



ECONOMICS

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Teacher's Guide
GRADE 12

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FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF EDUCATION

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MINISTRY OF EDUCATION

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TEACHER'S GUIDE

GRADE 12

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MINISTRY OF EDUCATION



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INTRODUCTION

Years have elapsed since a paradigm shift from teacher-centered to student-center teaching methodology became the order of the day in the teaching-learning process. This new text book of Ethiopian Economy is designed and prepared based on this methodology. The teacher is expected to give guidance so that the students will develop the skill of exploring and problem solving. This teacher's guide is prepared to fulfill this objective. Every unit and sub-unit is treated in the expected way. The teacher should seriously follow the guide to achieve all what is mentioned above. General information is forwarded below concerning the activities involved in the teaching-learning process.

1. Suggested teaching aids and references: Teaching aids and references are the one that promote the teaching-learning process comprehend ably. The teacher shall design teaching aids that can promote the delivery of the lesson supporting the lesson with teaching aids confirm. What is conventionally propound- "seeing is believing." Regarding references, the teacher should identify and locate the references. It is always preferable to select and identify accessible references. In this teachers guide, the references are listed at the end the text book.
2. Suggested teaching methods: Although a number of teaching methods exist, choices to select the most suitable ones is the teachers right. However, below are state the prepared methods by the author. The author considered accesses, exposures and capacities of many follow teachers in distant places of the country and foreword the following with their characteristics
 - a) Brain-storming: It is one of the active-learning methods often done at the beginning of every new topic. it is an activity in which students forward everything they know or think about the particular topic under the teaching-learning process. The ideas might be right or wrong. This can be done individually, in pairs, small groups or as a whole class with the teacher recording or footing down the forwarded ideas on the board.

This method:

 - is used to find out what students already know about that topic.
 - provides students to develop courage among students. It helps students to avoid fear for being wrong.

Note: 1. The teacher should not defame or discourage students even when wrong ideas appear.
2. The teacher should finally reorganize the suggested ideas and formulate a legitimate idea, concept, etc so that it can be felt down.

- b) Motivation: motivation of students means getting students to be interested in their learning activities. It is the teachers primary duty to practice motivation in the learning-teaching process. This activity helps the teacher to:
 - create a conducive teaching-learning atmosphere
 - make students active participants
 - promote good relationship between his students and himself.
 - enhance his students learning interest.

- c) Explanation: One thing is very important here to forward for the teacher i.e when you give explanation, you should be very much careful not to occupy the whole period as if you are the only living element in the class room. Giving explanation is a particular kind of teacher talk. In the activity of giving explanation, you have to remember the following key points.
- in building on what your students already know.
 - be sure what you explain is at the students level.
 - to connect main points so that your students will learn faster
 - to use examples related to your lesson and
 - to summarize the explanation.

Note: Giving explanation, should be a two-way process with the students actively engaged. It is not about teachers impressing students with how much they know.

- d) Forwarding powerful questions: what are powerful questions? This are questions that awake the whole class in the teaching-learning process. Hence, asking questions is one of the most powerful techniques a teacher can use.

In fact there are different types of questions that a teacher can use. These are closed questions where the teacher expects short and simple answers and open questions that demand students to think deeply. This type of question often begins with why and how.

The very unforgettable act here that the teacher should watch or monitor all students have the opportunity to answer questions. It is also necessary that you should praise correct answers and do not discourage wrong answers.

- e) Documentation or taking down notes:

It is not always obligatory that teachers are expected to write notes on the board. What is most expected from you is to give highlights or short notes and encourage the students to prepare their own short notes. In this regard, proper guidance and follow up is vital.

3. Pre-lesson preparation: it is the primary activity in the teaching-learning process whereby paper able works are organized. Since it involves
- the identification of necessary materials and
 - sources:
 - the selection of appropriate method
 - weekly plans associated with period breakdowns are set.
4. Presentation of the lesson: This part of the teaching-learning process involves the teacher as well as the students depending on your schedule. If the presentation is given to students, students are expected to present the sub topic assigned in group or through representation groups should present their opinion turn by turn. When every group gets the chance to make a presentation, do not allow the same student from the same group.

In the case of the teacher, it is open to use the most appropriate method and present the lesson. Presentation of the lesson is a task consisting of

- a) Introducing the lesson and
 - b) Body of the lesson
5. Evaluation and Follow up: This activity can be stated as continuous assessment and yet it is not a one time or two times assessment. The student has to be evaluated continuously in various ways. Continuous assessment or evaluation and follow up should be done in class activity, test and examination achievements.

A systematic record of the achievements of every student's must be organized with analysis so that expected behaviors may be assessed. It is advisable to release the analysis to your students periodically so that the clever students will keep it up and the slow learners will rectify their draw-back and improve.

Unit

1

Main Sectors of the Ethiopian Economy

Periods Allotted: 15

1. Introduction

In the Economic course of Grade 11, the students have studied the nature, scope, fundamental laws, and principles of economics. They have also studied the main tools used in economic analysis. The main purpose of studying all these is to enable students to understand how various economic systems work or how a particular economy functions and solves its problems. Now, in Grade 12:

The subject focuses on Ethiopian economy. This particular unit presents an overview of the main sectors of the Ethiopian economy, the resource base and the national development objectives and strategies as they have evolved over past years.

2. Unit Objectives

At the end of this unit, students will be able to:

- Realize the contributions of the main sectors to the Ethiopian economy;
- Understand the structure and significance of various resources, according to their geographical features and;
- Evaluate the different economic systems that have been implemented since the Imperial regime.

3. Main Contents

- 1.1 An Overview of the Main Sectors of the Ethiopian Economy;
- 1.2 Resource Base of Ethiopian economy;
- 1.3 Historical Review of National Development Objectives and Strategies.

1.1 AN OVERVIEW OF MAIN SECTORS OF THE ETHIOPIAN ECONOMY

Periods Allotted: 4

1. Competency

After this lesson, students will be able to:

- ✚ explain the characteristics of Ethiopian economy.

2. Sub contents

1.1.1 Agricultural Sector

1.1.2 Industrial Sector

1.1.3 Service Sector

3. Overview

For the last seventy or eighty years, the agricultural sector has been the leading contributor to the country's GDP, export earnings, employment opportunities, etc. It consists of both the production of crops and the rearing of animals.

The industrial sector has been small in its contribution to the country's economic performance, largely due to the country's relatively short period of industrialization. It is dominated by three subsectors: large- and medium-size manufacturing, construction, and small-scale and handcraft manufacturing.

The service sector stands second in its contribution to GDP, next to agriculture, but showed its the highest growth performance between 1974/75-2005/06.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Quarterly reports of the Ethiopian Economists Association.
- Central Statistics Authority reports.
- Fassil G/Kiros (2004): Food Insecurity in Ethiopia, a Clarion-Call.

4.2 Suggested Teaching Methods

- brainstorming sessions
- reorganize the ideas that students presented during the brainstorming session
- explanation
- documentation

4.3 Pre-Lesson Preparation

- collect and organize the necessary documents and teaching aids as well as references.
- schedule the subtopics by period
- design how the lesson is to be delivered
- select the best resource materials.

4.4 Presentation of the Lesson

a) Introduction to the lesson

- motivate the class. Motivation of the students means getting them to exert a high degree of effort in their learning activities. The teacher is expected to motivate students to create a lively atmosphere for the teaching-learning process. To do this, the teacher shall encourage the students and appreciate their attempts.
- as indicated in the methodology, select appropriate techniques, and give opportunities for the students to brainstorm.
- ask questions to encourage the students to elaborate their ideas.
- Discussion.

b) Body of the lesson

- explain the sectors, making comparisons
- ask the students for more explanations
- stabilize the discussion

4.5 Evaluation and Follow-Up

a) Evaluation

- ask questions
- give quizzes or tests
- give them assignments or homework made up of incomplete ideas or sentences. Let them complete it.

b) Follow-up

- make remarks for every activity related to the lesson.
- give scores for each student, depending on this activity, with remarks.
- appreciate the best results.

1.2 RESOURCE BASE OF ETHIOPIA

Periods Allotted: 6

1. Competency

At the end of this lesson, students will be able to:

- ✚ identify and explain the resource base of the Ethiopian economy.

2. Sub contents

- ◆ Population
- ◆ Land
- ◆ Fishery
- ◆ Forestry
- ◆ Energy
- ◆ Minerals and Environment

3. Overview

In terms of its natural resources, Ethiopia is potentially a rich country. It has a great extent of arable land, good amounts of rainfall, a very high livestock population and varied agro-ecological zones.

The resource base of Ethiopia is composed of its population, the great the extent of actually and potentially arable land, the large livestock population and its untapped prospective energy resources.

The three successive population censuses demonstrated that Ethiopia's population size ranks second in Africa next to Nigeria. The population size increases by 2.6% per annum, according to the 2007 Census and is spatially distributed unevenly. Between 89 – 84% population resides in *the rural areas*. The young age population declined from 49.8% in 1984 to 45% in 2007.

Ethiopia, when compared to many African countries, has a significant proportion of arable land, accounting for 35% of the total area. Areas that are not used for arable farming are used by nomadic pastoralists. The government of FDRE has launched different strategies to reclaim the various specialized areas, depending on ecology. The livestock resource, though it ranks as the highest in Africa, still faces backwardness due to human-made and natural problems.

Forest resources, which covered about 30% of the land in the late 19th century, had dwindled to about 3% by 2011. This subsector has been very weak in its performance.

What is really promising in Ethiopia is energy resources, especially hydroelectric power energy sources. According to the available data, the country has a natural potential of generating about 30,000 megawatts annually. Its naturally endowed solar energy also has high potential as an energy resource.

Although not much is yet known about the quality and quantity of our different minerals, prospective geological explorations are under way in fuel and minerals and precious stones and metals like gold.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Central Statistics Authority (CSA) reports
- proceedings prepared for seminars
- seminar papers
- FAO and other international organization reports

4.2 Suggested Teaching Methods

- brainstorming sessions
- reorganizing different ideas collected during brainstorming
- explanation and discussion
- documentation

4.3 Pre-Lesson Preparation

- collect and organize related literature or documents
- select the available teaching aids and references
- systematize and make them ready for presentation

4.4 Presentation of the Lesson

a) Introduction to the lesson

- Motivate students by asking some pre-lesson questions
- Explain to facilitate
- Discuss

b) Body of the lesson

- explain each resource base
- make comparisons with neighboring countries
- ask questions and entertain the answers

4.5 Evaluation and Follow-Up

a) Evaluation

- ask questions
- give quizzes or tests
- give them questions made of incomplete sentences. Let them complete them.

b) Follow-up

- make remarks for every activity related to the lesson
- grade the students based on their academic performance
- appreciate the best results

1.3 NATIONAL DEVELOPMENT OBJECTIVES AND STRATEGIES: HISTORICAL REVIEW

Periods Allotted: 5

1. Competencies

After the lesson, students will be able to:

- ✚ Review the national development plan's objectives and strategies
- ✚ Examine the national development plans that have been implemented under the Monarchy, Derg and EPRDF

2. Sub contents

- ◆ National development plans of the Imperial regime
- ◆ National development plans of the Derg
- ◆ National development plans of EPRDF

3. Overview

After the complete expulsion of the Italians in 1941, Ethiopia remained a country whose economic structure experienced little change. There had been some improvements in communications, particularly in the area of road building. Until the 1960s, development efforts focused on the expansion of beaurocratic structure and ancillary services. At the end of 1957, the first development plan was launched. The second five-year plan continued from 1962 – 67. The third five-year plan went on up to 1974. In 1974, the Monarchy was overthrown, being replaced by the Derg.

Between 1974 – 1991, during the Derg, the National Development Plan was established based on a socialist state. It was known as the ten-year perspective plan. It aimed at building a socialist economy in which all the commanding economies were under state control.

In 1991, the Derg regime collapsed, EPRDF took control over state power, and two years later reforms and liberalization of economies were established. By then, the EPRDF had initiated the five year development program known as Peace, Democracy and Development Programme, which emphasized the restoration of peace and security.

In 2002, EPRDF launched a new development program known as Sustainable Development and Poverty Reduction Program (SDPRP). It had the following goals and concepts: Agriculture Development-Led Industrialization, food security, decentralization and empowerment, capacity building and good governance. In 2005/06, the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) was set to achieve the Millennium Development Goals. PASDEP was built on the directions pursued under SDPRP and aimed at private sector development.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- PASDEP documents
- The ten-year perspective plan document
- Ethiopian Economic Association reports, Volume II, 2000/2001

4.2 Suggested Teaching Methods

- brainstorming sessions
- reorganizing the different ideas and concepts presented by your students.
- explanation and discussion
- documentation

4.3 Pre-Lesson Preparation

- collect and organize the necessary literature and documents
- select the most appropriate teaching materials
- systematize the materials and your lesson plan and make them ready for presentation.

4.4 Presentation of the Lesson

a) Introduction to the lesson

- motivate students
- explanation, making comparisons among the development programs
- ask questions to facilitate the discussion

b) Body of the lesson

- explain what PASDEP is? and show its relation with the Millennium development Goals of 2015.
- explain how the development program or plans varied
- If possible, prepare a flip chart that defines the objectives of the plans in relation to the socioeconomic structure of each period.

4.5 Evaluation and Follow-Up

a) Evaluation

- ask questions using: what, why, when, etc.
- Give a quiz or a test.

b) Follow-up

- check whether the lesson has been well-delivered and well-understood, ask questions and give quizzes
- if it has not been, give more explanations, making comparison tables as follows.

Characteristics of pre - 1974 development plans	Characteristics of 1974 – 1991 development plans	Characteristics of EPRDF development plans

- Give them take home assignments and grade them.

Answers for Content Check 1.1

1.
 1. Health
 2. Banking and Finance
 3. Transport and communication
 4. Trade, Hotels and Restaurants
 5. Education
 6. Domestic and other services
 7. Public administration and defense
2. Banking and finance
3. The reforms carried out since 1991 have liberated the economy from a command – economy and helped much for the appreciable growth performance.

Answers for Content Check 1.2

1. Because it results in the:
 - availability of less job opportunities
 - fall of the price of wages
 - growing demand of more housing, health and other social services
2. It is to:
 - produce a variety of food and industrial crops
 - expand the possibility of exporting different crops and earn hard currency.
 - Reduce heavy dependence on the export of one or two crops/products.
 - Develop specialization of crop – production areas.
3. - Improvement of primary health care services
 - Relatively higher fertility rate
 - Decreasing of mortality rate, etc.

Answers for Content Check 1.3

1. It is to promote the economic development and improve the living standards of the people by reducing poverty.
2. - The construction of the Bole International Air port
 - The construction of the road from Addis Ababa to Assab.
3. Let the teacher give his opinion and conduct a discussion.
4. - Poor rainfall experience
 - The global economic/financial crises of 2008/09
 - Less support given by the donors (donor fatigue)

ANSWERS TO REVIEW EXERCISE FOR UNIT 1

I. True or False

- | | | | | |
|---------|---------|----------|----------|-----------|
| 1. True | 2. True | 3. False | 4. False | 5. False |
| 6. True | 7. True | 8. True | 9. False | 10. False |

II. Choice

- | | | | | |
|-------|-------|-------|-------|-------|
| 11. A | 12. B | 13. B | 14. A | 15. A |
|-------|-------|-------|-------|-------|

III.

16. GDP – Gross Domestic Product
17. ADLI – Agricultural Development-Led Industrialization
18. EPRDF – Ethiopian People’s Revolutionary Democratic Front
19. CSA – Central Statistics Authority
20. CBR – Crude Birthrate
21. TFR – Total Fertility Rate
22. IMR – Infant Mortality Rate
23. MDGs – Millennium Development Goals
24. SDPRP – Sustainable Development and Poverty Reduction Program.
25. PASDEP – Plan for Accelerated and Sustainable Development to End Poverty.

IV. Open-ended questions

Help the students to discuss the open-ended questions, 26 – 40, in the class and encourage them to debate the issues when needed.

The Agricultural Sector in the Ethiopian Economy

Periods Allotted: 24

1. Introduction

As records reveal, the agricultural sector is the dominant sector in the Ethiopian economy. It contributes the largest share to the GDP, export earnings and employment opportunities. It also provides raw materials for the various agro-based industries in the country to a great extent. On the other hand, it is the most volatile sector, as exhibited in its uneven growth pattern, which is the effect of its heavy dependence on rainfall and its vulnerability to the seasonal shocks that are frequently observed. With this scenario, we need to rethink the various strategies so far adapted to develop it.

Any serious work on rethinking the development strategies should be made considering the various regional as well as agro-ecological diversities and the comparative advantages Ethiopia possesses in comparison to those of neighbouring countries.

2. Unit Objectives

At the end of this unit, students will be able to:

- Appreciate the role of the agricultural sector in the Ethiopian economy;
- Understand the different policies and strategies applied by the Imperial, Military and EPRDF governments; and
- Analyze the performance of, problems of, and possible remedies for the Ethiopian agricultural system.

3. Main Contents

- 2.1 Agriculture versus industrial development
- 2.2 Uni-modal agricultural strategy/approach
- 2.3 Bimodal agricultural strategy/approach
- 2.4 Role of the agricultural sector
- 2.5 Structure of the agricultural sector

2.6 Specific policies and strategies of the agricultural sector since 1060s

2.7 Performance of the agricultural sector

2.8 Problems of and possible remedies for the agricultural sector

2.1 AGRICULTURE VERSUS INDUSTRIES DEVELOPMENT

Periods Allotted: 3

1. Competency

After this lesson, students will be able to:

- ✚ Assess the debate on “agriculture versus industry”

2. Sub contents

- ◆ Agriculture versus industry

3. Overview

For decades, the debate of “agriculture versus industry” has been going on. Western economists have given priority to the development of industry over that of agriculture, arguing that industry has more opportunities to lead economically. This strategy cannot be successful in developing economies like that of Ethiopia where agriculture is dominant in various ways. Hence, priority has been given to agriculture over industry and other sectors. That is why ADLI strategy is functional in Ethiopia.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Ethiopian Economists Association, Annual Report, Vol II
- Araya Ghelawdios, 1995, The Political Economy of Transition.

4.2 Suggested Teaching Methods

- Brainstorming sessions.
- Reorganize any incorrect ideas students presented during brainstorming sessions.
- Discuss the core idea.
- Ask questions in order to enhance student interest.

4.3 Pre-Lesson Preparation

- Prepare yourself by gaining sufficient information on the two opposite views.
- If possible, present case studies. Browse the internet or refer to Encarta for your case studies. Include one that take the pathways followed by China and Great Britain.

4.4 Presentation of the Lesson

a) Introduction to the lesson

- Motivate the students to engage with the topic
- Present questions that will prepare the class for brainstorming—for instance, What do you know about the topic? Can you give examples or experiences?

b) Body of the lesson

- give chances to students to state what they know about agriculture versus industry. Collect the different ideas presented by the students.
- explain what “agriculture versus industry” means.
- open a discussion on the concept.
- let the students try to review what they have studied in their previous grades and to associate their recollections with the topic.

4.5 Evaluation and Follow-Up

a) Evaluation

Ask your students questions like the following:

- What did you understand from the discussion?
- Is it functional in the Ethiopians context?

b) Follow-up

- initiate or invite the students for discussion
- ask them to present their views
- facilitate a general agreement on the topic after gathering the student views presented during the discussion.

4.6 Answers for Activity 2.1

Expected answer: Both groups can produce their reasons. But, completion between the views is inevitable. Nonetheless, considering the objective realities of Ethiopia, priority should be given to agriculture in our country.

4.7 Answers for Start up Activity

They did not substantially change the lifestyle of the poor peasants. It was the landlords, especially the enlightened ones, who benefited by the approaches or strategies.

2.2 UNIMODAL AGRICULTURAL STRATEGY

Periods Allotted: 3

1. Competencies

After this lesson, students will be able to:

- ✚ define the unimodal approach;
- ✚ explain the characteristics of the unimodal approach; and
- ✚ identify the advantages and limitations of the unimodal approach.

2. Sub contents

- ◆ What is unimodal strategy?
- ◆ Characteristics of unimodal strategy
- ◆ Advantages and limitations of unimodal strategy.

3. Overview

Prioritisation of policies or strategies or resource utilizations often depends on needs assessment. Strategies vary depending on concentration of the needs assessed. The same is possibly true of the unimodal strategy that gives priority to the betterment or enhancement of small landholders by supplying modern agricultural inputs. This strategy prevailed in Ethiopia even during the early periods of the Derg before the beginning of villagization and collectivization.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- give information about exemplary countries like China and Thailand.
- point out reference books or sources which the students can access in their resource centres.

e.g., Desalign Rahmeto's *The Agrarian Reform in Ethiopia*.

4.2 Suggested Teaching Methods

- Brainstorming sessions.
- Reorganize the ideas students presented during brainstorming sessions and give explanations.

- Conduct discussions.
- Ask questions such as what, why, how, etc, to remind the students of earlier information or experiences they had.

4.3 Pre-Lesson Preparation

- Assess and organize facts and experiences of different countries that have pursued the approach.
- Identify the achievements obtained and challenges met by those countries.

4.4 Presentation of the Lesson

a) Introduction to the lesson

- motivating the class
- injecting questions and
- offering the students opportunities for giving their ideas

b) Body of the lesson

- give chances to your students to mention what they know about the unimodal approach (brainstorm)
- collect or synchronize the different ideas presented
- give proper examples that explain the topic
- stabilize student ideas of what is meant by the topic

4.5 Evaluation and Follow-Up

a) Evaluation

- ask different types of questions that will help you understand whether the class has understood the core concept of the topic.

b) Follow-up

- invite students to talk about the topic. Give such chances to a limited number of students.
- confirm whether the topic is well understood or not
- give assignments or homework

4.6 Answers for Activity 2.2

- In order to reach an acceptable answer, comparison between the two approaches must be considered, identifying the 1974 – 1991 agricultural sector performances. Then a consensus could be reached by pointing out the current preferred approach.

2.3 BIMODAL AGRICULTURAL STRATEGY

Periods Allotted: 2

1. Competencies

After this lesson, students will be able to:

- ✚ define the bimodal approach
- ✚ explain the characteristics of the bimodal approach and
- ✚ identify the advantages and limitations of the bimodal approach.

2. Sub contents

- ◆ What is the bimodal approach?
- ◆ What are the characteristics of the bimodal approach?
- ◆ Advantages and limitations of the bimodal approach.

3. Overview

Unlike the unimodal strategy, the bimodal follows the transformation of the agricultural sector by considering the modernization of small landholder farms and simultaneously promoting commercial (large-scale farming) farms, allowing private entrepreneurs. It is a dualistic developmental strategy with a strong and principal commercial sector. It supports or gives opportunities to individuals who invest more in farming and develop the sector.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Give information about exemplary countries like Mexico and Ecuador.
- point out reference books or sources e.g., Desalegn Rahmet's. The Agrarian Reform in Ethiopia.

4.2 Suggested Teaching Methods

- brainstorming sessions
- reorganize during brainstorming sessions and give an organized explanation
- discuss
- consolidation

4.3 Pre-Lesson Preparation

- Assess, collect, and organize facts and experiences of different countries that have pursued the approach.
- Identify the achievements obtained and the challenges encountered.

4.4 Presentation of the Lesson

a) Introduction of the lesson

- motivate the class,
- ask questions and open discussions
- present reorganizing answers so that the lesson will be stabilized

b) Body of the lesson

- explain what is meant by the bimodal approach
- give examples where this approach has been adopted successfully
- explain the main characteristics of it
- show the limitations it has

4.5 Evaluation and Follow-Up

a) Evaluation

- ask questions to determine whether the minimum learning competency is achieved
- If not, give some more minutes to further explanation and discussion

b) Follow-up

- ask the students to write a brief and concise report based on the locality in relation to the approach
- check them and read out the best paper in front of the students and appreciate those who did well.

4.6 Answers for Activity 2.3

Reasons why the agricultural sector has not been active enough to promote the country's development.

1. Wrong hand - tenurship policy that could not suit the peasants/farmers.
2. Wrong pricing policy of agricultural products, mainly, prices of grains in order to meet, the interests of the urban dwellers undermining the farmers desire.
3. Poor infrastructural facilities in the rural areas that put the farmers under few options to sell the products.

2.4 THE ROLES OF THE AGRICULTURAL SECTOR

Periods Allotted: 2

1. Competencies

After this lesson, students will be able to:

- ✚ Identify the contribution of the agricultural sector to the rest of the economy;
- ✚ Examine the present and backward linkages of the agricultural sector;
- ✚ Analyze how surplus is transferred from the agricultural sector and
- ✚ Assess the role of the agriculture to GDP and employment.

2. Sub contents

1. Source of food and raw materials
2. Source of capital
3. Contribution to GDP
4. Contribution to employment

3. Overview

Over the last four decades, agriculture and allied sectors has been the major source of food and raw materials, export earnings and employment opportunities. Its contribution declined from 76 percent in the early 1960s to 45 percent in the year 2003/04. Its average growth has been also below the country's average population growth rate, which indicates a mismatch.

The agricultural sector of Ethiopia is composed of crop-production, animal-husbandry, forestry and fishery sub-sectors. About 65 percent of the sector's GDP comes from crop-production, while animal husbandry (livestock rearing) contributes 25 percent only. The remaining 10 percent is generated from the allied sub-sectors.

The sector is made up of three production systems, namely the smallholder farming system, the pastoral nomadic system, and the modern commercial farming system. The smallholder farming system is dominant in various aspects, followed by livestock rearing. The smallholder farming system is characterized by mixed farming. Over 86 percent of the small- holder community cultivates farmland with areas of less than 2 hectares, which reflects a high degree of fragmentation.

Animal husbandry/livestock rearing is practiced in 40 percent of Ethiopian's area, where arid and semiarid zones are found. Among the different livestock types cattle

accounts for larger importance to the country's export earnings. This avidity/sub-sector overwhelms crop- production in the nomadic pastoral system.

The commercial farming system was introduced not earlier than 50 years ago. It was started in the late 1960s with the view of modernizing the agriculture sector and increase marketable surplus. After the nationalization of the rural lands, in February 1975, this production system was transferred from private ownership to state ownership. After the overthrow of the Derg, in 1991, attempts have been underway to establish a commercial farming system. Out of the total investment permits issued for the expansion of the commercial farming system between 1992/93 and 1997/98, only 26.8 percent of them have become operational.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Reading materials on the different agricultural package projects launched in the country, including CADU, WADU, AADA

4.2 Suggested Teaching Methods

- brainstorming sessions.
- reorganize the ideas produced during brainstorming and give a consolidated explanation. Discuss further.
- systematize and consolidate the discussion.

4.3 Pre-Lesson Preparation

- assess, collect and organize facts and additional information related to the topic.
- identify the pertinent features of each production system with the support of example locations.

4.4 Presentation of the Lesson

a) Introduction of the lesson

- motivating the class
- asking questions and opening discussions
- stabilize the discussion with your own explanation of the lesson

b) Body of the lesson

- explain the structure of the agricultural sub-sectors with their varying roles.
- give examples of them, associating with your localities.
- explain the prevalent production system of the locality.
- let the students try to visit the system.

4.5 Evaluation and Follow-Up

a) Evaluation

- ask questions that will help you understand whether the class has understood the lesson.
- give chances to many students to participate in answering your questions.

c) Follow-up

- find out how well the class has understood the lesson.
- give classwork or homework
- correct them and appreciate the best work done.
- praise or appreciate the students who did best and help to those who showed weaknesses.

4.6 Answers for Activity 2.4

Expected answers:

1. The following reasons are given in the reference
 - Small farm sizes (fragmentation of land)
 - Inappropriate land-tenure ship policy that deprives the individual of the right to own land as private property.
 - Poor infrastructural facilities – such as transport, markets, information related to prices of the peasants' products.
 - Shortage of credit facilities
 - Unexpected weather conditions, etc.
2. a. most probably 95 – 98 percent of the students
 - b. positive changes are expected in recent years, especially three after years 2011.

2.5 STRUCTURE OF THE AGRICULTURAL SECTOR

Periods Allotted: 2

1. Competencies

After this lesson, students will be able to:

- ⚡ Examine the structure of the agricultural sector of Ethiopia, and
- ⚡ Identify and explain the major agricultural production systems.

2. Sub contents

- ◆ Smallholder farming system
- ◆ Pastoral nomadic system
- ◆ Modern commercial farming

3. Overview

There are three major agricultural production systems in Ethiopia. The smallholder farming system is the dominant one, since it contributes 90 percent of the agricultural production and covers about 95 percent of the total area under crop production.

The pastoral nomadic system covers about 40 percent of the country's total area, is practiced in the arid and semi-arid areas where rainfall variability is high. Most people are nomadic, moving together with their cattle. Studies and plans of actions are underway to settle the people with the establishment of medium- to large-scale irrigation schemes in areas where accessibility is easy to the Awash river.

The commercial farming system is the modern agricultural system that began about forty years ago. Its main purpose was to modernize agriculture and increase marketable surplus products/crops. As a result, many investors have developed commercial farms in the Awash Valley. These days similar projects are under way in Humera, Bale, Gambella, etc, where rivers are perennial. Apart from privately owned commercial farms, state-owned farms are also significant. State-owned commercial or modern farms occupy a predominant feature in the commercial farming system. State farms in Ethiopia comprise about 5 percent of the total cropland area. They are characterized by low returns and abuses of assets. The introduction of the market economy and privatization policy has turned some of the state farms into privately owned or jointly owned enterprises, except for types that are strategic to the economy.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- The best teaching aids are pictures of farms; they could enable the students to visualize the nature of the three farming system. Hence, you should collect possible pictures and photos of these farm systems to show to your students. E.g. The photographs of Afar pastoralists, Tendaho plantation, etc.
- Brochures, charts and proceedings of related offices are very helpful for expanding you and your students information.

4.2 Suggested Teaching Methods

- Brainstorming sessions
- Discussion
- Offering group assignments

4.3 Pre-Lesson Preparation

- Collect the necessary inputs (information-data photos) for your lesson
- Synchronize your text or notes with your teaching aids.
- Design how you will deliver the group work.

4.4 Presentation of the Lesson

a) Introduction of the lesson

- Motivate the class, using your own technique
- Ask questions that will promote discussion

b) Body of the lesson

- Explain the nature, structure and economic significance of the major agriculture production systems in Ethiopia.
- Describe the current development plan strategy and predict their prospects.

4.5 Evaluation and Follow-Up

a) Evaluation

- Ask questions in order to sense whether the students have understood the lesson or not.

Note: Do not forget to consider the slow learners' attitudes during this activity. Take more time or prepare options to support them.

- You can also give tests.
- Check thoroughly the assignments done by the different groups.
- Classify the reports into best, good and unsatisfactory performances.

b) Follow-up

- Classify the results of tests and assignments according to student performance.
- Try to identify the problems.
- Welcome or accept their views regarding the weaknesses that occurred.
- Find a solution.

4.6 Answers for Activity 2.5

Expected answers

1. It is highly expected that the small – holder farming system is dominant. Most of the commercial farms found in the country are around the peripheral regions where population pressure is less.

2.6 SPECIFIC POLICIES AND STRATEGIES OF THE AGRICULTURAL SECTOR SINCE THE 1960S

Periods Allotted:

1. Competency

After this lesson, students will be able to:

- ✚ examine the specific policies and strategies of the agricultural sector used by the different regimes

2. Sub contents

1. Pre-1974 agricultural policies and strategies
2. Agricultural policies and strategies during the Derg
3. Post - 1991 agricultural policies and strategies

3. Overview

Although Ethiopia has had a recent history of adopting economic policies and strategies, attempts have been launched since 1960s to transform the agricultural sector.

Different policy paths have been launched in the past five decades. In the pre-1974 period, during the time of the Imperial regime, the large-scale mechanized commercial farm approach was implemented. Comprehensive package projects were designed and attempted, using the technical and financial supports given from SIDA. Potentially fertile and productive areas were selected for such projects. These areas were Chillalo, Shashemene, Walayta and Adaa zones. This pathway or approach achieved successes in enhancing the income of the participating farmers. But it could not become accessible to all of the millions of the country's smallholders.

Later on, in the early 1970s a substitute package project was made in order to reach the majority of the smallholders quickly over a wide area with minimum reliance on scarce resources. This project was known as the minimum package projects.

The first minimum package project was established in 1971. This project continued through the Derg period with structural modifications and socialist principles. Nevertheless, the sector could not become surplus-generative and could not restore food security at the national level.

After the overthrow of the Derg, the Transitional Government of Ethiopia made economic reforms to liberate the economic sectors of the country. This led to the adoption of free-market principles. Regarding the agricultural sector, the existing

government followed a dualistic approach, promoting both the smallholder farm system and large-scale mechanized farm system with a leading programme of ADLI.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- economic -reform and policy documents
- Issues of the Negarit Gazette related to these polices and reforms
- TekesteNegash, package programme in West Ethiopia, A case study at Bako, Norway, Upsala University.

4.2 Suggested Teaching Methods

- brainstorming sessions
- reorganize the ideas presented by the students during the brainstorming sessions
- discussion
- documentation of the explanation and discussion.

4.3 Pre-Lesson Preparation

- collect and organize related literature and documents
- prepare the documents for student access.
- arrange the organized documents according to the lessons' time and schedule.

4.4 Presentation of the Lesson

a) Introducing the lesson

- motivate the class
- ask questions that arise from discussions.
- stabilize the discussion with an explanation of the lesson

b) Body of the lesson

- explain the specific policies and strategies relative to their contemporary socioeconomic systems.
- explain the achievements obtained and their failures.
- give reasons why the polices or strategies faced failures.

4.5 Evaluation and Follow-Up

a) Evaluation

- ask questions that will let you observe how well the class has understood the lesson
- give students opportunities to answer questions

b) Follow-up

- identify how well the lesson has been comprehended.
- give them classwork
- grade the classwork.

4.6 Answers for Activity 2.6

Expected answers

- Both gave priority to the agricultural sector.
- The Derg's agricultural policy was entirely unimodal while EPRDF's is bimodal i.e., giving emphasis to both small landholders and large-scale commercial farms.
- Derg's basic ideological principle was based on socialist transformation of agriculture, while EPRDF's is market-oriented.
- According to EPRDF's strategic development plan, the agricultural sector can serve as the driving force for the rest of the economy.

2.7 THE PERFORMANCE OF THE AGRICULTURAL SECTOR

Periods Allotted: 2

1. Competencies

After the lesson, students will be able to:

- ✚ Examine the performance of the agricultural subsectors of crop production and livestock keeping.

2. Sub contents

- ◆ The performance of the crop-production sector
- ◆ The performance of the livestock-production sector.

3. Overview

Although agriculture remains the most important sector in the country's economy, its performance has been unsatisfactory when compared to the rapidly growing population. The economic policy and strategy reforms of the 1990s have positively influenced the performance of the sector.

The crop-production subsector, which involves the production of food crops, and cash crops, contributes the greatest share of agricultural products. Among the food crops, cereals are the most dominant in terms of areal coverage and total output. Of the cash crops, coffee accounts for the largest share in terms of export value. Coffee chat and sugarcane, the three most important cash crops, were cultivated by about 1.5 million, 0.5 million and 2.1 million farmers, respectively, in 2001/02. The average holding sizes

were 0.062 ha per holder for chat, 0.021 ha per holder for sugarcane, and 0.12 has for coffee.

In addition to the three cash crops mentioned, production of fruits and vegetables, as well as cut flowers, production have been rapidly growing for export in recent times.

In recent years, both local and foreign investors are showing a growing interest in the production of cut flowers due to the high demand for fresh cut flowers in European markets.

The livestock production subsector contributed 23.4 percent to the agricultural and total exports of the country in 1987/88. However, the trend in the years that followed showed a decline. The reason was the rise of cash-crop export. Almost 96 percent of the livestock export was accounted for by hides and skins in the same year. Apart from hides and skins, meat production occupies a significant position. The production of meat and milk have been found to be very low when compared to the output of neighbouring countries and to world standards.

4. The Teaching-Learning Process

4.1 Suggested Teaching Aids

- Documents, brochures prepared by EALCA, IAR, etc.
- CSA annual report
- EEA quarterly reports

4.2 Suggested Teaching Methods

- brainstorming sessions
- reorganize the ideas presented by the students during the brainstorming activity
- explanation and discussion
- documentation of the explanation and discussion.

4.3 Pre-Lesson Preparation

- collect and organize related literatures and documents
- prepare the documents for student access
- arrange the organized documents according to the lesson's timeframe and work.

4.4 Presentation of the Lesson

a) Introduction of the lesson

- first motivate the class
- ask questions that lead to discussion
- organize the discussion with an explanation

b) Body of the lesson

- explain the performance of subsectors
- identify the strengths and weaknesses observed in each sector
- explain why the weaknesses exist in each sector
- explain to them how the weaknesses happened.
- let the students enumerate or state performances of the subsectors that operate in their vicinity.

4.5 Evaluation and Follow-Up**a) Evaluation**

- ask questions to learn whether the students have understood the lesson properly or not.
- ask the same questions associating them with the performance of the subsectors. If they can explain it well, it ensures that they have understood it well. If not, invite the students to ask you to explain any unclear idea related to the lesson.

b) Follow-up

- give them a quiz.
- check and establish a technique to create a pattern for the scores achieved.
- interpret the pattern of the scores. The pattern will reflect the extent to which you have conveyed the lesson to achieve the expected minimum learning competency.

2.8 PROBLEMS AND POSSIBLE REMEDIES OF THE AGRICULTURAL SECTOR

Periods Allotted: 2

1. Competencies

After the lesson the students will be able to:

- ✚ Assess the problems of the agricultural sector and
- ✚ Identify possible remedies for the sector

2. Sub contents

- ◆ man-made problems
- ◆ nature-made problems

3. Overview

The performance of agriculture in achieving the main national objectives i.e., food security and generating capital to support other sectors, has been poor due to human-caused problems and natural catastrophes. The human-caused problems are largely attributed to policies and strategies, while nature-made ones are due to the unpredictable weather changes that frequently result in drought and famine.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- reports or documents prepared by FAO or world or related international agencies.
- reports or documents released by IAR
- Quarterly reports made by EEA.

4.2 Suggested Teaching Methods

- first, brainstorming sessions
- systematize or reorganize the ideas the brainstorming activity generated
- give explanations and open discussions
- documentation of the explanations and discussions.

4.3 Pre-lesson Preparation

- collect and organize associated literatures and sources.
- make the organize documents accessible to the students. Plan the lesson in accordance with its timeframe and work.

4.4 Presentation of the Lesson

a) Introducing the lesson

- first motivate the class
- ask questions as a start-up activity
- give time for discussion
- give the explanation

b) Body of the lesson

4.5 Presentation of the Lesson

a) Introducing the lesson

- first motivate the class
- ask questions as a start-up activity

- give time for discussion
- give the explanation

b) Body of the lesson

- explain the major problems encountered in both sub-sectors
- give tangible cases, associating the performance of the two subsectors or of one of the two sub-sectors.
- invite the students to suggest possible remedies, referring to their own local situation.

4.6 Evaluation and Follow-Up**a) Evaluation**

- ask questions related to the problems visible in their localities. (related to the performances of crop-production or livestock keeping or both.
- give students opportunities to give their own possible remedies that could solve problems.
- appreciate the proper answers and solutions the student propose.
- explain to the students that the proposed solutions might or might not be attainable.

b) Follow-up

- give them group work
- check the group work
- grade them and then establish a technique to create a pattern for the scores achieved.
- interpret the pattern of the scores. The pattern will reflect how well you have conveyed the lesson to achieve the designed objectives or expected minimum learning competencies.

ANSWERS TO ACTIVITES**Activity 2.6**

Compare and contrast the agricultural policies and strategies adopted by Derg and EPRDF.

The agricultural policies and strategies adopted during the time of Derg solely lied on the socialist principle of collectivization of peasants into peasant association, government control of agricultural inputs, forced food grain quota delivers and

restriction of the movement of agricultural outputs from one part of the country to another.

These ill-conceived government interventions resulted in failure in the development of the agricultural sector, in particular, and the national economy, in general.

On the contrary, the policies and strategies adopted by EPRDF is liberalization of the sector and transforming into a leading/generating sector to develop the industrial sector creating a forward and backward linkage. The essence of this strategy aims at the better use of the massive agricultural labour force in the rural areas. The development of the agricultural sector is also conceived through the improvement of the productivity of small – holdings and the expansion of large scale commercial farms (i.e Bio-modal approach).

Activity 2.9

The reasons for this paradox are

- ◆ unscientific management and utilization of the livestock resource
- ◆ the prevalence of poor veterinary services
- ◆ Inadequacy of the required infrastructures that could promote the business at the world's standard.
- ◆ The impact made by contraband boarder markets that loot livestock's.

Answers for Content Check 2.1

1. Unimodal Approach is an agricultural development approach the peruses the transformation of the agricultural sector through the intensification of small scale peasant farms. Bi-modal is an approach that advocates the intensification of both small peasant and commercial farms.
2.
 - a. It is the source food supply for both urban and rural population.
 - b. It contributes over 40% of Ethiopia's GDP.
 - c. It employs more than 80% of Ethiopia's population.
3. The difference between the Minimum Package Program and Comprehensive Package Program lies in their areal coverage and variety of agricultural inputs supplied.

The Minimum Package Program was designed to raise production and income of small-holders over a wide area with a minimum supply of agricultural inputs while as the comprehensive package program was designed to supply important agricultural inputs for potentially productive areas (or selected areas)

4. The sub - sectors included in crop production are food crop production, cash crop production, horticulture and floriculture.
5. The major cash crops in Ethiopia are coffee, sugarcane, chat, etc.

Answers for Content Check 2.2

1. The contribution of livestock production to the country's economy are as follows:
 - It is the source of food.
 - It is the source of draft power.
 - It is a means of cash - reserve
 - It is the source of fuel.
 - It is the source of pride.
2. The major human - made problems that affected the development of agriculture in Ethiopia are:
 - Land - fragmentation
 - Poor infrastructural facilities
 - Back of credit facilities
 - Lack of effective land ownership entitlement
 - Land degradation
 - Traditional practices
3. The four possible suggested remedies for the problem are
 - a. Adopting appropriate land - tenure-ship policy that suits the great majority of the farmers
 - b. Expanding infrastructural facilities
 - c. Prepare conditions that will access the farmers for credit facilities.
 - d. Expanding afforestation and reforestation schemes
4. Drought/uncertainty of the weather-condition schemes major frequently occurring nature-made problem that affected the agricultural development of Ethiopia.

ANSWERS TO REVIEW EXERCISE FOR UNIT 2**I. Write True For the Correct Answer and False For the Wrong Answer**

1. True 2. False 3. True 4. True 5. False 6. False

II. Matching

7. A 8. H 9. B 10. C 11. D 12. F

III. Choice

13. A 14. C 15. C 16. B 17. D 18. D 19. B 20. A

The Industrial Sector in Ethiopia

Periods Allotted: 18

1. Introduction

Industrialization is viewed as a symbol of development in a given country. It is a process that evolves over time and which requires the application of science and technology to the production process. All in all, it can be generalized as the process of building up a nation's capacity to process raw materials and to manufacture goods for use or for input to further production processes.

The Ethiopian industrial sector contributes to output by producing food and non-food items. It also contributes to employment by creating jobs for almost 7% of the total labor force and contributes the most to the foreign exchange, earnings next to the agricultural sector.

The structure of the sector is divided into cottage/handcraft, small-scale, and medium- and large-scale establishments. Private ownership dominates the sector. In 1995/96, about 26% of the medium- and large-scale industries were in the hands of the government (public sector), while almost all of the cottage and handcrafts, and small-scale establishments and 74% of the medium- and large-scale establishments were under the private sector according to reports made in 1995/96.

Different types of policies and strategies have been adopted by the Ethiopian governments to develop the industrial sector. A number of proclamations and investment laws have been legislated. An import - substitution strategy was adopted, but the sector remains underdeveloped even after five decades.

Many problems and constraints facing the sector explain its underdevelopment.

2. Unit Objectives

By the end of this unit students will be able to:

- Appreciate the role of the industrial sector in the Ethiopian economy;
- Understand the different policies and strategies applied by the Imperial, Derg, and EPRDF governments;
- Analyze the performance of and the possible remedies for the Ethiopian industrial sector.

3. Main Contents

- 3.1. Introduction
- 3.2. Arguments of the industrial sector vs the rest of the economic sectors
- 3.3. The role of the industrial sector in the Ethiopian economy
- 3.4. Industrial development strategies during the Imperial Period
- 3.5. Industrial development strategies during the Derg Regime
- 3.6. Industrial Development strategies during the post-Derg period
- 3.7. The performance of the industrial sector
- 3.8. Problems of and possible remedies for the industrial sector

3.1 INTRODUCTION

Periods Allotted: 2

1. Competencies

By the end of this lesson students will be able to:

- ✚ define industrialization
- ✚ identify the main features and important characteristics of industrialization

2. Sub contents

- ◆ Historical Development of the Industrial Sector in Ethiopia

3. Overview

Although the country has had a long history of handcraft and cottage industries, modern types of industries are recent phenomena.

There were some manufacturing firms before the 1940s. But following the brief occupation of Italian Fascism, more and more industries were established in and around Addis Ababa, Dire Dawa, Asmara and Massawa. Apart from this, strong central government has also contributed to the development of tastes and preferences for industrial products in the country.

The skills to develop the sector were introduced to the country by earlier foreign settlers from America, Greece, Italy and India. Besides, the establishment of the Ethio-Djibuti railway line contributed to the establishment of the manufacturing firms during Emperor Menelik II's reign.

By 1925, there were 25 factories in the country and 10 additional factories were set up during the period of 1928 - 1941. The import substitution strategy of the government contributed to the establishment of more industrial enterprises. For instance, before 1974, there were 273 factories in the country. By 1995/96, there were a total of 642 medium- and large-scale manufacturing firms and numerous small-scale and cottage and handcraft enterprises in the country.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- reference websites, books, journals, publications, etc

4.2 Suggested Teaching Methods

- discussions and debating

4.3 Pre-Lesson Preparation

- Prepare yourself on the historical development of the industrial sector in Ethiopia. Also on those factors accountable for the emergence and development of the manufacturing sector. Think of some questions that can motivate students to actively participate in the classroom discussions.

4.4 Presentation of the Lesson

a) Introduction of the lesson

You may begin the lesson by asking students the following questions:

- What kinds of activities are considered as traditional in the industrial sector?
- Mention some of the factories that existed before the Italian invasion.
- What, do you think, contributed to the emergence of the manufacturing sector in Ethiopia?
- What criteria are adopted by Sutcliff to categorize economies as industrialized?

b) Body of the lesson

- Explain the factors that led to the establishment of manufacturing firms in Ethiopia.
- Discuss the importance of the import-substitution strategy for the development of the sector.
- Explain the roles of the different regimes regarding the development of the sector.

4.5 Evaluation and Follow up

a) Evaluation

You may test the level of understanding of the students by asking them questions like:

- Which of the foreigners have contributed to the establishment of manufacturing firms in Ethiopia?
- What led to the establishment of factories in Ethiopia?
- What were the strategies of the different regimes towards the sector?

b) Follow up

- You may ask your students to individually gather information about the historical development of the sector from their surroundings and report their findings to the class.

3.2 ARGUMENTS OF THE INDUSTRIAL SECTOR VS THE REST OF THE ECONOMIC SECTORS

Periods Allotted: 2

1. Competencies

By the end of this lesson students will be able to:

- ✚ explain the arguments about industrial sector versus the rest of the economic sectors;
- ✚ examine the arguments about industrial sector versus the rest of the economic sectors.

2. Sub contents

- ◆ Development argument
- ◆ Employment argument
- ◆ Balance of payments argument
- ◆ Linkage argument
- ◆ Saving/surplus argument

3. Overview

There are five basic arguments or elements that link industrial development to the rest of the economy and cause it to make contributions, as compared to the other sectors of the economy. These arguments are:

1. The Development Argument

One can generally observe that industry goes with economic development. This is expressed in that the more developed nations are better industrialized and the less developed nations are less industrialized.

2. The Employment Argument

The industrial sector has more potential to create job opportunities for the rapidly growing urban populations of developing countries than any other sector.

3. The Balance of Payments Argument

A developed industrial sector, in general, generates more foreign currency compared to the agricultural sector. That is, industrialization will help developing nations to alleviate the balance of payments problems.

4. The Linkage Argument

If industrial development is directed to use local raw materials, it can create strong linkages among the different sectors of the economy. This is due to the dynamic nature of the industrial sector, which entails externalities in consuming agricultural raw materials and producing consumer and producer goods for the entire economy. For instance, the industrial sector can create *backward linkages* with the agricultural sector for its raw material instead of depending on imported raw materials. This will enable the sector to have assured sources of supplies. On the other hand, the sector should also create linkages with the market in order to assure markets for its product. This is what is called *forward linkage*. In this regard, the development of modern telecommunication services is expected to have paramount importance.

5. The Saving Argument

Profit margins in the industrial sector are higher than those in agriculture and this may lead to higher levels of saving.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various reports published by the Ethiopian Economic Association, websites, books, journals, publications of the National Bank of Ethiopia.

4.2 Suggested Teaching Methods

- Brainstorming, discussion and debating

4.3 Pre-Lesson Preparation

- Prepare yourself by reading thoroughly the student textbook and other related materials to understand the argument that causes industrial development to have strong links with and to make large contributions to the rest of the economy.

4.4 Presentation of the Lesson

a) Introduction of the lesson

You may start the lesson by asking students the following questions:

- What items are exported from the industrial sector?
- Which of the manufacturing firms in your local area create the most job opportunities?
- List the industrial outputs of Ethiopia that you use on a day-to-day basis.

b) Body of the lesson

- Discuss the various ways of creating linkage between the industrial sector and the rest of the economy.
- Different rate between the employment argument and the saving argument.

4.5 Evaluation and Follow up

a) Evaluation

You may ask students the following questions to test their understanding of the lesson:

- Which of the industrial groups contribute the most to the GDP?
- Why do you think the groups in your answers to the above question contribute the most to GDP? Give possible reasons.

b) Follow up

- Encourage your students to form groups and collect information regarding the three major roles of the sector in manufacturing establishments in their surroundings.

3.3 THE ROLE OF THE INDUSTRIAL SECTOR IN THE ETHIOPIAN ECONOMY

Periods Allotted: 3

1. Competencies

By the end of this lesson students will be able to:

- ± Identify the role and size of the industrial sector.

2. Sub contents

- ◆ Output contribution
- ◆ Employment contribution
- ◆ Foreign exchange contribution

3. Overview

The manufacturing sector of Ethiopia can be divided into small-scale cottage/handcraft, and medium- and large-scale manufacturing firms. These categories are based on the employment-creation capacity of the firms in the sector and the use of power-driven machinery and equipment.

In the 2007/08 output contribution of the sector; food and beverages accounted for about 48% of the gross value of output of manufacturing establishments, followed by non-metals and chemicals. These three industrial activities accounted for more than 74% of the entire gross value of products in large- and medium-scale manufacturing organizations during the same period.

In terms of the value added by the large- and medium-scale sub-sector, the food and beverage industrial group has been the leading one. For example, in 2007/08 the contribution of the food and beverage industrial group was 50.7%.

Looking at the data on revenue obtained from sales, in 2007/08 the food and beverage industrial group generated around 8.3 billion Birr, which is close to 48.5% of the total revenue obtained from large- and medium-scale manufacturing. The industrial sector in general and the manufacturing sub-sector in particular has also served as an important source of employment, especially for the rapidly growing urban population in Ethiopia.

In 2007/08, there were 1,677,906 persons engaged, out of which 678,911 were employees in the industrial sector. Number of persons engaged and employees during this period showed an increase of 6.4 and 5.8 percent, compared to that of 2006/07, respectively. These increases in the number of persons engaged and employed could be attributed to the increase in the number of establishments covered in 2007/08 (CSA,2009). With regards to foreign exchange contributed by the sector, textiles generated 41.5% which was the largest contribution. Food and beverages and leather and footwear followed as second and third, with 32.9% and 10.8%, respectively. This pattern has remained almost the same in recent years. The only noticeable change is in the wood and furniture and chemical group. The total value of wood and furniture and chemical exports in 2007/08 was Birr 43,269.7 and 30,198.9, respectively. This can be taken as an indicator of the potential that the nation has for bringing in foreign currency from non-traditional commodities.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various publications of the Central Statistical Authority, websites, books, journals.

4.2 Suggested Teaching Methods

- Explanation, discussion, debating

4.3 Pre-Lesson Preparation

- Read the student's textbook and the additional information given in this section in advance and be ready to explain the figures mentioned.

4.4 Presentations of the Lesson

a) Introduction of the lesson

You may start the lesson by asking students the following questions.

- What are the various components of the industrial sector in Ethiopia?
- What are the contributions of these sectors to output, employment and foreign exchange earnings?

b) Body of the lesson

- Discuss the classification of the industrial subsectors in Ethiopia.
- Explain the basis on which we classify them.
- Discuss the contribution of these sectors to output, employment and foreign exchange earnings.

- Discuss the contributions and roles played by the industrial sector to the economy.
- List types of output of the sector according to industrial groups
- Identify the sub sectors that create more employment opportunities
- Identify which industrial groups contribute more to the foreign exchange earnings

4.5 Evaluation and Follow up

a) Evaluation

You may ask students the following questions to test their level of understanding of the lesson.

- Describe the classification of the industrial subsector.
- Discuss the contribution of these firms to gross value of output.

b) Follow up

- You may divide students in groups and help them to explore surrounding manufacturing firms and to report on their contribution on the basis of output, employment and foreign exchange earnings.

3.4 INDUSTRIAL DEVELOPMENT STRATEGIES DURING THE IMPERIAL PERIOD

Periods Allotted: 2

1. Competencies

By the end of this lesson students will be able to:

- ✚ examine the development strategies the Imperial period, based on strategy, size, ownership and regional distribution of the manufacturing sector.

2. Sub contents

- ◆ Development strategies
- ◆ Size ownership and regional distribution of manufacturing industries

3. Overview

The intention to develop the sector through deliberate action was started back in the 1950's with the adoption of three five year development plans. A number of

proclamations and strategies were envisaged to increase productivity and output in the sector.

One of the most preferred strategies during the Imperial Regime was an import substitution strategy with the objective of substituting imports with domestically produced goods. The strategy was designed to create employment opportunities through domestic firms, save foreign exchange, achieve technology transfer and know-how, and reduce dependency on imports, among other things. This strategy was also pursued by the Military Government in the 1980's.

During the Imperial Period, industrialization, with an inward looking orientation based on import substitution, was pursued as a matter of government policy. As a result, a good number of manufacturing enterprises were established, including 80 factories, mostly by private businessmen of foreign origin. Only eight of these eighty establishments were fully government owned, while another five were joint ventures where the government had over 50% ownership. By 1974, of the total manufacturing enterprises, only 26 were either fully or partially owned by the government; and for seven of them the government's stake was less than 50%. The great majority of the manufacturing concerns in Ethiopia before the 1974 revolution, especially the medium- and large-scale ones, were owned by foreigners. Out of 273 establishments 178 or 65% were set up with the assistance of foreigners and 101 or 40% were totally owned by foreign nationals. In short, the industrial sector of Ethiopia by 1974 was small, characterized by production for the domestic market mainly to substitute for imports, largely private and foreign owned. The role of government in the evolution of the Ethiopian manufacturing industries prior to 1974, at a least as a direct producer, was very limited (EEA, 2000).

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various reports published by the National Bank of Ethiopia, websites, journals, publications and so on.

4.2 Suggested Teaching Methods

- Presentation, group discussion and debating

4.3 Pre-Lesson Preparation

- Read the textbook and other relevant material and make the necessary preparation to explain what a strategy is and the size, ownership and regional distribution of the manufacturing industries in Ethiopia.

4.4 Presentations of the Lesson

a) Introduction of the lesson

You may start the lesson by asking students the following questions.

- What is the benefit of designing a strategy?
- What do you think is the contribution of foreigners to developing the industrial sector?
- Discuss the policy of the Imperial era for promoting industries.
- What kinds of things have been observed in recent years in the activities of industrial firms in your local area?

b) Body of the lesson

- Discuss the factors that led to the establishment of industrial firms.
- Describe the strategy of the Imperial Regime.
- Explain the size, ownership and regional distribution of the manufacturing sector in the Imperial era.
- Explain import substitution strategy.

4.5 Evaluation and Follow up

a) Evaluation

You may ask students the following questions to assess their understanding of the lesson.

- What kind of incentives to growth in the industrial sector were provided by the Imperial government?

b) Follow up

Allow your students to list all the policies and strategies of the Imperial period for the development of the industrial sector and assist them to identify:

- the advantages and disadvantages
- the successes and failures of the same

3.5 INDUSTRIAL DEVELOPMENT STRATEGIES DURING THE DERG REGIME

Periods Allotted: 2

1. Competency

By the end of this lesson students will be able to:

- ✚ examine the development strategies of the Derg Regime based on strategy, size, ownership, and regional distribution of the sector.

2. Sub contents

- ◆ Development strategies
- ◆ Size ownership and regional distribution of manufacturing industries

3. Overview

During the Derg Regime (1974 - 1991), the policy of the government was to redirect the economy along socialist principles. The private sector was deliberately discouraged and the public sector was enlarged to the extent that was beyond the capacity of the economy. All large and medium-scale private manufacturing firms were nationalized in 1975. A ten-year perspective plan (1984/85 - 1993/94) was envisaged by the government to promote the sector in the production of intermediate and capital goods and consumer goods. These plans and strategies failed to materialize for a number of reasons.

No adequate database was available to analyze the growth in the number of manufacturing establishments until the CSA conducted surveys of manufacturing industries in 1995/96 for each of the industrial groupings. It is only for the 10+ group, which consists of manufacturing establishments with 10 and above employees, that time series data is available. According to this survey, the number of manufacturing establishments with 10 and above employees in 1975/76 were 430. This number has declined to 402 by 1985/86, a decline of 0.82% per annum. It further declined to 273 in 1992/93, the lowest ever registered, eventually growing to 642 by the time of the survey in 1995/96.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Annual report on the Ethiopian economy published by the Ethiopian Economic Association, websites, journals, publications and other related materials.

4.2 Suggested Teaching Methods

- Small group discussion, explanation and debating.

4.3 Pre-Lesson Preparation

- Read the textbook in advance and understand the strategy adopted during the Derg. Prepare appropriate data that can explain the general trend of industrial development activities during the same period.

4.4 Presentation of the Lesson

a) Introduction of the lesson

You may start the lesson by asking students the following questions.

- What is the benefit of designing a strategy?
- What do you think was the contribution of foreigners in developing the industrial sector?
- Discuss the policy of the Derg era for promoting industries.

b) Body of the lesson

- Describe the strategy of the Derg after 1974.
- Discuss the size, ownership and regional distribution of manufacturing industries during the Derg.

4.5 Evaluation and Follow up

a) Evaluation

You may ask students the following questions to assess their understanding of the lesson.

- What kind of policy did the Derg adopt to foster industrial sector growth?
- Mention some of the measures taken by the Derg to reduce the participation of the private sector.
- What was the agency responsible for developing small-scale industries during the Derg?

b) Follow up

- Allow your students to list all the policies and strategies of the Derg Regime to guide the development of the industrial sector and assist them to identify:
 - the advantages and disadvantages
 - the successes and failures of the same

3.6 INDUSTRIAL DEVELOPMENT STRATEGIES DURING THE POST DERG PERIOD

Periods Allotted: 2

1. Competency

By the end of this lesson the students will be able to:

- ✚ examine the development strategies of the post-Derg period based on strategy, size, ownership and regional distribution of the manufacturing sector.

2. Sub contents

- ◆ Development strategies
- ◆ Size, ownership and regional distribution of the manufacturing sector.

3. Overview

After the overthrow of the socialist government and its replacement by the EPRDF in 1992, the government sought to rationalize its role in the economy while enhancing the active participation of the private sector. Several interventions have been incorporated to enhance the development of this sector. Key among these measures is the establishment and strengthening of institutions necessary to promote industrialization. The policy further hoped to create a conducive environment for industrial development by developing infrastructure and the nations' technological capability. It intended to promote inter and intrasectoral linkage, create an appropriate financial environment, encourage balanced regional industrial development and strengthen the linkage between industry and other sectors. On top of expanding the domestic market for industrial products via increasing the income of the rural population as a result of the ADLI strategy, the government policy also hoped to promote industrial exports.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Annual reports on the Ethiopian economy published by the Ethiopian Economic Association, publications and other related materials.

4.2 Suggested Teaching Methods

- Explanation, small group discussion and debating.

4.3 Pre-Lesson Preparation

- Read the textbook in advance and understand the strategy adopted during the post-Derg period. Prepare appropriate data that can explain the general trend of industrial development activities during the same period.

4.4 Presentation of the Lesson

a) Introduction of the lesson

You may start the lesson by asking students the following questions.

- What is ADLI?
- Discuss the policy of the current government towards promoting industry.

b) Body of the lesson

- Describe the strategy of the current government.
- Discuss the size, ownership and regional distribution of manufacturing industries during the post-Derg period.

4.5 Evaluation and Follow up

a) Evaluation

You may ask students the following to assess their understanding of the lesson.

- Mention some of the measures taken by the current government to encourage the participation of the private sector.
- What kinds of policy has the current government adopted to foster industrial sector growth?

b) Follow up

- Allow your students to list all the policies and strategies of the post-Derg period for the development of the industrial sector.

3.7 THE PERFORMANCE OF THE INDUSTRIAL SECTOR

Periods Allotted: 3

1. Competencies

By the end of this lesson students will be able to:

- ✚ examine the performance of the industrial sector in terms of gross value of the manufacturing sector;
- ✚ examine the performance of the industrial sector in terms of gross value of output of the large and medium manufacturing sector;
- ✚ examine the performance of the industrial sector in terms of value added of the large and medium manufacturing subsector.

2. Sub contents

- ◆ Gross value output of the manufacturing sector
- ◆ Gross value output of the large and medium manufacturing sector
- ◆ Value added of large and medium manufacturing sub subsector

3. Overview

Performance of the industrial sector can be measured using gross value of output. Evidences indicates that the sector accounted for, on average, 13.6% of the GDP between 1961 and 1971. Its share declined to 12.2% and 10.9% between 1980-1990 and 1991-1999, respectively.

According to the information obtained from the National Bank of Ethiopia (NBE, 2008/09), the industry share of GDP for the decade of 1999/00-2008/09 was 13.1%. If we look at the role of each component of the industrial sector in the national economy, we find that large - and medium-scale manufacturing accounted for 4.3 percent, small-scale 2.01 percent and handicrafts 2.58 percent of the national output in the period spanning from 1991-1999.

The size of the manufacturing output indicates that a significant proportion of gross value of output is coming from a small number of large- and medium-scale manufacturing activities, followed by cottage and handicrafts in 2001/02.

In absolute terms, production increased from Birr 1.8 billion in 1991/92 to Birr 7.3 billion in 1998/99. Value added at factor cost of the same group of firms has increased from Birr 20.4 million in 1991/92 to Birr 1.9 billion in 1998/99 showing a 25.3% increase on the average between the two periods annually. The share of the private sector in value added also increased from 6% in 1991/92 to more than 22% in 1998/99.

The transitional and EPRDF governments re-adopted the market economic principles to promote the development of the sector. The policy allowed the participation of the private sector without restriction or limit. The role of the public sector is said to be limited to the areas of large scale engineering, metallurgical plants, communications, power, and pharmaceutical industries. The new government took various policy measures to attract private investment in the sector from local and foreign sources.

During this period, food and beverage, textile and non-metallic minerals dominated the Ethiopian manufacturing sub-sector. These groups accounted for 83% of the total number of establishments during 2007/08. The concentration of the Ethiopian manufacturing activities in these establishments may be due to the fact that they depend heavily on local inputs and availability of domestic markets for their products.

The number of large-and medium-scale establishments, earlier in 1998/99, had reached 779 from its level of 642 in 1995/96, with an annual average growth rate of 6.8%. This growth rate is not satisfactory, given the low level of manufacturing activities in the nation.

When we come to the ownership structure, the small-scale and cottage/handcrafts are totally owned and managed by the private sector. However, the ownership of the large-and medium-scale manufacturing enterprises has shown changes in the past few decades.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various reports published by the Central Statistical Authority on the industrial sector, journals, publications

4.2 Suggested Teaching Methods

- Presentation, discussion and interactive teaching.

4.3 Pre-Lesson Preparation

- Prepare examples and discussion questions for the students in relation to gross value of output and value added of the manufacturing sector, so that they will be able to understand the performance of the industrial sector.

4.4 Presentations of the Lesson

a) Introduction of the lesson

You may start the lesson by asking students the following questions.

- Do any of the manufacturing firms in your local area create more than 10 jobs and use power-driven machineries?
- List the types of ownership of the firms in your area.
- What do we mean by cottage and handcrafts industries? Name some of the activities under this category.

b) Body of the lesson

- Discuss the structure of the manufacturing firms in Ethiopia.
- Explain on what basis we classify them.
- Discuss the types of ownership and sizes of output of the sector on the basis of ownership.

4.5 Evaluation and Follow up

a) Evaluation

You may ask students the following questions to test their level of understanding of the lesson.

- Describe the nature of ownership of the firms in the manufacturing sector.
- Discuss the size of these firms and their contribution to the value added.

b) Follow up

- You may divide students in groups and help them to explore manufacturing firms in their surroundings and to report on the size, ownership and structure of the firms on the basis of the classification in the textbook.

3.8 PROBLEMS AND POSSIBLE REMEDIES OF THE INDUSTRIAL SECTOR

Periods Allotted: 2

1. Competencies

By the end of this lesson students will be able to:

- ✚ Assess the problems of and identify the possible remedies for the industrial sector.

2. Sub contents

- ◆ Lack of finance
- ◆ Marketing problems
- ◆ Technological problems
- ◆ Input-related problems

3. Overview

The industrial sector of Ethiopia is still at its infant stage. A number of factors have contributed to the low contribution of the sector to the GDP.

The characteristic features and problems of the sector include:

- inability of the sector to generate surplus for re-investment;
- the import dependency of the sector with regard to inputs;
- low employment-creation capacity of the sector;

- high foreign exchange requirement;
- low domestic demand for industrial outputs;
- inability to adopt modern technologies;
- weak linkages with the rest of the economy; and
- policy related problems.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Publications on the survey of medium and large-scale manufacturing industries and statistical abstracts by the Central Statistical Authority, journals and other publications.

4.2 Suggested Teaching Methods

- Interactive lecture, discussion and debating

4.3 Pre-Lesson Preparation

- Read the textbook and other relevant reference materials in advance and be ready to explain the problems of the industrial sector with examples.

4.4 Presentation of the Lesson

a) Introduction of the Lesson

You may introduce the lesson by asking the students the following questions.

- State the characteristics feature of the industrial sector.
- List the various problems encountered by the industrial sector.

b) Body of the Lesson

- Discuss the possible remedies to the various problems that the industrial sector encountered with.

4.5 Evaluation and Follow up

a) Evaluation

You may ask the following questions to assess the level of understanding of your students

- What can be said about the performance of the sector in general?

b) Follow-up

- Encourage your students to form groups and explore the specific contribution of each industrial undertaking in their locality and report on it.

ANSWERS TO ACTIVITES**Activity 3.1**

- ✓ - Industrialization is not a one-time or sudden occurrence but rather a sustained process.
- Industrialization requires the application of modern science and technology.
- Industrialization brings about a structural transformation of the national economy.

Activity 3.2

- ✓ It can be explained from the point of view of employment contribution.
 - Foreign exchange creating image with the infrastructural sector
 - Contribution of GDP
- ✓ Although its contribution is increasing it is stilted to its low stage when one looks at it from the point of view of the choice of the level of industrialization process.

Activity 3.3

- ✓ The history of industrialized world testify that economic development is realized through industrialization. Thus, industrialization and economic development are positively correlated.

Activity 3.4

- ✓ - Large and medium scale manufacturing
 - Small scale handicrafts
 - Construction
- ✓ - Food and beverage
 - Non metal and others
 - chemical

Activity 3.5

- ✓ Ethiopia being labour abundant economy it is advisable to have industries that are more prone to words labour intensive technique. The economic policy should also provide special provision to words encouraging such type of industries.

Activity 3.6

- ✓ The table above clearly specify that some 84.0%. The foreign exchange from the industrial sector is contributed by three industrial groups only. This calls for a concerted effort by all to give attention to other industrial groups as well.

Activity 3.7

- ✓ About 85% of the foreign exchange contribution in the industrial sector is generated by three industrial groups only. Giving attention to the other industrial groups could increase the foreign exchange earnings from this sector.

Activity 3.8

- ✓ Incentives such as tax holidays, easy training, loans, exemptions from duty payments and effective tariff protection were given.

Activity 3.9

- ✓ It was a kind of strategy that gave more emphasis to the public ownership and marginalized the private sector participation.
- ✓ By limiting the private sector to only one type of business only.
 - Imposing a capital – ceiling on private investment
 - Adopting discriminatory credit policy that was more prone towards the public sector.
- ✓ - Limited participation of the private sector
 - Too much government intervention
 - Discriminatory credit policy.
 - Capital ceiling on private sector investment.

Activity 3.10

- ✓ Infrastructural development such as road, electricity, communication, water, proximity to input and output market.
- ✓ Decentralization of policy physical – and social infrastructures and more incentives to investors are some of the measures that should be taken to have an evenly distribution of manufacturing establishment.
- ✓ Private sector participation during the imperial era was very high when compared to the derg regime. One can associate this with the various incentives that were extended to the private sector during the imperial era.

Activity 3.11

- ✓ Granted managerial autonomy and responsibility to public enterprises to make them more efficient productive and competent.
 - Make the financial institutions, specially the foreign exchange market more prone towards the private sector.
- ✓ When the agricultural sector develops, the income and hence, the purchasing power of the largest segment of the population is expected to increase. This will in turn creates more demand for industrial goods. This is how ADLI strategy is expected to bring about industrial development.

Activity 3.12

- ✓ Concentration of physical and social infrastructures in these areas, and proximities of these areas to input and output markets.
- ✓ Decentralizing both the physical and social infrastructures, and extending additional and attractive incentives to investors.
- ✓ The small scale and cottage/handcrafts are totally owned and managed by the private sector. However, the ownership of the large and medium scale manufacturing enterprise also has shown changes. This is due to the fact that the economic policy encourages private sector participation in the economy.

Activity 3.13

- ✓ - Gross value of output (GVO)
 - Value added at factor cost (VAFC)
 - Value added at current market price (VACMP)
- ✓ - Weak link between the industrial sector and the market forces
 - Shortage of raw materials
 - Ill performance of the agricultural sector
- ✓ - Creation of relatively conducive environment
 - Active involvement of the private sector
 - Improved availability of inputs and spare parts
 - Recovery of the agricultural sector which enhance
 - The supply of raw materials to the manufacturing sector.

Activity 3.14

- ✓ - Technological problems
- Structural problems, and
- Policy problems
- ✓ Given the above problems we need to use the facts on the ground and identify specific solutions that can address the stated problems.

Answers for Content Check 3.1

1. False: It was the emergence of a strong government and the construction of the Ethio-Djibouti railway that were accountable for the introduction of modern manufacturing in Ethiopia.
2. A 3. C 4. B

Answers for Content Check 3.2

1. B
2. Saving
3. C
4. True: For a country like Ethiopia Agriculture is the Prime mover of the economy. The objective of ADLI is to transform the economy from agriculture - dependent to industry - dependent.

This indicates that development is highly correlated with industrialization.
5. C

Answers for Content Check 3.3

1. C 2. A 3. B

Answers for Content Check 3.4

1. A 2. C 3. D
4. False: because during the latter years of the imperial era, the main strategy for industrial development was import substitution.

Answers for Content Check 3.5

1. C
2. True: It was because the economy was state controlled (or command economy)
3. B 4. C

Answers for Content Check 3.6

1. D 2. E
3. True: because on top of expanding the domestic market for industrial products via increasing the income of the rural population as a result of the ADLI strategy, the government policy also hopes to promote industrial exports.
4. A 5. B

Answers for Content Check 3.7

1. D 2. C 3. B
4. False: This is because the increase in GVO of manufacturing industries should be supplemented by growth in value added.

Answers for Content Check 3.8

1. True: This was because the finance generating capacity of the non-industrial sectors were very limited and the manufacturing sector, on the other hand, is heavy user of foreign exchange. Given such a low saving rate, it is difficult to undertake industrial investment.
2. False: because the manufacturing industry is import dependent.
3. True: the technology we use is capital intensive. It is basically not recommended for economies like Ethiopia where labour unemployment is rising.

ANSWERS TO REVIEW EXERCISE FOR UNIT 3

I.

1. D 2. E 3. B 4. D 5. B 6. D 7. C 8. B 9. C 10. B

II.

11. T 12. F 13. T 14. F 15. T 16. T 17. T 18. T 19. T 20. T

III.

21. Sutcliff identified three criteria for a country to be considered to be industrialized. First, 25% of the GDP should come from the industrial sector. Second, at least 60% of the industrial output should originate from the manufacturing sector. Thirdly, at least 10% of the population should be engaged or employed in the industrial sector. From the above criteria, Ethiopia is one of the least industrialized nations in the world.
22. The emergence of a strong central government which resulted in political stability and the construction of the Ethio-Djibouti railway
 - The conscious effort exerted by the government
 - Improved relationships with the governments of the USA and UK and the **import-substitution industrial development strategy** adopted by the government.
23. If industrial development is directed to use local raw materials, it can create a strong linkage among the different sectors of the economy. This is due to the dynamic nature of the industrial sector which entails externalities in consuming agricultural raw materials and producing consumer and producer goods for the entire economy.
24. An obvious neglect of the small-scale industries during that period as the investment incentives benefited only the medium-and large-scale manufacturing establishments.

The Service Sector in Ethiopia

Periods Allotted: 18

1. Introduction

This unit deals with the service sector in Ethiopia. The unit mainly focuses on the discussion of the role of the service sector and its sub-sectors like education, health, transport, communication and tourism.

2. Unit Objectives

By the end of this unit, students will be able to:

- Distinguish the role of the different service sectors in Ethiopian economy
- Examine policies and strategies of the Imperial, the Derg and the current government on education, health and communication
- Realize the effects of tourism in the Ethiopian economy

3. Main Contents

- 4.1 Introduction
- 4.2 The role of the service sector in the Ethiopian economy
- 4.3 The education sector in Ethiopia
- 4.4 The health sector in Ethiopia
- 4.5 The transport sector in Ethiopia
- 4.6 The communication sector in Ethiopia
- 4.7 The tourism sector

4.1 INTRODUCTION

Periods allotted: 2

1. Competencies

After learning this section, the students should be able to:

- ✚ Explain the contribution of the service sector

2. Content

- ◆ the service sector
- ◆ Identify the sub sectors of the service sector

3. Overview

This sector is composed of various sub-sectors. More specifically, the service sector includes: trade, hotels and restaurants, transport and communication, education, banking and insurance, public administration and defense, health and other services. According to the Ethiopia National Income Account classification, the first three sub-sectors are referred to as distributive services while the remaining are categorized as 'Other' service sector.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Picture
- FDRE, CSA, 2003. Transportation and Communication Statistics, No 286/2003, Statistical Bulletin, Addis Abeba.

4.2 Suggested Teaching Methods

- explanation
- brainstorming sessions
- group discussion
- presentation

4.3 Pre-Lesson Preparation

- Get ready the teaching aids and teaching materials
- schedule the sub-topic in terms of periods
- organize related materials or references
- Design how the lesson is to be delivered in an attractive way and group students based on their class activity: slow learner, fast learner and medium.

4.4 Presentation of the lesson

a) Introduce the lesson

- Motivate the students by giving them opportunities to present ideas.
- Ask questions to encourage the students to do more elaboration
- Explanation and discussion

b) Body of the lesson

- Give a brief description of the service sector
- Every student should know the service sector and sub sectors in the economy

4.5. Evaluation and Follow Up

1. Evaluation

- check whether students have understood the lesson or not by asking them questions like
 - Can you mention some of the service sectors in your locality? Or give them homework to find out more about the service provider industry in the country.

2. Follow-up

- Make remarks for every activity related to the lesson

4.2 ROLE OF SERVICE SECTOR IN THE ETHIOPIAN ECONOMY

Periods allotted: 2

1. Competencies

After learning this topic, the student will be able to explain:

- ✚ the role of the service sector
- ✚ contribution of the service sector to the economy

2. Content

- ◆ output contribution
- ◆ employment contribution
- ◆ foreign exchange contribution

3. Overview

The service sector plays an important role in the Ethiopian economy. Its contribution can be seen from three angles namely, output, employment and foreign exchange contribution.

A. Output contribution

The service sector became the dominant output sector of the economy increasing from 40.8 percent in 2006/07 to 45.1 percent of GDP in 2008/09.

B. Employment contribution

Service sector is the second largest sector in terms of absorbing significant portions of the labor force, next to agriculture.

C. Foreign exchange contribution

The service sector is an important source of foreign exchange earnings to the country's economy.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Capital Ethiopia, vol 112, No 625 Dec 13, 2010
- Annual or quarterly report of Ministry of Finance, MoFED report, annual report of National Bank of Ethiopia (NBE).

4.2 Suggested Teaching Methods

- explain the output, employment and foreign exchange contribution of the service sector
- brainstorming
- reorganizing different ideas collected during brainstorming
- brainstorming questions
- group discussion
- presentation

4.3 Pre-Lesson Preparation

- Collect current information related to the lesson about the service sector contribution from magazines, newspapers, the internet, television, radio
- Before you begin teaching the lesson, get ready with the selected teaching aids and reference

4.4 Presentation of the lesson

a) Introduce the lesson

- Assign the students group discussion dealing with the role of service sector.
- Encourage them to read newspapers, watch TV, listen to radio and discuss current economic issues, etc.

b) Body of the lesson

- Every student should know the major contributions of service sector to the economy
- Ask questions and entertain the possible answers.

4.5 Evaluation and Follow Up

a) Evaluation

- Describe service divisions in reference to their economic activities as:

- a. physical,
- b. intellectual
- c. aesthetic

- Give them classwork for example, the following:

Explain the differences and the between similarities of service divisions.

b) Follow-up

- Ask your students to do the following:
 - What should the country do to improve the foreign exchange earning from the service sector?
 - Identify the service sector activities in your locality and explain their contributions in terms of output, employment and foreign exchange earning.
- Finally grade the students, based on their achievement, in your grading list
- appreciate the best results

4.3 THE EDUCATION SECTOR IN ETHIOPIA

Periods Allotted: 2

1. Competencies

After learning this unit, the students should be able to:

- ✚ review the historical background of the education sector
- ✚ examine the education sector policies and strategies during:
 - Pre-1974
 - Post-1974
 - Post-1991
- ✚ evaluate the performance of the education sector
 - Primary education
 - Secondary education
 - Higher education
- ✚ assess the problems and identify the possible remedies for the education sector

2. Content

- 4.3.1 Historical Background of the Education Sector
- 4.3.2 The Education Sector Policies and Strategies
- 4.3.3 Performance of the Education Sector
- 4.3.4 Problems and Possible Remedies of the Education Sector

3. Overview

The economic and social development of any nation depends on education. Education in Ethiopia dates back to the fourth century. For about 1,500 years the church controlled most of the education institutions. However, education in Ethiopia has undergone tremendous change since the 19th century because the governments have made an attempt to improve basic education.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Draw tables that show Gross Enrollment Rate for:
 - primary education
 - secondary education

- tertiary education
- PASDEP (Plan for Accelerated and Sustained Development to End Poverty) documents.
- MOE (Ministry of Education), 1997, The Future Directions of Higher Education. January 1997, Addis Abeba, 84pp.
- FDRE Central Statistical Authority, 2009, Statistical Abstract. February 2010, Addis Abeba.
- Education Statistics Annual Abstract, 2007-2008 pp-15.
- Education Statistics Annual Abstract, 2007-2008 pp-10
- CSA, 2009, Statistical Abstract. February 2010, Addis Abeba

4.2 Suggested Teaching Methods

- Brainstorming sessions to bring students attention to the class, Encourage students to try to answer questions
- Introduce the lecture issue, including the objectives
- Explain and discuss the education sector in Ethiopia
- Harmonize the students about the real essence of the topic

4.3 Pre-Lesson Preparation

- prepare available related materials including literature and documents regarding government policies and strategies adopted in different regimes
- Organize the students in groups and let them examine the education sector's major problems and their solution.

4.4 Presentation of the lesson

a) Introduce the lesson

Introduce the lesson by asking questions such as:

- Explain the policies and strategies of the education sector in Ethiopia

b) Body of the lesson

- Have the students evaluate the performance of the education sector
- Have students distinguish the problems of and possible solutions for the education sector
- Make students familiar with the helpful hints suggested in the student textbook

4.5. Evaluation and Follow Up

a) Evaluation

- Ask questions like:
 1. What are the major problems of the education sector in Ethiopia?
 2. Review the historical background of the education sector.

b) Follow-up

- give them group assignments to evaluate the education sector policies and strategies adopted by different regimes and appreciate them based on their result.
- make remarks for every activity related to the lesson.
- confirm that the lesson has well been delivered by asking questions if not, review the lesson in short.

4.4 THE HEALTH SECTOR IN ETHIOPIA

Periods Allotted: 3

1. Competence

At the end of this unit, the students will be able to:

- ✚ review the historical background of the health sector
- ✚ examine the health sector policies and strategies
- ✚ evaluate the performance of the health sector
- ✚ assess the problems of and identify the possible remedies for the health sector
- ✚ Evaluate the health sector policies and strategies which have been adopted by different regimes
- ✚ Examine the health sector policies and strategies
 - Pre-1974
 - Post-1974
 - Post-1991
- ✚ Assess the problems of and identify the possible remedies for the health sector

2. Content

4.4.1 The Historical Background of the Health Sector

4.4.2 Health Sector Policies and Strategies

4.4.3 Performance of the Health Sector

4.4.4 Problems and Possible Remedies of the Health sector

3. Overview

Following the change of government in 1991, a number of political and socio-economic reform measures were put in place. Two of these were the development and introduction of a new National Health Policy in 1993 and the formulation of a comprehensive rolling 20-year Health Sector Development Plan (HSDP) in 1997. Both are the result of the critical assessment and analysis of the nature and causes of the country's health problems. The HSDP is now in its third phase (HSDP III). **The major focuses** of the health policy are decentralization of the health care system, development of the **preventive, promotional and curative** components of health care, assurance of accessibility of health care for all segments of the population and the promotion of private sectors and NGOT participation in the health sector.

4.2 Suggested Teaching Methods

- Oral presentation/lecture
- Explanation and discussion
- Brainstorming
- Student presentation

4.3 Pre-Lesson Preparation

- prepare related information and select the most appropriate teaching materials
- organize the students in pairs or in groups
- design how to motivate students in class discussion
- collect related information from the concerned offices and media
- have the students define key terms that appear frequently in the topic

4.4 Presentation of the lesson

a) Introduce the lesson

- Introduce the lesson by raising questions like,
 - What is the major focus of the health policy?
 - What are the health sector performance indicators?

b) Body of the lesson

- Explain the performance of the health sector
- Every student should know the problems of and possible solution for the health sector

4.5 Evaluation and Follow-Up

a) Evaluation

- Give them class work like:
 - a. What are the eight Millennium development goals?
- Give them an assignment to write a sort of short report

b) Follow-up

- Assign the students to discuss the problems of and possible remedies for the health sector. If not, review the lesson in short.
- Grade students based on their achievements or class activity and appreciate the best result.

4.5 THE TRANSPORT SECTOR

Periods Allotted: 3

1. Competences

After learning this topic, the students should be able to:

- ⚡ review the historical background of the transport sector
- ⚡ examine the transport sector policies and strategies
- ⚡ evaluate the performance of the transport sector
- ⚡ assess the problems of and identify the possible remedies for the transport sector

2. Sub Content

4.5.1 Policies and Strategies of the Transport Sector

4.5.2 Performance of Transport Sector

3. Overview

Road transport is by far the most dominant means of transport in Ethiopia, providing for over 90% of passenger and freight carriage. Therefore, the government has singled out this area as being a top priority for public investment and has made concerted efforts and progress in the expansion of the country's road network.

Railway transport

For more than a century the Ethio-Djibouti Railway has been one of the most important means of transportation and links to the outside world for Ethiopia. The railway company plays an important role in transporting import, export, internal freight and passengers (international and local).

Ethiopian Airlines was founded on December 29, 1945, by Emperor Haile Selassie with assistance from TWA. It commenced operations on April 8, 1946, with weekly service between Addis Ababa and Cairo with five Douglas DC-3 propeller-driven aircraft.

Ethiopian Shipping Lines Enterprises is a domestic company which is mainly engaged in transporting commercial goods from country to country through its international routes.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- chart/table that shows the performance of the transport sector
- CSA annual report
- ET annual report 2008/09
- FDRE Central Statistical Authority, 2009, Statistical Abstract. February 2010, Addis Abeba
- FDRE, CSA, 2003. Transportation and Communication Statistics. No286/2003, Statistical Bulletin, Addis Abeba

4.2 Suggested Teaching Methods

- Explanation and discussion
- Brainstorming
- small group discussion

4.3 Pre-Lesson Preparation

- Prepare related information
- Design how to motivate students for class participation
- Organize the students in groups

4.4 Presentation of the lesson

a) Introduce the lesson

- Motivate students to explain and discuss the performance of the transport sector in Ethiopia.
- Examine the policies and strategies of the transport sector in Ethiopia

b) Body of the lesson

- Explain the performance of the transport sector
- Every student should know the problems of and possible solution for the transport sector

4.5 Evaluation and Follow-Up

a) Evaluation

To assess your students and acquire information about the effectiveness of your instruction and the students' level of understanding, you may ask them some questions that are drawn from your lesson. Your questions may include the following:

- Which form of transport is the most dominant means of transport in Ethiopia?
- What are the roles of the transport sector?
- What are the indicators of road conditions in Ethiopia?

b) Follow-up

To further widen the students' understanding about the sector, have them visit the Ethiopian Road Transport Authority and have them then write a report on the performance of

- Road;
- Railway.
- Give scores for students, depending on their performance.

4.6 THE COMMUNICATION SECTOR

Periods Allotted: 3

1. Competence

After learning this topic, the students will be able to:

- ✚ review the historical background of the communication sector
- ✚ examine the communication sector policies and strategies
- ✚ evaluate the performance of the nation's communication facilities
- ✚ assess the problems of and identify remedies for the communication sector

2. Sub contents

4.6.1 Historical Review of the Communication section

4.6.2 Policies and Strategies in the Communication Sector

4.6.3 The Performance of the Communication Sector

3. Overview

Communication is one of the most fundamental elements for the economic, social and political development of any country. Communication services include telecommunication, postal services and media.

Upgrading and expanding the telecommunications network and services have been considered essential to modernizing the sector and bring about national growth as well as greatly supporting the rural economy. For example, having basic telephone access in villages:-

- Allows farmers to get information on prices for their crops and livestock products;
- Improves efficiency of local administration;

- Encourages the development of trade and small businesses;
- It facilitates the provision of social services such as health, education and agricultural extension.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Table or chart that shows the communication sector performance of Ethiopia
References are as follows:
- Ministry of Information and Culture, 2002/03 EFY.
- Seminar papers, magazines and related material
- CSA reports
- Ethiopia Postal Service report, 2008/09.
- Ethiopian Telecommunications Corporation, Annual Statistical Bulletin 2008/2009
- CSA report

4.2 Suggested Teaching Methods

- Produce ideas by having a group discussion
- Organizing different ideas and concepts presented
- Presentation on critical issues related to the topic

4.3 Pre-Lesson Preparation

- Present the lesson by using a table or chart
- Organize the students in groups and let students discuss and examine the performance of the communication sector

4.4 Presentation of the Lesson

a) Introduction of the lesson

- Motivate the students through brainstorming questions such as:
 - What do you think about the importance of communication in general?
 - Mention economic benefits of communication.

b) Body of the lesson

- Every student should identify the major problems of communication sector
- Discuss major obstacles in and possible remedies for the communication sector

4.5. Evaluation and Follow-Up**a) Evaluation**

- Make sure the students understand the lesson well by asking different types of questions.

b) Follow-up

- Comments on the student class activity related to lesson
- Have the students compare different policies and strategies of the communication sector and evaluate them based on their activity.
- Have the students compare the communication sector performances
- Record whether or not each student has attained the expected competencies

4.7 THE TOURISM SECTOR*Periods Allotted: 3***1. Competence**

After learning this unit, the students will be able to:

- ⚡ review the historical background of the tourism sector
- ⚡ explain briefly the role of tourism in Ethiopia
- ⚡ evaluate the performance of the tourism sector
- ⚡ assess the problems of and identify the possible remedies for the tourism sector

2. Content

4.7.1 Historical Development of Ethiopian Tourism

4.7.2 The Role of Tourism

4.7.3 Performance of Tourism

4.7.4 Major Obstacles and Possible Remedies of the Development of Ethiopian Tourism

3. Overview

Tourism deals with the movement of people away from their normal residences for holidays, recreation and leisure activities, business meetings, visiting relatives and other purposes.

Tourism has significant socio-economic benefits which include among others, expanding economic opportunity, an important source of employment for poor people, foreign exchange earning contribution, development of new infrastructure in ways that complement or help fulfill local needs (e.g., for water, transport, and electricity), improving living standards, poverty reduction and the like.

Tourism plays a major role in exchange of views, information, culture, and knowledge among people. It is an important source of employment for poor people, of foreign exchange earnings contributions to the country's economy and expansion of economic opportunity.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Picture that shows the different tourist attraction sites in Ethiopia
- References
- Ministry of Culture and Tourism Annual Report 2008/09
- www.ethiotourism.com
- Ministry of Culture and Tourism Bulletin

4.2 Suggested Teaching Methods

- Small group discussion
- Field visit
- Group presentation

4.3 Pre-Lesson Preparation

- prepare related materials
- design how to motivate students in class participation
- organize the students in groups and let students discuss the tourism sector's major problems and their possible solutions

4.4 Presentation of the lesson

a) Introduce the lesson

- Ask the students to explain the performance of the tourism sector in Ethiopia
- Ask the students to discuss the role of tourism

b) Body of the lesson

After considering the students' responses to the brainstorming session, plan the scope of your lesson and its presentation. Your instruction should be supported by charts, pictures and other relevant teaching aids. Display the teaching aids and references to the class and have the students identify the contribution of tourism to country's economy.

4.5 Evaluation and Follow-Up

a) Evaluation

Before formally concluding your lesson, conduct a brainstorming session with your students to assess the level of their understanding, to check the effectiveness of the teaching-learning experience, and to see if the expected level of competence and behavioral changes have been achieved. You may ask them some questions that relate to your lesson, such as:

- can you explain the performance of the tourism sector in Ethiopia?
- What are the major problems of the tourism sector?
- What are the possible remedies for the tourism sector problems?
- How can tourism sector performance be measured?

b) Follow-up

To help the students develop a better understanding of the lesson, you should support them with additional activities. This could help you and the students develop a wider view of the economic role of tourism, the performance of, the problems of and the possible solutions for the sector. You may ask them to assess their level of understanding as follows:

- Ask the students to explain the role of the tourism sector.
- Assign the students to discuss the problems of and possible remedies for the tourism sector and let them present to the class.

ANSWERS TO ACTIVITES**Activity 4.1**

1. Take the students for a visit to the nearby service giving sector in your locality and assign them to present a report about it.

Activity 4.2

1. The output contribution of the service sector in Ethiopia dominated the agricultural sector, that contributes about 45% and 46% in 2008/09 and 2009/10 respectively.

Activity 4.3

1.
 - Ethiopian Air Lines
 - Ethiopian Shipping Lines
 - Tourism
 - Bank and Insurance
2. Encourage the students to identify the service sectors activities in their locality and let them discuss about the pros and cons of the services.

Activity 4.4

1. Organize the students in group and make them debate on the evolution of the education sector pre and post Derg periods.

Activity 4.5

1. By comparing 2003/04 – 2007/08, we can see that, there is an increment of GER in both primary 1st cycle (1-4) and primary 2nd cycle (5-8) by 47.7% and 27.8% respectively.

Activity 4.6

1. Organize the students in group and make them debate on the performance of the education sector during the Derg period.
2. The performance education sector can be measured by:
 - Gross Enrollment Rate (GER) at primary, secondary and higher education.
 - Pupil – Teachers Ratio (PTR)
3. Some of the major education sector problems in Ethiopia are:
 - relevance, accessibility and equity
 - poor quality and commitment of leadership of the sector at all level.

Activity 4.7

1. **Goal 4:** - reducing child mortality
Goal 5: - improving maternal health
Goal 6: - combat HIV/AIDS
2. - Limited physical access to health facilities
- Inadequate budgetary allocation and low level of management
- Low quality
- Low resource utilization capacity, etc.
3. - Strengthen and expand existing health programs.
- Provide family planning services at all levels of health service delivery stations.
- Strengthen reproductive health content in health education programs.
- Strengthen and expand training of health personnel in collaboration with relevant institutions.
- Set standards for the provision of family planning services.

Activity 4.8

1. By generating the total revenue from passengers, freight and others.
2. Air Transport
3. Road Transport

Activity 4.9

1. Domestic and international (in and out) parcels, (in and out) EMS.
2. By a number of fixed telephone line, digital line, mobile subscribers, internet subscribers etc.

Activity 4.10

1. At present, the problem of tourism sectors:
 - shortage of tourist facilities
 - limited promotion and
 - lack of professional and skilled personnel
2. The performance of tourism sector can be measured in terms of tourist flow, foreign exchange generation and employment creation.

Answers for Content Check 4.1

1. The basic characteristics of service sector is producing services which also known as 'intangible goods' and the sector does not include goods – producing sectors.
Example: Education, communication, health service, etc.,.
2. The physical service involve working with objects but intellectual inverses providing education or training at university level and vocational school

Answers for Content Check 4.2

1. The economic and social development of any country depends on the scope and level of education. Making education system efficient (maximize the educational attainment of the pupils dropping out as well as the achievement of the level of education) and also expansion of schools and better awareness about the need for education at all level has positive contribution to countries development.
2. Expand the participation of parent, teachers, and communities the policy formulation.
 - Provide adequate student text book, teaching materials and various school facilities.
 - Narrow the gap/disparity among regions and improve the quality of teachers in terms of training and motivation.
3. It has to be conducted and organized by you observing the existing situation in your locality.

Answers for Content Check 4.3

1. D
2. i. IMR ii. MMR iii. LEB iv. CMR v. Access to safe water

Answers for Content Check 4.4

1. Transportations fundamental to civilization.
The role of transportation in socio-economic development are that it allows for: Division of labor and labor specialization; procurement of raw materials from various sources and dispatch of goods to market places, etc.
2. a. stock of road network (km)
b. Road density (per 1000 km. sq)
c. The proportion of area further than 5km away from all weather roads (%)
d. Average time taken to reach all weather roads.

3. a. Cargo lifting's (tons)
- b. Man power
- c. Revenue
- d. profit
- e. Market share (Dry cargo) (%)

Answers for Content Check 4.5

1. Tourism industry contributes to national economy in GDP, employment, foreign exchange earnings, development of new infrastructure; improve living standard and reducing poverty.
2. Tourism is the activity of providing services for people and it deals with the movement of people away from their normal residences for business, vacation, transit, etc.
3. Some of tourist facilities required to enhance the sector are: improve transportation facility; improve tourist facilities (Hotel and restaurant, clean water, electricity, etc), promotes and provide professional and skilled personal, etc.
4. Some of the eight national attraction site that have been recognized by UNESCO as world heritages are:
 - Axum's Obelisks
 - Gonder's castles
 - The walls of Harare, etc.

ANSWERS TO REVIEW EXERCISE FOR UNIT 4

I. Multiple choice questions

1. B 2. D 3. D 4. D 5. D
 6. E 7. B 8. B

II. Short answer questions

9. Limited physical access of the population to health facilities and staff
 - The available healthcare facilities are also unevenly distributed across regions
 - The quality of the service

Sample Lesson Plan

Name of Teacher _____ Name of the School _____

Grade: 12 Date: ____ Subject: Economics. Topic: Service Sector in Ethiopia. Period: 45 minutes

Competencies: After students complete this lesson, they will be able to:

- Distinguish the role of service sector
- Examine the policies and strategies of the Imperial, Derg and current governments for the education, health and communication sectors
- Understand the effects of tourism in Ethiopian economy

Details of Content	Teacher's Activity	Student's Activity	Teaching aids	Remarks
- role of the sector - historical background of the sector - policies and strategies of the sector - performance of the sector - problems of and remedies for the sector	- explain the concept of the topics - giving lecture notes - give illustrative examples - ask questions - check the performance of students every time - remembering what the students learned in the previous grades - Assign the students to do group work or assignments or class work	- taking lecture notes - participation - doing class work and assignments - ask questions	Textbook, other relevant references	-

Trade in the Ethiopian Economy

Periods Allotted: 16

1. Introduction

Trade involves exchange of goods and services that takes place between households, firms and governments. It is divided into domestic and international (foreign) trade. The international trade involves mainly exports and imports. Exports are means of earning foreign exchange to finance importation of goods and services.

The Derg regime adopted a socialist ideology and nationalized both wholesale and retail trading enterprises in 1975. This reduced the participation of the private sector. There were wholesale and retail trading corporations owned by the government, Agricultural Marketing Corporation (AMC) and (Ethiopian Domestic Distribution Corporation (EDDC), to distribute agricultural and industrial goods, respectively. The government regulated prices of agricultural and industrial goods. The licensing of trade was restricted to small businesses with a capital ceiling (limit).

The foreign trade policy of the Derg regime had the following objectives: increasing government expenditure by imposing taxes on imports and exports, protecting the domestic economy from foreign competition, maintaining a favorable balance of payments, and gradual elimination of the private sector from foreign trade participation.

The TGE and later the EPRDF government changed the trade policy of the Derg from that of command system into a market oriented system. One of these measures included trade liberalization, which involves removal of trade restrictions, participation of the private sector in trade activities, abolishment of forced delivery and quota of agricultural products, licensing of the private sector and liberalization of the foreign exchange market.

The new government introduced privatization of small-, medium- and large-scale public enterprises. The privatization process allows more and more participation of the private sector, on one hand, and reduces government expenditure by selling loss-making public enterprises, on the other.

The performance of trade subsectors has shown improvement after the reform period. Foreign exchange earnings from merchandise activities have increased over time due to relatively good policy and peace that prevail in the country.

2. Unit Objectives

By the end of the unit, students will be able to:

- State and explain the role of trade and its importance in Ethiopian economy;
- Distinguish the domestic and foreign policies and strategies applied by Imperial, Derg and EPRDF governments.
- Construct balance of payments

3. Main Contents

- 5.1 Role and importance of trade in economic development
- 5.2 Trade policies and strategies in Ethiopia
- 5.3 The structure and performance of trade
- 5.4 Development in the balance of payments in Ethiopia

5.1 ROLE AND IMPORTANCE OF TRADE IN ECONOMIC DEVELOPMENT

Periods Allotted: 3

1. Competency

By the end of this lesson students will be able to:

- ⚡ explain the importance of trade in economic development

2. Sub Contents

- ◆ Historical background of trade
- ◆ Role and importance of trade in economic development
- ◆ Restrictions and mode of payments in foreign trade

3. Overview

Historically, it is known that trade (both domestic and international) were undertaken during the Axumite period; and the government also obtained considerable amount of income from it. However, trade took its modern shape during Emperor Menilik II.

After the Italian invasion, the modernization of domestic trade reached a landmark. A responsible ministry and institutions that aimed at training Ethiopians in the field of trade and commerce were set up. On top of this a commercial code was also introduced in the pre-1974 period.

After 1974, however, mass nationalization took place. Profit ceased to be the motive behind trade and commerce. As a result, the economy at large stopped moving ahead. However, a number of measures have been taken to liberalize the sector in the post-1992 period.

Trade is grouped into two: domestic and foreign trade. Domestic trade refers to services within the boundary of a nation among economic agents. International (Foreign) trade, however, involves exchange of goods and services among sovereign nations, i.e., across national boundaries. International trade allows a country to consume more than it produces and helps the nation to earn foreign exchange to import goods and services from abroad.

In general, trade distributes income among people of the same nation or across nations.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various publications on the Ethiopian economy published by the Ethiopian Economic Association and other journals.

4.2 Suggested Teaching Methods

- Explanation and discussion.

4.3 Pre-Lesson Preparation

- Read and understand the materials given in the textbook and other reference materials in advance and be ready to explain the historical background of trade, the role and importance of trade in economic development and the restrictions and modes of payment in international trade.

4.4 Presentation of the Lesson

a) Introduction to the lesson

You may start the lesson by asking students the following questions.

- Why has Ethiopia been undertaking trade with the rest of the world since the Axumite period?
- Why do people undertake trade in your locality?
- Identify the types of trade transactions familiar to you.
- List the different benefits that arise from domestic as well as foreign trade.

b) Body of the lesson

- Discuss the nature of trade during the Axumite Kingdom.
- Highlight the history of the emergence of modern trade after the Italian invasion.
- Discuss the nature of trade during the Derg regime.
- Elaborate the recent trends in domestic and international trade.
- Discuss the meaning of trade.
- Distinguish between domestic and international trade.
- Explain the benefits associated with trade.

4.5 Evaluation and Follow-Up**a) Evaluation**

You may ask students the following to check their understanding.

- Briefly discuss the historical development of trade in Ethiopia.
- Compare and contrast trade in goods and services.
- Identify the advantages of trade.

b) Follow-up

- Encourage students to identify the trade relationships of their locality with other regions of Ethiopia.
- Encourage them also to interview government bodies and elderly people about the development of inter-regional trade in their locality.
- You may encourage students to identify trade activities in the formal and informal sector and discuss their features in class.

5.2 TRADE POLICIES AND STRATEGIES IN ETHIOPIA

Periods Allotted: 4

1. Competencies

By the end of this lesson students will be able to:-

- ✚ examine the domestic trade policies and strategies based on ownership policy, distribution policy, pricing policy and licensing policy;
- ✚ examine the foreign trade policy.

2. Sub contents

- ◆ Domestic trade policies and strategies
- ◆ Foreign trade policy

3. Overview

The Ethiopian governments have adopted different types of trade policies and strategies which they thought would promote trade in particular and development of the economy, in general.

The Military Government followed a command economic system which puts trade enterprises under government (public) ownership. For instance, Ethiopian Domestic Distribution Corporation (EDDC) and Agricultural Marketing Corporation (AMC) were two government owned distribution outlets. The pricing policy of the regime was in accordance with socialist principles. Therefore, there was control over prices in the economy. Issuance of licenses were restricted to a limited number of small businesses with a capital limit. The foreign trade policy of the Derg was intended to raise revenue by taxing imports and exports. It was also characterized by a high degree of protectionism and limited the participation of the private sector in foreign trade. The foreign exchange was highly regulated, and rationing was carried out, due to the scarcity of foreign currency.

The TGE took power from the Derg and introduced trade liberalization measures since 1992. It has adopted a new economic policy allowing and encouraging the participation of the private sector. The quota system was abolished and the role of AMC and EDDC was very much reduced and allowed to compete with other private sector distribution and wholesale enterprises. The government encourages the involvement of the private sector and has reduced the size of the public sector in the economy. The government has also adopted foreign trade policies conducive to promote international trade.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- books, journals and various related publications

4.2 Suggested Teaching Methods

- Explanation, discussion and debating,

4.3 Pre-Lesson Preparation

- Read the textbook and other relevant reference materials on the various trade policies and strategies adopted by the different regimes. Make the necessary preparations to explain the differences between domestic and foreign trade policies.

4.4 Presentation of the Lesson

a) Introduction to the lesson

You may start the lesson by asking students the following questions:

- What form of ownership policy do you know?
- What forms of restrictions were imposed by the Derg in the trade subsector?
- What recent changes have been made to solve previous problems in trade?

b) Body of the lesson

- Discuss the trade policies of the Derg regime.
- Discuss the recent change in policy guidelines.
- Explain trade liberalization measures taken by TGE.
- Discuss the trade policies of the TGE and EPRDF governments.

4.5 Evaluation and Follow-Up

a) Evaluation

You may ask students the following questions to check whether students have understood the lesson or not.

- List some of the trade liberalization measures taken in recent years.
- Discuss the problems of the Derg trade policies.
- Compare and contrast foreign trade policies of the Derg and the EPRDF government.
- Explain the roles of AMC and EDDC in the past and at present.

b) Follow-up

- The recent government has abolished all export taxes, except on coffees and reduced import taxes. What are the implications of these policies?
- Assess the results

5.3 THE STRUCTURE AND PERFORMANCE OF TRADE

Periods Allotted: 4

1. Competencies

By the end of this lesson students will be able to:

- ✚ evaluate the structure and performance of trade
- ✚ analyze the structure of domestic trade
- ✚ evaluate the structure and performance of foreign trade as compared to export and import performance
- ✚ identify the major trading partners of Ethiopia.

2. Sub contents

5.3.1 The structure of domestic trade

5.3.1.1 Wholesale trade under public enterprises

5.3.1.2 Wholesale trade under private enterprises

5.3.1.3 Retail trade

5.3.2 The structure and performance of foreign trade

5.3.2.1 Exports

5.3.2.2 Imports

5.3.2.3 Major trading partners of Ethiopia

3. Overview

The structure and performance of trade during the Derg regime was characterized by state monopoly over wholesale and retail trade. It restricted the participation of the private sector. The government strengthened the socialization process to achieve social objectives under central planning. However, the result of these measures was underdeveloped domestic as well as foreign trade.

The main distributor of agricultural goods was Agricultural Marketing Corporation (AMC) under the public sector, while Ethiopian Domestic Distribution Corporation (EDDC) was major distributor of the industrial goods under the Derg regime. Refer to Tables 5.2 and 5.3 for the performances of EDDC and AMC in the student book.

After the downfall of the Derg regime, EDDC was restructured and renamed as Merchandise Wholesale and Ethiopian Grain Trade Enterprise (MWEGE) and the AMC was restructured and renamed as Ethiopian Grain Trade Enterprise (EGTE) in 1992.

Recent developments indicate increasing participation from the private sector in wholesale trade. This can be observed from Table 5.4 in the textbook, which indicate the new domestic trade licenses issued between 1988/89 and 1992/93.

The retail trade was mainly conducted by the Ethiopian Retail Trade Corporation (ERTC) and by the Ethiopian Household and Office Furniture Enterprise (ETHOF) during the Derg regime. These firms are now restructured as enterprises to operate and compete with the other retail private firms.

The performance of the foreign trade sector was unsatisfactory during the Derg regime. Coffee has remained the most important export item in terms of volume and earnings. Refer to Table 5.3 and 5.4 for the performance of the export sector in the student book.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various publications and journals published by the Ethiopian Economic Association.

4.2 Suggested Teaching Methods

- Interactive teaching, group discussion and debating,

4.3 Pre-Lesson Preparation

- Prepare yourself by reading the textbook and other relevant reference materials to explain the structure and performance of trade from the point of view of domestic and international trade.

4.4 Presentation of the Lesson

a) Introduction to the lesson

You may start the lesson by asking students the following.

- Which of the distribution corporations were known during the Derg? Discuss their current roles in the economy.
- What kind of pattern (trend) is observed in the foreign trade of the country?
- Discuss the importance of coffee in export across regimes.

b) Body of the lesson

- Discuss the structure and performance of domestic and foreign trade.
- Explain the role of public enterprises in the wholesale and retail trade during the Derg regime.
- Evaluate the performance indicators of the public wholesale enterprises.
- Compare and contrast the level of participation of the private sector in the pre- and post-1991 periods.
- Describe the nature of foreign trade in Ethiopia.
- Outline the structures of exports and imports.
- Evaluate the level of earnings of foreign exchange across time periods.
- Evaluate the volume, value and items of imports in Ethiopia.
- Discuss the direction of trade and geographic concentration of Ethiopian exports.

4.5 Evaluation and Follow-Up**a) Evaluation**

You may ask students the following to assess their understanding of the lesson.

- What do you learn from the performance of the foreign trade subsector of Ethiopia?
- Identify the main items that are exported from and imported to Ethiopia.

b) Follow-up

- Divide students in groups and have them evaluate the performance of the sector by using the figures that are provided in table form in their textbook.

5.4 DEVELOPMENTS IN THE BALANCE OF PAYMENTS IN ETHIOPIA

Periods Allotted: 5

1. Competencies

By the end of this lesson students will be able to:-

- ✚ define the concept of balance of payments
- ✚ evaluate the development of balance of payments
- ✚ examine the national debt service and its performance
- ✚ describe the relationship between trade and globalization and their integration with economic growth.

2. Sub contents

- ◆ Trade balance
- ◆ Current account balance
- ◆ Capital account balance
- ◆ Globalization/integration

3. Overview

Balance of payments is one of the macroeconomic indicators which summarize the flow of payments between a country and the rest of the world. It has two parts: the current account and the capital account.

Trade deficit remained a feature of Ethiopia's external merchandise trade in two preceding decades. This was because of the greater increase in value and volume of imports than of exports. Despite a substantial private transfer inflow and a small but increasing net receipt from services, the account balance continued to experience deficits from 1992–93 to 2008–09. The service balance and private transfers were the only items of the BOP to show positive balances across the time period. The trade balance on goods and services and current account showed negative balances.

Debt is an accumulation of loans of governments from creditors. National debt can be divided into domestic and foreign components. Domestic debt refers to the amount of public sector borrowing from banks and non-bank sources. Foreign debt refers to the amount of a nation's borrowing from foreign sources (multilateral financial institutions and bilateral loan agreements). The size of external debt continued to increase until 1998/99, thus imposing a high debt service ratio that was beyond the service capacity of the country. The available documents indicate that the size of external debt was USD 371 million in 1974/75 and this increased to USD 10.2 billion by the end of 1998. However, following the huge discount made by the Russian Federation, the total debt stock of the country was reduced by half and reached USD 5.45 billion at the end of 1999. By the end of 2008/09, Ethiopia's stock of external debt reached USD 3.3 billion, 20% higher than the previous year.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Various publications on the annual report of the National Bank of Ethiopia and publications by the Central Statistical Authority.

4.2 Suggested Teaching Methods

- Explanation, group discussion and debating,

4.3 Pre-Lesson Preparation

- Make advance preparations for explaining the concept of balance of payments and its development in the Ethiopian economy. Read about the national debt service and its performance and be ready to present the lesson. Prepare yourself by thoroughly reading the student's textbook and other relevant materials as you prepare to discuss globalization and integration.

4.4 Presentation of the Lesson

a) Introduction to the lesson

You may start the lesson by asking students the following.

- Discuss the meaning of BoPs, Trade Balance (TB), and Current Account Balance (CAB).
- What can you say about the role of external trade in the Ethiopian economy?
- Describe the components of BoPs.

You may introduce the lesson to students by asking them the following.

- Discuss the national debt of Ethiopia.
- Why has Ethiopia accumulated significant debts?
- What do you think is the impact of such debts?
- Discuss the relationship between globalization and/or integration and trade.

b) Body of the lesson

- Discuss the components of the BoPs in Ethiopia.
- Assess the performance of Ethiopia's external trade using the Trade Balance and Current Account Balance.
- Explain the reserve position of the country in the past.

- Define BoP, Trade Balance, Current Account Balance and Capital Account Balance.
- Discuss the meaning of national debt and debt-servicing.
- Explain the factors that lead to government borrowing from internal and external sources.
- Describe the trend of national debt.
- Explain the most important indicators of the level of debt in a country.
- Discuss the consequences of high debt burdens.
- Outline the advantages and disadvantages of external and domestic borrowing.
- Compare and contrast the debt burden of Ethiopia across regimes.
- Identify the factors that have contributed to the high level of debt during the Derg and the EPRDF regimes.
- Describe the level of debt burden using some indicators.
- Compare and contrast the challenges and opportunities of globalization.

4.5 Evaluation and Follow-Up

a) Evaluation

You may ask students the following to see how well they understand the lesson.

- Explain the nature and implications of the trade balance and current account balance of Ethiopia in 1990s.
- Explain the reserve position of Ethiopia in the past few years.
- Explain the challenges and opportunities that globalization offers to countries like Ethiopia.

b) Follow-up

- Give chances to students to discuss the BoP as a percentage of GDP in front of their classmates using the data in the student book.
- Encourage students to openly discuss the advantages and disadvantages of an economy which is self-sufficient on its own and an economy which depends on others for securing loans.
- Divide students in groups and have them discuss the relationships between trade and globalization and also their pros and cons.

ANSWERS TO ACTIVITES

Activity 5.1

1. The main cause of international trade is that different countries are endowed with different resources. Unlike domestic trade, international trade has its own salient features. Some of them are
 - It brings foreign goods and services that cannot be produced within the domestic economy.
 - It encourage specialization and creates interdependence among countries.
 - International trade involves different currencies
 - In international trade movement of goods and services is not free that is, there are various obstacles limiting the movement of goods and services among different nations.
2. - Domestic trade involves same people, where as international trade takes place between different people. (between 'us' and 'them')
 - Domestic trade uses single currency unit where as in international trade various currencies are used.
 - International trade is the only source of foreign exchange but this is not the case in domestic trade.

Activity 5.2

1. The rationale behind countries to participate in international trade is because it benefits all participants.
2. – Ethiopia is said to have an absolute cost advantage over another nation if it has an absolute cost advantage over tax production of a particular commodity x when compared to other nations. On the other hand, according to the principles of comparative advantage, a country should specialize on those products on whose production it has comparative cost advantage (i.e produce if at a relatively lower cost).
3. – Quotas
 - Tariffs
 - Exchange control
4. – Banker's transfer
 - Bill of exchange
 - Letter of credit

Activity 5.3

1. Both wholesale and retail trade were nationalized and came under the public domain in order to meet socialist oriented objectives of the government.
2. The participation of private traders in whole sale trading activities was very limited. In some cases, they had to surrender all their purchases and in some other cases 50% of their annual purchases to the government owned agricultural marketing corporations.

Activity 5.4

1. The distribution policy was infavour of socialized sector. Those sectors under public ownership and cooperatives were given priority in the distribution of goods and services.
2. – Quota allocation, and
- rationing

Activity 5.5

1. There were administratively managed pricing practices.
2. The prices of agricultural commodities were determined by the ministry of agriculture based of the cost of production study. The prices of manufactured goods, on the other hand, were determined by the Ministry of Domestic Trade.

Activity 5.6

1. - removal of restrictions on trades
 - control an interregional grain movement was also removed
 - quota system in grain purchase was abolished.
 - private traders were allowed to operate side by side with government parastatals.
2. - access to licenses and legal recognition are relatively easy,
 - role of parastatals has declined
 - traditional private marketing system has shown revival.
 - market type and market channels in both-rural and urban areas are diversified etc.
3. - Privatization is the process of transferring ownership and control of firms from public to private.
4. - selling retail trade shops and stores as well as small and medium size hotels through tenders.
5. – Although the number of projects certified is very few in number, it shows additional change on the side of the business communities that have been accustomed to “air – to – air” trading practices.

Activity 5.7

1. - The government introduced export duty drawback scheme to encourage investment in the production of exportable.
 - maximum import duties were lowered from 280% to 80% during the first move of import liberalization and currently stood at 50%.
 - Efforts are made to correct legal and administrative impediments towards import liberalization.
2. This is a scheme authorizing organizations and persons wholly engaged in supplying their products to foreign markets to import or locally purchase raw materials they use in production of such commodities free of duty.
3. - exporters were not allowed to export commodities at a price which was less than the reference price provided by the government.
 - exporters were also forced to surrender 100% of the foreign exchange they obtained to the government.
 - restrictive foreign exchange licensing system for private sue.
 - fixed exchange rate for quite a longer period of time etc.
4. - During the Derg regime there was fixed foreign exchange rate. The current government replaced by managed floating exchange rate.
 - There was tax and duties levied on export except on coffee during the Derg regime but this was suspended by the current government.
 - introduction of export duty drawback to encourage investment in the roduction of exporters.
 - Reducing license fees for coffee exporters.
 - Lowering maximum import duties.

Activity 5.8

1. Some of the following problems like access to capital, storage and transportation etc should be addressed for EGTE to live up to its expectations.
2. As part of the reform measures, the current government made the enterprise to operate under competitive environment. Stabilizing consumer markets and becoming profitable have been the two main objectives of the enterprise. Intermis of attaining the stated goals, the enterprises has made its own effort but has to exert more effort to live up to its expectations.

Activity 5.9

1. Diversification of export products by encouraging private sector participation in the export sector definitely addresses the stated problem.

Activity 5.10

1. Whenever there are ups and downs (recession) in the international market, it will create fluctuation in the foreign exchange earning if a country relies on export of a single or few primary products. In order to have a sustained foreign exchange earnings, it is advisable to diversify exportable products.
2. It is those countries (the industrialized one) who benefit a lot from the international market since the demand for their export is highly income elastic.

Activity 5.11

1. It is characterized by export of single or very few primary products.
2. There is an increasing in the participation of the private sector in the export sector during the 1990's when compared to 1980's.

Activity 5.12

1. - through diversification, and
- by exporting processed primary products.
2. The possible measure is to further process the commodities before exporting them. This way is possible to add value and generate additional earnings.

Activity 5.13

1. A rise in import expenditure since most industries are import dependent. On the other hand, the limited capacity of the economy to generate foreign earnings are some of the factors accountable for the widening up of the balance of payment.

Activity 5.14

1. Ethiopia's export is characterized by few primary products. It imports, on the other hand, is dominated by industrial goods.
2. - Germany, Netherlands, Switzerland, Italy, China, Saudi Arabia, United Arab emirates, Israel, Sudan, Djibouti.
3. The deficit in the current account has to be corrected sooner or later by the government. This will undoubtedly create pressure on the government budget. Which could have been used to run other government programs. Therefore, this will retard developmental activities in other sectors or areas.

Answers for Content Check 5.2

1. Ownership
2. D
3. True
4. D
5. True

Answers for Content Check 5.3

1. Ethiopia is a price - taker in almost all of its commodities.
2. False: because the importing capacity of countries in the eastern and southern Africa is very limited and our export capacity is also limited as well. Hence we have loose trade relationship will - COMESA.

Answers for Content Check 5.4

1. False: The trade deficit has expanded owing to the increase in imports which was much faster than exports.
2. True: Debt cancellation and rescheduling are the two factors accountable for the decline in our interest payments on external debt.
3. False: In fact the private transfer inflow has increased. But the current account balance continued to experience deficit.
4. C
5. False: the motive driving countries to co-operate with each other are not the same rather they are different.

ANSWERS TO REVIEW EXERCISE FOR UNIT 5

I.

- | | | | | | | |
|------|------|-------|------|------|------|------|
| 1. E | 2. D | 3. E | 4. B | 5. D | 6. A | 7. C |
| 8. D | 9. C | 10. C | | | | |

II.

- | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|
| 11. F | 12. F | 13. T | 14. T | 15. F | 16. T | 17. F |
|-------|-------|-------|-------|-------|-------|-------|

III.

18. Unlike domestic trade, international trade brings foreign goods and services that cannot be produced within the domestic economy. International trade also encourages the diffusion of knowledge and culture because trade serves as a point of contact between people of different countries. Furthermore, international trade encourages specialization and creates interdependence among countries.
19. Domestic debt is the accumulation of annual loans that the government borrows from domestic financial institutions, whereas external debt refers to the accumulation of annual loans that the government borrows from international financial markets.
20. The amount of foreign exchange required to pay the external debt.
21. The current account records exports and imports of goods and services and unilateral transfers. It is the combination of the trade account, the service account and the transfer account. The capital account, on the other hand, covers transactions in financial assets and liabilities. It is different from current-account transactions in that it necessarily involves domestic residents either acquiring or surrendering claims on foreign residents. Hence, it deals with changes in the level of claims on foreign residents.
22. The balance of payments of a country is a systematic record of economic transactions that involve receipts and payments of currency made between its residents and those of the rest of the world in a given period of time.

Fiscal Policy and Public Development in Ethiopia

Periods Allotted: 14

1. Introduction

In this unit fiscal policy and public development in Ethiopia is described. In section 6.1 the economic role of government will be studied. Section 6.2 deals with the historical background of public finance in Ethiopia. Section 6.3 emphasizes the structure and performance of revenue and expenditure. Government can finance budgetary deficit by domestic borrowing, external borrowing or issuing currency; this concept will be discussed under section 6.4. Fiscal decentralization and public sector reform in Ethiopia will be studied in section 6.5.

2. Main Contents

- 6.1 Economic role of the government
- 6.2 Historical background of public finance in Ethiopia
- 6.3 Structure and performance of revenue and expenditure
- 6.4 Analysis of government budget and deficit financing
- 6.5 Fiscal decentralization and public sector reform in Ethiopia

6.1 ECONOMIC ROLE OF THE GOVERNMENT

Periods Allotted: 2

1. Competency

At the end of this topic, the students will be able to:

- ➔ Explain the economic role of the government

2. Contents

- ◆ Identify the economic role of government

3. Overview

The government role includes the following:

- a. Promoting economic growth;
- b. Providing public goods and service, such as defense, judicial service, highways, streetlight, education and healthcare service and others;
- c. Bringing about equitable distribution of income, and promoting economic growth;
- d. Regulating externalities;
- e. Promoting efficiency and maintenance of law and order;
- f. Stabilizing the economy, such as controlling inflation, reducing unemployment;
- g. Avoidance of regional imbalance.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Picture of public goods, such as highway, school, health center and the like.
- MOF. The Federal Budget Grant Distribution Formula to Regional States. May 2009, Addis Abeba, Ethiopia, Bulletin.

4.2 Suggested Teaching Methods

- Brainstorming sessions
- Introducing the lesson
- Explanation
- Questioning
- Group discussion
- Presentation

4.3 Pre-Lesson Preparation

Get ready the teaching aids and teaching materials, as they are vital to achieving the stated learning objectives. If all or some of them are not readily available in the school, please try to prepare your own aids/references from what you have around. Then, plan how to utilize the materials so as to achieve the expected outcome and then discuss the lesson with your students and encourage them to present ideas or concepts.

4.4 Presentation of the Lesson

a) Introduction to the lesson

- Before giving detailed explanations to the students, it is better to start the lesson by asking questions about the topic. This would help you to identify where your students are with respect to the lesson. Questions like the following can help you to conduct a brainstorming session with the students.
 - What are the economic roles of the government?
 - Mention some of the public goods in your locality.
 - What do we mean by stabilization role of government?

b) Body of the lesson

- Taking students' background understanding into consideration, commence your presentation by explaining what "economic role" means.
- Have students describe the economic role of the government.
- Have students discuss in group how government avoids regional imbalances and unfair distribution of income among citizens.

4.5 Evaluation and Follow-Up

a) Evaluation

- Ask them questions and assign some activities that relate to your lesson, such as the following:
 - What is inflation?
 - What is mean by externality?

b) Follow-up

- To further widen the understanding of students about the economic role of the government, have them work on the topic further, either individually or in groups.
- make sure the lesson has been well-delivered and well-understood. If not, give more explanation.

6.2 HISTORICAL BACKGROUND OF PUBLIC FINANCE IN ETHIOPIA

Periods Allotted: 2

1. Competencies

At the end of this topic, the students will be able to:

- ✚ Review the historical background of public finance in Ethiopia
- ✚ define public finance

2. Contents

- ◆ public finance

3. Overview

During the Derg period, the rise in government expenditure for defense, strong involvement of government in the economy, overall expansion of the public sector, high degree of centralization and mismanagement of economic resources led to great increases in government expenditure.

After the fall of the Military Government, the new government took different measures. Most of these measures included revenue and expenditure reform that increase government revenue and reduce government expenditure. It helped to remove the budget deficit.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Table or chart
- Ministry of Finance, Central Accounting Department. 2008/09

4.2 Suggested Teaching Methods

- Brainstorming session:-this helps you to understand students' background knowledge about the topic discussed. Appreciate their participation even if they do not answer the question properly.
- Introduction:- introduce the objective of the lesson and what will be expected from students at the end of the lesson.
- Harmonize students' impressions with the real concept of the lesson topic.

- Documentation: - you may give short notes about the lesson topic. Please instruct them how to take lecture notes from class discussion and explanation.
- Small- group discussion: - each group is expected to discuss selected issues regarding the topic. They have to present their ideas through one or two of the group members.

4.3 Pre-Lesson Preparation

- Before starting the lesson, acquire the suggested teaching aids for the topic and read them while referring to the textbook. Update yourself on current issues on government finance from respective offices, newspapers, magazines, radio, television, internet and the like.

4.4 Presentation of the Lesson

a) Introduction to the lesson

- Assign the students to group discussion dealing with historical background of public finance.

b) Body of the lesson

- Every student should know the historical background of public finance

4.5 Evaluation and Follow-Up

a) Evaluation

- Ask question like:
 - What is public finance?
 - How does budgetary deficit occur?

b) Follow-up

- Check whether the lesson has been well-delivered and well-understood by asking questions. If it has not, briefly review the lesson.

6.3 STRUCTURE AND PERFORMANCE OF REVENUE AND EXPENDITURE

Periods Allotted: 3

1. Competencies

At the end of this topic, the students will be able to:

- ✚ Evaluate the structure of revenue
- ✚ Evaluate the performance of government revenue
- ✚ Review the government expenditure

2. Contents

6.3.1 Government revenue

6.3.2 Government expenditure

3. Overview

Government has numerous source of revenue which could be classified as tax and non-tax sources. Though the revenue sources are numerous, those items which form the bulk of the total revenues, however, are quite few. Taxes from wages and salaries, agricultural income tax, rural land-use fee, business profit tax are the major sources of revenue. Among non-tax revenues, medical supplies and treatment fees have shown a consistently high amount across regions.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Chart/table
- CSA annual report 2008/09
- MOF bulletin

4.2 Suggested Teaching Methods

- Group presentation
- Explanation
- Discussion
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Designing how to motivate students in class participation
- Collecting materials relevant to the lesson and selecting, organizing and presenting the collected ideas in an attractive way.

4.4 Presentation of the Lesson

a) Introduction to the lesson

Motivate the students by giving them opportunities to present ideas before starting the lesson.

- What is government revenue?
- What is government expenditure?
- Have students evaluate the performance of revenue and expenditure.

b) Body of the lesson

- Explain government sources of finance
- Define key terms that appear frequently in the lesson topic
- Distinguish sources of revenue

4.5 Evaluation and Follow-Up**a) Evaluation**

- Give them classwork like the following:
- What are tax and non-tax sources of government revenue?

b) Follow-up

- Make remarks for every student class activity related to the lesson and grade the students based on their class activity.
- appreciate the best results.
- record whether the expected competencies have been attained.

6.4 ANALYSIS OF GOVERNMENT BUDGET AND DEFICIT FINANCING*Periods Allotted: 3***1. Competencies**

After learning this subunit, the students will be able to:

- ⚡ Analyze the government budget
- ⚡ Examine government deficit financing
- ⚡ Define the fiscal policy
- ⚡ Analyze government expenditure budget
- ⚡ Explain the government budget
- ⚡ Examine government deficit financing

2. Contents

- 6.4.1 Structure of government budget
- 6.4.2 Government expenditure budget
- 6.4.3 Budgetary deficit financing

3. Overview

Government budget is a financial plan of government revenue and expenditure for a specific period, usually for one fiscal year.

A budgetary deficit occurs when government expenditure (G) is greater than revenue (T) (G-T). A budgetary surplus is when G is less than T.

Revenue budget consists of the annual forecast of a government budget from tax, non-tax, external assistance and capital revenue sources.

Government expenditure is divided into two principal headings: recurrent and capital expenditures.

The recurrent budget is mostly financed from the domestic revenue sources, i.e., from tax and non-tax revenue. The capital budget is usually financed by external borrowing and grants.

There are three main ways the government can finance a deficit.

- i. Firstly, the government can borrow funds from the other sources of the economy. When the government borrows from a domestic source it competes with the private sectors and creates what is referred to as a “crowding out effect”. A shortage of funds in the domestic market can result in rises in the cost of credit and hence discourage investment.
- ii. The second possible method used to finance a budget deficit is for the government to borrow funds from international financial markets. But this approach widens the balance of payments current account deficit.
- iii. The third possible method of financing a deficit is issuing currency. This form of financing basically means that the government prints money to finance the deficit. But this method is not advisable, because it is highly inflationary: when the government increases the money supply, if the economy has near full employment, demand pull inflation occurs rapidly, as there is an excess of money chasing a limited supply of goods.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- Chart/table
- MOF bulletin
- FDRE, House of Federation, 2009. The Federal Budget Grant Distribution Formula to Regional States. May 2009, Addis Abeba.
- MOF. The Federal Budget Grant Distribution Formula to Regional States. May 2009, Addis Abeba, Ethiopia.

4.2 Suggested Teaching Methods

- Explanation
- Discussion
- Brainstorming sessions:
 - start the lesson by questioning students about deficit financing methods

4.3. Pre-Lesson Preparation

- prepare related documents regarding government revenue and expenditure
- Motivate the students to explain the structure of government budget
- Organize the students in groups and let them discuss the structure of government expenditure budgets
- Design how to motivate students to discuss government budgetary deficit financing
- Organize the students in groups and let them discuss

4.4 Presentation of the Lesson

a) Introduction to the lesson

- Ask the students to explain government budget and deficit financing
- Motivate the students to discuss the structure of government expenditure budget

b) Body of the lesson

- Explain methods of deficit financing

4.5 Evaluation and Follow-Up

a) Evaluation

- Giving them assignment like the following:
- Have students write reports on government revenue and expenditure budget.

b) Follow-up

- Record whether the expected competencies have been met
- Make remarks for every activity related to the lesson
- Evaluate students based on their academic performance and appreciate the best result.
- Ask students what they know about structure of government expenditure budget.
- Confirm whether the lesson has been well-delivered and well-understood by asking questions. If not, briefly review the lesson.

6.5 FISCAL DECENTRALIZATION AND PUBLIC SECTOR REFORM IN ETHIOPIA

Periods Allotted: 2

1. Competencies

After learning this topic, the students will be able to:

- ✚ Evaluate public sector reform in Ethiopia
- ✚ Describe fiscal decentralization and public sector reform in Ethiopia
- ✚ Explain personal income tax
- ✚ Explain indirect tax
- ✚ Explain foreign trade tax
- ✚ Explain institutional framework

2. Contents

- 6.5.1 Personal income tax
- 6.5.2 Business income tax
- 6.5.3 Indirect tax
- 6.5.4 Foreign trade tax
- 6.5.5 Strengthening institutional framework

3. Overview

The economic system under the Derg government was characterized by a high degree of centralization in decision making and responsibility, and the economic power was concentrated in the hands of a few government officials. The new government, on the other hand, is based on the principle of decentralization. We now have federal and regional governments and each of them has its own duties and responsibilities. A regional state exercises its power over its jurisdiction by using its own plans and budgets.

Every person deriving income from employment in any government or other private organization or non governmental organization pays tax. Income taxes are of three types in nature:

- Proportional: tax rate levies certain fixed percentages on income received.
- Progressive: tax rate levies an increasing amount of money as income increases.

- **Regressive income tax:** tax rate levies a decreasing amount of money as income increases.

Indirect tax: a tax levied indirectly – for example, taxes levied on commodities before they reach the consumer but which are ultimately paid by the consumer as part of the market price. Examples include sales tax and value added tax (VAT).

Value Added Tax (VAT) is a form of consumption tax. From the perspective of the buyer, it is a tax on the purchase price.

A sales tax is a consumption tax charged at the point of purchase for certain goods and services. The tax amount is usually calculated by applying a percentage rate to the taxable price of a sale.

Turnover tax: It is an **indirect tax** which is similar to a **sales tax** or a **VAT**, with the difference that it taxes intermediate and possibly capital goods applicable to a production process or stage. For example, when a manufacturing activity is completed, a tax may be charged to some companies. Sales tax occurs when merchandise has been sold.

Withholding tax: is a government requirement for the payer of an item of income to withhold or deduct **tax** from the payment, and pay that tax to the government.

Excise duties: are taxes on **gasoline** and other fuels, and taxes on **tobacco** and **alcohol**.

Foreign trade tax: It comprises both import and export taxes.

Import tax: An import tax collected on imported goods.

Export tax: An export tax is a tax collected on exported goods.

4. Teaching-Learning Processes

4.1 Suggested Teaching Aids

- www.ecta.com
- MOE (Ministry of Education), 1997. The Future Directions of Higher Education. January 1997, Addis Abeba, 84pp.
- MoFED document and MOF report/bulletin
- www.wikipedia.com

4.2 Suggested Teaching Methods

- explanation
- discussion
- brainstorming sessions

4.3 Pre-Lesson Preparation

- Organize the students in groups and let them discuss and examine public sector reform in Ethiopia
- Motivate them to discuss personal income tax, business tax and foreign trade tax

4.4 Presentation of the Lesson

a) Introduction to the lesson

- Motivate the student to discuss the fiscal decentralization and public sector reform in Ethiopia

b) Body of the lesson

- Discuss fiscal decentralization and public sector reform in Ethiopia
- Explain the types of personal income tax
- Explain the concept of strengthening an institutional framework

4.5. Evaluation and Follow-Up

a) Evaluation

Ask questions like,

- What is personal income tax?
- What is the difference between import tax and export tax?
- Why does governments collect tax from individuals and businesses?
 - Quiz or test

b) Follow-up

- Ask students what they know about fiscal decentralization and public sector reform in Ethiopia.
- Grade the students based on their class activity or participation.
- Appreciate the best results.
- Have the students discuss the topic and ask them questions.
- If not, review the lesson in short **and** make remarks for student class activities and appreciate the best results.
- Ask students what they know about the structure of government expenditure budget. If not, briefly review the lesson.

ANSWERS TO ACTIVITES**Activity 6.1**

1. a. promote economic growth
 - b. regulate externalities
 - c. maintain law and order
 - d. reduction poverty, etc.
2. Tax is the amount of money that the government collect from an individual and organization that it uses to provide public goods and services.

Subsidy: is the amount of money that the government pays to help to reduce the cost of production.

Activity 6.2

1. - to allocate resources in to production.
- to equalize distribution of income and wealth
- to promote economic growth and solve macroeconomic problems
2. Public fiancé deals with the financial activities of the government such as collection of taxes from those who benefit from the provision of public goods and services, and use of those tax funds towards production and distribution.

Activity 6.3

1. Government get revenue from tax sources such as:
 - direct tax: personal income tax, business income tax, etc
 - indirect tax: VAT, Turnover tax, Excise tax, etc
 - foreign trade tax: import tax and export tax

Government also generate revenue from non – tax source such as – charges and fees, sales of government assets, etc.

Activity 6.4

1. The recurrent budget is mostly financed from the domestic source of revenue but capital budget is usually financed by external loans and grants.
2. - domestic borrowing
 - external borrowing
 - issuing currency

3. Government budgetary deficit occurs when the government expenditure exceeds the government revenue.

Answers for Content Check 6.1

1. The economic role of the government list down as follows
 - i. providing public goods and services
 - ii. regulating and stabilizing the economy by using economic policies
 - iii. bringing equitable distribution among citizen
 - iv. Maintain law and order
 - v. reduction of poverty.
2. Private service important social functions such as:
 - source of income
 - source of employment
 - agents of socio-cultural interaction
3. - Defiance
 - Judicial services
 - high wealth
 - education and health care services
4. The government uses economic policies (fiscal and monetary) to stabilize the economy. By using those tools government can reduce fluctuation in income, employment and control the movement of the general price levels of goods and services.

Answers for Content Check 6.2

1. Fiscal policy: is a policy of government that guides the revenue and expenditure of a government.
2. Inflation and unemployment

Answers for Content Check 6.3

1. Total revenue and grant as the share of GDP has reached to 16.2% in 2007/ 08 and this calls for the needs to further strengthening of revenue collection institutions.
2. Fiscal policy has targeted at reducing fiscal deficit and focus on expanding the provision of socio-economic services and expansion of critical infrastructure.

3. The three types of income taxes are:

- proportional income tax
 - progressive income tax
 - regressive income tax
- ✓ Regressive income tax is affect more those people in low income bracket.

ANSWERS TO REVIEW EXERCISE FOR UNIT 6

I. Multiple choice questions

1. D 2. B 3. B

II. True or False

4. False 5. True 6. True 7. True 8. False

III. Short answer questions

9. - Promoting economic growth
- Providing public goods and service, such as defense, judicial services, highways, streetlights, education and healthcare service and others.
 - Bringing about equitable distribution of income.
 - Stabilizing the economy, for example, by controlling inflation, reducing unemployment, avoiding regional imbalance, ensuring fair or equitable distribution of income, and promoting economic growth.
 - Regulating the externalities
 - Promoting efficiency.
 - Maintaining law and order.
10. Proportional: tax rate levies certain fixed percentages on income received.
 Progressive: tax rate levies an increasing amount of money as income increases.
 Regressive income tax: tax rate levies a decreasing amount of money as income increases.
11. Economic development, social development and general service
12. Domestic borrowing, external borrowing and issuing currency (money printing)

IV. Workout

- i. a. 2800 b. 1625 c. zero d. 7425 e. 9,500
- ii. Deficit, 2075

Monetary Policy and the Financial Sectors in Ethiopia

Periods Allotted: 15

1. Introduction

The first subunit (The Historical Background of Money and the Financial Sector in Ethiopia) deals with the evolution of money and banking system in Ethiopia.

The second sub unit (The Financial Sector Policies and Reforms in Ethiopia) deals with the financial policy during the Imperial, Derg and EPRDF governments.

The third subunit (The Performance of the Financial Sector in Ethiopia) deals with major objectives of financial sectors, the components of broad money and narrow money, and the interest rate structure of commercial banks.

The fourth subunit (The Problems and Possible Remedies of the Financial Sector in Ethiopia) deals with the major problems and their possible solution.

To deal with the contents, we suggest using group discussion, explanation, demonstration, practical activities, observation, questioning, report writing as major methodologies. The startup questions and activities are given in each subunit to encourage students. Summaries and exercises are also included to help the students explore concepts in more detail.

2. Unit Objectives

At the end of this unit, students will be able to:

- Present a report on how monetary policy is applied in Ethiopia;
- Understand the different policies and strategies applied by the Imperial, Derg, and EPRDF (current government).

3. Main Contents

- 7.1 Historical background of money and the financial sector in Ethiopia
- 7.2 The financial sector policies and reforms in Ethiopia
- 7.3 The performance of the financial sector in Ethiopia
- 7.4 Problems and possible remedies of the financial sector in Ethiopia.

7.1 THE HISTORICAL BACKGROUND OF MONEY AND THE FINANCIAL SECTOR IN ETHIOPIA

Periods Allotted: 4

1. Competencies

At the end of this lesson students will be able to:

- ✚ Review the historical background of money and the financial sector in Ethiopia.

2. Contents

- ◆ Monetary policy
- ◆ Money
- ◆ Historical evaluation of money
- ◆ Banking system in Ethiopia
- ◆ Roles and functions of the National Bank and the Commercial Bank of Ethiopia
- ◆ The evolution of banking system

3. Overview

Monetary policy refers to the management of the money supply and its link to prices, interest rates and other economic variables.

The principal objective of the monetary policy of the National Bank of Ethiopia (NBE) is to maintain price and exchange rate stability and support sustainable economic growth of Ethiopia. Price stability is a measure for macroeconomic stability which is important in private sector economic decisions about investment, consumption, international trade and saving. Macroeconomic stability also fosters employment and economic growth. Maintaining exchange rate stability, on the other hand, promotes competitiveness in international trade.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Pictures of coins, currency notes, etc

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Find and make ready pictures and data of different banks

4.4 Presentation of the Lesson

a) Introduction to the lesson

Introduce the lesson by asking the questions such as the following:-

- What is monetary policy?
- How many types of Banks are there in Ethiopia?
- What are the functions of the financial sectors?

b) Body of the lesson

- Give the general meaning of monetary policy
- Give the names of the private and public banks
- Give the general meaning of financial sectors

4.5 Evaluation and Follow-Up

a) Evaluation

Ask questions such as:

- What is monetary policy?
- What are the functions of the financial sectors?
- How many types of banks are there in Ethiopia?
- What is the difference between the National Bank of Ethiopia and the Commercial Bank of Ethiopia?

b) Follow-up

- Assess each student's performance throughout the lesson
- Give classwork or homework
- Maintain a record of how every student takes part in discussion
- You can prepare your own questions that are relevant to the lesson
- From your student-performance record, check whether or not the suggested competencies have been achieved.

7.2 THE FINANCIAL SECTOR POLICIES AND REFORMS IN ETHIOPIA

Periods Allotted: 6

1. Competencies

At the end of this lesson students will be able to:

- ✚ Examine the financial policies that have been used by the Imperial, Derg, and EPRDF governments.

2. Contents

- ◆ Financial policy during the Imperial regime
- ◆ Financial policy during the Derg
- ◆ Financial policy during EPRDF

3. Overview

Financial liberalization is high on the agenda of developing countries. The government intervention in the financial sector subsidized interest rate and credit allocation. The policy prescription that follows liberalization principles has been endorsed by international financial and development institutions such as the World Bank (WB), The International Monetary Fund (IMF) and has been high on the agenda of the reform packages prescribed for most developing countries called Structural Adjustment Program (SAP).

The financial policy during the Imperial Period: -Pre 1974 the government was in line with the capitalist economic system, which allows the participation of the private sector in the financial sector. There was no capital ceiling requirement by the government.

The financial policy during the Derg period:- 1974-1991 during this period all private banks were nationalized by the government in accordance with socialist principles.

The financial policy during the EPRDF period:- post 1991 proclamation no. 84/1994 that allow the private sectors owners have Ethiopian nationals to engaged in the banking and insurance businesses. The government has used indirect monetary policy instruments such as Open Market Operation (OMO).

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Find data from the National Bank of Ethiopia's annual report of 2008/09

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Make ready the data on the blackboard or whiteboard

4.4 Presentation of the Lesson

a) Introduction to the lesson

Introduce the lesson by asking questions like:-

- What are the functions of banks?
- Why did public owned banks perform poorly in the Derg regime?
- How much was the fixed interest rate in 2008/2009?

b) Body of the lesson

- Give general ideas about different periods' financial policies
- Explain the financial policy of the Imperial regime
- Explain the financial policy of the Derg regime.
- Explain the financial policy of the EPRDF.

4.5 Evaluation and Follow-Up

a) Evaluation

Ask question like the following

- What are the differences among the financial policies of different regimes?
- What was the financial policy of the Imperial regime?
- What was the financial policy of the Derg regime?
- What is the financial policy of the EPRDF (current government)?

b) Follow-up

- Assess each student's performance throughout the lesson
- Give classwork or homework
- Maintain a record of how every student takes part in discussion
- You can prepare your own questions that are relevant to the lesson
- From your student-performance record, check whether or not the suggested competencies have been achieved.

7.3 THE PERFORMANCE OF FINANCIAL SECTOR IN ETHIOPIA

Periods Allotted: 3

1. Competencies

At the end of this lesson students will be able to:

- ✚ Evaluate the performance of financial sector in Ethiopia.

2. Contents

- ◆ Major objectives of financial sectors
- ◆ Components of broad money and narrow money
- ◆ Interest rate structure of commercial banks

3. Overview

One of the major functions of a financial sector is to define credit availability and allocate credit to end users. Not only does the sector distribute the amount of credit needed, but it also collects back the loan advances in the form of interest.

Money, narrowly defined in the Ethiopia context, includes currency in circulation outside the banking sector and demand deposit.

4. Teaching-Learning Process**4.1 Suggested Teaching Aids**

- data
- calendars of different periods

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Make ready different bank pictures and data from the National Bank Annual Report of 2008/09.

4.4 Presentation of the Lesson

a) Introduction to the lesson

Introduce the lesson by asking questions like:

- How was the performance of banks in the Imperial period?
- How was the performance of banks in the Derg period?
- How is the performance of banks in the EPRDF (the current government)?
- What is the difference between narrow money and broad money?

b) Body of the lesson

- Give general ideas of the Imperial period's financial performance
- Explain the financial performance of the Derg period.
- Explain the performance of the financial sector of EPRDF.
- Explain the difference between the broad and narrow money supply. Also explain how to calculate it.

1. Narrow money = Currency in circulation + Demand deposit
2. Quasi money = Saving Deposit + Time Deposit
3. Broad money supply = Narrow Money + Quasi Money

4.5 Evaluation and Follow-Up

a) Evaluation

Ask questions like the following:

- How was the performance of banks in the Imperial period?
- How was the performance of banks in the Derg period?
- How do you measure the performance of banks as regulated by the current government?

b) Follow-up

- Assess each student's performance throughout the lesson
- Give classwork or home work
- Keep a record of how every student takes part in discussion
- You can prepare your own question which are relevant to the lesson
- From your student-performance record, check whether or not the suggested competencies have been achieved.

7.4 THE PROBLEMS AND POSSIBLE REMEDIES OF FINANCIAL SECTOR IN ETHIOPIA

Periods Allotted: 2

1. Competencies

At the end of this lesson students will be able to:

- ✚ Assess the problems of and identify the possible remedies for the financial sector in Ethiopia.

2. Contents

- ◆ Problems and remedies

3. Overview

The major problem facing in the financial sector is underdevelopment. The economy is under monetized. Current lending and collecting activities, credit authorization procedures and lending institutions and their capacities are limited.

Solutions for the problems are establishing small financial institutions throughout the country, mobilizing local as well as foreign saving, implementing a strong policy framework etc.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

Collect information related to the topic from newspapers, different books etc.

4.4 Presentation of the Lesson

a) Introduction to the lesson

Introduce the lesson by asking questions like:

- What are the problems of financial sectors in Ethiopia?
- What types of remedies are taken by the government to avoid the problems?

b) Body of the lesson

- Give general ideas about problems of financial sectors.
- Explain the remedies taken by the government.

4.5 Evaluation and Follow-Up

a) Evaluation

Ask questions such as:

- What are the problems of financial sectors in Ethiopia?
- What types of remedies are taken by the government to solve the problems?

b) Follow-up

- Assess each student's performance throughout the lesson
- Give classwork or homework
- Keep a record of how every student takes part in discussion
- You can prepare your own questions that are relevant to the lesson.
- From your record, check whether or not the suggested competencies are achieved.

ANSWERS TO ACTIVITES

Activity 7.1

1. Arrange a visit for the students to appropriate nearby institutions.
2. Before the visit, organize the students in groups based on student capacity. Prepare them for their tour and tell them that each group will prepare a report about the visit when they are back in the classroom.
3. During the visit, help the students as they collect, organize, and analyze information about the evolution of money in Ethiopia.
4. After the students prepare their reports, encourage them to present their reports to the class for further discussions of the visit and their findings.

Activity 7.2

Motivate the students to actively participate in the discussion of how banks further helps for economic growth. During the discussion, use the blackboard to jot down points that the students make.

Finally, summarize the roles of banks in the economic growth of the country.

Activity 7.3

Present the 1-Birr paper note and the newly minted 1-Birr metallic coin to the class.

Ask the students to form a group and have them discuss why we use different currency denominations. Supervise the discussion and give supplementary ideas whenever necessary.

Activity 7.4

Refresh the students' memory of the evolutionary history of Ethiopia's financial-sector policies.

Activity 7.5

Before you start the lesson, present Table 7.5 from the student textbook. Ask the students, one by one, to give their opinions on the validity and roles of the figures given in the table.

To ensure that they have understood the lesson, ask questions related to the information in the table.

Answers for Content Check 7.1

1. Monetary policy
2. D (National Bank of Ethiopia)
3. The major pitfall of barter system are: -
 - a. Double coincidence of wants
 - b. No storage of value
 - c. Peoples have to find someone who has a good or services they want
 - d. who also want goods or services they have to offer
4. The evolution of money

Before the invention of money, trade was based on the barter system. It is the system of transaction in which goods and services are directly exchanged for other goods and services. But the major problem of barter system was people have to find someone who has goods or services they want and who also wants the goods or services they have to offer.

Dating back to the Axumite kingdom. Coins were mainly minted to facilitate external trade transactions. Usually, these coins were made **of precious metals such as gold, silver, and bronze**. Iron and salt bars were used to conduct domestic trade transactions. Later on, due to the fact that the intrinsic value of some precious metals and coins are greater than their face value and hence **used for making ornaments and for other purposes**, this currency for the exchange of goods and services was replaced by commodity money.

“Amole Chew” (Salt Bar). In the nineteenth century and early twentieth century, the Austrian Thaler (the Maria Theresa dollar) served as the medium of exchange, together with the use of Amole.

The Thaler was first minted in Vienna, the capital city of Austria, in 1741 and named after the Empress Maria Theresa of Austria. It had a silver purity of 800 karats, which means it contained 80% pure silver.

In 1933, the first coins under Emperor Haile Sellassie’s regime replaced Menelik’s coins. The new dollar notes were printed with denominations of 5 Birr, 10 Birr, 20 Birr, and 50 Birr, 100 Birr and 500 Birr values.

The new government (EPRDF) slightly changed the currency notes, but not the coins in 1998 with the same denominations as they were also circulating in Eritrea after independence in 1991.

5. Modern banking started in 1905 with the establishment of Abyssinia Bank which was based on a fifty-year agreement with Anglo Egyptian National Bank.
6. D 7. B 8. A 9. E 10. C

Answers for Content Check 7.2

1. National Bank
2. The major roles and functions of financial institutions are different in different banks. The National Bank role and function is different from those of the Commercial bank or other Banks. In general all banks are providing service for the general public by providing loans, accepting deposits and other bank services.
3. National Bank, some functions

National Bank of Ethiopia's powers, roles and functions:

- The bank shall have the exclusive right to mint coins and print (issue) currency notes that circulate in the national economy;
- Issues government debt instruments or securities such as bonds, treasury bills and promissory notes on behalf of the government;
- Promotes the existence of balanced and accelerated economic growth;
- Reduces the level of unemployment and maintains low levels of inflation;
- Encourages the formation of micro and other financial institutions and supervises and regulates the activities and operations of these financial institutions in general and commercial banks in particular;
- Acts as the Anker of the government: deposits government money and provides direct advances to government;
- Acts as a last resort for commercial banks to borrow money in times of shortage;
- Regulates the money supply, interest rate and other charges and the creation of credit by commercial banks;
- Formulates the monetary policy framework for the country;
- Manages and administers the international reserve of the country;
- Regulates the foreign exchange of the country and organizes the foreign exchange auction market for the determination of the exchange rate; and
- Prepares regular reports on the money supply, production of goods and services and official international economic transactions carried out by the country.

4. D

5. Roles and functions of Commercial Bank (CB)

Roles and Functions of Commercial Bank of Ethiopia

- Helps to encourage households to save money since saving is important for investment;

- Accepts deposits of different kinds, such as saving, time and demand deposit;
 - Advances loans, credit, overdrafts, and other services for individuals and firms;
 - Conducts supervision and follow-up on the use of credit and loans provided to customers;
 - Maintains safe deposit vaults and lockers and receives valuables and securities for safe custody;
 - Sales and purchase of foreign exchange;
 - Issues letters of credit (LC), travellers cheques, etc;
 - Issues bonds and participates in the buying and selling of treasury bills, bonds, and other negotiable instruments and securities;
 - Conducts the transfer of money from one place to another;
 - Prepares regular financial reports for the NBE;
 - Accelerates the process of monetization in the economy.
6. The basic difference between the National Bank (NBE) and the Commercial Bank (CB)

NBE	CBE
I. Acts as central bank	Encourages saving
II. Issues notes and currencies	Accepts different type of deposit
III. Formulates monetary policy	Maintains safe deposit and lockers
IV. Regulates the foreign currency	Sale and purchase foreign currency
V. Right to mint coins and paper notes	Issues bonds

Answers for Content Check 7.3

1. $\text{Narrow Money Supply} = \text{Currency in Circulation} + \text{Demand Deposit}$
 $\text{Quasi Money} = \text{Saving Deposit} + \text{Time Deposit}$
 $\text{Broad Money Supply} = \text{Narrow Money Supply} + \text{Quasi Money}$
2. Compare the performances of the financial sectors of the Derg regime with that of the EPRDF.

Under the Derg Regime

- In the Derg regime the expansion of credit to the non-government sector declined.
- Government owned banks performed poorly during the Derg regime due to its restrictive and discriminatory policies, lack of institutional arrangement and capacity.
- Banks were obliged to comply with the government plan by advancing credit and loans to public enterprises, state farms, cooperatives and the central government

Under the EPRDF

- Banks continued expanding their branches throughout the country.
- The expansion of credit to the non-government sector has increased.

Answers for Content Check 7.4

1. The major problem facing the financial sector in the country is underdevelopment.
 - The economy is less and less monetized.
 - Limited circulation of money and a limited number of financial institutions throughout the country.
 - A good part of the economy is not monetized;
 - Some borrowers, both private and public enterprises, fail to repay back loans at the agreed time in the required amount;
 - Banks are now forced to sell collateral to enforce repayment of debts which takes time and involves long processes and efforts;
 - Lack of weak competition on the sector;
 - Maintenance of large amounts of financial resources by some banks due to high collateral requirements and lack of viable projects;
 - Shortage of trained and efficient human resources in the sector;
 - Inadequacy of banks to convert cash into credit;
 - Lacklustre financial deepening in the country;
 - Very low level of innovation in financial products and services; and
 - The availability of medium term financing for activities such as agricultural land development, irrigation, purchase of machinery and equipment, plantations, and food processing and packing are either very limited or unavailable.

2. Possible solutions for the problems faced by the financial sectors are:

- Increase the circulation of money and number of financial institutions throughout the country.
- Increase the availability of trained and efficient human resources by educating and training employees in the sector or employing skilled and educated people;
- Increase competition in the sector;
- Make medium term-financing available for activities such as agricultural land development, irrigation, purchase of machinery and equipment, plantation, and food processing and packing.

Use advanced technology (innovation) in financial products and service.

The Economic Reform Program in Ethiopia

Periods Allotted: 16

1. Introduction

The first section of the unit (Introduction to the New Economic policy and Need for reform, introduce to the structural adjustment policy measures undertaken in Ethiopia.

The second section of the unit (The Performance of the Economy after the New Economic Reform Program 1991) deals with the causes for poor performance of the economy.

The third section of the unit (Investment Policy and Climate in Ethiopia during the Post-1991 period) deals with the investment areas provided for local and foreign investors and areas allowed only for government.

To deal with the contents we suggest that you use group discussion, explanation, demonstration, practical activities, observation, questioning, report writing as major methodologies. The startup questions and activities are given in each subunit to encourage students. **Summaries and exercises** are also designed to help the students explore concepts in more detail.

2. Unit Objectives

At the end of this unit, students should be able to:

- State the main elements of the new economic reform and its importance in Ethiopia
- Examine structural adjustment policy measures undertaken in Ethiopia.
- Understand investment policy in Ethiopia

3. Main Contents

- 8.1 Introduction to the new economic policy and need for reform.
- 8.2 Performance of the economy after the new economic reform program 1991 period.
- 8.3 Investment policy and climate in Ethiopia during the post -1991 period.

8.1 INTRODUCTION TO THE NEW ECONOMIC POLICY AND THE NEED FOR REFORM

Periods Allotted: 6

1. Competency

At the end of this lesson students will be able to:

- ✚ Explain the new economic policy and the needs for reform

2. Contents

- 8.1.1 The new economic policy and the need for reform
- 8.1.2 Introduction to Structural Adjustment Program
- 8.1.3 Structural Adjustment policy measures undertaken in Ethiopia

3. Overview

In 1974/75 Ethiopia made a transition from a mixed economic system to a totally controlled economy that pushed the economy into a downward trend. During the central planned economy the restriction and taxation on the Ethiopian economy were substantial.

Structural Adjustment Program refers to the reorganization of institutions, economic activities and the entire social system in line with market-oriented economic system. The SAP goal was stabilization and adjustment. The stabilization policy focused on restoring macroeconomic balance and reducing inflation, government budget, controlling the economy and the like. The structural adjustment policy focused also on removing constraints on the supply side and paid close attention to the production of export crops through depreciation of the real exchange rate and other incentives.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Current information about the economy reform

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Find different data and current information from newspapers, radio and TV news

4.4 Presentation of the Lesson

a) Introducing the lesson

Introduce the lesson by asking question like:

- What is the new economic reform program?
- What is the difference between the economic condition before and now?
- Why was the Structural Adjustment Program necessary?

b) Body of the lesson

- Give general ideas about the new economic reform program.
- Explain the differences in economic conditions before and now
- Give the general meaning of poverty
- Explain the Structural Adjustment Program in Ethiopia

4.5 Evaluation and Follow-Up

a) Evaluation

Ask questions like the following

- Why was the new economic program necessary?
- What is poverty?
- What is your understanding of the Structural Adjustment Program?

b) Follow-up

- Assess each student's performance throughout the lesson
- Give a classwork or homework
- Keep a record how every student takes part in discussion
- You can prepare your own question which are relevant to the lesson

From your student-performance record, check whether or not the suggested competencies have been achieved.

8.2 THE PERFORMANCE OF THE ECONOMY AFTER THE NEW ECONOMIC REFORM PROGRAM 1991

Periods Allotted: 5

1. Competency

At the end of this lesson students will be able to:

- ✚ Evaluate the performance of the economy after the reform program

2. Contents

- ◆ General government finance
- ◆ Average growth
- ◆ Summarize the demand side indicator of economic performance
- ◆ Private investment appraisal and implementation

3. Overview

The trend of economic growth for the period between 1960 and 1992 was unsatisfactory. The causes for a very dismal economic performance among were, other things, rigid macroeconomic policies, protracted war, and recurrent drought, which drained huge amounts of the country's resources and created a hostile external environment.

The number of approved investment projects has risen rapidly since the implementation of the program. A total of 50/50 projects was approved between 1992/93 and 1998/99 for a total amount of 41.5 billion birr, of which 1491 projects have actually commenced operation for a total amount of 8.8 billion birr.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Data of average growth (source Ministry of Economic Development)

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Make the data ready on the blackboard or white board

4.4 Presentation of the Lesson

a) Introducing the lesson

Introduce the lesson by asking questions like:

- What is the reason for the poor performance of the economy between 1960 and 1992?
- What is the performance of the economy after the new economic program?
- What does government finance mean?
- What is Gross Domestic Product (GDP)?
- What is the difference between public and private consumption?

b) Body of the lesson

- Give general ideas about the poor performance of the economy between 1960 and 1992.
- Explain the performance of the economy after the new economic program.
- First explain finance, then government finance.
- Explain GDP
- Explain the difference between private and public (government) consumption.

4.5 Evaluation and Follow-Up

a) Evaluation

Ask questions like the following

- Why did the economy was perform poorly between 1960 and 1992?
- What does government finance mean?
- What does GDP mean?
- What is the difference between government and private consumption?

b) Follow-up

- Assess each student's performance throughout the lesson
- Give a classwork or homework
- Keep a record how every student takes part in discussion
- You can prepare your own question which are relevant to the lesson

From your student-performance record, check whether or not the suggested competencies have been achieved.

8.3 THE INVESTMENT POLICY AND CLIMATE IN ETHIOPIA DURING THE POST-1991 PERIOD

Periods Allotted: 5

1. Competencies

At the end of this lesson students will be able to:

- ✚ Describe the investment policy and explain the investment climate in Ethiopia, post 1991

2. Contents

- ◆ Major objectives of financial sectors
- ◆ Components of broad money and narrow money
- ◆ Interest rate structure of commercial banks

3. Overview

By the year 1991, the military government was replaced by the Transitional Government of Ethiopia with the introduction of a new political and economic policy in the aspect of economic reform policy.

Investment proclamation No. 15/1992 was issued as the first policy measure by the Transitional Government of Ethiopia (TGE) for the purpose of encouraging both domestic and foreign investment.

4. Teaching-Learning Process

4.1 Suggested Teaching Aids

- Ethiopian Investment Guideline prepared by Ethiopian Chamber of Commerce and Sectorial Association

4.2 Suggested Teaching Methods

- Discussion
- Demonstration
- Explanation
- Group work
- Brainstorming sessions

4.3 Pre-Lesson Preparation

- Make ready the new investment policy from newspaper or internet

4.4 Presentation of the Lesson

a) Introduction to the lesson

Introduce the lesson by asking question like:-

- What is investment policy?
- What is the difference between the investment policy before and now?
- How is the government encouraging local and foreign investors?
- Why did government restrict private investors from investing from some areas of interest?

b) Body of the lesson

- Give general meanings of investment and investment policy.
- Explain the difference between investment policy before and now.
- Explain the differences between local and foreign investors and capital requirement.
- Explain in detail how the government is encouraging investors to invest in Ethiopia

Example:- by providing land, giving permission to import duty free items, etc.

- Explain in detail why the government is restricted some areas interest for local and foreign investors. (Restricted areas for investment for local and foreign investors are defense, electrical engineering work, air and marine transportation, postal and telecommunication services)

4.5 Evaluation and Follow-Up**a) Evaluation**

Ask questions such as:

- What does investment mean?
- What is the difference between the investment policy before and now?
- How is the government encouraging local and foreign investors?
- Why did the government restrict private investors from investing from some areas of interest?

b) Follow-up

- Assess each student performance throughout the lesson
- Give a classwork or homework
- Keep a record how every student takes part in discussion
- You can prepare your own questions which are relevant to the lesson

From your student-performance record, check whether or not the suggested competencies have been achieved.

ANSWERS TO ACTIVITES

Activity 8.1

1. Prepare the students for an educational tour to appropriate financial institutions in your locality. Describe the tour that they will take and the authorities they will meet. Explain their assignment for the tour: to ask questions related to the concepts of GDP and other related subjects and issues.
2. Guide the students through the tour.
3. After the tour and the students' discussions of it, present a summary of the visit to the class. Encourage further discussions of the visit and of their findings.

Activity 8.2

1. Organize the students into groups.
2. Give each group the same assignment: to interview authorities in microfinance institutions and organizations and to then create a general report on the advantages of the New Structural Adjustment Policy.
3. Review the reports and, based on the spirit of the authorities' answers, summarize their opinions on the issues for the class.

Answer for Content Check 8.1

1. In response to the near collapse of the Ethiopian economy during 1991, coupled with unsustainable internal and external imbalances like high inflation rate, negative interest rate and viable debt ratio, the government of Ethiopia (GOE) initiated a Structural Adjustment Program (SAP) for the period 1993-1996 with the support of the International Monetary Fund (IMF), World Bank (WB), African Development Fund (ADF) and other multilateral and bilateral donors.

Structural Adjustment Program refers to the reorganization of institutions, economic activities and the entire social system in line with market-oriented economic system.

2. The main objectives of Structural Adjustment Program (SAP) include revival of economic growth, reducing macroeconomic distortion, improving economic efficiency and resource allocation, and expanding the productive capacity of the economy.
3. The three components of SAP
 - a. Expenditure reducing policy
 - b. Expenditure switching policy
 - c. Institutional policy reform

4. Expenditure switching policy
5. Institutional policy reform

Answer for Content Check 8.2

1. From Table 8.1 you can understand that the public sector deficit declined throughout the period except in 1993/94 and 1998/99, where in the latter year there was the Ethio-Eritrea war which resulted in the highest recurrent expenditure. Thus, in the area of public deficit reduction it can be concluded that the program was a success.
2. The period between 1960 and 1992 was unsatisfactory. The causes for a very dismal economic performance were, among other things, rigid macroeconomic policies, protracted war, and recurrent drought, which drained huge amount of the country's resources and created a hostile external environment. The problem of the drought was the most important of all. It has been documented that the extent of drought varies from period to period. Drought and famine occurred at least nine times during the same period. This shrank the economy significantly since the size and magnitude of rainfall had substantial effect on the performance of the entire economy.
3. The difference between private consumption and public consumption is that public consumption is consumption only for government and private consumption is consumption only for a particular person or a group, but not for public use.
4. The indicator used to assess the performance of the economy after the reform program was an improvement in all indicators except in Gross Domestic Service (GDS). The higher share in gross capital formation (GCF) was achieved due to the creation of an enabling environment especially for the development of the private sector and mobilization of available resources.
5. The reason behind the implementation and approval of the government 50/50 project is for the development of the private sector and mobilization of available resources.

Answer for Content Check 8.3

1. It is widely known that the ancient economy of Ethiopia underwent a period of turmoil, economic stagnation and famine during the 1970s and 1980s. By the year 1991, the military government was replaced by the Transitional Government of Ethiopia with the introduction of a new political and economic policy in the aspect of economic reform policy. A new program was launched with one of its primary objectives being to build an economy in which the private sector plays a leading role. To enhance the role of private investment in the development process, various

policy measures have been introduced by the government. The policy measures were designed to eliminate discrimination against the private sector and create a conducive environment for private investment.

2. The new proclamation solved the shortcomings of proclamation No 15/1992. The minimum capital requirement for foreign investors has been reduced by the new proclamation from the previous USD 500,000 to as low as USD 100.000 and lifted off 25% of the cash deposit.
3. Proclamation No 375/2003 was enacted with a view to:
 - ✓ Encouraging and promoting the private sector in the economic development of the country
 - ✓ Widening the scope of participation of foreign investment
 - ✓ Creating a transparent and efficient system of investment administration
 - ✓ this investment proclamation provides that a foreign investor can under area investment either

As a sole proprietor with full equity ownership. or

Jointly or in partnership with domestic investor(s) or the government

The law also stipulates the following capital requirements.

- ✓ A minimum capital of USD 100.000 for a single investment project in cash and/or in kind for wholly foreign owned inventors.
 - ✓ A minimum capital of 50,000 in cash and/or in kind per project in areas where engineering, architecture, accounting and audit service project students or business management consultancy service.
4. A minimum capital of 50,000 in cash and/or in kind per project in areas where engineering, architecture accounting and audit service project students or business management consultancy service.

ANSWERS TO REVIEW EXERCISE FOR UNIT 8

I. Write True for the correct statement and False for the wrong statement

1. False 2. False 3. True 4. False 5. False

II. Choose the best answer from the given alternatives

1. B 2. D 3. C 4. B 5. A

III. Write the full form of the following

1. Gross Domestic Product
2. Commercial Bank of Ethiopia
3. National Bank of Ethiopia
4. Structural Adjustment Programs
5. Transitional Government of Ethiopia

Sample Lesson Plan

Name of Teacher _____ Name of the School _____

Grade: 12 Date: ____ Subject: Economics. Topic: Fiscal policy and public development in Ethiopia. Period: 45 minutes

Competencies: After the students complete this lesson, they will be able to:

- Distinguish the different sources of government revenue
- Report how fiscal policy is applied in Ethiopia
- Classify taxes and appreciate their significance in the development of the economy

Details of Content	Teacher's Activity	Student's Activity	Teaching aids	Remarks
<ul style="list-style-type: none"> - Economic role of the government - Historical background of public finance in Ethiopia - Structure and performance of revenue and expenditure - Analysis of government budget and deficit financing - Fiscal decentralization and public sector reform in Ethiopia <ul style="list-style-type: none"> ○ Personal income tax ○ Business income tax ○ Indirect taxes ○ Foreign trade taxes ○ Strengthening institutional frame work 	<ul style="list-style-type: none"> - explain the concept of the topics - give lecture notes - give illustrative examples - ask questions - check, every time, the performance of students - remember what the students learned in previous grades - Assign the students group work or assignments or classwork 	<ul style="list-style-type: none"> - taking lecture notes - participation - doing classwork, assignments - asking questions 	Text book, other relevant references	-

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Minimum Learning Competencies

Theme	Competencies for Grade 12
I. Concepts of Economics	<ul style="list-style-type: none"> • Explain the structure and significance of various resource endowments according to their geographical features. • Compare and contrast different economic systems since the Imperial regime
II. Basic Issues of Microeconomics	
III. Economic Sector	<ul style="list-style-type: none"> • List the role of agricultural sector • Relate agriculture with economic development. • Describe the specific policies and strategies of agricultural sector of Ethiopia. • Evaluate the performance and problems of the agriculture sector in the Ethiopian Economy since 1950s. • List the role and size of industrial sector. • Describe specific policies and strategies of industrial sector of Ethiopia. • Assess problems of the industrial sector since 1950s. • Evaluate the performance and problems of the Industrial sector since 1950s. • List the roles of the service sector. • Describe the specific policies and strategies of the service sector. • Assess the problems of services sector. • Evaluate the performance and problems of services sector.
IV. Fundamental concepts of Macroeconomics	<ul style="list-style-type: none"> • Identify the role of trade in the Ethiopian Economy. • Describe the specific policy and strategy of EPRDF and structure of foreign trade of Ethiopia. • Assess problems of trade in Ethiopia • Evaluate performance and problems of trade in Ethiopia respectively. • Identify the role of the government in trade. • Review the historical background of public finance in Ethiopia. • Evaluate the structure and performance of government revenue & expenditure. • Analyze government budget defect financing. • Explain decentralization and public sector in Ethiopia. • Explain the evolution and development of money and financial sector in Ethiopia. • Describe the roles and function of National Bank Of Ethiopia (NBE), Commercial Bank of Ethiopia (CBE) and Insurance. • Evaluate the performance, problems and prospects of the financial sector. • Examine the financial sector policies & reforms undertaken in Ethiopia.
V. Consumption, investment & saving, and recent reform program of the government	<ul style="list-style-type: none"> • Define the structural adjustment program. • Evaluate the performance of the economy after the reform program. • Explain current objective of restructuring the Ethiopian Economy.

Content Flow Chart for Grades 12 Economics

Topic	Sub-topic	Content of Grade 12
Concepts of economics	<ul style="list-style-type: none"> • Scope of Economics • Methodology • Resource allocation • Economic system • Decision making units and circular flow of economic activities • Main Sector of the Ethiopian Economy • Resource base of Ethiopia • Historical review of the national development objectives and strategies 	<ul style="list-style-type: none"> • Population, land, livestock, fishery, forestry, energy, minerals and environment • National development plan under the monarchy • National development plan in the Derg • The current government national development plan
Basic Issues of Microeconomics	<p>Theory of demand</p> <p>Theory of supply</p> <p>Market equilibrium</p> <p>Demand and supply elasticity</p> <p>Consumer behavior and Utility maximization</p> <p>Theories of Utility</p> <p>Theory of production and cost</p> <p>Market structures</p>	
Fundamental concerns of macroeconomics	<ul style="list-style-type: none"> • Concerns and problems of macroeconomics • Business cycle • Unemployment • Inflation • Budget deficit • National Income Account • Role of the agricultural sector • Structure of the Agricultural Sector of Ethiopia • Specific policies and strategies of the agricultural sector since 1950s • Performance of agricultural Sector • Major problems Impeding 	<ul style="list-style-type: none"> • Contribution of macroeconomics to the supply of food and raw materials • Contribution of macroeconomics to market for industrial products • Contribution of macroeconomics to Gross domestic product (GDP) • Contribution of macroeconomics to Employment • Contribution of macroeconomics to foreign exchange earnings • The three major farming systems <ul style="list-style-type: none"> ○ Small holder farming system ○ Pastoral (Nomadic)

Topic	Sub-topic	Content of Grade 12
	<p data-bbox="528 255 903 309">Agricultural development and its remedies</p> <ul style="list-style-type: none"> <li data-bbox="491 1626 799 1659">• Roles of service Sector <li data-bbox="491 1664 655 1697">• Education <li data-bbox="491 1702 879 1756">• Education sector, policies and strategies since 1950s <li data-bbox="491 1760 879 1814">• Performance of the Education Sector <li data-bbox="491 1818 890 1852">• Major problems impending the 	<ul style="list-style-type: none"> <li data-bbox="1145 255 1321 288">farming system <ul style="list-style-type: none"> <li data-bbox="1098 293 1382 347">○ Commercial farming system <li data-bbox="951 351 1390 405">• Pre-1974 policies and strategies of the agricultural development <li data-bbox="951 409 1369 463">• Post-1974 policies and strategies of the agricultural development <li data-bbox="951 468 1369 521">• Post-1991 policies and strategies of the agricultural development <li data-bbox="951 526 1358 580">• The performance of crop-sector <li data-bbox="951 584 1305 638">• The performance livestock production <li data-bbox="951 642 1331 676">• Technology related problems <li data-bbox="951 680 1310 734">• Input (raw material) related problems <li data-bbox="951 739 1267 772">• Policy related problems <li data-bbox="951 777 1326 898">• Historical review, policy and strategy, performance and the major problems of Ethiopian shipping line <li data-bbox="951 902 1342 996">• Man-made problems affecting agricultural development of Ethiopia: <ul style="list-style-type: none"> <li data-bbox="1007 1001 1278 1055">○ lack of institutional arrangement <li data-bbox="1007 1059 1321 1126">○ lack of conducive agricultural land policy <li data-bbox="1007 1131 1273 1164">○ land fragmentation <li data-bbox="1007 1169 1337 1223">○ Uncontrolled population growth <li data-bbox="1007 1227 1353 1261">○ lack of rural infrastructure <li data-bbox="951 1265 1353 1319">• Natural problems like unpredictable weather condition <li data-bbox="951 1323 1369 1377">• Output contribution of the sector of agriculture <li data-bbox="951 1382 1289 1435">• Employment contribution agricultural sector <li data-bbox="951 1440 1222 1473">• Output contribution <li data-bbox="951 1478 1289 1512">• Employment contribution <li data-bbox="951 1516 1294 1550">• Foreign Exchange earning <ul style="list-style-type: none"> <li data-bbox="951 1626 1342 1680">• Historical review of Ethiopian education development <li data-bbox="951 1684 1358 1738">• Education polices and strategies pre-1974 <li data-bbox="951 1742 1358 1796">• Education polices and strategies Post – 1974 <li data-bbox="951 1800 1369 1852">• Education policies and strategies

Topic	Sub-topic	Content of Grade 12
	<p>development of Ethiopian education</p> <ul style="list-style-type: none"> • Historical review of the health sector • Policies and strategies of the health sector • Performance of the health sector • Major problems of the health sector and the impact of HIV/AIDS <p>Transportation and communication historical review</p> <ul style="list-style-type: none"> • Road transport • Rail way transport • Ethiopian shipping line • Air-transport • Development of the communication sector • Policy and strategy in the communication sector • Performance of the communication sector • Problems of communication sector <ul style="list-style-type: none"> • The role of the industrial sector • Specific policies and strategies of the industrial sector since 1950s • Structure of the industrial sector of Ethiopia • Performance of the industrial sector • Major constraints of the industrial sector in Ethiopia • The role of tourism • Historical development of Ethiopian tourism • Performance of tourism • Major obstacles for the development of Ethiopian tourism 	<p>Post-1991</p> <ul style="list-style-type: none"> ○ Primary Education ○ Secondary Education ○ Higher Education <ul style="list-style-type: none"> • Historical review, policy and strategy, performance and the major problems of Ethiopian road transport • Historical review, policy and strategy, performance and the major problems of Ethiopian rail way transport • Historical review, policy and strategy, performance and major problems of Ethiopian Air-transport <ul style="list-style-type: none"> • Pre-1974 Industrial development • Post-1974 Industrial development • Post-1991 Industrial development <ul style="list-style-type: none"> ○ Cottage (handicraft) ○ Small-scale industry ○ Large and Medium industry • Gross value output of the manufacturing sector • Gross value output of the large and medium manufacturing sector • Value added of large and medium manufacturing sub-sector • Finance related problems • Market related problems <ul style="list-style-type: none"> • Trend in the flow of tourists • Trends in foreign exchange earnings form tourism
	<ul style="list-style-type: none"> • The Economic basis of trade • Export and import • Trade barriers 	<ul style="list-style-type: none"> • Absolute advantage • Comparative advantage • Quota, tariff, and exchange

Topic	Sub-topic	Content of Grade 12
Trade and balance of payment	<ul style="list-style-type: none"> • The impact of international trade on GDP • Balance of payment • Exchange rate • Historical development of trade in Ethiopia • The role and importance of trade in Economic development of Ethiopia • Restrictions and mode of payments in international trade • Trade policies and strategies of Ethiopia • The structure and performance of trade • Major trading partners of Ethiopia • Balance of payments (BOP) • Problems of trade in Ethiopia • Historical development of trade in Ethiopia • The role & importance of trade in economic development • Restrictions & modes of payments in international trade • Trade policies and strategies of Ethiopia • The structure & performance of trade in Ethiopia 	<p>control</p> <ul style="list-style-type: none"> • Letter of credit, Bill of exchange and Banker's transfer • Domestic policy and strategy <ul style="list-style-type: none"> ○ Ownership, price, Distribution and licensing policy • Foreign trade policy and strategy • Domestic trade <ul style="list-style-type: none"> ○ Whole sale trade under public enterprises ○ Whole sale trade in manufactured products ○ Whole sale trade in Agricultural products ○ Whole sale trade under private enterprises ○ Retail trade • Foreign trade performance and structure <ul style="list-style-type: none"> ○ Export ○ Import • Foreign Exchange Earning • Trade Balance • Current Account Balance • National debt service performance
Macroeconomics Policy Instruments	<ul style="list-style-type: none"> • Macro economics policy instrument • The role of the government in public finance in Ethiopia • Historical background of public finance in Ethiopia • Structure and performance of the revenue and Expenditure • Analysis of Government budget and deficit financing • Fiscal decentralization and public sector reform in Ethiopia • Financial sector policies and reforms in Ethiopia • The performance and problems of the financial sector of Ethiopia 	<ul style="list-style-type: none"> • Objectives of the government • Functions of fiscal policy • Government Revenue • Government Expenditure • The structure of government budget • Government expenditure budget • Budgetary deficit financing • Personal income tax • Business income tax • Indirect taxes • Foreign trade taxes • National Bank of Ethiopia • Commercial Banks • Development bank • Financial sector policies and strategies since 1950s • The performance of the financial sector in Ethiopia

Topic	Sub-topic	Content of Grade 12
Consumption, investment & saving	<ul style="list-style-type: none"> • Consumption and saving • Investment • The new economic policy & the need to reform • Introduction to structural adjustment program • Structural adjustment policy measures undertaken in Ethiopia • Performance of the economy after the new Economic reform program • Investment policy and climate in Ethiopia during the post 1991 	<ul style="list-style-type: none"> • Exchange rate policy • Monetary policy • Interest policy • Fiscal policy • Trade liberalization • Price deregulation • Privatization • Transport deregulation • Investment law • The private sector response • Sector level and regional distribution of investment • The structure of domestic & foreign direct investment in Ethiopia

**Federal Democratic
Republic of Ethiopia
Ministry of Education**

**Economics Syllabus For
Grade 12**

Economics: Grade 12

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INTRODUCTION

Students at second cycle secondary education have already decided the broad stream of learning - social science/natural science – in which their future area of study to be.

The purposes of second cycle secondary education are enabling learners choose subjects/areas of training to be attended in higher education within the framework of their respective preparatory stream, and preparing students for the world of work. In pursuit of these purposes students of social science stream at preparatory (11 and 12) level are expected to study one of the specialized fields of social sciences, language, business and management and law faculties.

Economics, as one of the offered subjects in social science stream of preparatory education, aims at providing learners with necessary foundations of knowledge, attitudes, and skills to manage future higher education academic carrier and world of work. This is possible by:-

- discerning basics of economics to learners;
- enabling learners understand demand & supply and elasticity, theory of production & cost, market structure, balance of payment, basic issues of micro and macro economics, economic sectors, consumption, investment & saving and Ethiopian economics.
- facilitating conditions to create citizens who have the attitude of informed appreciation and understanding on Ethiopian economics;
- fostering certain analytical skills that enable them analyze economic condition and argue logically.

The provision of quality education has become the first line issue at present time of Ethiopia. Assessment and other feedback reports

demanding the improvement of curriculum materials. Besides, the curriculum revision made at lower education levels subsequently demanded revision of curriculum at this level.

In addressing these issues the current grades 11 and 12 Economics curriculum is founded on outcome based learning which is defined in the new curriculum framework and in line to the international standards. Thus, the present curriculum is organized in such a way that it is suitable to realize active learning methods and equate learner's performance with the specified competencies.

To enable users of this curriculum document understand it fully it is made to contain:

- Profile of Economics student at the end of grade 12 which reflects the contribution of attending Economics lesson in bringing the desired general profile of learners at the end of second cycle secondary education.
- Minimum learning competencies for Economics education of grades 11 and 12.
- Content flow chart of the cycle.
- Grade level learning outcomes of each grades (11 and 12) and
- The respective grade syllabuses.

The competencies and content flow charts are organized around ten themes – concepts of economics; basic issues of microeconomics; economic sectors; fundamental concepts of macroeconomics; consumption, investment & saving and recent reform program of the government of Ethiopia; nature of trade and policy instruments. Using these themes, the syllabuses of each of grades (11 and 12) have been arranged in units.

Thirty four weeks are allotted in a year to cover the lesson of each grade with four periods per week.

Unit 1: Main sectors of Ethiopian Economy (15 periods)

Unit learning outcomes: Students will be able to:

- Realize the contributions of the main sectors to Ethiopian Economy
- Understand the structure and significance of various resource endorsements according to their geographical features
- Evaluate different economic systems since the imperial regime

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Explain the characteristics of the Ethiopian Economy. • Identify & explain the resource base of the Economy • Review of the national development plan objectives & strategies. • Examine the national development plan under the monarchy, Derg and EPRDF 	<p>1.1 Main sectors of Ethiopian Economy</p> <p>1.2 Resource base of the country</p> <ul style="list-style-type: none"> • Population • Land • Fishery • Forestry • Energy • Minerals and Environment <p>1.3 Historical Review of National Development Objectives and strategies</p> <p>1.3.1 National development plan under the Monarchy</p> <p>1.3.2 National development plan under derg</p> <p>1.3.3 National development plan under EPRDF</p>	<ul style="list-style-type: none"> • Agricultural sector • Industrial sector • Service sector • Arrange students in group so that they discuss on the resource base of the country • Ask a students what they know about the different regimes national development plan objectives and strategies • Bring current data pertaining to population.

ASSESSMENT

Students' performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides, the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement level will be able to compare and contrast different economic systems since the imperial regime, explain the characteristics of the Ethiopian Economy, identify and explain the resource base of the economy and review of the national development plan objectives and strategies.

In addition, a student working above the minimum requirement level and considered as higher achiever should be able to examine the national development plan under the monarchy, Derg and EPRDF

Unit 2 : The Agricultural Sector in Ethiopian Economy (24 periods)

Unit learning outcomes: Students will be able to:

- Appreciate the role of Agricultural Sector to the Ethiopian Economy
- Understand the different policies and Strategies applied by the Imperial, Derg, and recent government.
- Analyze the performance and the possible remedies of Ethiopian Agricultural sector

<i>competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Assess the debate of agriculture resources industry • Define the uni-modal agricultural strategy • Explain the characteristics of uni-modal • Approach • Define the Bimodal agricultural strategy • Explain the characteristics of Bimodal approach • Compare & contrast the uni-modal & Bimodal approach • Identify the contribution of agricultural sector to the rest of the Economy • Examine the forward and backward • Linkage of the agriculture sector • Analyze how surplus can be transferred from agriculture sector 	<p>2. The Agricultural Sector in Ethiopia</p> <p>2.1 Agriculture versus industrial dev't</p> <p>2.2 Uni-modal agricultural strategy</p> <ul style="list-style-type: none"> • Characteristics of uni-modal approach • Advantages and limitation of the uni-modal approaches <p>2.3 Bimodal agricultural strategy</p> <ul style="list-style-type: none"> • Characteristics of Bi-modal approach • Advantages and limitation of the Bi-modal approaches <p>2.4 Role of the agricultural sector</p> <ul style="list-style-type: none"> • Source of food and raw material <ul style="list-style-type: none"> ▪ Backward linkage ▪ Forward linkage • Source of capital <ul style="list-style-type: none"> ▪ Means of transferring surplus from agriculture sector • Contribution to gross domestic product (GDP) • Contribution of employment 	<ul style="list-style-type: none"> • Arrange students in-groups so that they argue or debate on agriculture verses industrial development using the experience of different countries. • Assist students to have better understanding about uni-modal and bimodal agriculture strategies so as to argue on their applicability in the Ethiopian context. • Assign students to group discussion dealing with the role of agricultural sector to the rest of the economy in order to analyse and appreciate its importance. • Let students discuss on the general structure of the agriculture sector of Ethiopia on the basis of the major agricultural producing systems.

<i>competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<ul style="list-style-type: none"> • Assess the role of agriculture sector to gross documents product & employment absorption. • Examine the structure of the agriculture sector of Ethiopia • Identify & explain the major agricultural production systems. • Examine the specific policies and strategies of the agricultural sector in different regime. • Examine the performance of the agriculture sector of crop production livestock • Assess the problems of agricultural sector • Identify the possible remedies to the problems of agriculture sector. 	<p>2.5 Agriculture versus industrial dev't</p> <p>2.6 Un modal agricultural strategy</p> <ul style="list-style-type: none"> • Characteristics of unmodal approach • Advantages and limitation of the unmodal approaches <p>2.7 Bimodal agricultural strategy</p> <ul style="list-style-type: none"> • Characteristics of Bi-modal approach • Advantages and limitation of the Bi-modal approaches <p>2.8 Role of the agricultural sector</p> <ul style="list-style-type: none"> • Source of food and raw material <ul style="list-style-type: none"> ▪ Backward linkage ▪ Forward linkage • Source of capital <ul style="list-style-type: none"> ▪ Means of transferring surplus from agr. Sector • Contribution to gross domestic product (GDP) • Contribution to employment <p>2.9 Structure of the Agr. Sector of Ethiopia</p> <p>2.9.1 The major agricultural produce systems</p> <ul style="list-style-type: none"> • Small-holder farming system • Pastoral nomadic system • Modern commercial farming 	

<i>competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
	<p>2.10 Specific policies and strategies of the agr. cultural sector since 1960s.</p> <p>2.10.1 Pre-1974 policies and strategies of agricultural development.</p> <p>2.10.2 .Post-1974 policies and strategies of agricultural development.</p> <p>2.10.3 Post -1991 policies and strategies of agricultural development.</p> <p>Performance of the Agricultural Sector</p> <p>2.10.4 The performance of crop production sector</p> <p>2.10.5 The performance of Livestock production sector</p> <p>2.11 Problems and possible remedies of the Agricultural Sector</p> <ul style="list-style-type: none"> • Manmade problem • Natural problems 	

ASSESSMENT

Students' performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides, the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement level will be able to define the unimodal and bimodal agricultural strategy and explain their characteristics. Besides, identify the contribution of agricultural sector to the rest of the economy, examine the forward and backward linkage of the agricultural sector, analyze how surplus can be transferred from agriculture sector, assess the role of agriculture sector to GDP and employment absorption;

In addition, examine the structure of the agriculture sector of Ethiopia, the specific policies and strategies of the agricultural sector in different regime, the performance of the agriculture sector of crop production and livestock. Identify and explain the major agricultural production systems. Assess the problems of the agriculture sector.

Besides, a student working above the minimum requirement level and considered as higher achiever should be able to assess the debate of agriculture versus industrial development, compare and contrast the unimodal and bimodal approaches, and assess the possible remedies of the agricultural sector.

Students' working below a minimum requirement level will require extra help if they are to catch up with the rest of the class. Students reaching at the minimum requirement level but achieve a little bit higher should be supported so that they attain the higher achiever competencies. Students who fulfil the higher achievers competencies also need a special support to continue and achieve more.

Unit 3: The industrial sector in Ethiopia (18 periods)

Unit learning out comes: Students will be able to:

- Appreciate the role of the industrial sector to the Ethiopian Economy
- Understand the different policies and strategies applied by the imperial, Derg, and recent government.
- Analyze the performance and the possible remedies of Ethiopian industrial sector

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Explain the arguments of industrial sector versus the rest of the economic sector. • Examine the arguments of industrial sector versus the rest of the economic sector. • Identify and evaluate the industrial sector to the Ethiopian Economy • Examine the development strategies during different regimes based on strategy, size, ownership and regional distribution of the manufacturing sector. • Examine the performance the industrial sector interms of - Gross value of the manufacturing sector • Gross value of output of the large and medium manufacturing sector • Value added of large 	<p>3. The Industrial Sector in Ethiopia</p> <p>3.1 Introduction</p> <p>3.2 Arguments of industrial sector Vs the rest of the economic sectors.</p> <ul style="list-style-type: none"> • Dev't argument • Employment argument • Balance of payment argument • Linkage argument <ul style="list-style-type: none"> ▪ Foreword linkage ▪ Backward linkage • Saving/surplus argument <p>3.3 The role of the industrial sector to the Ethiopian Economy,</p> <ul style="list-style-type: none"> • Output contributes • Employment contribution • Foreign exchange contribution <p>3.4 Industrial development strategies during the imperial</p>	<ul style="list-style-type: none"> • Brainstorm: <ul style="list-style-type: none"> ▪ Start the lesson by asking students about what industry is and let them discuss on the significance of industrial development. • Arrange students in group so what students argue on those important issues that make industrial development to have strong link and contribution to the rest of the economy as compare to the other sectors of he economy. • Assign students to group discussion dealing with the role of industrial sector to the rest of the economy inorder to analyze and appreciate its importance. • Let students discuss on the specific policies and strategies of the industrial sector so as to identify, compare and contrast the different policies and strategies of the three regimes. • Assign students in-groups and let them discuss and evaluate the performance of the industrial sector in Ethiopia. • Ask students what they know about the problems of industrial sector and let them

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p>and medium manufacturing sub sector.</p> <ul style="list-style-type: none"> Asses the problems & identify the possible remedies of the industrial sector 	<p>period</p> <ul style="list-style-type: none"> Development strategies Size, ownership & regional distribution of the manufacturing sector <p>3.5 Industrial Dev't strategies during the Derg regime</p> <ul style="list-style-type: none"> Development strategies Size, ownership & regional distribution of the manufacturing sector <p>3.6 The performance of the industrial sector</p> <ul style="list-style-type: none"> Gross value output of the manufacturing sector Gross value output of the large and medium manufacturing sector Value added of large and medium manufacturing sub sector <p>3.7 Problems and possible remedies of the industrial sector</p>	<p>identify the possible remedies that need to be taken into account to solve the existing problems.</p>

ASSESSMENT

Student's performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides, the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement level will be able to explain the arguments of industrial sector versus the rest of the economic sector; identify and evaluate the role of the industrial sector to the Ethiopian economy, examine the development strategies during different regimes based on strategy, size, ownership and regional distribution of the manufacturing sector, evaluate the performance and assess the problems of the industrial sector.

In addition, a student working above the minimum requirement level and considered as higher achiever should be able to examine the arguments of industrial sector versus the rest of the economic sector and assess the possible remedies of the industrial sector.

Students working below a minimum requirement level will require extra help if they are to catch up with the rest of the class. Students' reaching at the minimum requirement level but achieving a little bit higher should be supported so that they attain the higher achiever competencies. Students' who fulfil the higher achievers competencies also need a special support to continue and achieve more.

Unit 4: The service sector in Ethiopia (18 periods)

Unit learning outcomes: Students will be able to:-

- Distinguish the roles of the different service sectors in Ethiopian Economy
- Examine the policies and strategies of the Imperial, Derg and current government on education, health and communication sector
- Realize the effect of tourism in Ethiopian Economy

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Define the service sectors • Identify the sub sectors of the service sector • Identify the roles of the service sector and explain their contribution to the Economy. • Review the historical background of education in Ethiopia • Examine the educational sector policies & strategies of the monarchy & Derg regime and EPRDF. • Evaluate the performance of education sectors as compare to the primary, secondary & higher education • Assess the problems & identify the possible remedies of the education sector. • Review the historical background of the health sector. • Examine the health sector policies and strategies of the monarchy, Derg and 	<p>4. The service sector in Ethiopia</p> <p>4.1 Introduction</p> <p>4.2 The Role of the service sector in the Ethiopian Economy</p> <ul style="list-style-type: none"> • Output contribution • Employment contribution • Foreign exchange ” <p>4.3 The Education sector in Ethiopia</p> <p>4.3.1 Historical background of the Education Sector</p> <p>4.3.2 Education sector policies & strategies</p> <ul style="list-style-type: none"> • Pre-1974 • Post-1974 • Post-1991 <p>4.3.3 Performance of the Education Sector</p> <ul style="list-style-type: none"> • Primary Education • Secondary Education • Higher Education <p>4.3.4 Problems and possible remedies of the Education sector</p> <p>4.4 The Health sector in Ethiopia</p> <p>4.4.1 Historical</p>	<ul style="list-style-type: none"> • Motivate the students – to mention the sub-sectors that they know to characterized their features. • Assign the students to group discussion dealing with the role of service sector to the rest of the economy in order to analyze and appreciate. • Let students discuss on the specific policies and strategies of the education sector, so as to compare and contrast the difference policies and strategies. • Ask students to review the historical background of the education sector that enable students to evaluate the performance of Education sector. • Ask the students – What they about the problems of Educational sector and let them assess the possible remedies that need to be taken in account to the existing problems. • Ask students to review the historical background of the health sector that enable students to evaluate the performance of health sector. • Let the students discuss on the specific policies and strategies of the health sector in order to examine the

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p>EPRDF.</p> <ul style="list-style-type: none"> • Evaluate the performance of the health sector • Assess the problems of health sector • Identify the possible remedies of the health sector. • Examine the transport sector policies and strategies road transport, railway, air transport and Ethio-shipping line. • Review the historical background of the communication sector. • Examine the communication sector policies & strategies. • Evaluate the performance of the communication sector. • Assess the problems and identify remedies of the communication sector <ul style="list-style-type: none"> • Review the historical background of the tourism sector • Evaluate the performance of the tourism sector • Assess the problems and identify remedies of the tourism sector. 	<p>ackground of the Health sector</p> <p>4.4.2 Health sector policies and strategies Pre-1974 Post-1974 Post -1991</p> <p>4.4.3 Performance of the health sector</p> <p>4.4.4 Problems and possible remedies of the health sector</p> <ul style="list-style-type: none"> • Impacts of HIV/AIDS <p>4.5 The transport sector</p> <p>4.5.1 Policies and strategies of the transport sector</p> <ul style="list-style-type: none"> • Road transport • Railway transport • Air transport • Ethio-shipping line <p>4.5.2 Performance of transport sector</p> <ul style="list-style-type: none"> • Road transport • Railway transport • Air transport • Ethio-shipping line <p>4.6 The communication sector</p> <p>4.6.1 Historical review of the communication sector</p> <p>4.6.2 Policy and strategies in the communication sector</p> <p>4.6.3 The performance of the</p>	<p>difference policies and strategies.</p> <ul style="list-style-type: none"> • Ask the students the problems of the health sector and let them assess to the possible remedies that need to be taken in to the account to the existing problems. • Let students discuss the magnitude and the impact of HIV/AIDS on the health sector. • Let students discuss on the specific policies and

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
	<p>communication sector</p> <p>4.7 The Tourism sector</p> <p>4.7.1 Historical Development of Ethiopian tourism</p> <p>4.7.2 The role of tourism</p> <p>4.7.3 Performance of tourism</p> <p>4.7.4 Major obstacles and possible remedies of the development of Ethiopian-tourism</p>	<p>strategies of the transport sector on the basis of Road, Railway Air and Ethio-shipment line.</p> <ul style="list-style-type: none"> • Ask the students to review the historical background of the transport sector that enabled students to evaluate the performance of transport sector. • Ask the students to review the historical background of the communication sector that enable students to evaluate the performance of communication sector. • Let students discuss on the policies and strategies of the communication sector so as to compare and contrast the difference policies and strategy. • Motivate students to say something about the tourism sector activities and the role of the sector. • Ask the students to review the historical development of Ethiopian tourism that enables students to evaluate the performance of the tourism sector. • Ask the students the problems of the tourism sector and let them assess to the possible solutions that need to be taken in to account the exciting problems.

ASSESSMENT

Students' performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides, the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement level will be able to:- define the service sector; identify the sub sector of the service sector, identify the role of the service sector and explain their contribution to the economy, examine the educational, health, communication and tourism sectors policies, and strategies of the monarchy, Derg and EPRDF regimes. Evaluate the performance of education, health, communication and tourism sectors. Assess the problems of the education, health, communication and tourism sectors; examine the transport sector policies & strategies – road, railway, air transport, and shipping line.

In addition, a student working above the minimum requirement level and considered as higher achiever should be able to review the historical background of education, health, communication and tourism sectors, assess the remedies of the education, health, communication and tourism sectors.

Students working below a minimum requirement level will require extra help if they are to catch up with the rest of the class. Students reaching at the minimum requirement level but achieve a little bit higher should be supported so that they attain the higher achiever competencies. Students who fulfil the higher achievers competencies also need a special support to continue and achieve more.

Unit 5: Balance of payment (16 periods)

Unit learning outcomes: Students will be able to:

- State and explain the role of trade and its importance in Ethiopian Economy
- Distinguish the domestic & foreign policies and strategies applied by imperial, Derg and EPRDF
- Construct balance of payment

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Define the concept of balance of payment • Explain the importance of trade in economic development • Examine the domestic trade policies and strategies based on ownership policy, distribution policy, pricing policy and licensing policy. • Examine the foreign trade policy • Evaluate the structure and performance of trade • Analyze the structure of domestic trade • Evaluate the structure and performance of foreign trade as compare to export and import performance. • Identify the major trading partners of Ethiopia • Evaluate the development of balance of payment • Examine the national 	<p>5. Balance of payment</p> <p>Role and Importance of trade in Economic development</p> <p>Trade policies and strategies in Ethiopia</p> <p>Domestic trade policies and strategies</p> <ul style="list-style-type: none"> • Ownership policy • Distribution policy • Pricing policy • Licensing policy <ul style="list-style-type: none"> ▪ Liberalization measure ▪ Privatisation measure <p>Foreign trade policy</p> <p>The structure and performance of trade</p> <p>The structure of domestic trade</p> <p>Wholesale trade under public enterprises</p> <ul style="list-style-type: none"> • Wholesale trade in manufactures products • Whole sale trade in agricultural product 	<ul style="list-style-type: none"> • Arrange students in group so that student discuss on the role and importance of trade in Economic development. • Let students expose to the main points of trade policies and strategies of Ethiopia. Then, create discussion programme on the content of policies and strategies of domestic and foreign trade so that learners involve actively in the discussion. • Help students to discuss about the structure and performance of both domestic and foreign trade so as to evaluate its structure & performance. • Ask students to identify the trading partners of Ethiopia and let them describe the relationship between trade and globalization with econolearnermic growth.

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p>debt service and its performance</p> <ul style="list-style-type: none"> • Describe the relationship between trade and globalization and the integration with economic growth. 	<p>Whole sale trade under private enterprises</p> <p>Retail trade</p> <p>5.3.2 The structure and performance of foreign trade</p> <p>5.3.2.1 Exports</p> <ul style="list-style-type: none"> • Export earnings • Public versus private exports • Coffee export and earnings <ul style="list-style-type: none"> ▪ Volume of arrival & exports ▪ Earnings from coffee exports ▪ World price <p>Ethiopian coffee</p> <p>5.3.2.2 Imports</p> <ul style="list-style-type: none"> • Trend in the value of imports • Imports by end use <p>5.3.2.3 Major Trading partners of Ethiopia</p> <p>5.4 Development in the BOPs in Ethiopia</p> <ul style="list-style-type: none"> • Current account • Trade balance • Capital account <p>National debt service and performance</p> <p>Trade and globalization</p> <p>Economic integration</p>	

ASSESSMENT

Students' performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement level will be able to:

Define the concept of balance of payment; explain the importance of trade in economic development; identify the major trading partners of Ethiopia. Examine the domestic trade policies and strategies based on ownership policy, distribution policy, pricing policy and licensing policy. Analyze the structure of domestic trade; examine the foreign trade policy and the national debt service and its importance.

In addition, students working & above the minimum requirement level and considered as higher achiever should be able to:- evaluate the structure and performance of trade and foreign trade as compared to export and import performance. Evaluate the development of balance of payment, and describe the relationship between trade, globalization and the integration with economic growth.

Students working below minimum requirement level will require extra help, if they are to catch up with the rest of the class. Students reaching the minimum requirement level, but achieve a little bit higher should be supported, so that they attain the higher achiever competencies. Students who full fill the higher achiever competencies. Also need special support to continue and achieve more

Unit learning outcomes: Students will be able to:-

- *Distinguish the different source of government revenue*
- *Report how fiscal policy applied in Ethiopia*
- *Classify taxes and appreciates its significance to five development of the economy*

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> ▪ Explain the economic role of the government ▪ Review historical background of public finance in Ethiopia ▪ Evaluate the structure and performance of revenue and expenditure. ▪ Analyze the government budget and deficit financing. ▪ Describe fiscal decentralization and public sector reform in Ethiopia. ▪ Distinguish the different types of taxes and state their characteristics. ▪ Evaluate the foreign trade taxes by taking into account the comparison between import taxes and export taxes. 	<p>6. Fiscal policy and public development in Ethiopia</p> <p>Introduction</p> <p>6.1 Economic role of the government</p> <p>6.2 Historical background of public finance in Ethiopia</p> <p>6.3 Structure and performance of revenue and expenditure</p> <p>6.3.1 Government revenue</p> <p>6.3.2 Government expenditure</p> <p>6.4 Analysis of government budget and deficit financing</p> <p>6.4.1 Structure of government budget</p> <p>6.4.2 Government expenditure budget</p> <p>6.4.3 Budgetary deficit financing</p> <p style="padding-left: 40px;">Domestic borrowing</p> <p style="padding-left: 40px;">External borrowing</p> <p style="padding-left: 40px;">Issuing currency (money printing)</p>	<ul style="list-style-type: none"> • Brain storm: <ul style="list-style-type: none"> • Start the lesson by questioning students about the role of government. • Assist students to review the historical background of public finance in Ethiopia. • Assign students in groups and let them discuss about the structure and performance of government budget and deficit. • Ask student what they know about fiscal decentralization and public sector reform in Ethiopia.

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
	<p>6.5 Fiscal decentralization and public sector reform in Ethiopia</p> <p>6.5.1 Personal income tax</p> <p>6.5.2 Business income tax</p> <p>6.5.3 Indirect taxes</p> <p>6.5.4 Foreign trade taxes</p> <p style="padding-left: 40px;">Import taxes</p> <p style="padding-left: 40px;">Export taxes</p> <p>6.5.5 Strengthening institutional framework</p>	

ASSESSMENT

Students' performance has to be assessed continuously over the unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

Students at a minimum requirement level will be able to:-

Explain the economic role of the government. Review historical background of public finance in Ethiopia. Analyze the government budget and deficit financing; and describe fiscal decentralization and public sector reform in Ethiopia.

In addition, a student working above the minimum requirement level and considered as higher achiever should be able to:- Evaluate the structure and performance of revenue and expenditure; evaluate foreign trade taxes by taking into account the comparison between import taxes and export taxes; and distinguish the different types of tax and their characteristics. Students working below minimum requirement level will require extra help, if they are to catch up with the rest of the class. Students reaching at the minimum requirement level, but achieve a little bit higher should be supported, so that they can attain the highest achiever competencies. Students who full fill the highest achiever competencies also need special support to continue and achieve more.

Unit 7: Monetary policy and financial sectors in Ethiopia (15 periods)

Unit learning outcomes: Students will be able to:

- Present report how monetary policy applied in Ethiopia
- Understand the different policies and strategies applied by the imperial, Derg and current government

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Review the historical background of money and the financial sector in Ethiopia. • Examine the financial policies during the monarchy, Derg and EPRDF. • Evaluate the performance of the financial sector in Ethiopia • Assess the problems and identify the possible remedies of the financial sector. 	<p>7. Monetary policy and the financial sector development in Ethiopia</p> <p>7.1 Historical background of money and the financial sector in Ethiopia</p> <p>7.2 The financial sector policies and reforms in Ethiopia</p> <p>7.2.1 The financial policies during the imperial period</p> <p>7.2.2 The financial policies during the derg period</p> <p>7.2.3 The financial policies after the derg</p> <p>7.3 Performance of the financial sector in Ethiopia</p> <p>7.4 Problems and possible remedies of the financial sector in Ethiopia</p>	<p>Brain storm:</p> <ul style="list-style-type: none"> • Start the lesson by asking students to recall their previous knowledge about monetary policies. • Let students review the historical background of money and the financial sector in Ethiopia. • Organize students in to manageable two or more group to argue and examine the financial sector policies and over forms in Ethiopia. • Let students discuss and evaluate the performance of the financial sector in Ethiopia. • Assign students in group and encourage the to discuss about the problems of financial sector in Ethiopia in order to draw their own possible remedies which can potentially solve the existing problems.

ASSESSMENT

Students' performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement level will be able to:-

Review the historical background of money and the financial sector in Ethiopia and examine the financial policies during the Monarchy, Derg & EPRDF.

In addition a student working above the minimum requirement level and considered as higher achiever should be able to evaluate the performance of the financial sector in Ethiopia and assess the problems and identify the possible remedies of the financial sector.

Students working below the minimum requirement level will require extra help, if they are to catch up with the rest of class. Students reaching at the minimum requirement level but achieve a little bit highest should be supported, so that they attain the highest achiever competencies also need special support to continue and achieve more.

Unit 8: The Economic reform program in Ethiopia (16 periods)

Unit learning outcomes: Students will be able to:

- State the main elements of New Economic Reform and its importance's in Ethiopia
- Examine structural adjustment policy measures undertaken in Ethiopia
- Understand investment policy in Ethiopia

<i>Competencies</i>	<i>Contents</i>	<i>Suggested activities</i>
<p><i>Students will be able to:</i></p> <ul style="list-style-type: none"> • Explain the new economic policy & the need for reform • Evaluate the performance of the Economy after the reform program • Describe the investment policy and explain the investment climate in Ethiopia post 1991. 	<p>8. The Economic reform program in Ethiopia Introduction</p> <p>The New Economic Policy and the need for reform</p> <p>Introduction to structural adjustment program</p> <p>Structural adjustment policy measures undertaken in Ethiopia</p> <p>Performance of the Economy after the New Economic reform program</p> <p>Investment policy and climate in Ethiopia during the post 1991.</p>	<ul style="list-style-type: none"> • Motivate learners to recall what they have learned about consumption, saving and investment. Then facilitate conditions that enable students to show the detail idea of New Economic Policy and the need for reforms. • Let students discuss about structural adjustment policy measures undertaken in Ethiopia. • Assign students to discuss on the New Economic reform program so as to examine its performance. • Let students discuss on the investment policy and climate in Ethiopia post in order to put their own comment.

ASSESSMENT

Students' performance has to be assessed continuously over the whole unit. Comparing students' performance with the specified level of competencies will make the assessment logical. Besides the teacher has to recognize the level of performance of each student and provide assistance accordingly.

Thus:-

A student at a minimum requirement will be able to:-

Explain the new economic policy and the need for reform; describe the investment policy and explain the investment climate in Ethiopia post 1991.

In addition, a students working above the minimum requirement level and considered as the highest achiever should be able to evaluate the performance of economy after the reform program.

Students working below the minimum requirement level will require extra help if they are to catch up with the rest of the class. Students reaching at the minimum requirement level but achieve a little bit highest should be supported so that they attain the highest achiever competencies also need special support to continue and achieve more.