

#### **i) Guidance to activity 7.2:**

Task student teachers with activity 7.2 from the student teacher's book to analyse the chart and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research about causes of globalisation, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' findings.

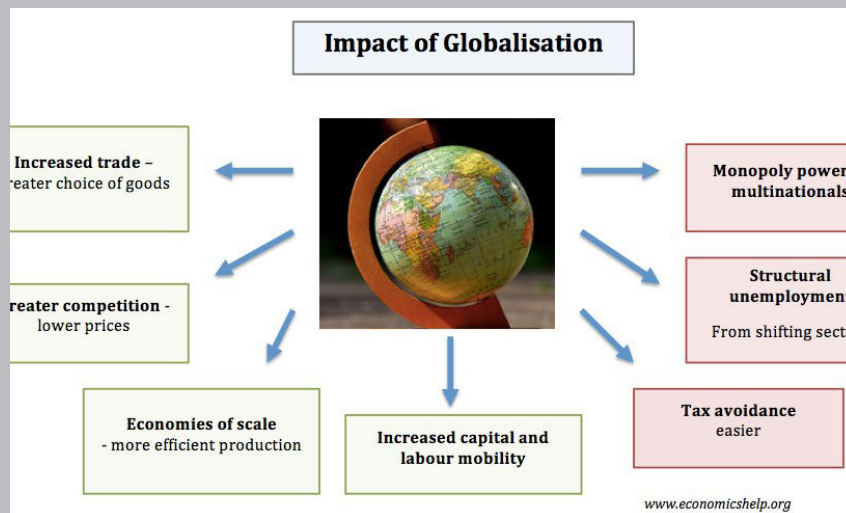
### Answers to activity 7.2:

- a) From the image provided in the student teacher's book, different factors that given rise to globalisation can be categorized as:
- i) Technological i.e. industrialisation, transport revolution, information and communication revolution.
  - ii) Economic factors: i.e. Growing individual income, world trade, world financial markets, market forces, world competition.
  - iii) Political forces: reduction of trade barriers, intellectual property rights, privatisation, formation of trade alliances, technical standards.
  - iv) Social forces: consumption, Standardisation of consumer tastes, education and skills.
- b) Refer to subunit 7.1.3.1 for the other factors for globalisation other than those mentioned in the chart provided in the activity.

### ii) Guidance to activity 7.3:

Task student teachers with activity 7.3 from the student teacher's book to analyse the chart and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research about effects of globalisation, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' views.

### Answers to activity 7.3:



a) From the image above,

**the positive impact of globalisation.**

- Increased trade-greater choice of goods
- Greater competition-lower price
- Economies of scale- more efficient production
- Increased capital and labour mobility.

**negative impact of globalisation.**

- Monopoly powers of multinationals
- Structural unemployment- from shifting sectors
- Tax avoidance easier.

b) Refer to subunit 7.1.3.2 in the learner's book for the other effects of globalisation on world economies not mentioned in the image above.

**e) Guidance to application activity 7.2:**

Task student teachers with application activity 7.2 from the student teacher's book to undertake research about globalisation, either in groups, pairs, and discuss and make presentation in class at the beginning of the next lesson. Tutor guides the discussion and harmonises student teachers' views

**Answers to application activity 7.2:**

Refer to effects of globalisation under subunit 7.1.3.2 from the student teacher's book.

**Lesson 3: Multinational Corporations (MNCs)**

**a) Learning objectives:**

- Identify examples of MNCs in Rwanda
- Assess the contribution of MNCs to the development process of Rwanda.

**b) Teaching resources. Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

**c) Prerequisite/Revision/introduction.**

In lesson one of this unit, we covered the meaning and forms of globalisation, therefore, the knowledge and understanding gained will help student teachers understand and link what they know with what they are to study in this lesson. Tutor needs to arouse the student teacher's curiosity by tasking them with engaging activities and guiding them student towards reaching harmonized consensus from the different discussions held in class.



#### **d) Learning activities.**

##### **i) Guidance to activity 7.4:**

Task student teachers with activity 7.4 from the student teacher's book to analyse the images and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research about MNCs, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' findings.

#### **Answers to activity 7.4:**



##### **i) Activities portrayed in the photos above are**

A - Data, voice and IP connections.

B - Banking

C - Petroleum company.

##### **ii) Where they originate from**

A - Johannesburg- South Africa.

B - South African- Johannesburg.

C - GT Bank- Nigeria

D - Cape Town-South Africa.

iii) For examples of other multinational companies that operate in Rwanda' respect student teacher's views and guide their discussion.

iv) Refer to subunit 7.2.2 from the student teacher's book for the Impact of such and other companies to Rwanda's development trend.

#### **e) Guidance to application activity 7.3:**

Task student teachers with application activity 7.3 from the student teacher's book to undertake research, either in groups, pairs, and discuss and make presentation in class at the beginning of the next lesson. Tutor guides the discussion and harmonises student teachers' views

### **Answers to application activity 7.3:**

Examples of foreign multinational financial institutions in Rwanda include.

GT-Bank, KCB, I&M, Bank of Africa, Commercial Bank of Africa, ECO-Bank etc.

For their role, refer to the general role of multinational corporations from the student teacher's book under subunit 7. 2.2.

## **Lesson 4: FOREIGN DIRECT INVESTMENTS (FDIs)**

### **a) Learning objectives:**

- Identify examples FDIs in Rwanda
- Assess the contribution of FDIs to the development process of Rwanda.

### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### **c) Prerequisite/Revision/introduction.**

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 student teachers understand and link what they know with what they are to study in this lesson. Also, in lesson 3, we saw the examples and role of multinationals towards Rwanda's development process, this will play a vital role in enabling the student teachers to link with any information about FDIs and make well thought judgement and conclusion about the operation and contribution of FDIs in Rwanda. Tutor needs to arouse the student teacher's curiosity by tasking them with engaging activities and guiding them towards reaching harmonized consensus from the different discussions held in class.

### **d) Learning activities.**

#### **i) Guidance to activity 7.5:**

Task student teachers with activity 7.5 from the student teacher's book to analyse the images and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research about FDIs, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' findings.

### Answers to activity 7.5:

a) The type of activities they deal in. include



A - Banking and finance

B - Manufacturing.

C - Trade

D - Manufacturing.

a) **Their countries of origin are.**

A - Kenya

B - Tanzania

C - Kenya

B - Tanzania

b) The economic term given to such companies is Foreign Direct Investments (FDIs).

c) Respect student teachers' views and guide them on citing different other examples of companies that are not of Rwandan origin that extend their services to Rwanda.

d) Refer to subunit 7.3.2.and 7.3.3. from the student teacher's book for the contribution of such companies to the development process of Rwanda.

e) Refer to subunit 7.3.4. from the student teacher's book for the measures undertaken by Rwanda to attract foreign direct investments.

### e) Guidance to application activity 7.4:

Task student teachers with application activity 7.4 from the student teacher's book to undertake research, either in groups, pairs, and discuss and make presentation in class at the beginning of the next lesson. Tutor guides the discussion and harmonises student teachers' views.

#### Answers to application activity 7.4:

##### Hurdles and Constraints of FDI's in Rwanda

- Rwanda suffers from a shortage of skilled labor, including accountants, lawyers, and technicians.
- Political instabilities and insecurities with in and in the neighboring countries,
- Some investors complain that the strict enforcement of tax, labor, and environmental laws impede investment.
- Some investors have complained that the application process for work permits and extended stay visas has become onerous (burdensome).
- Some investors have complained that coordination between RDB and Rwanda Revenue Authority (RRA) is limited, resulting in assessment by RRA on duties or taxes on registered investments despite RDB's assurance that such investments qualified for tax-exempt or tax-incentivized status
- There are no laws requiring private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation, or control
- A 2012 report by Rwanda's Office of the Auditor General cited continuing problems with inappropriate procurement methods, but said violations had reduced significantly from years past.
- Rwanda's judicial system suffers from a lack of resources and capacity, including functioning courts. The Heritage Foundation's Economic Freedom Index has cited the judiciary's lack of independence from the executive. Investors cite the Government of Rwanda's casual approach to contract sanctity and say the government fails to enforce court judgments in a timely fashion.
- Investors have also cited the inconsistent application of tax incentives and import duties as a significant challenge to doing business in Rwanda. Under Rwandan law, foreign firms should receive equal treatment with regard to taxes, and access to licenses, approvals, and procurement.
- Potential and current investors cite a problem of high transport costs, which reduces their profit margin.
- A small domestic market due prevalent poverty levels in Rwanda,
- limited access to affordable financing and high interest rates on borrowing that increase costs of production.
- Inadequate infrastructure in form of roads and communication network, power facilities, water etc.
- Ambiguous tax rules which normally scare investors away thus, reducing the would be social and economic benefits from them.

## **Lesson 5: GLOBAL FINANCIAL SYSTEMS (GFS) AND INSTITUTIONS (IFI)**

### **a) Lesson objectives:**

- Explain the objectives of IMF & World Bank
- Explain the functions of IMF and World Bank
- Describe the SAPs by IMF in Rwanda.

### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### **c) Prerequisite/Revision/introduction.**

In lesson 1 of this unit, we covered the meaning and forms of globalisation. Also, in lesson 2, we saw the causes and effects of globalisation. Student teachers are now equipped with globalisation aspects, thus be able to analyse, interpret any data or information about globalisation. Tutor needs to arouse the student teacher's curiosity by tasking them with engaging activities and guiding them towards reaching harmonized consensus from the different discussions held in class.

### **d) Learning activities.**

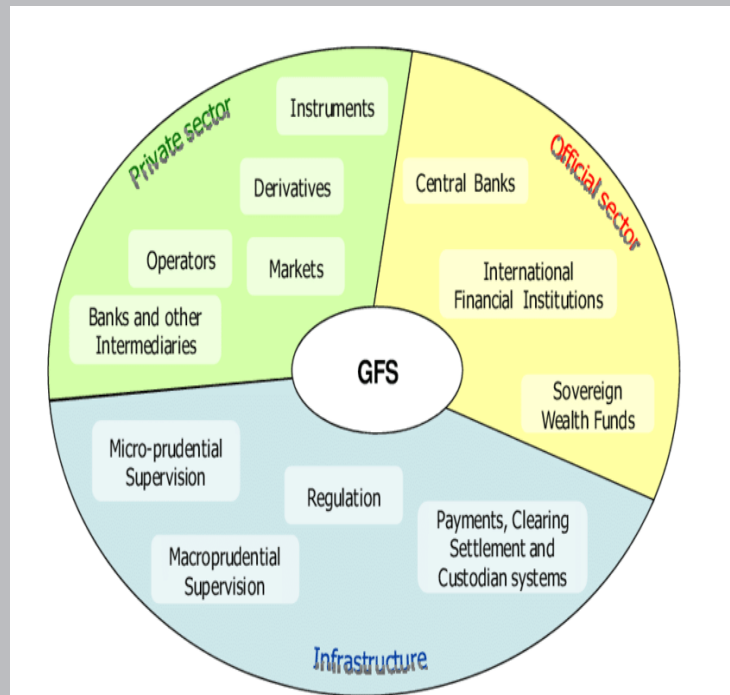
#### **i) Guidance to activity 7.6:**

Task student teachers with activity 7.6 from the student teacher's book to carry out research about global financial systems and institutions and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' findings.

### **Answers to activity 7.6:**

- 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 An international financial institution (IFI) 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.



Facilitate international flows of financial capital for purposes of investment and trade financing.

## ii) Guidance to activity 7.7:

Task student teachers with activity 7.7 from the student teacher's book to carry out research about the IMF and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' findings.

### Answers to activity 7.7:

- 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. Therefore, the IMF mission is to ensure monetary stability around the world.
- Refer to subunit 7.4.2.1 A. from the student teacher's book for the objectives of IMF

- c) Refer to subunit 7.4.2.1 A. from the student teacher's book for the objectives of IMF
- d) Refer to subunit 7.2.4.B. from the student teacher's book for functions of IMF
- e) Refer to subunit 7.4.2.3. from the student teacher's book for IMF conditionality.

**iii) Guidance to activity 7.8:**

Task student teachers with activity 7.8 from the student teacher's book to carry out research on the World Bank and discuss the questions provided therein. Student teachers, either in groups, pairs undertake research, discuss and make presentation in class. Tutor guides the discussion and harmonises student teachers' findings.

**Answers to activity 7.8:**

- a) 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. The World Banks' mission is to aid long-term economic development and reduce poverty in developing countries by making technical and financial support available to countries.
- b) Refer to subunit 7.4.2.2 a. from the student teacher's book for the objectives of World Bank
- c) Refer to subunit 7.4.2.2 b. from the student teacher's book for the functions of World Bank
- d) 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.

**e) Guidance to application activity 7.5:**

Task student teachers with application activity 7.5 from the student teacher's book to undertake research about Structural Adjustment Program in Rwanda, either in groups, pairs, and discuss and make presentation in class at the beginning of the next lesson. Tutor guides the discussion and harmonises student teachers' views

### **Expected answers to application activity 7.5:**

#### Applicability of SAPs in Rwanda

Some Structural Adjustments have been applied in Rwanda and these include among others the following:

- There has been improvement in tax correction through expanding the tax base by introducing new direct and indirect taxes.
- Trade liberalization has been practiced in Rwanda eg markets have been opened for foreign imports especially manufactured commodities.
- Privatization of public enterprises; Rwanda has privatized some of her public enterprises as one of the SAPs conditions require.
- There has been a reduction in public expenditure e.g. on social overhead expenditure like health, education social security etc. through cost sharing.
- As one of the IMF recommendations, there has been increased production in agricultural sector.
- Retrenchment of workers and demobilization of the army

#### **However, SAPs applicability has been criticized on the following grounds.**

- Cost sharing has been introduced in institution of higher learning leading to reduced enrollment in schools there by perpetuating illiteracy.
- Cost sharing in hospitals has led to poor services hence poor health conditions leading to weak work force thus low output.
- Removal of subsidizes especially on food has deepened misery and suffering of the poor masses because they cannot afford basic necessities thereby destroying the workforce.
- 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 e.g. through retrenchment hence increasing poverty among the majority of the poor.
- The policy of devaluation has made imports expensive yet imports for LDCs have inelastic demand thus high forex expenditure or out flow worsening the balance of payment position.
- The conditionalities have led to wide spread unemployment due to retrenchment and privatization.
- SAP's policies have led to the widening of the informal sector where the operator can try evading the taxes that the government has been force to introduce.



- The ruling parties and government in power have become unpopular because the implementation of these policies which are seen as being anti-people which has at times led to strikes, riots and high crime rates.
- SAPs threaten the sovereignty of national economies because an outside organization is dictating a nation's economic policy.
- When resources are transferred to foreign corporations and/or national elites through privatization, the goal of public prosperity is replaced with the goal of private accumulation.
- SAPs are held responsible for much of the economic stagnation that has occurred in borrowing countries.
- SAPs emphasize maintaining a balanced budget, which forces austerity programs. The casualties of balancing a budget are often social programs yet they are already underfunded and desperately need monetary investment for improvement. E.g. education, public health, and other social safety nets.

## **7.6. Summary of the unit.**

**This unit covered the following:**

### **Global business organisations**

- Meaning of globalisation
- Causes of globalisation
- Effects of globalisation
- Multinational corporations (MNCs)
- Foreign Direct Investment (FDIs)

### **Global Financial Systems**

- International Monetary Fund (IMF)
- The World Bank (WB)
- Structural Adjustment Program.

## **7.7. Additional information for the tutor:**

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.

Both organizations are based in Washington, D.C., and were established as part of the Bretton Woods Agreement in 1945. The Bretton Woods Agreement

was a monetary and exchange rate management system that attempted to encourage international financial cooperation through the introduction of a system of convertible currencies at fixed exchange rates, with the dollar trading for gold at \$35 per ounce.

The IMF oversees the world's monetary system's stability, while the World Bank aims to reduce poverty by offering assistance to middle-income and low-income countries.

To maintain its mission, the IMF monitors economic activity, offers members policymaking tools and analysis, and also provides loans to member countries.

The World Bank accomplishes its goals through technical and financial support available to countries.

## **7.8. Answers to End unit assessment**

### **7.8. Answers to End unit assessment**

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 demobilized 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) **SAPS policies that have been implemented in Rwanda include;**
  - Mobilization of fiscal resources, an increase in revenue by 0.5% of GDP through a series of measures including the expansion of the tax base.
  - Management of public expenditure by enhancing the efficiency and control of public expenditure, particularly that relating to the rationalization of the PIP for poverty reduction. the closer monitoring of commitments, payment orders and payment of expenditure, setting up of the Office of the Auditor General (OAG) and improving budgetary transparency and accountability were implemented.

- External resource mobilization and debt management where by the country reached decision point of the Heavily Indebted Poor Countries (HIPC) Initiative in December 2000 and has therefore, since January 2001, benefited from debt relief of US\$452 million to which the Bank has contributed to the tune of US\$74.94 million.
  - Strengthened monetary policy by improving the legal and regulatory framework of financial institutions in order to stimulate liquidity transactions between banks as well as support the reform of indirect monetary control instruments so as to ensure that interest rates reflect better the prevailing market conditions.
  - Strengthened the Civil Service reform for enhanced efficiency of public services. i.e. streamlined the Civil Service and upgraded the qualification of civil servants through the restructuring of the Service and the rationalization of its administrative structures.
  - Enhanced the transparency of the business regulatory framework and consolidated the liberalisation of external trade, promoted dialogue between the public and private sectors in order to increase the private sector's capacity to contribute to GDP growth.
  - restructured the public sector and revamped the State portfolio through the privatisation of non-strategic enterprises.
  - Established an operational road maintenance system, amended the Highway Code and expanded the road network in different parts of the country.
  - Improved access to safe drinking water, which increased from 41% to 55% between 2001 and 2005 in rural areas and from 66 to 69% in urban centres.
  - Demobilisation and Social Reintegration of Soldiers, National Reconciliation with the aim of promoting peaceful coexistence between all Rwandans, the respect of human rights and support to genocide victims in a bid to strengthen community spirit.
  - Poverty Reduction and Protection of Vulnerable Groups through rural development programs by supporting the agriculture sector as well the defining and implementation of a poverty reduction strategy.
  - Strengthened tax administration, in particular the Rwanda Revenue Authority, which improved the level of revenue collected.
  - Management of external aid has improved with the establishment of CEPEX, thus contributing among others to the clearing of arrears after agreement was reached with multilateral creditors.
2. a) Refer to subunit 7.3.1., 7.3.2 and 7.3.3 from the student teacher's book for the examples and role of FDI s in Rwanda respectively.
- b) Although Rwanda has tried her level best to attract Foreign Direct Investments, their inflow is still low because;

b) Although Rwanda has tried her level best to attract Foreign Direct Investments, their inflow is still low because;

- Low levels of human resource in Rwanda.
- Poor quality of its infrastructure.
- Landlockedness of the country.
- High operation costs.
- Limited natural resources.

### **3. a) The 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.
- Mobilizing 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 subsidized 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.

## 7.9. Additional activities:

### 7.9.1. Remedial activities.

1. Identify some companies or institutions in your locality that are not of Rwandan origin and their contribution to the development of that area.
2. what do you think are the hindrances to FDIs in Rwanda?

#### Expected answers:

1. Allow and respect different student teacher's views basing on their cited examples in their localities. Refer to advantages and disadvantages of MNCs and FDIs in the student teacher's book for the role of such institutions or companies.

### 2. Hindrances to FRIs in Rwanda.

- The political instability of its neighboring 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 i.e. the quality of labor in Rwanda is poor thus hindering their operations.
- Poor quality of its infrastructure.
- Landlockedness of the country.
- High operation costs I terms of high costs of transport, finance, and electricity.
- Limited natural resources.
- Rwanda has a small consumer market.

### 7.9.2. Consolidation activities.

1. How do you think foreign companies were able to find their way in your localities?
2. State the benefits of the FDIs to Rwandan economy.

#### Expected answers:

1. Allow student teachers to first identify some of the foreign companies or institutions in their localities.: Refer to subunit7.3.4. in the student teacher's book for the ways of attracting foreign direct investments in Rwanda.

### 2. Benefits of such companies or institutions to the Rwandan economy are;

- New technology;
- Modern equipment and productive infrastructure;

- An emphasis on industrial productivity; An understanding and commitment to industrial competitiveness;
- Modern entrepreneurial management techniques;
- Modern human resource techniques, technical and management training of locals;
- Exporting marketing know-how;
- Provision of a significant contribution to a nation's fiscal receipts;
- Greater competition in the domestic market;
- A wider range of consumer choice for a country's citizens.

### **7.9.3. Extended activities.**

1. What are the goals of FDI's as they set their investments in host countries?
2. What can your country do to attract more Foreign Direct investments irrespective of the challenges they face in the country?
3. Identify different incentives and disincentives to FDI's in any given economy.

#### **Expected answers:**

##### **1. Goals of FDI's**

- To maximize profits by increasing their competitiveness at home and abroad so as to realize the highest possible rate of return on investment,
- To create, increase, or defend market share in the host country and/or nearby countries.
- To develop and control assured sources of supply of either raw materials or primary commodities or inputs needed for production of products destined for the home country, the host country or third countries

##### **2. What Rwanda should do to attract more FDI's amidst the challenges they face.**

Prospective investors are really more attracted by specific guarantees that cancel the negative effects of disincentives to investment. Therefore, the government of Rwanda can guarantee the following to attract FDI's;

- freedom from prolonged, arbitrary, costly establishment/licensing and FDI approval/admission requirements;
- assurances of a treatment equal to nationals' treatment;
- freedom to obtain and deal in foreign exchange for profits remission, capital repatriation, and current account transactions;
- freedom from post-investment performance requirements or revisions in incentive laws or regulations, i.e. respect for acquired rights;

- adherence to Global Standards for expropriation and compensation;
- access to binding international arbitration and judicial enforcement of arbitral decisions; adequate institutional and judicial protection of property rights.
- Use the first investment promotion reality: "Foreign investors are unlikely to invest in a country whose own citizens won't invest there." Therefore, Rwanda needs to use available loans and equity investments to start or strengthen companies that serve the local market and establish a track record that could be verified by foreign investors.

### **3. Incentives and disincentives to FDI's in any given economy.**

#### **Incentives to FDI's in an economy:**

- Political and Social stability;
- Favourable business climate in the host country.
- Sound, Stable, and Growing economy;
- Continuing progress in macro-economic reforms, particularly privatization and a facilitating legal/regulatory regime;
- Realistically valued, stable national currency and limited foreign exchange restrictions; Facilitative and active private business sector;
- Fair, transparent and non-arbitrary legal/regulatory regime;
- Adequate investment protection and property rights protection;
- A rational, transparent, non-corrupt, timely business establishment/licensing and FDI approval/admission process.
- Well-developed Social economic infrastructure.
- Big size of entrepreneurial class.
- Highly skilled personnel

#### **Disincentives to FDI's in an economy:**

- Consistent and Continuing political/social instability;
- Significant industry sector or geographical restrictions on FDI;
- Volatile exchange rates and/or rigid currency restrictions;
- Lengthy, un-transparent, costly business establishment/licensing or FDI approval/ admission requirements;
- Unchecked public or private monopolies that restrain market competition;
- Continuing government resistance to macro-economic reforms;
- Unresolved expropriation issues and/or poor investment protection and/or poor property protection;
- Unfair, overly-restrictive, non-transparent legal/regulatory regime with excessive discretion and arbitrary administration;

- Pervasive public sector corruption or rampant, unchecked criminal activity;
- Pervasive public sector corruption or rampant, unchecked criminal activity;
- Worsening industrial productivity;
- Credit/Exchange Risks such as Government default on debt obligations
- Unfair, prejudicial labor/management regime;
- Non-facilitative public sector Infrastructure and Capacities.
- Deterioration of the commercial banking sector.



# UNIT 8

## ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT:

### 8.1. Key unit Competency

Student teachers will be able to analyse the determinants and indicators of economic growth and development in an economy.

### 8.2. Prerequisite (knowledge, skills, attitudes and values)

Economics is concerned with man's living styles and conditions in everyday life. The tutor needs to build on everyday life experience and develop the student teachers ability to apply various knowledge, skills, attitudes and values, acquired and developed in other related units and subjects like entrepreneurship and in their everyday life experiences to this unit.

It is helpful for the tutor to always draw examples from other related subjects and real-life situations to explain the economic growth and economic development. Student teachers should be guided on how to interpret and draw conclusions on the economic and social phenomena.

The tutor needs to help the student teachers to understand deeply the Rwandan economy and how growth of the economy impacts on everyday life of student teachers.

### 8.3. Cross-cutting issues to be addressed:

There is a wide range of cross-cutting issues that can be integrated into the teaching of this unit. For example, when teaching this unit, it is important to emphasize to the student teachers the need for proper use of resources especially financial resources. It is essential to efficiently use government expenditures to produce maximum output that increase GDP and lead to growth of the economy.

Furthermore, the activities, language and instructional techniques used in class, should enable the tutor to fittingly integrate other cross-cutting issues e.g.

- **Inclusive education** like engaging all student teachers in class activities and discussion without discrimination,
- **Peace and values education** by handling class environment in an orderly and peaceful manner,
- **Gender education** like using gender responsive language by not harming or minimizing any gender in his/her speech and examples given in his or her explanations etc.

Even though in student teacher's book there are examples and activities indicated, the tutor can improvise and use any other data that may be related to a given cross-cutting issue that he or she needs to integrate.

#### **8.4. Guidance on the introductory activity:**

The introductory activity in this unit, in the student teacher's book, is a basic tool used as orientation activity. It enables the student teachers to connect the knowledge, skills, attitudes and values already acquired in other subjects and in real life and the new unit title they are to study.

In the introductory activity,

- a) Arrange the student teachers in pairs and present the task given in the introductory activity for them to analyse and come up with their own views on the questions therein.

For instance,

##### **i) Strategies used to achieve sustained GDP growth**

- Exploitation of the available natural resources.
- Technological improvement.
- Opening up of local and foreign markets.
- Maintaining political stability.
- Hastening capital accumulation.
- Maintaining an ideal population size.
- Training manpower.
- Maintaining good government policy.
- Improving entrepreneurship skills.
- Infrastructural development.
- Industrialisation.
- Removing of cultural rigidities.
- Promoting investments.

## ii) Strategies the government has used to reduce poverty

- Provide free universal education
- Providing cheap and quick access to credit facilities through micro finance institutions (Umurenge SACCO).
- Control population growth rates.
- Control corruption and mismanagement e. g through signing performance contracts etc.
- Modernisation of agriculture.
- Maintaining a health population. For instance promoting health insurance (mituelle de santé RAMA).
- Ensuring good governance.
- Infrastructural development.
- Promoting investments whether public, private, domestic or foreign.
- Industrialisation.

### 8.5. List of lessons/ subheadings:

NO	Lesson title	Lesson objectives	No of periods.
1	Economic growth	<ul style="list-style-type: none"><li>- Explain the determining factors, costs and benefits of economic growth.</li><li>- Describe the theories of growth.</li></ul>	7
2	Economic development	Explain what economic development is and identify the indicators of economic development.	5
3	Underdevelopment	Explain what underdevelopment is and identify the indicators of underdevelopment.	5
4	End of unit assessment	Analyse the determinants and indicators of economic growth and development in an economy.	1

#### Lesson 1: Economic growth.

##### a) Learning objective:

- Explain the determining factors, costs and benefits of economic growth.
- Describe the different theories of economic growth.

### **b) Teaching resources:**

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

### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge acquired from previous lessons on international economics, introduce the lesson on economic growth. Relate it with what the student teachers know about GDP develop the lesson.

### **d) Learning activities**

#### **Guidance to learning activity 8.1.**

- Arrange the student teachers in groups.
- Present to the activity 8.1 and let them discuss and come up with answers.
- Thereafter, organise class presentation.

#### **Answers to learning activity 8.1**

- a) Gross Domestic Product** is a measure of the monetary value of goods and services produced within a country by both nationals and non-nationals.

It is related to economic growth in that when there is continuous increase in GDP, it results into economic growth.

- b)
- Availability of quality natural resources.
  - Technological improvement.
  - Availability of local and foreign markets.
  - Political stability.
  - Capital accumulation.
  - Ideal population size.
  - Skilled manpower.
  - Good government policy.
  - Availability of entrepreneurship skills.
  - Infrastructural development.
  - Industrialisation.
  - Removal of cultural rigidities.
  - Increased investments.

### **Guidance to the learning activity 8.2.**

- Arrange the student teachers in two groups for a debate.
- Set the motion basing on activity 8.2 and organise the student teachers to hold the debate.

### **Answers to learning activity 8.2**

Student teachers give their own arguments related to what is given in sub unit 8.1.2.1 and 8.1.2.2. in student teacher's book.

### **Guidance to the learning activity 8.3.**

- Arrange the student teachers in groups.
- Present to them the task given in activity 8.3 and let them discuss and come up with answers.
- Thereafter, organise class presentation.

### **Answers to learning activity 8.3**

Refer to sub unit 8.1.3.1 and 8.1.3.2. in student teacher's book.

### **Guidance to the learning activity 8.4.**

- Arrange the student teachers in groups.
- Present to the activity 8.4 and let them carry out research from the available sources and come up with answers.
- Thereafter, organise class presentation.

### **Answers to learning activity 8.4**

Refer to sub unit 8.1.3.1 in student teacher's book.

### **Guidance to the learning activity 8.5.**

- Arrange the student teachers in two groups for a debate.
- Set a motion basing on activity 8.5 and then organise student teachers to hold a debate.

### **Answers to learning activity 8.5**

Student teachers give their own ideas that are related to what is given in sub units 8.1.3.1 and 8.1.3.2 in student teacher's book.

### **Guidance to the learning activity 8.6.**

- Arrange the student teachers in groups.
- Present to the activity 8.6 and let them discuss and come up with answers.
- Thereafter, organise class presentation.

### **Answers to learning activity 8.6**

Bugesera international airport or Kigali Convention Centre.

- It helps to rise the volume and variety of goods and services provided to the nationals giving them several to choose from so economic growth and development.
- The massive investment program accelerates a stagnant economy into high rates of economic growth.
- Massive industrial growth provides several employment opportunities to nationals, this develops the nation further.
- The industrial progress provides forward and backward linkages to the agricultural sector all of which are necessary for the rapid development of developing countries.
- Maximum exploitation of resources of developing countries and this reduces underutilization of resources.
- It encourages self-sufficiency that is the major symptom of development. The different varieties of industries produce different varieties of output, so reducing the need to import from other countries.

### **Guidance to the learning activity 8.7.**

- Arrange the student teachers in groups.
- Present to the activity 8.7 and let them discuss and come up with answers.
- Thereafter, organise class presentation.

### **Answers to learning activity 8.7**

Refer to sub unit 8.1.3.4 (b) and (c) in student book.

### **e) Application activity 8.1.**

#### **Guidance to application activity 8.1**

- Arrange student teachers in groups and present to them application activity 8.1.
- Guide them to discuss and come up with their own answers.
- Let each group present to the whole class.

## **Answers to application activity 8.1.**

### **Policies used to achieve economic growth in Rwanda.**

- Exploitation of the available natural resources.
- Technological improvement.
- Opening up of local and foreign markets.
- Maintaining political stability.
- Hastening capital accumulation.
- Maintaining an ideal population size.
- Training manpower.
- Maintaining good government policy.
- Improving entrepreneurship skills.
- Infrastructural development.
- Industrialisation.
- Removing of cultural rigidities.
- Promoting investments.

## **Lesson 2: Economic development.**

### **a) Learning objectives:**

Explain what economic development is and identify the indicators of economic development.

### **b) Teaching resources.**

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

### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on economic growth introduce the lesson on economic development.

### **d) Learning activities.**

### **Guidance to learning activity 8.8.**

- Arrange student teachers in pairs.
- Present to them pictures given in activity 8.8 and let them compare them and derive their opinions.
- Let each pair present their answers.

### **Answers to learning activity 8.8.**

- i) Student teachers give their own comparisons.
- ii) Student teachers give their own views but should be related to the indicators of economic development being desirable as opposed to the undesirable indicators of underdevelopment.
- iii) Student teachers give their ideas that may be related to the following
  - Exploitation of the available natural resources.
  - Technological improvement.
  - Opening up of local and foreign markets.
  - Maintaining political stability.
  - Hastening capital accumulation.
  - Maintaining an ideal population size.
  - Training manpower.
  - Maintaining good government policy.
  - Improving entrepreneurship skills.
  - Infrastructural development.
  - Industrialisation.
  - Removing of cultural rigidities.
  - Promoting investments.

### **Guidance to learning activity 8.9.**

- Arrange student teachers in groups.
- Present to them the task given in activity 8.9 and let them discuss and to come up with their ideas.
- After. They hold class presentations.

### **Answers to learning activity 8.9.**

Student teachers give their own comparisons but should be related to what is given in sub unit 8.2.2 in the student teacher's book.

### **Guidance to learning activity 8.10.**

- Arrange student teachers in groups.
- Present to them the task given in activity 8.10 and let them make research, discuss and come up with their ideas.
- Then arrange class presentation.



### Answers to learning activity 8.10.

Refer to sub unit 8.2.3 in student teacher's book.

### e) Application activity 8.2.

#### Guidance application 8.2.

- Arrange student teachers in groups.
- Present to them task given in activity 8.2 to discuss and come up with their own ideas.
- **Then organise class presentation.**
- **Then each group makes a presentation to the whole class.**

### Answers to application activity 8.2.

All figures are 2017 estimates.

Country	Land area. Sq/km	GDP (PPP) \$	GDP growth rate.	GDP per capita \$	Unemployment rate.	Current account bal. \$
Japan	377,915	5,443 trillion	1.7%	42,900	2.9%	196.1 billion
Brazil	8,515,770	3,248 trillion	1%	15,600	12.8%	-9.762 billion
South Africa	1,219,090	767.2 billion	1.3%	13,600	17.5%	-8.584 billion
South Sudan	644,329	20.01 billion	-5.2%	1600	NA	-154 million

(Source: World Fact Book: <https://www.cia.gov/library/publications/the-world-factbook/geos/rw.html>)

High income status	Middle income status	Low income status.
JAPAN	BRAZIL	SOUTH SUDAN
	SOUTH AFRICA	

### **Lesson 3. Underdevelopment.**

#### **a) Learning objectives:**

Explain what underdevelopment is and identify the indicators of underdevelopment.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on economic development introduce the lesson on underdevelopment.

#### **d) Learning activities.**

##### **Guidance to learning activity 8.11**

- Arrange student teachers in groups.
- Present to them the picture in activity 8.11.
- Organise them to discuss and come up with their own ideas.
- Let each group make presentation to the whole class.

##### **Answers to learning activity 8.11.**

- i) Economic underdevelopment.
- ii) On the distinguishing features of countries with such conditions refer to sub unit 8.3.1.2 in the student teacher's book.

- Guidance to learning activity 8.12. Arrange student teachers in groups.
- Present to them the case study given in activity 8.12.
- Let them study the table, analyse it and discuss to come up with their own ideas.
- Arrange for class presentation after the discussion.

##### **Answers to learning activity 8.12.**

- i) On the cause in the difference refer to causes of underdevelopment in sub unit 8.3.2.1 in student teacher's book.
- ii) On the policy measure to overcome underdevelopment refer to in sub unit 8.3.2.2 in student teacher's book

#### **e) Application activity.**

##### **Guidance to application activity 8.3.**

- Arrange student teachers in groups.

- Present the case study given in activity 8.3 to student teachers and let them discuss and come up with their own ideas.
- After let each group make presentation.

### **Answers to application activity 8.3.**

Student teachers give their own ideas but related to what is given in sub unit 8.3.2.2 in student teacher's book.

## **8.6. Summary of the unit:**

This unit looks at the following

1. Economic growth.
  - Meaning.
  - Determinants.
  - Benefits and costs.
  - Theories.
2. Economic development.
  - Meaning
  - Indicators.
3. Underdevelopment.
  - Meaning.
  - Characteristics.
  - Causes and solutions.

## **8.7. Additional information for the Tutor:**

Circumstances under which economic growth may take place without corresponding levels of economic development.

- Economic growth can give rise to a persistent increase in the volume of goods and services produced with little or no quality added at all, under such circumstances economic growth is attained minus economic development.
- Economic growth makes people over work at the expense of leisure, for economic growth to be attained at hyper rates people must work without rest; this negatively affects their welfare since leisure is part of one's standard of living.
- Economic growth may be achieved at high rates but when the country is producing ammunitions to support the ongoing war. Even then economic growth is attained minus a corresponding rate of economic development.

- Economic growth may be achieved but when people are still using traditional tools and under developed technology, there is no economic development in such a situation because people struggle much to raise such a level of output.
- 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. Such a reasoning mode delays economic development.
- Economic growth may be achieved but with high rates of pollution from industries set up to attain it. The pollution denies the society development.
- Economic growth can be attained but when the country is producing capital goods that do not have a direct impact on the standard of living of the people. In such a situation, economic development delays.
- Economic growth may be attained but with benefits in the hands of a few capital owners, due to the uneven distribution of resources, such a society does not achieve economic development.
- Economic growth may be achieved internally but when such output is exported and nationals do not experience its benefits, even then economic development is not achieved.
- There may be improper accountability. The government officials may embezzle benefits of the high rates of economic growth attained. Such corruption practices delay economic development.

### **Marxist theory of growth**

**According to Karl Marx**, development grows through stages that are determined by class struggle. He also developed five stages like Rostow though the stages were different but he also agreed that development started with nowhere where everything was primitive and he called this the traditional stage.

There difference between him and Rostow was that while Rostow emphasized the role of saving and capital accumulation, Karl Marx advocated for the importance of labour as an engine to growth. He emphasized the following stages

### **Karl Max's stages of growth**

#### **1. Traditional stage**

This is the first stage and has got the following characteristics

- A generally peasant economy where simple activities for home consumption are carried out.
- Communal ownership of land i.e. land is owned by the whole community
- 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 in the production process
- The output produced is little

## **2. Slave economy**

This is the second stage and has the following characteristics

- Private ownership of resources like land emerge
- There is ownership of people as property
- Slaves are used as free labour to increase output

## **3. Feudal economy**

This has the following features

- Under this 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

## **4. Capitalism**

The capitalist economy has the following characteristics

- There is increased competition in the markets
- Emergence of monopolies inform 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
- Increased use of machinery causing technological unemployment

## **5. Socialism**

This economy is characterized by the following

- Increased mechanized 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

## 8.8. End of unit assessment.

1. Examine the factors that influence Rwanda's level of GDP growth rates.
2. Describe the unbalanced growth theory and show its merits and demerits.
3. What conditions are there to show that Rwanda's economy is an underdeveloped economy?
4. Suggest measures that can be used to reduce the level of underdevelopment in developing economies.

### Answers to end of unit assessment.

1. On factors that influence Rwanda's level of GDP growth rates refer to sub unit 8.1.1.2 in student teacher's book.
2. On unbalanced theory refer to sub unit 8.1.3.2 in student teacher's book..
3. On conditions that show that Rwanda's economy is an under developed economy refer to sub unit 8.3.1.2in student teacher's book.
4. On the measures that can be used to reduce the level of under development, refer to sub unit 8.3.2.2 in student teacher's book.

## 8.9. Additional activities

### 8.9.1. Remedial activities.

1. Distinguish between economic growth and economic development.
2. Describe the features of Rostow's take off stage of economic growth.
3. Explain the differences between economic growth and economic development.

### Answers to remedial activity

**1. Economic growth** can be defined as the persistent quantitative increase in the volume of goods and services produced in a country.

**Economic development** refers to the sustained quantitative and qualitative increase in the volume of goods and services produced over a period of time resulting into positive social, economic, and political institutional changes that may improve the quality of life of the population.

### 2. Take off stage

- This is the stage that involves rapid transformation in the country's social, cultural, political and economic spheres. It has the following characteristics
- Barriers to development are eliminated. Strong economic infrastructure like banks, hospitals, schools are set up.

- Savings and investment grow to between 5% and over 10% of the Gross Domestic Product, new industries are introduced and industrial growth takes faster rates.
- More employment opportunities are created; peoples' 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 qualified labour and entrepreneurs start coming up.
- Education and literacy rates increase at faster rates.
- Rate of urbanization increases faster.

### **3. Differences between economic growth and economic development.**

- Economic growth may involve the increase in the volume GDP only while economic development involves both increase in the quality and quantity/volume of GDP.
- Economic growth may take place even with uneven income distribution while development involves fair income distribution
- Growth can take place even with poor quality of output produced while economic development involves improvement in quality of 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 is a rapid process while economic development is a slow process
- Economic growth can be achieved without integration of economic sectors with economic dependence while development takes place when there is integration of economic sectors and self-sustenance.
- Economic growth may take place without change in economic institutions like banks while development takes place change with structural changes.

#### **8.9.2. Consolidation activities.**

1. Examine the relevancy of the big push theory of economic growth to developing economies like Rwanda.
2. Analyse the applicability of Rostow's theory of economic growth in explaining economic growth in developing economies.

### **Answers to consolidated activity.**

1. On the relevancy of the big push theory, refer to sub unit 8.1.3.3 in the student teacher's book.
2. On the applicability of Rostow's theory to developing economies refer to sub unit 8.1.3.4 (a) and (b) in student teachers book.

### **8.9.3. Extended activities**

1. Explain the objectives of economic development.
2. Describe the features of the drive to maturity stage of Rostow's theory of economic growth.

### **Answers to extended activities.**

#### **1. Economic development has got the following objectives.**

- To reduce upon illiteracy rates and improve upon literacy among the citizens in 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 so as to reduce poverty and improve the standards of living.
- To attain even resource distribution so as to reduce income inequalities among the people and regions.
- To improve upon skills of the people through education to reduce dependence on foreign experts who seem expensive.
- To improve upon security to life and property to ensure a good political atmosphere that will attract investors.
- To control population growth rates to desirable levels so as to reduce its associated problems.
- To attain equilibrium of the balance of payment position through increasing and improving upon the volume and value of exports and reducing spending on imports.



## **2. Drive to maturity stage (self-sustained growth)**

This is the stage which follows the take off stage and it has the following features

- 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 industrialization.
- Agricultural mechanization emerges and such heavy agricultural machines like tractors, combine harvesters, multi crop thresher are used to increase agricultural productivity.
- There is maximum utilization of the country's resources.
- Modernization of the economy is very high and traditional norms, beliefs and customs are kicked away.
- There are high levels of employment opportunities and white collar jobs increase in availability.

# UNIT 9

## AGRICULTURAL DEVELOPMENT

### 9.1. Unit competency:

Learners will be able to analyze the contribution of development strategies on the economy.

### 9.2. 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 student teachers. This unit mainly addresses the reasons for agricultural development, benefits and obstacles towards agricultural development in most countries Rwanda inclusive. Therefore, student teachers 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.

### 9.3. 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 of agricultural products. Environment and sustainability should also be emphasised especially when looking at ways of increasing capacities in production of agricultural products both in the short run and long run so as to protect and preserve the environment. Student teachers 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.

#### 9.4. Guidance on the introductory activities.

Task student teachers to reflect on the agricultural practices back in their home areas and then share views related to the lesson/unit. Let them try to identify some agricultural practices that are practiced either in their home area or district this will help them to reflect and get a good picture of what is meant by agricultural development, and this will enable them to know some more agricultural issues, and the best policies for such issues to be developed.

##### Expected answers to the introductory activity.

1. A- Selling agricultural products in the market place  
B- Agricultural mechanization  
C- Modern irrigation in agriculture  
D- Commercial cattle keeping.
2. Difference is irrigation is always practiced where agriculture is carried out on large piece of land yet commercial cattle keeping can still take place on small piece of land.
3. This refers to process of promoting proper conditions for farming so that the quantity and quality improve drastically.
4. For the advantages and disadvantages refer to student teacher text book in sub unit 9.1 The points are well stated.

#### 9.5. List of lessons

No	Lesson title	Lesson objective	No of periods
1	Agricultural development	Explain the meaning of agricultural modernization. Discuss the merits and Demerits of agricultural development.	2
2	Mechanization of agriculture	Examine the benefits and disadvantages of agriculture mechanization. Explain the limitation of agricultural mechanization in Rwanda.	2
3	Commercialization of agriculture	Explain the benefits and disadvantages of commercial agriculture. Discuss the limitations of commercial agriculture.	1

<b>4</b>	Measures to improve agricultural productivity	Discuss the measures taken to improve agricultural productivity in Rwanda	<b>1</b>
<b>5</b>	End of unit assessment		<b>1</b>

## **Lesson 1: Agricultural development**

### **a) Lesson objectives**

- Explain the meaning of agricultural development.
- Discuss the merits and demerits of agricultural development.

### **b) Teaching lessons;**

Student teachers' Book, other recommended economic text books, internet access, and relevant economics journals.

### **c) Prerequisites for the lesson**

Review the previous activity by asking student teachers to brainstorm about different agricultural practices that are common 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.

### **d) Learning activities**

#### **i) Guidance to the learning activity 9:1**

Divide student teachers in groups of four to five and then the discuss the meaning of agriculture, advantages and disadvantages of agricultural practices and then then each group presents to the whole class.

#### **The expected answers activity 9:1**

- a) This is the growing of crops and raring of animals. There are both food crops and cash crops involved together with a variety of animals.
- b) The advantages and disadvantages of agriculture practice refer to the student teachers' book in subunit 9.1

### **e) Application activity 9:1**

This application activity also requires advantages and disadvantages of agricultural development which are well stated in the student teachers' text book in the subunit9.1

## **Lesson 2: Mechanization of agriculture**

### **a) Lesson objectives:**

- Examine the benefits and disadvantages of agriculture mechanization.

- Explain the limitation of agricultural mechanization in Rwanda

### **b) Teaching lessons**

Student teachers' Book, other recommended economic text books, internet access, and relevant economics journals.

### **c) Prerequisites for the lesson**

Review the previous lesson on agricultural development. Guide student teachers in discovering that in order to increase the quantity and quality of agricultural production in the country requires the use of modern machines in the sector. Thus introduction of a new lesson of agriculture mechanization

### **d) Learning activities.**

#### **i) Guidance to learning activity 9:2**

Divide student teachers in groups and task them to discuss the advantages and disadvantages of agricultural mechanization and the limitations of agricultural mechanization and let them present to the whole class.

#### **ii) Expected answers**

1. A- Modern irrigation B- modern cultivation by tractors.
2. Mechanized irrigation and mechanized cultivation.

#### **3. Arguments in favour of agriculture mechanization:**

- It is time saving especially during times of planting, ploughing among others.
- It encourages large scale production because machines use large pieces of land and this increases output.
- Good quality output is produced because of constant use of machines.
- It reduces the cost of production because the expenditure to buy machines is not recurring.

#### **Disadvantages of mechanization:**

- Capital intensive techniques cause unemployment in the villages since mainly machines are used on the extensive land.
- Rural urban migration may occur because mechanization requires large pieces of land
- Mechanization requires large sums of capital
- Machines destroy the ecology of the soil

- The system requires large pieces of land.
- Over exploitation of resources.
- Over production.

#### 4. Limitations of mechanization:

- It requires high skills to operate the machines which is not enough in LDCs.
- It requires large amounts of capital to implement which capital is lacking.
- The system requires large pieces of land which is scarce in LDCs.
- The relief of the area may not be suitable for the machines.
- The system requires a good and effective agricultural planning which is not possible in LDCs.
- The attitude towards mechanization is very poor in LDCs.
- Human judgement may lack during the process, causing the system inapplicable
- Underdeveloped infrastructure and technology limit the use of machines.
- Machines sometimes destroy ecology.
- Poor land tenure discourages the system.
- Small market discourages the farmers

#### **e) Application activity 9:2**

This requires the student teacher to come up that factors that hinder agricultural mechanism and the answers are well stated in the student teachers' book in the subunit 9. 2

### **Lesson 3. Commercialization of agriculture**

#### **a) Lesson objectives**

- Explain the benefits and disadvantages of commercial agriculture.
- Discuss the limitations of commercial agriculture.

#### **b) Teaching lessons;**

Student teachers' Book, other recommended economic text books, internet access, and relevant economics journals.

#### **c) Prerequisites for the lesson**

Review the previous lesson and guide student teacher to discover that mechanization is normally carried out to market such commodities not just for home consumption. Then introduce the new lesson about commercial agriculture.

## **d) Learning activities**

### **i) Guidance to learning activity 9.3**

Divide student teachers in groups and task them to first identify the activities in the given photos and then discuss the advantages and disadvantages of commercialization of agriculture and the limitations of this approach, and then let them present to the whole class.

### **ii) Expected answers**

1. A- tea harvest B- Poultry farming C- cattle keeping D – Rice growing activity.

### **2. Advantages of commercialization of agriculture:**

- It develops the skills of workers because of specialization.
- It increases the gross domestic product of the country.
- It increases the incomes of the workers and the farmers.
- Good quality products are produced
- It increases the exports of the country.

### **Disadvantages of commercial agriculture:**

- Reduction in the food needed by the local people.
- Capital intensive techniques cause unemployment.
- The system requires large sums of capital which is still lacking.
- It requires large pieces of land which may not be enough.
- Over exploitation of resource leads to depletion or exhaustion shortly

### **3. Limitations of commercial agriculture:**

- Poor weather conditions
- Poor land tenure systems:
- Narrow markets.
- Poor infrastructure.
- Lack of skilled man power.
- Inadequate capital.
- Competition from other countries.

## **e) Application 9.3**

The application activity requires the student teachers to use the knowledge from the advantages of commercialization of agriculture. The answers are well stated in the student teachers' text book in the subunit 9.3

## **Lesson 4: Measures to improve agricultural productivity.**

### **a) Lesson objectives**

Discuss the measures taken to improve agricultural productivity in Rwanda.

### **b) Teaching lessons;**

Student teachers' Book, other recommended economic text books, internet access, and relevant economics journals.

### **c) Prerequisites for the lesson**

Review the previous lesson and guide student teacher to discover that although there are many factors hindering agricultural mechanization and commercialization of agriculture, there are many steps being taken to solve such challenges so as to increase agricultural productivity in Rwanda.

### **d) Learning activities**

#### **i) Guidance to learning activity 9.4**

Divide student teachers in groups and task them to first identify the activities in the given photos and then discuss how these photo have been a part of measures to improve agricultural productivity in Rwanda.

#### **ii) Expected answers**

- Encouraging security in the country.
- Establishment of credit schemes in the country.
- Encouraging agricultural diversification.
- Establishing and developing agro based industries in the country.
- Educating farmers about different modern methods of farming.
- Developing infrastructures like roads.
- Establishing many agricultural research centers.
- Promoting agricultural cooperatives in the country.
- Improving on land tenure system.
- Encouraging farmers to use pesticides.
- Encouraging agricultural commodity agreements.

### **e) Application activity 9:4**

The answers for this activity refer to the student teachers' text book in unit 9 and the subunit of measures to improve agricultural productivity.

### **f) Guidance to the skills lab.**

After having learnt about role of agriculture and commercial agriculture. Task the student teachers to Identity the most demanded agricultural goods at your school and come up with the proposal of agricultural project around the school that can provide such goods to school so as to reduce expenses, and then share your proposal with the school administration for further consideration.



### **9.6. Summary of the unit:**

- Agricultural development
- Meaning
- Advantages and disadvantages of agricultural development
- Agricultural mechanization
- Meaning
- Advantages and disadvantages of agricultural mechanization
- Limitation of agricultural mechanization.
- Commercialization of agriculture
- Meaning
- Advantages and disadvantages of commercialization of agriculture.
- Limitations of commercialization of agriculture
- Steps to improve agricultural productivity in Rwanda.

### **9.7. Additional information for the Tutor:**

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

### **9.8. Answers to End unit assessment**

1. The reasons why agriculture is referred to as the "back bone" of many developing countries; here student teacher is expected to come up with advantages of agricultural development and can be referred to in the student teachers' text under unit 9 and subunit 9.1
2. Here the expected answers are factors that limit agriculture mechanization and are well stated in the student teachers' text book under unit9 , in the subunit 9.2
3. (a) commercial agriculture
  - b) The advantages and disadvantages of commercial agriculture are well stated in the student teachers text book under subunit 9.2
  - c) Factors limiting commercialization of agriculture are required and they are well stated in the student teachers, text book under subunit 9.2
4. The points are well stated in the student teacher text book subunit 9.3

## 9.9. Additional activities

### 9.9.1. Remedial activities

These activities are set to compensate the slow learners to pick up with others. Such student teachers need to be attended to because there is need for inclusiveness in their learning process.

Set simpler questions which will help them revise through what they studied during the lesson.

**a) What is large scale commercial agriculture**

**b) Identify the characteristics and advantages of large sale commercial agriculture.**

#### Expected answers

a) Refers to the type of production that is intended for sale and to make profits.

**b) Characteristics of large scale commercial include the following;**

- It is always done on large scale
- There is high outputs
- There is use of machines
- High quality products are produced because of use of machines.
- Modern methods of farming are used like irrigation
- Skilled workers are used in the production.
- It involves use fertilizers
- Products are mainly commercial purposes

**Advantages large scale production includes the following;**

- It leads to infrastructural development since it is carried out on large piece of land
- It increases skills of workers especially those using machines
- It creates many employment opportunities it operates on large scale
- It encourages research since it is carried out on large pieces of land.
- It involves production of high quality products since machines are used.
- It leads to development agro based industries since it provides raw materials to such industries.
- It increase government tax revenue since it operates on large scale and pay more taxes.
- It increases a country's outputs since it operates on large scale.

### 9.9.2. Consolidation activities.

Qn. 1. What characterizes agriculture in your country?

Qn. 2. 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. The kind of knowledge that farmers need includes:**

- How to conserve soils.
- Use of pesticides, fertilizers 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.

### **9.9.3.Extended activities.**

1. What is meant by Agriculture research
2. Which areas in agriculture sector need research
3. Explain the importances of research agricultural research.

### **Expected answers.**

1. Refers to scientific investigation done in agriculture so as to increase and improve the quantity and quality of agricultural products.

#### **2. Research is always one in the following areas;**

- Research on new methods of productions
- Research on new crops
- Research on soils
- Agricultural market prices
- Research on climate changes.

#### **3. Importances of agricultural researches includes the following;**

- It leads to improvements in land use.
- It increases the quality of products produced
- It increases the quantity of outputs produced.
- Research on climates makes farmers to plan in advance.
- Research on markets helps to improve on the market of agricultural goods.
- Research on pests helps to control diseases and pests.
- It also reduces the costs of agricultural inputs especially research on new crops.

# UNIT 10

## INDUSTRIAL DEVELOPMENT

### 10.1. Key unit competence

Analyse the contribution of development strategies on the economy

### 10.2. Prerequisite (knowledge, skills, attitudes and values)

In unit 8, we saw the need for agriculture development which at the end leads to industrialisation through linkages. Student teachers therefore, have to understand that agricultural development necessitates industrial development just like also industrial development to know that with the linkages involved. This unit about industrial development, seeks to bring to the student teacher's attention that for Rwanda to attain self-sustaining growth, she must put much emphasis and effort on development of industries comprehensively as one of the diversifying strategies away from the agricultural sector. This unit will entirely look at merits and demerits of industrial development in Rwanda and its limitations. Student teachers, should be engaged in discussions about industrial development and propose possible strategies that Rwanda should undertake to develop industrialisation in their economy as a way of promoting sustainable economic growth and development.

### 10.3. Cross-cutting issues to be addressed.

While teaching this unit, it will be important to emphasise the crosscutting issue of environmental sustainability because industrial development could be a threat to the environment therefore it's important to equip student teachers with skills and attitude about environmental protection.

### 10.4. Guidance on the introductory activity:

Tutor tasks student teachers with the introductory activity 10.1. from the student teacher's book under this unit. They analyse the photos in the activity and use them to answer the questions that follow. This introductory activity will help student teachers to make research about industrial development in Rwanda

and discover the reasons behind it, advantages, disadvantages and limitations. Finally, they can be able to suggest possible solutions to better industrial development strategies to attain the SDGs by 2030 about industrialisation. The tutor is, therefore required to use engaging methodologies while teaching this unit so as to enable the student teachers achieve the key unit competence stated in 10.1 of this unit in this tutor's guide.

### Answers to introductory activity 10.1:

- a) The products from the industries in the photos provided are;
  - juice, milk and water.
  - Clothes
  - Tomato sauce
  - Hygienic cleaning solutions
- b) The industries can be categorized as;
  - Soft drinks industries
  - Textile industries
  - Agro-processing industries
  - Detergents industry.
- c) The general name given to the development of the above activities all together is industrialisation / industrial development.
- d) Respect and guide student teacher's views about other different firms that do different activities in Rwanda that do not fall under any category named in b above.

### 10.5. List of lessons/ subheadings.

NO	Lesson title	Lesson objectives	No of periods.
1	Meaning, advantages and limitations of industrial development.	<ul style="list-style-type: none"> <li>- Explain the advantages and limitations of industrial development.</li> <li>- Describe the problems of industrial development in Rwanda.</li> </ul>	1
2	Industrial development approaches: Capital intensive technology)	<ul style="list-style-type: none"> <li>- Distinguish between capital and labour intensive technology.</li> <li>- Examine the applicability of capital-intensive technology as an industrial development approach in Rwanda.</li> <li>- Acknowledge industrial development strategies in the economy and choose the appropriate approach for the development of Rwanda.</li> </ul>	1

<b>3</b>	Labor intensive technology	<ul style="list-style-type: none"> <li>– Distinguish between capital and labour intensive technology.</li> <li>– Examine the applicability of Labour-intensive technology as an industrial development approach in Rwanda.</li> <li>– Acknowledge industrial development strategies in the economy and choose the appropriate approach for the development of Rwanda.</li> </ul>	<b>1</b>
<b>4</b>	Intermediate technology	Identify the features of intermediate appropriate technology.	<b>1</b>
<b>5</b>	End of unit assessment	Analyse the contribution of development strategies on the economy	<b>1</b>

### **Lesson 1: Meaning, advantages and limitations of industrial development.**

#### **a) Learning objectives:**

- Explain the advantages and limitations of industrial development.
- Describe the problems of industrial development in Rwanda.

#### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

#### **c) Prerequisite/Revision/introduction.**

Based on the introductory activity, student teachers now are equipped with knowledge, understanding, skills and attitudes about industrial development. They use the prior acquired knowledge about industrialisation in geography year 1 unit 10 to explain how industrial development is important, and what hinders it in Rwanda. Tutors, in this regard, are required to guide student teachers link what they already know with what they are going to study in the unit.

#### **d) Learning activities.**

##### **i) Guidance to activity 10.1:**

Tutor presents activity 10.1 from the student teacher's book to student teachers, either in groups or pairs to discuss about. They discuss and present in class with the guidance of the tutor. Tutor finally harmonises the student teacher's findings.

### Answers to activity 10.1:

- i) An industry is a group of companies 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.
- ii) Refer to subunit **10.1.2 and 10.1.3 in the student teacher's book for the** impact of industrial development in Rwanda.
- iii) Refer to subunit 10.1.4. in the student teacher's book for the limitations of industrial development in Rwanda.

### d) Guidance to application activity 10. 1:

Task student teachers in groups or pairs, with application activity 10.1 from the student teacher's book for research as homework activity. Tutor assists by guiding the discussion presentation at the beginning of the next lesson as a review question of the past lesson.

### Answers to application activity 10.1:

To attain middle-income status by 2035, Rwanda will have to accelerate the growth of its industrial sector and maintain double digit annual growth in exports for coming decades. An active industrial policy can help. In this regard therefore, Rwanda has the organisational capacity to industrialize rapidly and the capability, perhaps unique in Africa, to implement a modern industrial policy. Its ability to achieve its aspirations for 2035 will depend on the following capabilities.

- Promote exports as a key to promoting industrialisation. When domestic firms are exposed to international markets and competition, they harness knowledge spillovers to stay competitive, and have higher chances of absorbing technology and benefiting from economies of scale.
- Rwanda has to focus on creating an enabling business environment for domestic and local firms and improving national infrastructure. Its success will create a receptive business environment that will attract new foreign investment and promote the level of industrialisation.
- Rwanda should use tax incentives in a creative manner to increase the inflow of FDI. Based on the 2015 Investment Code in Rwanda, the government of Rwanda should expand incentives to prospective investors in the industrial sector, like tax holidays and corporate income tax (CIT) rate reductions, all which are aimed at attracting foreign investors and promoting industrialisation.



- Rwanda should improve its product sophistication by embracing product diversification, prioritizing value addition across value chains, and investing in upgrading the quality of domestically made products to compete on the world market.
- The Rwandan government should make more significant investments to promote business and leisure travel-notable investments on top of the Convention Center, Rwandair, and the new airport. This will attract more industrial sector investors, both local and foreigners.
- Rwanda should negotiate market access through new bilateral trade agreements, transport agreements and even multilateral discussions. All these will guarantee market for the locally made products and access local manufactures or producers to market for raw-materials necessary for their industrial processes.
- Increase investments in human capital. Rwanda must address the issue of stunting and work towards providing Rwandans with an affordable and quality education at preschool, primary, secondary, and tertiary level. Investments in on-the-job and non-job training should not be neglected.
- Rwanda needs to continue investing in creating a robust capital market infrastructure with a vibrant secondary market to further encourage private investment and savings.
- Developing a value chain approach to industrial policy, involving key public and private sector across, and covering commercial services in addition to goods. Rwanda's involvement in value chains is much lower than that of the comparator countries in Africa and Asia. Promoting value chain participation – at the regional and global level -- and moving up should be key policy priorities.
- Supporting the development of national quality infrastructure, focused on the use of international standards and development of Mutual Recognition Agreements for testing and certification with key external markets.
- Develop a culture of risk taking by reducing the government's role as a source of private sector contracts, and reducing the cost of borrowed funds to businesses. Consideration should be given to a utility patent system, as well as innovation prizes decided in consultation with industry and experts.
- Working with lead firms to develop supplier linkages while avoiding mandated local content requirements that penalize final producers.
- From a macroeconomic standpoint, it is important over the medium term to increase the domestic savings rate to provide a pool of resources that can support growth and development.
- tax (CIT) rate reductions, all which are aimed at attracting foreign investors and promoting industrialisation.

## **Lesson 2: Industrial development approaches – Capital Intensive Technology.**

### **a) Learning objectives.**

- Distinguish between capital and labour intensive technology.
- Examine the applicability of capital-intensive technology as an industrial development approach in Rwanda.
- Acknowledge industrial development strategies in the economy and choose the appropriate approach for the development of Rwanda.

### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### **c) Prerequisite/Revision/introduction.**

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 student teachers have to apply the knowledge and understanding attained in lesson one of this unit about the advantages and limitations of industrial development to discuss the role of technology in industrial development. In this case, they will have to analytically examine the application of capital intensive technology in Rwanda and take value judgement at the end of the lesson. Tutor, is therefore required to guide the student teachers in discovering how the use of capital intensive technology can be of great importance to industrial development in Rwanda.

### **d) Learning activities.**

#### **i) Guidance to activity 10.2:**

Engage student teachers in making research about industrial development approaches that a country can undertake to promote industrial development. This can be done in groups, pairs or individual work. Tutor guides them as they discuss and harmonises their findings in conclusion.

#### **Expected answers.**

- Export promotion industrial strategy
- Import substitution industrial approach
- Small scale industrial approach
- Large scale industrial approach
- Technology. (Labour intensive, capital intensive or intermediate technology).

#### **ii) Guidance to activity 10.3:**

Having carried out research in activity 10.2 about different approaches of

industrial development, student teachers are now aware that, it takes not a single approach to promote industrial development in a country. Based on their research therefore, tutor tasks student teachers with activity 10.3 from the student teacher's book, analyse the photos therein and use them to answer the questions that follow. Tutor guides them as they discuss either in pairs or groups and finally helps in harmonization of the student teachers' findings.

**Answers to activity 10.3:**

- i) The activities taking place in photos are **1- air transport, 2- Community hygiene, 3- Stone quarrying and 4- Farming** respectively.
- ii) The technique of production used by each activity portrayed in the photos above are;

**1- capital intensive technology, 2- intermediate technology, 3 and 4 labour intensive technology** respectively.

- iii) **Technology** is a body of knowledge devoted to creating tools, processing actions and the extracting of materials. While **A technique of production** is any alternative method of production available to produce goods and services.

**iii) Guidance to activity 10.4:**

Based on the knowledge and understanding gained from activity 10.3, tutor tasks student teachers with activity 10.4. They analyse the photos therein and come up with their views in regard to the question requirements. In groups or pairs, student teachers discuss and present their views in general class discussion with the guidance of the tutor.

**Expected answers to activity 10.4:**

- a) The technique of production being applied in the industries mentioned in the photos is capital intensive technology because machines are more use than labour in the production process of such industries portrayed in the photos in the activity.
- b) Tutor respects student teachers' views over different activities that use capital-intensive technology but with your guidance.
- c) Refer to the advantages and disadvantages of capital-intensive technology in the student teacher's book under subunit **10.2.1.2 b and c.**
- d) Refer to the limitations of capital-intensive technology in the student teacher's book under subunit **10.2.1.2 d.**

### **Lesson 3: Labour- Intensive Technology.**

#### **a) Learning objectives.**

- Distinguish between capital and labour intensive technology.
- Examine the applicability of Labour-intensive technology as an industrial development approach in Rwanda.
- Acknowledge industrial development strategies in the economy and choose the appropriate approach for the development of Rwanda.

#### **b) Teaching resources.**

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

#### **c) Prerequisite/Revision/introduction.**

We saw in lesson 2 that, 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 such approaches is technology. In this lesson student teacher have to apply the knowledge and understanding attained in lesson 2 of this unit to discuss the applicability of Labour-intensive technology in industrial development. In this case, they will have to analytical examine the application of capital intensive technology versus labour-intensive technology in Rwanda and take value judgement at the end of the lesson. Tutor, is therefore required to guide the student teachers in discovering how the use of labour-intensive technology can be of great importance to industrial development in Rwanda.

#### **d) Learning activities.**

##### **i) Guidance to activity 10.5:**

Based on the knowledge and understanding gained from activity 10.4, tutor tasks student teachers with activity 10.5. They analyse the photos therein and come up with their views in regard to the question requirements. In groups or pairs, student teachers discuss, present their views and reach a consensus about the lesson with the guidance of the tutor.

#### **Expected answers to activity 10.5:**

- 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) Tutor respects student teachers' views over different activities that use capital-intensive technology but with his/her guidance.
- c) Refer to the advantages and disadvantages of labour-intensive technology in the student teacher's book under subunit **10.2.2 b and c.**
- d) Refer to the limitations of labour-intensive technology in the student teacher's book under subunit **10.2.2 d.**

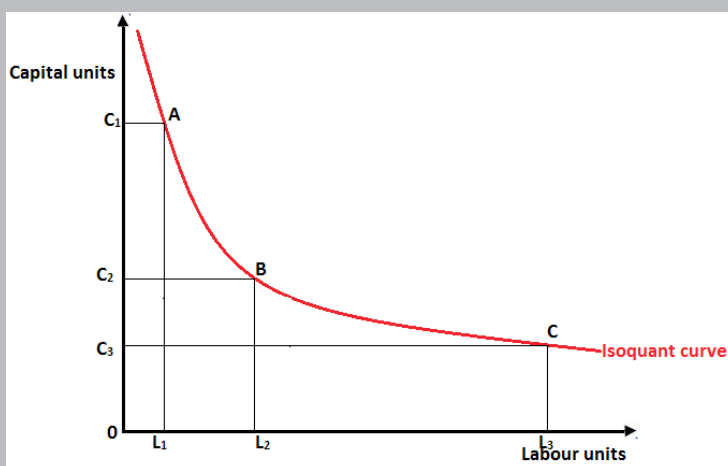
### e) Guidance to application activity 10.2

Tutor tasks student teachers with application activity 10.2 from the student teacher's book, either as individual, pair or group homework question. Tutor reviews it at the start of the next new lesson.

#### Answers to application activity 10.2:

a) An isoquant curve is a curve that shows a combination of two techniques of production (e.g. capital and labour) that can be used to produce a given quantity of output.

b)



The technique of production is portrayed at points A is capital intensive technology because  $K_1$  is greater than  $L_1$ , B is intermediate technology because  $K_2$  is relatively equal to  $L_2$  & C is labour intensive technology because  $L_3$  is greater than  $K_3$

c) Respect student teacher's views over the technique they would recommend for their economy based on the advantages and disadvantages of each technique relative to the social economic situation in the country.

### Lesson 4: Intermediate technology:

#### a) Learning objectives:

Identify the features of intermediate appropriate technology.

#### b) Teaching resources.

Textbooks related to economics and supplementary materials; Internet connection; Magazines and journals; Visual and audio media.

### **c) Prerequisite/Revision/introduction.**

We saw in lesson 2 and 3 that for Industrial development to takeoff, a country can choose either capital intensive or labour intensive technique of production. However, student teachers need to know that if a country is not 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, which is mostly known to be traditional, it can upgrade its technology to intermediate technology. Tutor should assist student teachers in discovering the meaning and features of this technology. In this lesson therefore student teachers 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.

### **d) Learning activities.**

#### **i) Guidance to activity 10.6:**

Task student teachers with activity 10.6 from the student teacher's book, they analyse and discuss the questions there in, either in groups or pairs, they present their findings to the whole class. Tutor guides the discussion and helps in harmonizing their findings at the end.

### **Answers to activity 10.6:**

- a) The technique of production cited in photos A and B above is intermediate technology. It is neither modern nor traditional but socially and economically efficient.
- b) Comparing the images in activity 10.4, 10.5 and these in 10.6, the difference is that, in activity 10.4, where capital intensive is used, there is use of more machines than labour in production process, in activity 10.5, where labour intensive is used, there is more use of labour units than machines in production process, while in this activity 10.6, where intermediate technology is used, there is proportionately equal use of labour and capital in production process.
- c) Refer to subunit 10.2.3. b. from the student teacher's book for the distinguishing features of the technique mentioned in a) above (intermediate technology)

### **e) Guidance to application activity 10.3:**

Task student teachers, either as individuals, pairs or groups, with research questions in activity 10.3 from the student teacher's book. Thereafter, tutor prepares some time before the end of unit assessment for general discussion and consensus about the research questions provided.

### **Answers to application activity 10.3:**

- a) Arguments for and against the use of intermediate technology in Rwanda.

#### **Arguments for intermediate technology:**

- Leads to increased output because the technology used is better than the rudimentary tools and this leads to economic growth
- Promotes development of skills of the people since it is midway the developed and primitive methods.
- Encourages efficient utilization of resources in an economy since it may not underutilize or over utilize the resources.
- Increases labour productivity because it uses tools advanced than the traditional ones so labour is able to exercise his skills.
- Widens the tax base due to increased output which is produced and increases the revenue of the producers.
- Promotes more employment opportunities since the technology used is not so advanced so it calls for more use of the idle labour.
- Saves foreign exchange which would have been used to acquire the modern technology. This also reduces capital outflow.
- Encourages rural development. This is because the technology can be applicable everywhere either urban or rural.

#### **Arguments against intermediate technology:**

- Under-utilization of resources. This is because the technology used may not fully exploit the available resources
- Slows down economic growth since the output is low hence may not be able to enable growth move together with development
- Starvation may come out when the output produced is not able to fill the desires of the people in the society
- Low quality output is produced and these may not fetch enough foreign exchange for the country
- May stagnate the country from acquiring the modern technology by concentrating on the intermediate technology that may be inefficient
- Development of large-scale industries may be at a slow rate because of the intermediate technology which is suitable for small scale industries.
- Creates uncertainty in the production process because of the constant break down due to obsolescence

**b) Hindrances to applicability of intermediate technology in Rwanda include;**

- The need to improve output by the producers has enabled them to go for the modern technology instead of developing the intermediate one.
- The issue of standardization calls for technology that can produce good quality output that is able to compete at the world market
- External foreign influence which brings in the developed technology hinders the development of the intermediate technology in our society
- Government influence. The government is not doing enough to develop intermediate technology instead its interested in modern technology that quickens development
- Low Level of funds. The low level of funds has hindered research into techniques that are developed from primitive to semi-modern in the economy
- Low Level of skills and education. Low education levels and skills have hindered innovation and invention of methods into medium term technology
- Low Level of innovation and inventions. The low level of innovation has retarded the growth of the technology from the primitive one to the one that is semi developed

**c) 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.

**10.6. Summary of the unit:**

- Industrial development strategy.  
Meaning  
Merits and demerits and limitations



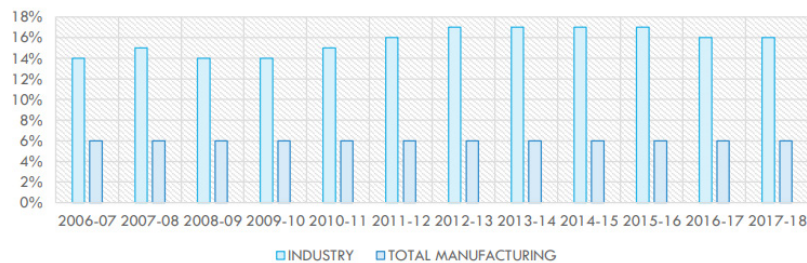
- Approaches to industrial development  
Capital intensive technology and labour intensive  
Intermediate technology.

### 10.7. Additional information for the Tutor:

Rwanda has a Vision of becoming an upper middle-income country by 2035 and high-income country by 2050 through transforming its economy from agrarian base to a more industrial, diversified and knowledge-based economy. The medium-term plans and sector policies prioritize economic transformation as an important strategic pillar. This objective means that significant infrastructure development is needed to propel the economy to higher value sectors.

To fill the immediate need to create appropriate infrastructure for industrialization, Rwanda is developing **Special Economic Zones (SEZs)** and industrial parks as an economic policy tool that promotes private investment, industry and export growth. The country also set a target for creating job opportunities outside the agriculture sector with special focus on creating decent and productive jobs (1.5 million jobs between 2017 and 2024). It also coupled its efforts to develop infrastructure with creating conducive environment for business. Rwanda has made steady progress in implementing reforms aimed at minimizing regulatory hurdles for business start-ups, guiding and mentoring entrepreneurs through the start-up administrative process, as well as building entrepreneurs' confidence in the regulatory environment. Rwanda promotes access to finance to entrepreneurs through innovative mechanisms. As a result, Rwanda was ranked second in Africa in the World Bank Doing Business Report of 2017 and has maintained such a position over the last few years. The economic transformation effort is further facilitated by an ambitious policy of **'Made in Rwanda'** that seeks to improve perceptions of Rwandan products within Rwanda, promote nascent industries, and boost productivity of exporting sectors across regional value chains. Thus, the progress made in this goal is at large positive and encouraging.

*Industry and Manufacturing Value Added as a share of GDP*



Source: NISR: National Accounts Data, 2018

## 10. 8. Answers to End unit assessment

1. The development of Masoro region in Masaka has got many benefits to the people and economy at large. Examine the benefits talked about above and the factors limiting the activities in the region.

- *Infrastructure/Utilities Provision:* KSEZ has helped in address production challenges by providing access to cheap industrial land and reliable, low-cost utilities such as water and electricity.
- *Tax Incentives:* KSEZ has attracted new firms through designated tax incentives (e.g. tax holidays or tax rate reductions).
- *Trade Facilitation:* KSEZ has facilitated international trade, by offering customs exemption for imports, exports and by providing other trade facilitation schemes. Such intervention has provided important ways to reduce the cost of trading, and lower customs clearance times.
- *Business Regulation/Investment Aftercare:* KSEZ firms have preferential regulatory positions and better investment aftercare. This has had a direct effect on the cost of doing business, for instance, there is a One-Stop Centre which enables firms to spend less time to register or obtain permits. This has also enabled firms to have one place to raise sector-specific challenges, and gather better information regarding business in and outside the zone.
- *Agglomeration Effects/Knowledge Spillovers:* KSEZ firms, also have benefited from proximity to other productive industries in the area, which has resulted in economies of scale for specific industries, better targeting of public investment, and facilitated the sharing of ideas by providing an environment encouraging multinationals to invest and transfer knowhow related to production and marketing. Such knowledge spillovers been facilitated by backward and forward linkages between the KSEZ and the rest of the economy;
- *Employment opportunities:* KSEZ has increased employment opportunities to many people in Rwanda both skilled, semi-skilled and unskilled thus reduced the macroeconomic problem of unemployment.
- *Economic growth/ GDP growth:* KSEZ has led to expansion in output thus economic growth by the country driven through higher domestic sales. Most firms appear to be more concentrated on the domestic market thus increasing consumers' choice and economic growth.
- *MNCs and DFIs:* KSEZ has attracted many foreign firms into production and this increased domestic production, competition and efficiency e.g. Matelas Dodoma, Azam etc.
- *Increased domestic private sector investment:* Many Rwandan entrepreneurs have found their way at KSEZ due to the favourable business conditions enabled by the government. This has increased indigenization of the economy and fraternity among Rwandan citizens.

- *Export growth and diversification:* Apart from serving the domestic market, KSEZ has also contributed to export growth and expansion since some firms in the zone, target foreign market by producing a variety of commodities. This has increased Rwanda's forex earnings.
  - *Development of agriculture sector:* One of the approaches to industrial development in Rwanda was the development of KSEZ. This has promoted industrialisation which has also developed and modernized agriculture sector through backward and forward linkages. It has for example, led to the setting of agro-processing industries which provides market for agricultural products in the country.
  - *Creation of off farm employment and income:* Many people, who have been concentrating on agriculture and thus facing fluctuations in their employments and incomes, are now assured of continuous employment and earnings throughout the year thus improved living standards of living.
  - *Skills upgrading and technology transfers:* KSEZ has promoted technological innovations and inventions and training of manpower among Rwandan citizens. This has also been due to desire by local producers to make research innovations and inventions to compete favourably in the goods market especially with foreign firms that might appear technologically superior than them. On top of that, foreign firms transfer their technology into the country, employ Rwandan citizens etc. which has resulted into skill development and technological transfer.
  - *Environmental protection:* Concentrating firms at KSEZ has been one way of avoiding the spread of environmental hazards by industries scattered here and there and in the middle of town where there is a big population. In this case, a special environment assessment policy has been undertaken regarding KSEZ and this is cost effective to the producers, government and the entire economy.
  - *Increased tax revenue:* KSEZ has also contributed to an increased and expanded tax base to Rwanda through increased economic activities in the area. This has increased the country's taxable capacity.
  - *An improved trade balance* through increased manufacturing of domestically consumed goods. This has reduced the amount of imports into the country, and increased on manufactured goods thus solving trade balance and BOP problems.
2. Refer to advantages and disadvantages of capital-intensive technology and labour intensive technology in the student teacher's book under subunits **10.2.1.2 b and c, and 10.2.1.3. b and c**. However, the answers should be given in a way that, one side give advantages of capital over labour intensive technology and on the other side give disadvantages of capital intensive over labour intensive technology.

3.a) An appropriate technique of production is that technique which is socially and economically suitable for a given society or country.

b) Features of an appropriate technology include:

- It should be simple and comparatively cheap
- It should be manageable by the majority of the people
- It should make use of local resources
- It should meet the local needs
- It should solve the local problems of the country. For instance, it must create employment opportunities; it must solve the problem income inequality; and it must generate economic growth.
- It should encourage capital formation and stimulate growth
- It should be ecologically sound and in complete harmony and conformity with local environment and
- It should improve efficiency and productivity.

c) advantages and limitations of appropriate technology.

d) Advantages of appropriate technology

- Simple and comparatively cheap compared to intermediate and modern technology and this makes it affordable.
- Manageable by the majority of the people and therefore the people have access to it during the production process.
- Makes use of local resources and therefore reduces importation of raw materials that may lead to foreign exchange outflow
- Meets the local needs of the people and therefore it is sufficient for them
- Solves the local problems of the country. For instance, it creates employment opportunities; it solves the problem income inequality; and it must generate economic growth.
- Encourage capital formation and stimulate growth through increased production and output
- Ecologically sound and in complete harmony and conformity with local environment and this enables it no to over exploit the resources

Limitations of appropriate technology

- Low Level of funds. The low level of funds has hindered research into techniques that suit the economy
- Low Level of skills and education. Low education levels and skills have hindered innovation and invention of methods that suit the economy
- Low Level of innovation and inventions. The low level of innovation has retarded the growth of the technology from the primitive one to the one appropriate

- External foreign influence which brings in the complicated technology hinders the development of the one appropriate to our society
- Government influence. The government is not doing enough to develop appropriate technology instead its interested in modern technology that quickens development
- Natural factors. These include relief, soils among others and they hinder the movement of the machines to respect areas of production
- Low Level of entrepreneurship. This is low and hence it has not helped in taking up the risks in technological development

#### 4. Impact of technological transfer in Rwanda.

Technological transfer is the movement/ shifting of new efficient production techniques from one economy to another mainly from developed economies to developing economies/ countries. It can also be defined as the process of transferring skills, knowledge, technologies, methods of manufacturing, samples of manufacturing and facilities from one place or country to another mainly from developed country to developing countries.

It has impacted Rwanda's economy in the following ways.

- Helped overcome backwardness. The transfer of technology has introduced advanced techniques of production, better machines, better products, better organizational and managerial skills as well as skilled personnel.
- Accelerated the rate of economic growth. This has consequently reduced poverty, income inequalities and unemployment. Generally, the standard of living has improved.
- Increased productivity. The transfer of technology has increased labour and capital productivity.
- Reduced the technology gap. Technology from developed countries to Rwanda has supplemented the available traditional technology and has helped to modify the existing technologies.
- Developed key industries and basic infrastructure. Rwanda lacked basic industries and infrastructure (e.g. transport, communications, and power) which led to underutilization of resources. But with the transfer of technology, Rwanda has been able to set up basic infrastructure and industries in the country.
- Promoted the exploitation of resources which are risky once traditional means are used. Large capital and modern technology transferred into Rwanda has helped in resources exploitation that was underutilized due to poor and undeveloped technology that has been employed in the country.

- Rwanda's products have become more competitive. Rwanda mostly exported unprocessed products, raw materials and poor-quality finished products. Thus, with transfer of technology, it has allowed Rwanda produce and export value added commodities thus fetching high from external markets.
- It has saved Rwanda's time and financial resources. The transfer of technology to Rwanda has saved time and financial resources since there is no need to undertake research for technology since it is already available in developed countries.

#### Demerits of technology transfer.

- High costs. Developed countries prefer to sell their technologies as a package to projects. The technologies are tied to specific projects. Rwanda has been forced to buy such technologies along with raw materials, machines, spare parts and foreign personnel at high costs compared to those prevailing in the competitive world market.
- Technological dependence. Rwanda lacks skilled personnel and financial resources to undertake research for new technologies, thus technological transfer has led to technological dependence.
- Retarded the development of local entrepreneurship. Firms from developed countries often transfer new technologies to their own subsidiaries within Rwanda, which hardly share new technologies with local firms and as a consequence, these new technologies do not enter other activities of national economies. The development of local entrepreneurship has been retarded.
- Tax evasion. More than often, foreign firms have always requested for and been offered large tax concessions from Rwanda in the form of tax holiday and repatriation of a large percentage of profits, this has reduced Rwanda's the tax base and taxable capacity.
- It has led to social tensions due large wage differentials between workers in the firms which have transferred technologies and workers engaged in local firms in Rwanda. These wage differentials have increased income inequalities thereby causing social tensions.
- Unemployment problem is not solved. Rwanda, as result of transferring capital-intensive technologies into the country, has made the Rwandan economy fail to overcome the problem of unemployment because of the abundant labourforce available in the country. Capital intensive technology has little labour absorbing capacity.
- Out-dated technology. In most cases, the technology transferred into the country is always discarded technology, though it appears cheap at the time it is being purchased; it leads to high costs in terms of frequent breakdowns and constant repairs. Consequently, Rwanda is faced with heavy losses.

## 10.9. Additional activities

### 10.9.1: Remedial activities.

- 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?

#### Expected answers:

- a) Tutor respects different from student teacher.
- b) Refer to the advantages and disadvantages of industrial development from the student teacher's book under subunit **10.1.2 and 10.1.3.**

### 10.9.2. Consolidation activities.

- a) What do you understand by the term “made in Rwanda” campaign?
- b) Why do you think there's a made in Rwanda campaign?
- c) How has it impacted Rwanda's economy?
- d) What do you think is limiting the made in Rwanda campaign policy?

#### Expected answers:

- a)
  - Made in Rwanda campaign is a policy in Rwanda trying to encourage Rwandans to produce and consume locally made commodities so as to promote self-reliance and reduce import expenditure.
  - 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.
  - Impact of made in Rwanda campaign on Rwanda's economy.
- b) Positive impact of made in Rwanda campaign.
  - Infant industries have been encouraged to grow since there is limited importation from outside and this has promoted industrialization in the country.
  - Employment has been created especially where the industries involved use labour intensive technique of production.
  - It has reduced economic dependence because industries produce commodities which were formerly imported.

- It has checked on Imported inflation because the country is now able to produce its own goods and no need to import from other countries especially those hit by inflation.
- It has widened the tax base of the country since the industries are taxed and the people working in such industries also contribute to the revenue of the country through their income tax.
- Improved resource utilization since the industries need the resources like land, raw materials among others.
- Facilitated industrial development in the country since many industries have been set up
- Infrastructure like roads and communication lines have been set up to aid communication and movement of goods and services within and outside the country.
- Has led to economic growth because of the persistent increase in the volume of goods and services produced in such industries alongside other industries which are not import substitution industries.

#### Arguments against import substitution strategy

- It has led to profit repatriation because most of the industries are owned by foreigners so they take back the profits to their mother countries
- Most industries set up use capital intensive techniques and this has led to technological unemployment in some industries.
- It has encouraged protectionism of the small industries but this has led to inefficiency and poor-quality goods in some cases.
- Most industries set up produce at very high cost because of shortage of man power, importation of raw materials and this has led to increased prices.
- The domestic market may not be enough because the industries produce high rates of output and this in the end will lead to price fluctuation
- It has worsened the BOP position of the country because it requires importation of equipment and skilled man power.
- Because of protectionism, the foreign countries may also retaliate by imposing similar tariffs and this will lead to lack of market
- Over exploitation of resources because of the increased number of industries and this may lead to resource exhaustion in the long run.
- It has promoted borrowing and dependence because Rwanda lacks the capital required and this will lead to increased debt burden in the country.



d) Limitations of Made in Rwanda campaign.

- Inadequate raw materials to sustain the industries hence they depend on imported raw materials which are expensive
- Shortage of skilled man power to work in the industries which leads to using of expensive foreign labour.
- Limited domestic market because of poverty among the people and the high rates of protectionism by the developed countries limits the foreign market
- Under developed infrastructure like roads which limit the transportation of goods to the markets.
- high maintenance costs of imported capital because the man power to carry out the repair is got from outside.
- Shortage of credit facilities from financial institutions to purchase capital equipment by the firms involved.
- Inadequate entrepreneur skills forces in Rwanda which forces her to use foreign labour which is expensive.
- High demonstration effect among Rwandans, thinking that their home made commodities are inferior to foreign goods thus prefer the imported ones.
- Unfavorable government policies especially over taxing the investors hence discouraging them
- Political insecurities and threats from neighboring countries which bring about uncertainties and destruction of the industries already in place.
- High cost unreliable power in Rwanda which increases the cost of production leading to high prices for the goods and low markets.

**10.9.3: Extended activities.**

- 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) Rwanda should do the following to maintain and promote efficiency in such industries.
  - Secure markets for them within and outside the country,
  - Improve and extend infrastructures in areas they operate from to reduce their costs.
  - 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
  - Provide tax incentives to them, like tax holidays and concessions.
  - Ensure peace and security in all parts of the country for their confidence in production and exchange in all parts of the country.

# UNIT 11

## DEVELOPMENT STRATEGIES

### 11.1. Key unit Competency

student teachers will be able to analyse the contribution of development strategies to the economy.

### 11.2. Prerequisite (knowledge, skills, attitudes and values)

Economics is concerned with man's living styles and conditions in everyday life. The tutor needs to build on everyday life experience and develop the student teachers ability to apply various knowledge, skills, attitudes and values, acquired and developed in other related units and subjects like entrepreneurship and in their everyday life experiences to this unit.

It is helpful for the tutor to always draw examples from other related subjects and real-life situations to explain the sectors of the economy. Student teachers should be guided on how to interpret and draw conclusions on the economic and social phenomena.

The tutor needs to help the student teachers to understand deeply the Rwandan economy and how changes in the economy impacts on everyday life of student teachers.

### 11.3. Cross-cutting issues to be addressed

There is a wide range of cross-cutting issues that can be integrated into the teaching of this unit. For example, when teaching this unit, it is important to emphasize to the student teachers the need for proper use of resources especially financial resources, emphasize the need for proper costing and budgeting in the process of acquiring the scarce inputs to reduce costs. It is essential to minimize government expenditures and maximize services from expenditure.

Furthermore, the activities, language and instructional techniques used in class, should enable the tutor to fittingly integrate other cross-cutting issues e.g.

- **Inclusive education** like engaging all student teachers in class activities and discussion without discrimination,
- **Peace and values education** by handling class environment in an orderly and peaceful manner,
- **Gender education** like using gender responsive language by not harming or minimizing any gender in his/her speech and examples given in his or her explanations etc.

Even though in student teacher's book there are examples and activities indicated, the tutor can improvise and use any other data that may be related to a given cross-cutting issue that he or she needs to integrate.

#### **11.4. Guidance on the introductory activity:**

The introductory activity in this unit, in the student teacher's book, is a basic tool used as orientation activity. It enables the student teachers to connect the knowledge, skills, attitudes and values already acquired in other subjects and in real life and the new unit title they are to study.

In the introductory activity,

- c) Arrange the student teachers in pairs and present the case study given in the introductory activity for them to analyse and come up with their own views on the questions therein. For instance,
  - i) Three sources of funding public investments are,
    - a) Internal funding sources.
    - b) External funding support.
    - c) Borrowing as financing source with the requirement to be paid back at least partly.
  - ii) Sectors you know where the government has invested extensively.
    - a) Infrastructure like different national roads and Bugesera international Airport.
    - b) Education for instance the Publication of new CBC text books.
  - iii) The government at times uses external support and borrowing to fund public investment because internal funding sources may not generate enough funds as required.
  - iv) Student teachers give their own views.

## 11.5. List of lessons/ subheadings

NO	Lesson title	Lesson objectives	No of periods.
1	Education.	<ul style="list-style-type: none"><li>– Explain the role of education in development.</li><li>– Describe the challenges facing the education sector and suggest policy solutions.</li></ul>	1
2	Foreign aid and development.	<ul style="list-style-type: none"><li>– Explain the role of foreign aid in the growth of an economy.</li><li>– Analyse the impact of relying on foreign aid on the economy.</li></ul>	2
3	Infrastructure and development.	Explain the role of infrastructure in the growth of the economy.	1
4	End of unit assessment	Analyse the contribution of development strategies to the economy.	1

### Lesson 1: Education.

#### a) Learning objective:

- Explain the role of education in development.
- Describe the challenges facing the education sector and suggest policy solutions.

#### b) Teaching resources:

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

#### c) Prerequisite/Revision/introduction.

Basing on student teachers daily life experiences and knowledge acquired from previous lessons on agriculture and industry, introduce education as a development strategy. Relate it with what student teachers know about the economy develop the lesson.

#### d) Learning activities

##### i) Guidance to the learning activity 11.1.

- Arrange the student teachers in groups.
- Present to them the pictures given in activity 11.1 and let them analyse the pictures, discuss and come up with answers.

### **Answers to learning activity 11.1**

i) A teacher in class teaching.

A group of people seated under a tree being addressed by one.

ii) (A) Shows formal education and (B) shows informal education.

Student teachers give their own views.

### **Guidance to the learning activity 11.2.**

Arrange the student teachers in groups.

Present to them the case study given in activity 11.2 and let them discuss and come up with answers.

### **Answers to learning activity 11.2**

On the role of education refer to sub unit 11.1.3 in the student teachers' book.

### **Guidance to the learning activity 11.3.**

- Arrange the student teachers in groups.
- Present to them the case study given in activity 11.3 and let them discuss and come up with answers.
- After, arrange for class presentation.

### **Answers to learning activity 11.3**

- Insufficient teacher competencies in subject content, pedagogy and languages of instruction.
- On the problems faced in the education sector refer to sub unit 11.1.3 in the student teachers' book.

### **Guidance to the learning activity 11.4.**

- Arrange the student teachers in groups.
- Present to them the case study given in activity 11.4 and let them discuss and come up with answers.
- Then arrange class presentation

### **Answers to learning activity 11.4.**

On the measures to promote education, refer to sub unit 11.1.5 in the student teacher's book.

### **e) Application activity 11.1.**

#### **Guidance to application activity 11.1**

- Arrange student teachers in groups and present to them application activity 11.1.
- Guide them to prepare a proposal on problems and solutions to education in their district.
- Let each group present to the whole class.

#### **Answers to application activity 13.1.**

The student teachers write a proposal basing on sub unit 11.1.5 in student teacher's book.

### **Lesson 2: Foreign aid and development.**

#### **a) Learning objectives:**

- Explain the role of foreign aid in the growth of an economy.
- Analyse the impact of relying on foreign aid on the economy.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on the education introduce the lesson.

#### **d) Learning activities.**

#### **Guidance to learning activity 11.5.**

- Arrange student teachers in pairs.
- Present to them activity 11.5 and let them discuss and come up with their answers.
- Let each pair present their answers.

#### **Answers to learning activity 11.5.**

- i) The organisations are
  - a) UKaid
  - b) KOICA
  - c) JICA
  - d) USaid

e) Book Aid International.

They are all charitable/relief organisations.

- iii) On others organisations and countries, let student teachers give their own examples.
- iv) For the ways through which they have helped developing economies, refer to sub unit 11.2.1.2 in the student teacher's book on forms of foreign aid.

### **Guidance to learning activity 11.6.**

- Arrange student teachers in groups.
- Present activity 11.6 to the student teachers and let them discuss and come up with their own answers.
- Then, arrange for class presentation.

### **Answers to learning activity 11.6.**

- i) Government of Rwanda.  
National institute of statistics of Rwanda (NISR)  
World bank.  
Ukaid.  
UNDP Rwanda  
European union
- ii) World bank.  
UKaid  
UNDP Rwanda  
European Union.
- iii) On why Rwanda seeks foreign aid refer to sub unit 11.2.2 in student teacher's book.

### **Guidance to learning activity 11.7.**

- Arrange student teachers in groups.
- Present activity 11.7 to the student teachers and let them discuss and come up with their own answers.
- Then, arrange for class presentation.



### Answers to learning activity 11.7.

On dangers out of depending on foreign refer to sub unit 11.2.3 in student teacher's book.

### e) Application activity 11.2.

#### Guidance application 11.2.

- Arrange student teachers in groups.
- Present to them task given in application activity 11.2 to discuss and come up with their own ideas.
- Then each group makes a presentation to the whole class.

### Answers to application activity 13.2.

- Why countries give aid.
  - **To extend political ideologies.** For instance, donor countries may use their aid to capture the recipient countries to their side in case of an international dispute or economic discussion.
  - **Achieve military goals.** Donor countries usually use aid to extend their military power and to secure their intergrity militarily
  - **Assist a friendly country.** Countries have partners that they work with. So aid may be give as an assistance to a friendly partner state.
  - To dispose off a surplus (dumping). In case of excess output that cannot be absorbed by the available markets, it may dumped to countries that have scarcity of such commodities.
  - **To get market.** Aid in form of machinery and consumer goods may be used to to get access to markets for home industries. For instance market for spare parts.
  - **For humanitarian purposes** e.g during catastrophies like hurricane, earthquakes as well as droughts that threaten the lives of people in recipient countries.
  - **It may be inteded to create employment for local labour.** Technical assistance in form of skilled manpower may be aimed at creating employments to populations in the donor countries.
  - **Strengthen relationships** between the donors and recipients.
  - **Earn interest if it's a loan.** Funds may be loaned out to earn interest.
- Policy measures to reduce dependency.**
  - **Diversifying trade** especially exports to reduce commodity concetration of trade.

- Promoting **private local investment** to reduce relying on foreign investments and reduce direct economic dependence.
- Developing and **improving the levels of education** to reduce depending on foreign manpower (expatriates/technical assistance).
- Improving **budgetary discipline** and reducing unnecessary expenditures as a way of avoiding budgetary deficits that are financed through foreign aid.
- Improving and **diversifying local production** in order to reduce reliance on foreign commodities (imports).
- Promoting **intersectoral and intrasectoral diversification** of the economy as a way of reducing relying on one sector.
- **Economic integration** in order to widen markets for exports and sources of inputs.
- **Technological progress and development** through research, innovation and invention to avoid relying on foreign methods of production some of which are inappropriate to the local conditions.

### **Lesson 3. Infrastructure and economic development.**

#### **a) Learning objectives:**

Explain the role of infrastructure in the growth of the economy.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on education and foreign aid introduce the lesson on infrastructure.

#### **d) Learning activities.**

#### **Guidance to learning activity 11.8**

- Arrange student teachers in groups.
- Guide them to discuss activity 11.8.
- Let each group make presentation to the whole class.

### Answers to learning activity 11.8.

- i) Industry. Railway line. School building. Hospital. Water treatment plant/process. Telecommunications mast. Prisons logo. University of Rwanda campus. Airport terminal building. Power line.
- ii) Infrastructure.
- iii) On the role of infrastructure refer to sub unit 11.3.2 in student teacher's book.

### e) Application activity.

#### Guidance to application activity 11.3.

- Arrange student teachers in groups.
- Present the task in activity 11.3 to student teachers and let them discuss and come up with their own ideas.
- After let each group make presentation.

### Answers to learning activity 13.4.

Why the government has put a lot of effort on maintaining a high standard of road infrastructure in the country because

- Roads, airports railways and other transport infrastructures facilitate the **movement of inputs** from their sources to the firms.
- Roads, airports railways and other transport infrastructures facilitate the **movement of finished products** from the firms to the markets.
- Transport infrastructures facilitate the **movement of people involved in the production process.**

### 11.6. Summary of the unit:

This unit looked at the following

- Education and its
  - Role
  - Challenges
  - Policy solutions.
- Foreign aid and its
  - Forms
  - Why it is needed
  - Dangers of relying on aid.
- Infrastructure and its role.

## 11.7. Additional information for the Tutor

### Utilization of Aid

Foreign aid can be utilized in the following ways

- Import substitution. Countries should utilize foreign aid to develop import substitution strategies rather than targeting only export oriented industries. Sectors like education, agriculture should have more injections in form of foreign aid so as to improve their efficiency.
- Foreign aid should be used to develop skills, technology and enterprises that can help create employment and this will increase productivity and national income in the economy.
- Foreign aid should build the internal capacity and lead to self-reliance and economic development of the country so as to reduce the issues of dependency
- Foreign aid should be used in projects that pay back such that during the times of paying back, the returns can be used. This will help to reduce the burden of paying back passed to the people through taxation
- LDCs should always seek for aid that they can use at their will. The aid should be used to carry out projects that the countries think can be of help to them and not what the donors think would be the ideal projects
- Part of the aid should be used to pay back the already mature debts that may have been got in the previous regimes. This will help reduce the debt burden in the long run
- The aid should as well be used to help the people who may be languishing in poor standards of living as well as in poverty stricken areas so that the country can have wholesome development and not partial development.

### Reasons why donor countries are reluctant to give aid

- The failure of some recipients to effectively use the aid extended to them. This is because some countries misuse the aid. Note absorptive capacity refers to the ability of the recipient country to use the aid extended to them effectively and efficiently.
- The non-democratic and inhuman records of some governments in developing countries. These prevent donors from financing them.
- The failure of some developing countries to honor the debt obligations contracted. These scare other donors/ lenders from lending them more.
- Threats of nationalizing assets owned by foreigners. Some leaders threaten to confiscate and others continue and confiscate assets built by foreigners. These scare other foreigners from investing in developing countries as an investment aid.

- Failure of developing countries to fulfill the IMF conditionalities like demobilization of the army, currency reforms, privatization among others. These are ignored by developing countries making donors reluctant to give aid.
- The unpredictable climate in developing countries. Donors fear that the politics of developing countries can worsen anytime, they are not certain of the mode of repayment during that state.

### **11.8. End of unit assessment.**

1. a) Describe why education is regarded as
  - i) an investment
  - ii) a consumer good.
- b) How has education solved the problem of underdevelopment in Rwanda?
2. Explain why countries find it beneficial to give assistance to other countries than receive from them.
3. "Without infrastructure in a country like Rwanda, there is no development" support the above statement.

### **Answers to end of unit assessment.**

#### **Question 1**

- i) Education is an investment because;
  - It is an accumulation of skills just like investments accumulate capital needed to carry out business
  - Education is expensive and costs money just like any other investment asset. This is usually to help in the running of the business
  - Education takes time to yield returns just like any other investment. This is normally after graduation as regards education and setting structure for investments.
  - It has an opportunity cost. It involves current sacrifice to come up with results. To achieve education something has to be foregone
- ii) Education is referred to as consumption because,
  - It enables people to enjoy direct utility, elites acquire such titles as professor, doctor, engineer among others which they enjoy when addressed.
  - Education enables people to enjoy a wide range of commodities like news papers, magazines which uneducated people cannot consume
  - With education, people share cultures and enjoy experiencing them.

- b) How education has solved the problem of underdevelopment in Rwanda, refer to sub unit 11.1.2. in the student teacher's book on the role of education.

### **Question 2.**

#### **Why countries find it necessary to offer aid to others**

- To get more commercial gains. Aid in form multinational companies is profit motivated. It is sent to developing nations to earn them more profits.
- To alleviate the effects of catastrophes. Aid is sent nations to help them out of the effects of such unprepared for natural occurrences like el-ninoes, earth quakes and floods.
- To control valuable natural resources in the recipients. Donors give aid to gain full control of the valuable resources in recipient nations like gold, diamond, oil.
- To have military superiority. Military aid is given to control the military set up of all nations. Normally the knowledge to make ammunitions is not sent and recipients are given weaker ammunitions as the donor retains the strong ones. This helps them to be military super powers.
- 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. It's a form of neo colonialism.
- In the early days it was to extend ideology to other nations, ideologies like capitalism and socialism were extended to other nations through giving them aid.

### **Question 3.**

**Refer to sub unit 11.3.2 on the role of infrastructure in the student teacher's book.**

## **11.9. Additional activities**

### **11.9.1: Remedial activities.**

1. Distinguish between formal and informal education.
2. What is the difference between economic and social infrastructure?

## Answers to remedial activity

### Question 1.

**Formal education;** This is a set of worthwhile knowledge, skills and values obtained from organized institutions, monitored by qualified personnel and following a well-made curriculum. These institutions from which it is acquired may be schools, universities and other training institutions.

**Informal education** is a set of worthwhile knowledge, skills and values obtained from outside the formal set up i.e it can be got from anywhere or anyone and any time. There is no organized curriculum to be followed.

### Question 2.

**Social Infrastructure** is a subset of the infrastructure sector that includes assets that accommodate social services and improve the welfare of the population. It can also be defined as a combination of basic facilities which are necessary for human development. Examples of social infrastructure assets include schools, universities, hospitals, prisons and community housing.

**Economic infrastructure** on the other hand refer 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. It can also be defined as a combination of basic facilities which is helpful in economic development of an economy and businesses

## 11.9.2. Consolidation activities.

1. With relevant examples explain the policy measures that Rwanda has taken to improve education in the country.

### Answers to consolidated activity.

- A New Educational Model: Investing in test scores and achievement is no longer a useful way to focus on education, therefore, a new educational model combining traditional content with important financial, health and administrative skills has been put in place through curriculum revision from knowledge based to competence-based curriculum (from KBC to CBC). Students are now made to practice teamwork, leadership and critical thinking. They also gain exposure to entrepreneurship projects such as identifying and exploiting market opportunities through business ideas such as community recycling.

This shift away from standardized learning is preparing Rwandan students to make a positive impact on the social and economic wellbeing of their communities.

- **Improved Resources for Teachers:** Computer-assisted learning is inevitably improving education in Rwanda and has enhanced the educational experience of both teachers and students. The computers that have age-appropriate learning software and a technically educated staff that knows how to maintain them has been implemented in most schools in Rwanda. These methods to improve education in Rwanda, will continue to encourage student enrollment, and most importantly, will ensure that children stay in school and learn more while they are there.
- The Ministry of Education (MINEDUC) has been active in promoting the use of ICT in schools and coordinating the One Laptop Per Child project in the country. ICT education is extending from tertiary institutions to all primary and secondary schools.
- Promoted vocational education so as to produce students that have practical skills and can start their own businesses instead of waiting for employment
- There are regular inspections of all learning institutions to assess the quality of education, infrastructures, human resources, student recruitment and curriculum. Education being a shared responsibility between parents, teachers and policymakers, Rwanda saw it necessary to keep evaluating the progress in education by taking stock of what has worked, what has not worked and the gaps so as to improve the quality of education.
- Increased teacher remuneration and motivation so as to increase their performance and achievement. For example, the recently announced 10 percent salary increment for teachers in state schools and government subsidized schools is expected to create a solid foundation for retaining and attracting the former and new teachers respectively. This will increase the motivation of the teachers so that they can carry out their activities genuinely and professionally.
- Provided parents with information on the value of education: This is aimed at increasing and maintaining school enrollment. Most adults in Rwanda are illiterate and do not have the awareness necessary to improve both their living conditions and those of their children. Responsible leaders at local levels in all parts of the country have been tasked to educate parents about the value of educating their children and to make them aware that a parent's investment in education is crucial for the success of their children.
- **Reduced the cost of Education through cost sharing:** Rwanda has abolished school fees in primary schools, while in secondary schools through the 9- and 12-years basic education the government has



undertaken paying part of the students' tuition and the students pay a smaller part and applied cost sharing especially in high institutions of learning. The move has triggered a large increase enrollment especially in primary level and thus has reduced the rate of school dropouts.

- Policies for girl child have been embarked on through reducing their entry points at the higher institutions of learning and also when recruiting for secondary schools. Organizations such as Imbuto Foundation in Rwanda has had a major role in girl child education
- Encouraged active participation of the private sector in the education system through taking up government educational programs as well as setting up new schools at affordable fees structures
- Educational loans to help the students at higher levels. This is common in Rwanda under the government fees/ tuition structure where the students in the higher institutions are given educational loans and they pay back in installments on completion of the studies when they get jobs.
- Expanded access to pre-school, including better nutrition to reduce malnutrition among young children through tightening school and district-level management of the early grade.
- Capped class size at no more than 50 students per class by hiring new staff, and expanding affordable, proven models of early grade instruction.
- Located schools closer to rural habitations, pro-poor conditional cash transfers and related publicity campaigns on the benefits of schooling.
- Strengthened professionalism of teachers to improve outcomes. Recently, it has been proposed that low-performing teachers should have options for improvement and exit for those falling short of minimum professional standards. There is recent move by the government to only recruit education professionals because, with teachers being a major factor in quality of education and progression of students, the task of educating Rwandan children should be entrusted to highly trained, well skilled and passionate people right from nursery to higher institutions of learning. Therefore, serving educators need to be subjected to structured guides and competency-based training options, along with career progression pathways through CPD courses like the recently graduated primary and secondary headteachers, deputy head teachers, teachers and TTC tutors.
- Government implemented a school feeding programme that is partially subsidized but involves a compulsory cost-share with parents.

### **16.9.3. Extended activities.**

1. Explain the how education may hamper development in the country.

#### **Answers to extended activities.**

##### **Question 1.**

Education, if no well-set education policies are put in place, may hamper development in the following ways.

- May cause balance of payment problem because the educated tend to copy and buy expensive things from abroad (high rates of demonstration)
- Causes unemployment especially when theoretical and creates job seekers than creators.
- Causes rural urban migration as the educated seek better opportunities in the urban centers leading to open urban unemployment
- Social discrimination among the educated and the uneducated as the educated see themselves as superior
- Accelerates income inequality since the educated will acquire better paying jobs than the uneducated
- May lead to brain drain in search for employment opportunities abroad after failing to get employment home.

# UNIT 12

## ECONOMIC PLANNING)

### 12.1. Unit competency

Learners will be able to analyze the need for economic planning in an economy.

### 12.2. Prerequisites for this unit

From the previous unit on development strategies, student teachers 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, student teachers should analyse the importance of planning in Rwanda, and also be aware of the limitations so that they are able to 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.

### 12.3. Cross-cutting issues to be addressed

While teaching this topic, it will be important to emphasize the cross cutting issue of standardization and financial education to enable them develop the culture of saving and planning for the future, and also be aware that great achievements in life are always attained through proper planning thus the saying that “you fail to plan, you are planning to fail”. This will help the student teachers to be sensitive in their lives of not doing things that are not in planed.

### 12.4. Guidance on the introductory activity

Having taught the development process and it's strategies in Rwanda in the previous unit, the next thing to do is to explore student teachers 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 the meaning of planning, why they think it is necessary to plan, who should be involved, and how should planning be done for effective results and factors that hinder successful implementation of economic plan. 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.

### Expected answers

1. **Economic planning** refers to government attempt to direct, influence and control economic activities and resource allocation to achieve economic objectives
2. It should be as **comprehensive** as possible.
  - It should involve effective and efficient utilization of resources.
  - It should be economically viable.
  - The objectives of the plan should be clearly stated.
  - A good plan should be in line with other government plans.
  - In a good plan resources have to be distributed in the sector according to the degree of its importance.
  - A good plan should have a positive impact to the economy.
  - The objectives of a good plan should be politically, socially and economically. Achievable.
  - A good plan should be able to change according to social, economic and political changes in the economy.
  - A good plan avoids imbalances in the economy.
  - It should combine involves all development agents.
  - It must be economically feasible.
3. **conditions should be present for plans to be successful**
  - Realistic objectives
  - Good planning machinery.
  - There should be enough financial support in order to implement the plan.
  - Time frame, the time when a plan is to begin and end must be known.
  - Coverage of the plan; areas which are to be covered must be specific and known.
  - Availability of quality information, there should be enough reliable statistical data

- Political stability and security.
- Availability of social economic infrastructures like roads banks.
- Economic stability
- Resource mobilization ability.
- There should be a strong efficient and incorruptible administration.
- There should be public cooperation.

#### 4. Limitations of implementation of development plans

- Insufficient and inaccurate statistical data.
- Existence poor planning this also make plan implementation so hard.
- Existence of Inflation.
- Existence of inadequate skilled.
- Existence of inadequate capital.
- Existence of external negative.
- Over reliance on foreign aid.
- Over ambitions plans.
- Existence of corruption and embezzlement.
- Existence of inadequate financial resources.
- Rapid population growth.
- Existence of poor technology.
- Existence of poor sequencing.

### 12.5. List of lessons/ subheadings

No	Lesson title	Lesson objectives	No of periods
1	Economic Planning:	Explain the meaning of economic plan  Discuss needs for economic planning in an economy.	1
2	Principles and Qualities of a good plan	Explain the principles and qualities of good plan.	2
3	Types of plans	Discuss the advantages and disadvantages of different types of plans.	2
4	Obstacles to planning	Analyze the obstacles that hinder implementation of economic plan	1
	End unit assessment		1

## **Lesson 1: Economic Planning:**

### **a) Learning objective**

- Explain the meaning of planning.
- Discuss needs for economic planning in an economy.

### **b) Teaching resources**

Learner's Book, other recommended text books, internet, other good books about planning etc.

### **c) Prerequisite/Revision/introduction**

Review the previous /unit about development strategies and guide student teacher to discover that to achieve those development strategies, government needs to have a comprehensive development plan. Tell student teachers the meaning of economic planning, task them to research about the necessary conditions for planning.

### **d) Learning activities.**

#### **i) Guidance to activity 12.1**

Here the student teachers should know that there is a simple distinction between development planning and economic development planning and therefore, they have different objectives; Therefore, task the student teachers in groups to identify different objectives of economic planning and development planning and the reasons as why countries plan. Then let every group present to the whole class.

#### **ii) Expected answers for activity 12.1**

##### **1. Objective of Economic planning include;**

- Increasing the level of employment of resources
- Increasing production
- Increasing investments
- Infrastructural developments
- Reduction in levels of inflation.

##### **Objectives of Development planning include**

- Reducing poverty levels
- Reducing income inequalities
- Maintaining sustainable growth
- Ensuring good and stable governance
- Gender equalities
- Improvement accommodation policies

## **2. Reasons as why countries plan include;**

- For optimum allocation of resources.
- Helps the economy in mobilizing funds from international organizations.
- Helps to remove price instabilities.
- To eradicate the defects of price mechanism.
- 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.
- Plans are a pre-requisite for getting foreign assistance.
- To reduce dependence on other nations.
- To fight hyper rated of inflation.
- To eradicate the unemployment problem.

### **e) Application activity 12.1.**

This activity requires student teachers to come up with importances of economic plan which can easily be obtained from the reasons for economic planning as the points are well stated in the subunit 12.1

## **Lesson 2: Principles and Qualities of a good plan**

### **a) Learning objective**

Explain the principles and qualities of good plan.

### **b) Teaching resources**

Learner's Book, other recommended text books, internet, other good books about planning etc.

### **c) Prerequisite/Revision/introduction**

Basing on the previous lesson, explain to student teachers that planners have to follow certain guidelines when planning so as to achieve the intended objectives and for the plan to be regarded as a good plan should be identified with some qualities. The qualities of a good plan are mainly obtained from the principles.

### **d) Learning activities.**

#### **i) Guidance to activity 12.2**

Divide student teachers in groups let them research about the principles and characteristics of a good plan from different sources; internet, textbooks etc. let them present their findings to the rest of the class in their groups.

**ii) Expected answers for activity 12.2.**

- Consistence.
- Proportionality.
- Compatibility.
- Sequencing.
- Relevance.
- Feasibility.
- Optimality.
- Comprehensiveness.

**e) Application activity 12.2**

Here the student teachers are expected to discuss the qualities or characteristics of a good plan. For the expected answers you can refer to the subunit 12.2.

**Lesson 3: Types of plans**

**a) Learning objective**

Discuss the advantages and disadvantages of different types of plans.

**b) Teaching resources:**

Learner's Book, other recommended text books, internet, other good books about planning etc.

**c) Prerequisite/Revision/introduction**

Basing on the background of the previous lessons, introduce the lesson, telling student teachers that there are different types of plans that can be undertaken by different economies or with in the same economy. And each type of planning has its advantages and disadvantages

**d) Learning activities.**

**i) Guidance to activity 12.3**

Through brain storm and class discussion, task the student teachers to find different answers about types of planning.



### Expected answers

1.

- a) Medium term plan is when plans are made to cover a short period of time between 1-3 year
- b) **Medium term planning** is when plans are made to cover a period of about 5-7years.
- c) **Decentralized planning (Bottom-to-Top)** is when plans are made from the lower level administrative units following national objectives e.g each district makes its own development plan depending on its resources and requirements.
- d) Comprehensive plan is when plans are made to cover **all sectors** of the economy like Agricultural sector, Industrial sector, Service sector, Public sector, Private sector etc
- e) Indicative planning. This is where the government indirectly influences economic activities and choices through a set of fiscal and monetary policies. It can also be defined as a situation where the government prepares a plan and provides information to the private sector (communities) to implement it without influencing their decisions directly.

2. Match the following with their correspondences

- (a) Capitalist plan for individual sectors like agriculture, industry
- (b) Medium term plan integrates all activities within the region.
- (c) sectorial plan are made in favour of private investors
- (d) Regional plan cover between 3-10 years

3 Imperative plan.

4. Indicative planning

### e) Application activity 12.3

It requires the student teachers to compare the advantages of partial plan to compressive plan

#### Expected answers.

- Cheap and easy to administer compared compressive plan.
- Allows planners to concentrate on a few vital sectors which they can develop successfully compared to compressive plan which concentrates on all sectors.

- It skill develops skills of planners which they can use to take more comprehensive plans.
- Cheap to manage compared to compressive planning.
- Requires less data compared compressive planning.
- Helps in development of the leading sectors first yet compressive plan develops all sectors.

## **Lesson: 4 Obstacles to the economic planning**

### **a) Learning objective**

Analyze the obstacles that hinder implementation of economic plan

### **b) Teaching resources**

Learner's Book, other recommended text books, internet, other good books about planning etc.

### **c) Prerequisite/Revision/introduction**

Guide student teachers to discover that as we need planning, it's not always easy for the process to be completed effectively due to different obstacles, both socio-economic and political.

### **d) Learning activities.**

#### **i) Guidance to activity 12.4**

Divide the student teachers into groups to research about different obstacles that hinder effective planning, and then let every group present the findings to the whole class to compare the points and then come up with same points to be considered by the class.

### **Expected answers**

Refer to student teachers' text book subunit 12.4

### **a) Skills lab.**

Task the student teachers to come up with individual development plan for the next three coming years as they are finalizing with this level of education. Let them come up with principles that are supposed to guide their plan, suggest the possible challenges that they are likely encounter during the implementation of their plans, and then also suggest the possible measures of how such challenges can be solved in order to achieve their personal development plan objectives. Then let them keep it safely for implementations and future reference.

## 12.6. Summary of the unit:

- Economic planning
- Meaning
- Rationale for planning
- Principles and qualities of economic development planning

### Classification of plans

- According to time element
- According to coverage
- According to implementation.
- According to hierarchy of planning
- Obstacle to planning

## 12.7. Additional information for the Tutor

The tutor should have additional information about different development plans of the country like vision 2020, EDPRS 1: 2008- 2012, vision 2035 and 2050 so as to relate the lesson with clear examples of different development plans of the country. This will help the student teachers to make clear relationships of what is taught and what really exists in the country.

## 12.8. Answers to End unit assessment

### Expected answers

1. Economic planning refers to government attempt to direct, influence and control economic activities and resource allocation to achieve economic objectives. While Development planning refers to government attempt to influence and direct activities and choices to achieve economic, social and political objectives.

### 2. Advantages of compressive planning

- Allows economic growth to move hand in hand with economic development.
- Caters for the problems that may be going on in the economy at a particular period of time such as unemployment, poverty, and inflation among others.
- Leads to full utilization of resources because the government plans for all sectors.
- Increases government revenue because when all sectors are planned for the government revenue increase through taxes.

- Reduces balance of payment problems because when all sectors are planned for, exports may increase and imports will reduce.
- Reduces regional inequality when all sectors are planned for; they all develop at the same level.
- Encourages economic growth to move hand in hand with economic development when all sectors are developed. i.e. there is improvement in people's standards of living.
- Encourages inter dependence between different sectors when they are all planned for and developed which later increases the rate of economic growth.

### **Disadvantages of compressive planning**

- They are expensive to administer and monitor; it requires adequate amount of funds to scatter in all sectors being developed at the same time which funds are not readily available in developing countries.
- Developing countries have a limited supply of the skilled personnel that can be everywhere at the same time to monitor the different sectors growing at the same time.
- Comprehensive plans give rise to inflation in short run. This is because much money is set into circulation at the same time to see a comprehensive plan succeed.
- Comprehensive planning may bring distortions in the major national objectives since a single plan covering the whole country may be hard to implement.
- It is hard to give rise to a single plan that answers the needs of different groups and regions of people at different development levels. This makes comprehensive planning hard.

#### **1.**

- It favours local priorities and interests compared centralized planning which favours the interest of entire country.
- It takes care of and utilizes local resources compared to centralized planning.
- It encourages people participation from community levels compared to centralized planning.
- It gives the local people a chance to manage their destiny using local resources compared centralised planning which give no chance to local people.

- It is suitable where the country is geographically so large compared to centralized planning which supposed to cover the entire country.
- It is cheap, quick and direct to addressing people's needs compared to centralized planning.
- It reduces the responsibility of the central government compared to centralized planning.

2. Expected answers are well discussed in the student teachers text book under subunit 12.2

## 12.9. Additional activities

### 12.9.1. Remedial activities.

- a) ..... refers to the plan which is drawn by the government bodies and then it is sent to the district or community levels to be implemented.
- b) . ..... refers to plan prepared and implemented by the government (central authority) after consulting different offices, organs and agencies.
- c) ..... refers to plan that cover long period of time usually 10 years and above and aims at bringing about development in the economy.
- d) ..... refers to the deliberate government efforts to influence, direct and control economic resources so as to achieve desired economic objectives in specific period of time.
- e) ..... refers to government attempt to influence, direct and control social, economic and political activities so as to achieve a desired developmental goal.

### Expected answers

- a) Centralised planning
- b) Imperative plan.
- c) Perspective planning
- d) Economic planning
- e) Development planning

### 12.9.2. Consolidation activities.

Explain the ways in which economic development plan is financed

#### Expected answers

- Through borrowing internally from local people or externally from countries or organizations like IMF.
- Through taxation to raise revenue.
- Through aids and donations from friendly countries and organizations.
- By using profits from government enterprises / parastatals
- Saving from government enterprises
- Through privatization.i.e selling of government enterprises to private individuals.
- Through acquiring long term loans with low interest rates from donors.

### 12.9.3. Extended activities.

1. Why plans fail.
2. What should be done to make plans 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.

# UNIT 13

## SECTORS OF THE RWANDAN ECONOMY

### 13.1. Key unit Competency

Student teachers will be able to describe the role of informal sector and privatization to the Rwandan economy

### 13.2. Prerequisite (knowledge, skills, attitudes and values)

Economics is concerned with man's living styles and conditions in everyday life. The tutor needs to build on everyday life experience and develop the student teachers ability to apply various knowledge, skills, attitudes and values, acquired and developed in other related units and subjects like entrepreneurship and mathematics and in their everyday life experiences to this unit.

It is helpful for the tutor to always draw examples from other related subjects and real-life situations to explain the sectors of the economy. Student teachers should be guided on how to interpret and draw conclusions on the economic and social phenomena.

The tutor needs to help the student teachers to understand deeply the Rwandan economy and how changes in the economy impacts on everyday life of student teachers.

### 13.3. Cross-cutting issues to be addressed

There is a wide range of cross-cutting issues that can be integrated into the teaching of this unit. For example, when teaching this unit, it is important to emphasize to the student teachers the need for proper use of resources especially **financial resources**, emphasize the need for proper costing and budgeting in the process of acquiring the scarce inputs to reduce costs. It is essential to minimize government expenditures and maximize services from expenditure.

Furthermore, the activities, language and instructional techniques used in class, should enable the tutor to fittingly integrate other cross-cutting issues e.g.

- **Inclusive education** like engaging all student teachers in class activities and discussion without discrimination,
- **Peace and values education** by handling class environment in an orderly and peaceful manner,
- **Gender education** like using gender responsive language by not harming or minimizing any gender in his/her speech and examples given in his or her explanations etc.

Even though in student teacher's book there are examples and activities indicated, the tutor can improvise and use any other data that may be related to a given cross-cutting issue that he or she needs to integrate.

### 13.4. Guidance on the introductory activity

The introductory activity in this unit, in the student teacher's book, is a basic tool used as orientation activity. It enables the student teachers to connect the knowledge, skills, attitudes and values already acquired in other subjects and in real life and the new unit title they are to study.

In the introductory activity,

- a) Arrange the student teachers in pairs and present the case study given in the introductory activity for them to analyse and come up with their own views on the questions therein. For instance,
  - i) **PPPs in full are public private partnerships.** It's a joint effort between public and private firms in establishing, financing and running a particular business entity.
  - ii) It is used as a step to attract further domestic and foreign investors by efficiently sharing inherent project risks and thereby making investing in the provision of public goods and services more attractive for private partners.
  - iii) **Why government may open up SOEs.**
    - To drive economic development in cases, where public investment is needed due to market failure causing the absence of private sector interest
    - To open up business in strategic sectors, like transport, agriculture, manufacturing, etc that are too risky to be developed by the private sector.
    - To open up businesses where there is a need to enhance public services to improve the population's well-being (e.g. public utilities for water, electricity, sanitation...).
    - To create an environment that attracts and gives confidence to the private sector to invest (catalytic investments).



iv) **Joint ventures** are business entities that are owned by both the government and the private sector and government enters joint ventures with private sector firms in order to

- To incentivize and drive private investments in strategic commercial markets with foreign and domestic partners.
- To encourage knowledge and technology transfer into strategic sectors.

v) **Ways of privatising public firms**

- Opening up joint ventures.
- Divesting/sale of the whole entity

### 13.5. List of lessons/ subheadings

NO	Lesson title	Lesson objectives	No of periods.
1	Informal sector	Describe the characteristics of the informal sector. Explain the advantages and disadvantages of the informal sector.	1
2	Public sector	Explain the characteristics of the public sector. Describe the advantages and disadvantages of the public sector.	2
3	Private sector	Explain the characteristics of the private sector. Explain the advantages and disadvantages of private sector.	2
4	Privatization.	Describe the forms of privatization. Explain the advantages and disadvantages of privatization.	2
5	End of unit assessment	Describe the role of informal sector and privatization to the Rwandan economy	1

#### Lesson 1: The informal sector

##### a) Learning objective:

- Describe the characteristics of the informal sector.
- Explain the advantages and disadvantages of the informal sector.

### **b) Teaching resources:**

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

### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge acquired from previous lessons on development economics, introduce the sectors of the Rwandan economy. Relate it with what student teachers know about the economy develop the lesson.

### **d) Learning activities**

#### **i) Guidance to the learning activity 13.1.**

- Arrange the student teachers in groups.
- Present to the activity 13.1 and let them discuss and come up with answers.
- Thereafter, organise class presentation.

### **Answers to learning activity 13.1**

- The pictures show examples of informal sector participants.
  - A small carpentry workshop.
  - A small welding workshop.
  - Small scale trader of food items.
- The common features among the above economics activities
- Refer to sub unit 13.1.2 in the student teachers' book.
- Other economic activities with similar features.
  - Small restaurants in rural areas and downtown urban areas.
  - Shoe repairers.
  - Small scale rural bakeries.
- On the importance of these activities, refer to sub unit 13.1.3. in the student teachers' book.

### **e) Application activity 13.1.**

#### **Guidance to application activity 13.1**

- Arrange student teachers in groups and present to them application activity 13.1.
- Guide them to discuss and come up with their own answers.
- Let each group present to the whole class.

### **Answers to application activity 13.1.**

- i) Selling and buying food items and motor cyclists on their stage in the informal sector.
- ii) 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.

### **Lesson 2: The public sector.**

#### **a) Learning objectives:**

- Explain the characteristics of the public sector.
- Describe the advantages and disadvantages of the public sector.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on the informal sector introduce the lesson.

#### **d) Learning activities.**

#### **Guidance to learning activity 13.2.**

- Arrange student teachers in pairs.
- Present to them activity 13.2 and let them discuss and come up with their answers.
- Let each pair present their answers.

### Answers to learning activity 13.2.

- a) RURA stands for Rwanda Utilities Regulatory Authority.  
RSB stands Rwanda Standards Board.
- b) Public sector.
- 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**
- c) The distinguishing features of the sector, refer to sub unit 13.2.2 in the student teacher's book
- On what hinders their effort toward spearheading growth, refer to sub unit 13.2.4 in the student teacher's book.

### Guidance to learning activity 13.3.

- Arrange student teachers in two group for debate.
- Set a motion basing on what is given in activity 13.3 and organise the student teachers to hold a debate.

### Answers to learning activity 13.3.

Student teachers give their own views but should be related to what is given in sub unit 13.2.3 in the student teacher's book.

### d) Application activity 13.2.

#### Guidance application 13.2.

- Arrange student teachers in groups.
- Present to them task given in activity 13.2 to discuss and come up with their own ideas.
- Then each group makes a presentation to the whole class.

### **Answers to application activity 13.2.**

Government regulates the establishment and operation of petrol stations in order to,

- To ensure that consumers are protected from hazards to their health and safety.
- To promote and protect economic interests of consumers.
- To ensure that consumers have easier access to and greater choice in fuel and other fuel related products.
- To ensure improved quality and reliability in the supply of fuel products.
- To ensure better operation and compatibility between products and services.

#### **b) 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 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 bring competition with the private sector for efficiency through reducing monopoly powers
- 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

### **Lesson 3. Private sector**

#### **a) Learning objectives:**

- Explain the characteristics of the private sector.
- Explain the advantages and disadvantages of private sector.

#### **b) Teaching resources.**

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

### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on the informal and public sectors introduce the lesson on private sector.

### **d) Learning activities.**

#### **Guidance to learning activity 13.4**

- Arrange student teachers in groups.
- Guide them to discuss activity 13.4.
- Let each group make presentation to the whole class.

#### **Answers to learning activity 13.4.**

- Private sector federation (PSF)
- Let student teachers give their own examples of private enterprises.
- For the features of the sector, refer to sub unit 13.3.2 in student teacher's book.

#### **Guidance to learning activity 13.5.**

- Arrange student teachers in two groups for a debate.
- Set a motion basing on the view given in activity 13.5.
- Guide them to hold a debate in a free environment that is condunsive to generate ideas.

#### **Answers to learning activity 13.5.**

Student teachers give their ideas related to what is given in sub unit 13.3.3. in the student teacher's book.

On challenges of the private sector, refer to 13.3.4.

### **e) Application activity.**

#### **Guidance to application activity 13.4.**

- Arrange student teachers in groups.
- Present the task in activity 13.4 to student teachers and let them discuss and come up with their own ideas.
- After let each group make presentation.

### **Answers to learning activity 13.4.**

Policies to promote the private sector.

- Provision of both economic and social infrastructures such as roads, power, water supply etc
- Trade liberalization where entry into a particular field is not restricted
- Government has tried to maintain security and political stability
- Economic incentives like subsidization policies, tax holidays etc have been encouraged by the government to promote investments
- Relaxing the procedures followed when opening up businesses to encourage private investors
- Price stabilization in the market has created confidence in the private sector and this has increased their participation in the production
- Inputs especially to the farmers have been given to encourage their activities
- Consistent and uniform application of government policies aimed at ensuring fair and equal treatment among the private, foreign and state owned enterprises
- Respect of contracts provided to the private investors and protection of property rights

### **Lesson 4: Privatisation.**

#### **a) Learning objectives:**

- Describe the forms of privatization.
- Explain the advantages and disadvantages of privatization.

#### **b) Teaching resources.**

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

#### **c) Prerequisite/Revision/introduction.**

Basing on student teachers daily life experiences and knowledge derived from the previous lessons on the public and private sectors introduce the lesson.

#### **d) Learning activities.**

#### **Guidance to learning activity 13.6.**

- Arrange student teachers in pairs.
- Guide them to make research from any source available to them on the tasks given in activity 13.6.
- After, organise them to make class presentations.

### **Answers to learning activity 13.6.**

- i) Privatisation of public enterprises refers to transfer of ownership and control of government or state assets, firms and operations to private investors.
- ii) On forms of privatization. refer to sub unit 13.4.2. in the student teacher's book.
- iii) Examples of privatized firms include
  - RwandaAir express.
  - Bralirwa.
  - Bank of Kigali.
  - BRD

### **Guidance to learning activity 13.7.**

- Arrange student teachers in two groups for a debate.
- Set a motion basing on the view given in (i) of activity 13.7 and organise the dabate.
- Guide them to debate the motion.

### **Answers to learning activity 13.7.**

- i) Refer to sub unit 13.4.3 in student teachers book.
- ii) Refer to sub unit 13.4.4. in student teacher's book.

### **e) Application activity 13.4.**

#### **Guidance application 13.4.**

- Arrange student teachers in groups.
- Give them task given in activity 13.4 and let them discuss and come up with their own answers.
- Then, guide them to make presentation.

#### **Answers to application activity 13.4.**

- i) Privatisation of public enterprises refers to transfer of ownership and control of government or state assets, firms and operations to private investors while Nationalisation is the transfer of ownership of enterprises from the private sector to the state/public ownership
- ii) On the reasons why the government may transfer ownership of her firms into private hands, refer to sub unit 13.4.3 in student teacher's book.
- iii) Government may decide to nationalise private firms because.



- 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

### **13.6. Summary of the unit**

**This unit looked at the following concepts.**

1. Informal sector
  - Characteristics.
  - Advantages and disadvantages.
2. Public sector
  - Characteristics.
  - Advantages and disadvantages.
  - Challenges of the public sector.
3. Private sector
  - Characteristics.
  - Advantages and disadvantages.
  - Challenges.
4. Privatization
  - Forms.
  - Advantages and disadvantages.
  - Limitations

### **13.7. Additional information for the Tutor:**

#### **Economic liberalization**

This is a system which advocates greatest possible use of markets and the forces of competition to co- ordinate economic activities.

### **Advantages of liberalisation.**

- **Increases competition** and quality of commodities. It favours the entry of many firms into production and these firms will compete for the market through various ways including quality improvement.
- **Increased output** from many firms. The supply of goods and services will increase as the number of firms increase.
- **Increased employment opportunities.** Expansion of production leads to employment of more resources.
- **Reduction in inflation rate.** Expansion of production increases supply of goods and services. Increase in supply leads to a reduction in the general price level. Prices may be reduced because of competition.
- **Increased tax revenue.** Increase in the level of economic activity widens the tax base. This will also increase tax revenue.
- Increased **variety of commodities** produced. The number of firms/producers increases with liberalisation. This helps to increase the variety of commodities produced and this **increases consumers' choice.**
- **Reduction in government expenditure.** This is because of free participation of the private sector into productive activities in the economy.
- **Increased domestic and foreign investment.** It creates a conducive environment for both domestic and foreign investment. This increases foreign exchange inflow and access.
- **Reduction in interest rates.** This is due to competition between financial institutions.

### **Negative implications of liberalisation**

- Duplication of activities and resource wastage.
- Unemployment as a result of high competition.
- Over exploitation of resources.
- Consumer exploitation because of the desire to profit.
- Capital out flow through foreign investments.
- Monopolies may arise when the inefficient firms are pushed out of business.
- Instabilities in commodity prices due to changes in demand and supply.
- Instabilities in exchange rate.
- High prices due to intensive advertising.
- Income inequalities.
- Wastage of resources in production of luxuries.

- Low wage rate due to unemployment.

### **13.8. End of unit assessment.**

1. Explain the role of the private sector in the growth of economies in developing countries.
2. i) Distinguish between divestiture and cost sharing as forms of privatization.  
ii) Describe the major problems faced by the government when transferring her enterprises to the private sector?
3. i) Under what sector of the economy do you classify charcoal sellers and salons?  
ii) Describe the contribution of the above sector to the development of the economy.
4. Explain the problems faced by the public sector in developing countries.

#### **Answers to end of unit assessment.**

1. Refer to sub unit 13.3.3. in the student teachers' book.
2. i) Refer to sub unit 13.4.2. in the student teachers' book.  
ii) Refer to sub unit 13.4.4. in the student teachers' book.
3. i) Informal sector.  
ii) Refer to sub unit 13.1.3. in the student teachers' book.
4. Refer to sub unit 13.2.4. in the student teachers' book.

### **13.9. Additional activities**

#### **13.9.1. Remedial activities.**

1. Give the characteristics of
  - i) Informal sector.
  - ii) Public sector.
2. What are the disadvantages of the public sector?
3. Explain the disadvantages of the private sector

### **Answers to remedial activity**

1. i) Refer to sub unit 13.1.2. in the student teachers' book.  
ii) Refer to sub unit 13.2.2. in the student teachers' book.
2. Refer to sub unit 13.2.3. in the student teachers' book.
3. Refer to sub unit 13.3.2. in the student teachers' book.

### **13.9.2. Consolidation activities.**

'Despite the benefits of the public sector, the government has gone on to privatise her firms'. Discuss.

### **Answers to consolidated activity.**

Public sector is part of the economy that is owned and operated by the government while privatisation refers to transfer of ownership and control of government or state assets, firms and operations to private ownership.

For the benefits of the public sector, refer to sub unit 13.2.3 in student teachers' book.

For the benefits of privatisation, refer to sub unit 13.4.3 in student teachers' book.

### **13.9.3. Extended activities.**

1. Explain the disadvantages of the public sector.
2. Describe the factors that limit privatization in developing countries.

### **Answers to extended activities.**

1. On the disadvantages of public sector, refer to sub unit 13.2.3 in student teacher's book.
2. On limitations of privatization, refer to sub unit 13.4.4 in student teacher's book.

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