

Province of the

EASTERN CAPE

EDUCATION

ECONOMICS

GRADE 12 SOLUTIONS BOOKLET

2020

ECONOMIC PURSUITS

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**1.** ECONOMIC GROWTH AND DEVELOPMENT

## SECTION A: TYPICAL EXAM QUESTIONS-SOLUTIONS

**QUESTION 1: 5 minutes Section A** (Taken from various sources)

* 1. B GEAR
  2. Dcapital
  3. D technology
  4. C Department of Trade and Industry (DTI).
  5. A the standard of living. (5 x 2) (10)

**QUESTION 2: 5 minutes Section B** (Taken from DBE/Feb.–Mar. 2013)

2.1 **Briefly explain the term *economic growth***.

Economic growth is the increase in the production capacity of a country to

produce more/Increase in the Real GDP 🗸🗸

Accept any other relevant answer. (2)

2.2 **Give reasons why the gold industry is of economic importance to South Africa.**

* Historical importance – discovery of gold in 1886 🗸🗸
* Biggest earner of foreign exchange 🗸🗸

Accept any other relevant answer. (Any 2 x 2) (4)

2.3 **Why is black economic empowerment necessary in South Africa's mining**

**industry**

* To redress inequalities of the past 🗸🗸
* To increase ownership (stake) of the economy.🗸🗸
* To increase jobs (top management/structure of mining industry)🗸🗸
* To improve the standard of living 🗸🗸
* Make mines more competitive 🗸🗸 (tendering purposes)

Accept any other relevant answer. (Any 2 x 2) (4)

**QUESTION 3: 10 minutes (Taken from DBE June 2015)**

**Data Response**

**3.1 According to the extract, what is the misconception regarding the BEE policy?**

• That BEE is affirmative action 🗸

* That the meaning of existing wealth should be redistributed 🗸 (1)

**3.2 What is the focus of the BEE policy instrument?**

* To eradicate inequality 🗸
* Stimulate further economic growth 🗸
* Create employment 🗸
* Broaden the economic base 🗸

(Accept any other relevant response) (1)

**3.3.3 How can broad-based growth be achieved?**

* BEE should focus on ALL the sectors and levels of the economy 🗸🗸
* The government should establish more charters/agreements between the Department of Trade and Industry (DTI) and industries in private sector 🗸🗸 (Accept any other relevant response) (2 x 2) (4)

**3.4 Do you think that BEE is successful as a measure to redress inequalities of the past? Motivate your answer.**

* Yes 🗸
* There are many previously disadvantaged people participating in the economy of the country than before 🗸🗸
* There is more participation and competition in the market /business environment 🗸🗸 **OR**
* No 🗸
* There are still many previously disadvantaged people who are excluded from economic participation 🗸🗸
* In some industries there is still a shortage of previously disadvantaged role players. 🗸🗸 (Accept any other relevant response) (2 x 2) (4)

**QUESTION 4: 10 minutes Section B** (Taken from Eastern Cape Prelim Sept 2011)

**Taxes**🗸

* Reduction in corporate and personal taxes.🗸🗸
* Bracket creeping on personal income tax has been attended to.🗸🗸
* VAT has been kept at 14% for a long time. 🗸🗸

**Capital formation**🗸

* Depreciation has been revised to encourage investment🗸🗸
* Provided start-up capital and loans to SMMEs. 🗸🗸

**Human resources**🗸

* School education has been transformed🗸🗸
* SETAs were established to facilitate work-related training.🗸🗸
* Labour Relations Act – for the promotion of social justice and peaceful

labour relations. 🗸🗸

**Free advisory service**🗸

* Advice on development of export markets, management of SMME’s,

agriculture, etc.🗸🗸 (Any 2) (2 x 2)(8)

**TYPICAL HIGHER ORDER TYPE OF QUESTIONS**

1. **Evaluate the use of demand side measures in promoting economic growth and development**

* Demand side measures involve methods to influence aggregate demand and output through changes in fiscal and monetary policies. 🗸🗸
* Personal income tax reduction, improves both economic development and economic growth because most people will be able to afford basic necessities. Economic growth will increase because of the multiplier effect caused by the increase in household’s disposable income🗸🗸
* However, the gains in Economic growth and developed are short lived because of inflation since there is a lot of money in circulation. 🗸🗸
* Reduction of interest rates encourages people to borrow and improve their lives but in the long term, people must struggle to service their debts 🗸🗸
* Reduction of interest rates discourages savings and financial institutions may not have enough money to finance businesses through provision of loans. 🗸🗸

1. **Evaluate RDP and GEAR as South African government policies to promote economic growth and development**

* RDP was introduced to enable South Africans to have basic goods and service especially houses and clean water🗸🗸
* GEAR was introduced to create job opportunities and redistribution of income. 🗸🗸
* Through RDP most South Africans have decent houses and access to clean water🗸🗸
* However, the majority are still living in low quality houses due to improper management of the programme which led to corrupt activities and poor workmanship on some of the houses. 🗸🗸
* GEAR was a success in the redistribution of income due to the introduction of progressive taxation and provision of grants. 🗸🗸
* Through GEAR not enough jobs were created as evidenced by the prevailing high unemployment rate. 🗸🗸

1. **Evaluate the impact of EPWP on the community.**

* Community projects are earmarked. 🗸🗸
* Jobs are created to uplift community living standards. 🗸🗸
* Poverty is alleviated. 🗸🗸
* Provides income for the unemployed. 🗸🗸
* However, the main disadvantage is that, job opportunities are short term. 🗸🗸

**4. Evaluate the success of government's fiscal policy in ensuring a desirable redistribution of income?**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| * Progressive personal income tax implicates higher tax rates levied on high income earners and lower rates of taxes applying to lower income earners - it leads to a desirable redistribution of income  * A too progressive personal income tax system has led to tax evasion and avoidance – this might cripple the system. The number of people responsible for most of the income of the state is decreasing  * Taxes on assets owned as well as wealth taxes (CGT) are both categories where those who can afford it; must pay the taxes concerned  * Cash benefits include grants to the poor – old age pensions; disability grant; UIF are amounts paid to those who form part of the lower income groups of people without any income  * Benefits in kind comprises lower fees or no fee for certain income categories, e.g. health care, education, protection, municipal services tries to redistribute income successfully although major problems of nepotism, apathy, lack of motivation and inefficiency occurs in these sectors where money allocated for these groups are not spent accordingly  * Land reform programme involves returning of land to people that were previously dis-owned without compensation as well as people excluded from owning land in the past. Implementation of this policy remains problematic due to certain decisions being taken that might reduce mass production dramatically and we might not be able to feed the nation – disadvantaging the poor even more   |  |  | | --- | --- | | * Cash and financial benefits to SMMEs where Government provides training, employment subsidies and financing of SMMEs - previously disadvantaged groups will enjoy preference and income would be successfully redistributed  * Public works programmes provide employment but usually on a temporarily basis e.g. where unemployed are appointed to build stadiums for a World Cup  * Property subsidies are paid to persons earning less than R3 500 per month    **(4×2) (8)**   1. **Evaluate the effectiveness of BBBEE as a measure to redress inequality of the past**   **( 4×2) (8)**   * BBBEE which is Broad-Based Black Economic Empowerment is the economic empowerment of all black people especially women and young people who were previously disadvantaged. 🗸🗸 * It is aimed at addressing historical imbalances of the past through increasing the number of black people that can own and control the country’s economy, and decreasing inequality. 🗸🗸 | | | * There are many previously disadvantaged people participating in the economy of the country than before  * There is more participation and competition in the market /business environment    **Negative**   |  | | --- | | * There are still many previously disadvantaged people who are excluded from economic participation  * In some industries there is still a shortage of previously disadvantaged role players    (Accept any other relevant response) (4×2 =8) | | | |

**QUESTION 5: 40 minutes**  **Section C** (Taken from DoE/Feb. – March 2009)

|  |  |
| --- | --- |
| **STRUCTURE OF THE ESSAY:** | **MARK ALLOCATION** |
| **Introduction**  The introduction is a lower-order response.   * A good starting point would be to determine the main concept related to the question topic * Do not include any part of the question in your introduction * Do not repeat any part of the introduction in the body * Avoid saying in the introduction what you going to discuss in the body | Max. 2 |
| **Body:**  **Main part:** Discuss in detail/In-depth discussion/Examine/  Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain  **Additional part:** Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/ Compare/Explain/Distinguish/Interpret/Briefly debate/How/Suggest | Max. 26  Max. 10 |
| **Conclusion**  Any higher-order conclusion should include   * A brief summary of what has been discussed without repeating facts already mentioned * Any opinion or value judgement on the facts discussed * Additional support information to strengthen the discussion analysis * A contradictory viewpoint with motivation, if required * Recommendations | Max. 2 |
| **TOTAL** | **40** |

|  |  |  |
| --- | --- | --- |
| **QUESTION 5 ECONOMIC PURSUITS 40 MARKS – 20 MINUTES**     * **Discuss the supply-side approach used in South Africa to promote growth and development in detail under the following headings:**   (1)Effectiveness and efficiency of markets  (2) Business efficiency  (3) Cost of doing business (26 marks)     * **Evaluate competitiveness as a development policy in South Africa. (10)**   **Introduction**  The supply-side approach to economic growth and economic development deals with the country’s capacity to produce goods and services. **🗸🗸 (Max. 2)**  (Accept any other relevant introduction)    **Body**  **MAIN PART**  **PRODUCING GROWTH AND DEVELOPMENT**   * Supply-side maintains that government intervention in the economy is only warranted if it improves the smooth operations of markets. **🗸🗸** * Supply in the economy is fairly fixed particularly in the short term. For the economy to produce more, workers need to be trained, more machines need to be built and installed, more electricity needs to be produced and better roads need to  provided. **🗸🗸** |  |  |
| AD1  AD  AS1  AS  AD1  AD  Price        Price  P1  P2          **🗸🗸**    0 Y Y1 Output    Output   * The curve is vertical at Y in the short term. If AD is increased from AD to AD1, prices rise without an increase in output. Inflation without growth is the result. 🗸🗸 * The supply-side approach implies that the potential AS1 curve is established to the right of the AS curve, so that AD increases, output can be increased without a rise in the general level of prices (that is without inflation) 🗸🗸   (Max for the graph 2 and explanation 4)  **THE SOUTH AFRICAN APPROACH**   1. **THE EFFECTIVENESS AND EFFICIENCY OF MARKETS**  * If a business achieves its aims (profitability and growth), the business is effective.🗸🗸 * In South Africa, the government imposes aims on markets by law. 🗸🗸   **Effectiveness**  Government demands that markets operate in a manner where more black people are absorbed into the mainstream economy because they were deliberately excluded previously.🗸🗸  Two acts were promulgated to enforce the preference of black workers and the businesses of black people:   1. **The Employment Equity Act** 🗸**-** prohibits discrimination and requires that the workforce reflects the racial and gender profile of the population at large. 🗸🗸  * Enterprises have to file an employment equity plan with the Department of Labour and inspectors from the department visit business sites to ensure compliance. 🗸🗸 |  |  |

|  |  |  |
| --- | --- | --- |
| 1. **Broad Based Economic Empowerment Act 🗸-** it requires redress so that the number of black people who own, manage and control businesses in the country can increase and income inequality can be decreased. 🗸🗸   **Efficiency**   * Pareto efficiency means that given the constraints of effectiveness parameters, it is not possible to change the allocation of resources in such a way that someone is made better off without making someone else worse off. 🗸🗸 * **Competition 🗸**   It increased in three ways:   1. Establishing new businesses**🗸🗸** 2. Recruiting FDI direct investments**🗸🗸** 3. Reduction or removal of import restrictions**🗸🗸**  * The Competitions Act (1998) provides regulatory network. Was created to enforce competitive practices among domestic businesses. **🗸🗸** * It aims at anti-competition practices, eliminating the abuse of dominant positions and the strengthening of merger controls. **🗸🗸** * The **Competitions Act (1998)** provides for the operation of a Competition Commission, a Competition tribunal and a Competition Appeal Court. **🗸🗸** * **Deregulation 🗸** * Private sector power imbalances that inhibit the free operation of markets have been revised and some were even abolished. **🗸🗸** * Government maintains it is committed to improving the ease of doing business in South Africa. **🗸🗸**  1. **BUSINESS EFFICIENCY**  * Some measures serve as incentives to increase effort and efficiency and others establish relationships that improve efficiency. **🗸🗸** * **Taxes 🗸** * Corporate tax rate is 28%, small businesses pay a lower rate as long as their income is less than R350 000. For micro-enterprises the turnover level is R750 000**. 🗸🗸** * Individual income tax starts at 18% and increases on a sliding scale to 40%. **🗸🗸** * Capital Gains Tax (CGT) was increased substantially, for individuals increased to 33%. **🗸🗸** * VAThas remained fixed at 14% **🗸🗸** * The level of taxation is reasonable compared to developed countries, however, as a developing country; lower rates would be helpful to promote growth and development. **🗸🗸** |  |  |

|  |  |  |
| --- | --- | --- |
| * **Capital formation 🗸** * Depreciation of capital goods used by businesses is designed to encourage investment. **🗸🗸** * New machinery may be depreciated over four years, 40% in the first year and computers and electronic equipment over three years. **🗸🗸** * Government also provides capital and loans to SMMEs and bigger businesses.**🗸🗸** * **Human resources 🗸** * Sectoral Education and Training Authorities (SETAs)have to facilitate post school, work related training. **🗸🗸** * The Labour Relations Act states that it promotes economic development, social justice and peaceful labour relations. **🗸🗸** * **Free advisory services 🗸** * Includes the development of export markets, managing and running SMMEs, agricultural production, weather forecasts and preventing and curing animal diseases. **🗸🗸**  1. **COST OF DOING BUSINESS**  * The availability and cost of infrastructure services play an important role in the financial viability and profitability of the business. **🗸🗸** * **Transport costs 🗸** * Transport options are air, road, rail and sea transport. **🗸🗸** * The government has committed itself to improve efficiency and reliability of its rail transport service and to making it more affordable. **🗸🗸** * **Communication costs 🗸** * Communication options are cable, signal and mail. **🗸🗸** * Cable communication in South Africa is among the most expensive in the   world but reasonably efficient. **🗸🗸**   * The high cost makes IT services for businesses and individuals   expensive and inhibits global competitiveness. **🗸🗸**   * **Energy costs 🗸** * The two main forms of energy in South Africa are electricity and liquid   fuels. **🗸🗸**   * High liquid energy prices undermines the efficiency of the economy. **🗸🗸**   **(18 + 8= Max. 26)** |  |  |

|  |  |  |
| --- | --- | --- |
| **ADDITIONAL PART**  **Evaluate competitiveness as a development policy in South Africa.**   * Competitiveness enhances market efficiencies. **🗸🗸** * Businesses are more focused, innovative if strong competition is present**🗸🗸**. * This improves the overall quality of the manufactured product. **🗸🗸** * High quality products can more easily be exported and compete on an international level. **🗸🗸** * In South Africa, there is still a problem of some markets being overshadowed by monopolies which cause dramatic price increases, or cartels which keep prices high. **🗸🗸** * The Competition Commission is very instrumental in addressing these issues of unfair business practices. **🗸🗸** * Examples: cement industry, banks, cellphone companies, Tigerbrands etc. **🗸🗸** * South Africa has established a well-developed manufacturing industry and has the potential to compete on the international market. **🗸🗸** * The Department of Trade and Industry is committed in increasing South Africa’s access to international markets. **🗸🗸**   (Accept any other relevant answer.) **(Max. 10)**    **Conclusion**  Supply-side policies are designed to create an environment where businesses, industries and markets can function optimally. **🗸🗸**  (Any other relevant higher order conclusion) **(Max. 2)** |  |  |

**SECTION C: HOMEWORK SOLUTIONS**

**QUESTION 1 (no abbreviations)**

1.1 National Development Plan 🗸

1.2 Economic Growth 🗸

1.3 Reconstruction and Development Programme 🗸 (1 X 3) (3)

**QUESTION 2: 10 minutes**  **(taken from various sources)**

2.1 **What is the main purpose of the expanded public works programme (EPWP)?**

|  |  |  |
| --- | --- | --- |
| Create employment using labour intensive methods/Give people skills that they can use to find jobs 🗸🗸 (1 x 2) (2) |  |  |

**2.2 What is the main aim of South Africa's National Development Plan (NDP)?**

• Eliminate poverty and reduce inequality by 2030 🗸🗸

• Reduce unemployment 14% by 2020 and 6% in 2030 🗸🗸

• Grow an inclusive economy 🗸🗸

(Accept any other relevant response) (Any 1 x 2) (2)

* 1. **How does economic growth relate to economic development?**

When an economy is growing the following may result:

• More jobs will be created 🗸🗸

• More people will receive income 🗸🗸

• The standard of living will improve

• You need economic growth for economic development to take place. Economic growth does not guarantee economic development 🗸🗸

(Accept any other relevant answer) Any (1 x 2)(2)

**2.4 Differentiate between economic growth and economic development. (8)**

Economic growth

• It is the increase in the real GDP over a period of time. 🗸🗸

• It focus on the production of goods and services 🗸🗸

• Increase the production capacity of the economy 🗸🗸 (2 x 2)

Economic development

• It is the increase in the real per capita GDP 🗸🗸

• It focus on the increase in living standards 🗸🗸

(Accept any other relevant fact) (2 x 2) (8)

**2.5 Briefly discuss the demand-side policy used in promoting growth and development.**

* The demand-side approach focuses on the expansion of the demand for goods an

services produced in the economy. 🗸🗸

* To ensure economic growth, there should be an adequate and growing demand for goods and services produced in the economy.🗸🗸
* Aggregate demand in the economy is made of consumption demanded (C) 🗸🗸

investment demand (I), 🗸🗸 government demand (G) 🗸🗸 and net exports (X-M) 🗸🗸

* An increase in any of the components of total demand will stimulate economic

growth. 🗸🗸

* The demand-side approach emphasises the fact that for a country to have growth,

there is a need to increase aggregate demand by making discretionary changes to monetary and fiscal policies.🗸🗸 (8)

**2.6 Explain Black Economic Empowerment (BEE) as a development initiative.**

* It provides for the transformation of the South African economy. 🗸🗸
* It ensures that black people can own, manage and control the country's economy so that inequalities can be reduced. 🗸🗸
* The policy provides for: Equity ownership: ownership of businesses 🗸🗸

**Management and control**: proportion of black people as directors or board members. 🗸🗸 **Employment equity**: gender and demographic representation🗸🗸 Preferential procurement: tendering 🗸🗸 Development of enterprises: development for black-owned companies. 🗸🗸Social responsibility 🗸🗸 Money spent to empower disadvantaged groups / skills development 🗸🗸 (4 x 2) (8)

**QUESTION 3: 10 minutes**  **(Taken from DBE November.2013)**

**3.1 What portfolio was Trevor Manuel responsible for?**

* Minister in the Presidency: National Planning Commission / Planning Minister / Minister in the Presidency 🗸🗸 (2)

**3.2 Which economic indicator from the extract can be used to compare standards of living?**

* GDP per capita 🗸🗸 / per capita 🗸 (2)

**3.3 How can the National Development Plan assist the promotion of Small and Medium Enterprises (SMEs)?**

* Reducing the cost of doing business for small enterprises 🗸🗸
* Tax incentives 🗸🗸
* Open immigration policy to attract skills 🗸🗸
* Relaxation of labour laws 🗸🗸
* Improving education 🗸🗸

Any other relevant fact (2)

**3.4 How can the economy achieve an average growth rate of 5,4% per year?**

* Improved productivity 🗸🗸
* Expanded infrastructure 🗸🗸
* Reduced cost of living for poor households 🗸🗸
* Reduced cost of doing business for small enterprises 🗸🗸
* Skills development 🗸🗸
* Improved technology 🗸🗸
* Job creation 🗸🗸
* Relaxing of labour laws 🗸🗸
* Improving education 🗸🗸

Any other relevant answer (Any 2 x 2) (4)

**QUESTION 4: 10 Minutes (Taken from DBE November 2015)**

**Data Response**

**4.1 What is the difference in the per capita income between countries in the North and countries in the South?**

* South has low per capita income / which constitute 15% of the world’s income 🗸
* North has high per capita income / which constitutes 85% of the world’s income 🗸

(Accept any other relevant answer) (2 x 1) (2)

**4.2 What message is conveyed in the cartoon above?**

* North/South divide / North is controlling the South / The North benefits more than the South / The North has all the wealth compared to the South / The South are marginalised 🗸🗸

(Accept any other relevant answer) (2)

**4.3 Why will the subsidising of agricultural produce by wealthy countries make it difficult for developing countries to participate?**

* Subsidies lead to lower market prices for wealthy countries and developing countries experience unfair competition internationally 🗸🗸
* Most African countries are dependent on agricultural produce that determine their national income in a large way. Most people are influenced negatively by the hothouse effect – produce decreases 🗸🗸

(Accept any other relevant response) (2)

**4.4 How do countries in the North contribute to the destruction of the environment?**

* Mass production of goods and services causing pollution 🗸🗸
* High levels in industrial activities cause climate change 🗸🗸
* Over industrialisation lead into the exhaustion of natural resources 🗸🗸
* Deforestation due to over industrialisation 🗸🗸

(Accept any other relevant response) (2 x 2) (4)

**SECTION A: TYPICAL EXAM QUESTIONS-SOLUTIONS**

**QUESTION 1: 5 minutes**  (Taken from various sources)

* 1. C🗸🗸 Mpumalanga
  2. B🗸🗸 corridors.
  3. A🗸🗸 industrial development zone
  4. A🗸🗸 Skills Support Programme
  5. A🗸🗸 SDI (5 x 2) (10)

**QUESTION 1.2: 7 Marks 5 minutes Section A** *(*Taken from various sources)

**(no abbreviations**)

1.2.1 Skills Support Programme 🗸

1.2.2 Affirmative action🗸

1.2.3 Industrial Development Zone 🗸

1.2.4 Spatial Development Initiatives 🗸

1.2.5 The Integrated Manufacturing Strategy 🗸

1.2.6 Special Economic Zones 🗸

1.2.7 Strategic Integrated Projects 🗸

**TYPICAL HIGHER ORDER QUESTIONS:**

**1). Evaluate Spatial Development Initiative in South Africa. (8)**

* SDI refers to national government programme aimed at developing under
* developed areas.🗸🗸
* Stimulate private sector investment.🗸🗸
* Create employment and growth in selected areas🗸🗸
* Develop infrastructure in the selected areas.🗸🗸
* Establish private –public partnership.🗸🗸

**2) Evaluate the use of incentives in establishing new businesses into IDZ’s (8)**

* These incentives include SSP, CIF, FIG and Duty Free Incentives. 🗸🗸
* These incentives are offered by the government to:
  + Attract foreign investment 🗸🗸
  + Promote industrial development 🗸🗸
  + Promote employment creation programmes 🗸🗸
  + create sustainable businesses that will be able to compete locally and

internationally. 🗸🗸

3) **Evaluate the successfulness of Small and medium Enterprise (SMEDP) and Foreign Investment Incentives (FIG) used by South African government to encourage industrial development. (8)**

**Small and medium Enterprise Development Program (SMEDP)**

* This is a government initiative to assist the SMME’s in the economy to begin

operating or to expand. 

* Grants are given to SMME’s with total assets under R100 million.
* A variety of industries are eligible for these grants, ranging from manufacturing

and tourism to agriculture. 

* Grants are given for a maximum of three years.

**Foreign investment grant (FIG)**

* This takes the form of cash grants that is allocated to foreign companies that wish
* to invest in new manufacturing businesses. .
* The grant covers 15% to maximum of R3 million to the costs of moving equipment
* and machinery into South Africa. .
* The goal of this incentive is to increase foreign investment and technologies in the
* country. .

**QUESTION 2.1: 10 minutes**  (Taken from DBE/November 2012)

2.1 IDZ's are purpose-built industrial estates 🗸which are physically enclosed 🗸and linked to an international port or airport 🗸🗸 (4)

2.2

* A – Coega / Ngqura 🗸🗸
* Advantages:

- Raw materials are imported duty-free🗸🗸

- Exempt from VAT 🗸🗸

- World-class infrastructure🗸🗸

- Government incentive schemes 🗸🗸

- Access to latest information technology🗸🗸

- Dedicated customs support services 🗸🗸 (2x2) (4)

2.3

* Economic growth 🗸🗸
* Job creation 🗸🗸
* Foreign currency/ exports 🗸🗸
* Infrastructural development 🗸🗸
* Regional development 🗸🗸 (Any 1x2) (2)

(Any other relevant answer)

**QUESTION 2.2: 10 minutes**

**2.2.1 Identify ONE country that forms part of BRICS.**

• Brazil 🗸

• Russia 🗸

• India 🗸

• China 🗸

• South Africa 🗸 (1)

**2.2.2 Which member country is interested in signing a nuclear power deal with South Africa?**

Russia 🗸 (1)

**2.2.3 Explain the concept emerging economies**.

• Developing countries that succeed in attracting fixed and portfolio investments from developed economies 🗸🗸

• Developing economies that show acceleration in industrialisation and economic growth 🗸🗸 (2 x 2) (4)

Accept any other correct relevant response)

**2.2.4 How can South Africa benefit from the New Development Bank BRICS?**

• Having access to funds for infrastructure and development 🗸🗸

• Will have access to suitable and sustainable development projects 🗸🗸

• Having access to funds at favourable interest rates 🗸🗸 (2 x 2) (4)

**QUESTION 2.3: 10 minutes**

2.3.1 **What does the abbreviation SDI stand for?**

Spatial Development Initiative 🗸🗸 (2)

2.3.2 **Give ONE example of an SDI in South Africa**.

* Maputo Development Corridor 🗸🗸
* Richards Bay SDI 🗸🗸
* Wild Coast SDI 🗸🗸
* Lubombo SDI 🗸🗸
* Fish River SDI 🗸🗸
* West Coast Investment Initiative 🗸🗸
* Platinum SDI (Coast to coast) 🗸🗸
* Phalaborwa SDI 🗸🗸 (2)

**2.3.3 Explain the term corridors**.

A corridor is a spatial area that forms a passage way allowing access from one area to another and offering advantages to mining, manufacturing and other businesses 🗸🗸

(Accept any other relevant answer) (2)

**2.3.4 How will South Africa benefit from SDIs?**

* Improving logistics and policy environment 🗸🗸
* New investments 🗸🗸
* Job opportunities 🗸🗸
* New business opportunities 🗸🗸
* New export opportunities 🗸🗸

(Accept any other relevant answer) Any (2 x 2) (4)

**QUESTION 3: 45 minutes**  **(Taken from DBE various papers)**

3.1 **Name any TWO incentive schemes which involve cash grants to promote regional industrial development**.

* Small and Medium Enterprises Development Programme / (SMEDP) 🗸🗸
* Skills Support Programme / (SSP) 🗸🗸
* Black Business Supplier Development Programme / (BBSDP)🗸🗸
* Critical Infrastructure Programme / (CIP) 🗸🗸
* Foreign Investment Grant / (FIG) 🗸🗸
* Strategic Investment Projects / (SIP) 🗸🗸 (Any 2x1)(2)

**3.2 Explain spatial development initiatives in South Africa.**

* SDI Programme attracts infrastructure and business investments to

underdeveloped areas with the primary aim of creating employment. 🗸🗸

* Department of Trade and Industry is driving force behind industrial and spatial development .🗸🗸
* DTI plans together with central, provincial and local government, IDC,

parastatals and research institutions. 🗸🗸

* Industrial Development Policy Programme (Spatial Development) has 2

focus points: spatial development initiative (SDI) and financial incentives 🗸🗸

* SDI refers to national government initiative programme aimed at unlocking

inherent and under-utilized economic development potential of certain specific spatial locations in SA. 🗸🗸

* Key objectives stimulate economic activity in selected strategic locations. 🗸🗸 generate economic growth and sustainable industrial development; 🗸🗸

develop projects of infrastructure in certain areas and finance them through

lending and private sector investment 🗸🗸 establish private-public partnerships (PPP's) 🗸🗸

* In areas with high poverty and unemployment, SDI focuses on: high-level support in areas where socio-economic conditions require concentrated government assistance 🗸🗸 where inherent economic potential exists. 🗸🗸
* The approach is towards international competitiveness, regional cooperation and a more diversified ownership base. 🗸🗸
* Some of the main focus points of the SDI Programme are: Lubombo Corridor (agro-tourism, education, craft, commercial and agricultural sectors); 🗸🗸

KwaZulu-Natal (ports of Durban and Richards Bay); 🗸🗸 West Coast SDI (fishing and industrial ports); 🗸🗸 Coast-2-Coast Corridor with agro-tourism. 🗸🗸 (Any 4 x 2) (8)

**3.3 Briefly discuss the aims of regional development.**

|  |  |  |
| --- | --- | --- |
| * It refers to policies which are aimed at increasing the economic livelihood of specific areas or regions 🗸🗸 * To limit the effects of economic centralisation, reduce the unequal development of economic activities 🗸🗸 * To promote the advantage of more regional development by using labour, other natural recourses and infrastructure in neglected areas 🗸🗸 * Stimulate development in poor rural areas to prevent new imbalances from emerging 🗸🗸 * To implement and coordinate the implementation of national and regional industrial policies 🗸🗸   Any other relevant aim (Any 4 x 2) |  | (8) |

**3.4 Distinguish between industrial development zones and special economic**

**zones.**

**Industrial Development Zones**:

* This is a purpose built industrial estate, physically enclosed and linked to an international port or airport with duty free incentives 🗸🗸
* It was designed to encourage international competitiveness in SA’s manufacturing sector 🗸🗸
* IDZ’s fall outside domestic customs zones and therefore able to import items free of customs and trade restrictions, add value, and then exports their goods 🗸🗸
* They are designed to attract new investment in export-driven industries.
* Thus encouraging exports, economic growth and employment 🗸🗸
* IDZs are the responsibility of provincial and local government 🗸🗸
* Businesses develop around the IDZs (banking, personnel, insurance, auditing, IT, communication, accommodation, catering, shopping, transport) 🗸🗸
* IDZs strengthen and stimulate economies in their immediate environments 🗸🗸
* Each IDZ offers direct links to an international port or airport, world-class infrastructure, a zero rate VAT on supplies from South African sources, government incentive schemes, reduced taxation for some products, access to latest information 🗸🗸 (2 x 2) (4)

**Special Economic Zones**:

* These are where there are broader ranges of industrial parks and economic infrastructure provided for effective clustering of value-adding and employment – enhancing manufacturers 🗸🗸
* Designed to increase the growth of the economy 🗸🗸
* Boast exports 🗸🗸
* And create employment 🗸🗸
* Investment is based on public-private partnerships with the state providing the infrastructure 🗸🗸
* And private enterprises setting up businesses 🗸🗸
* Incentives are offered to firms so that they can have a competitive advantage 🗸🗸
* (Lower prices for their industrial exports over other world producers) growth in an SEZ is based on export-oriented manufacturing 🗸🗸

Any other relevant argument (2 x 2) (4)

**3.5 Discuss how the Small and Medium Enterprise Development Programme (SMEDP) and the Foreign Investment Grant (FIG) help to improve industrial development in South Africa.**

**Small and medium Enterprise Development Programme (SMEDP)**

* This is a government initiative to assist the SMME’s in the economy to begin operating or to expand. 🗸🗸
* Grants are given to SMME’s with total assets under R100 million. 🗸🗸
* A variety of industries are eligible for these grants, ranging from manufacturing and tourism to agriculture. 🗸🗸
* Grants are given for a maximum of three years. 🗸🗸 (Any 2 x 2) (4)

**Foreign investment grant (FIG)**

* This takes the form of cash grants that is allocated to foreign companies that wish to invest in new manufacturing businesses. 🗸🗸
* The grant covers 15% to maximum of R3 million to the costs of moving equipment and machinery into South Africa. 🗸🗸
* The goal of this incentive is to increase foreign investment and technologies in the country. 🗸🗸 (Any 2 x 2) (4) (8)

**3.6 How can the South African government ensure that its industrial policies comply with international benchmarks?**

* Ensure macroeconomic stability 🗸🗸
* Achieve high rates of savings and investment 🗸🗸
* Allow markets to allocate resources 🗸🗸
* Have committed, credible and capable government 🗸🗸

(Accept any other relevant response) (4 x 2) (8)

3.7 **Why is industrial development a necessity in South Africa?**

* Generate income - Industries will accommodate thousands of workers who will receive an income 🗸🗸
* Boost economic growth – Industrial development will ensure an increase in the production of goods and services 🗸🗸
* Increase job creation – Labour intensive industries will offer many new job

opportunities 🗸🗸

* Increase the export of value-added products – Industries can add value to

the many natural resources available in our country 🗸🗸 Any (1 x 2) (2)

**3.8 How can special economic zones (SEZs) contribute to regional development?**

* The government will use the new programme specifically to promote the creation of a regionally diversified industrial economy 🗸🗸
* Establishing new industrial hubs in underdeveloped regions of the country 🗸🗸
* This programme is crucial for government's strategic objectives of industrialization, regional development and job creation 🗸🗸
* It will improve South Africa's attractiveness as a destination for FDI as well as domestic investment 🗸🗸
* It gives a greater opportunity for regional development because it is not linked to a port or airport 🗸🗸
* SEZ’s accommodates the foreign market for goods and services as well as the domestic market 🗸🗸
* Because of a special tax incentive, more industries are established 🗸🗸

(Accept any other correct relevant response) (Any 4 x 2) (8)

**QUESTION 4: 40 minutes**  (Taken from DBE/November 2013)

|  |  |
| --- | --- |
| **STRUCTURE OF THE ESSAY:** | **MARK ALLOCATION** |
| **Introduction**  The introduction is a lower-order response.   * A good starting point would be to determine the main concept related to the question topic * Do not include any part of the question in your introduction * Do not repeat any part of the introduction in the body * Avoid saying in the introduction what you going to discuss in the body | Max. 2 |
| **Body:**  **Main part:** Discuss in detail/In-depth discussion/Examine/  Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain  **Additional part:** Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/ Compare/Explain/Distinguish/Interpret/Briefly debate/How/Suggest | Max. 26  Max. 10 |
| **Conclusion**  Any higher-order conclusion should include   * A brief summary of what has been discussed without repeating facts already mentioned * Any opinion or value judgement on the facts discussed * Additional support information to strengthen the discussion analysis * A contradictory viewpoint with motivation, if required * Recommendations | Max. 2 |
| **TOTAL** | **40** |

* Discuss regional industrial development in South Africa by focusing on the Spatial Development Initiatives and Industrial Development Zones. (26 marks)
* How appropriate are the various financial incentives granted by the South African government for the establishment of new businesses? (10 marks**) [40]**

**INTRODUCTION**

South Africa's overall objective of Industrial Development Policy is to ensure international competitiveness in its nine provinces 🗸🗸 /

Regional development is aimed at increasing the economic livelihood of specific areas or regions 🗸🗸 /

Regional development attempts to limit the negative effects of economic activities in only a few areas 🗸🗸 /

It attempts to promote the advantages of a more even regional development by using labour and other natural resources and infrastructure in neglected areas 🗸🗸

Accept any relevant introduction. (Max 2)

**BODY: MAIN PART**

**SPATIAL DEVELOPMENT INITIATIVES (MAIN PART)**

SDI Programme attracts infrastructure and business investments to underdeveloped areas to create employment. 🗸🗸

* Department of Trade and Industry is driving force behind industrial and spatial development.🗸🗸
* DTI plans together with central, provincial and local government, IDC, parastatals and research institutions. 🗸🗸
* Industrial Development Policy Programme (Spatial Development) has 2 focus points: - spatial development initiative (SDI) 🗸🗸 and
* financial incentives. 🗸🗸
* SDI refers to government’s initiative and economic development potential of certain specific spatial locations in SA. 🗸🗸

-**Key objectives**

stimulate economic activity in selected strategic locations. 🗸🗸

generate economic growth and foster sustainable industrial development; 🗸🗸

develop projects of infrastructure in certain areas and finance them through lending and private sector investment 🗸🗸

establish private-public partnerships (PPP's) 🗸🗸

* In areas with high poverty and unemployment, SDI focuses on:

high-level support in areas where socio-economic conditions require concentrated government assistance 🗸🗸where inherent economic potential exists. 🗸🗸

* The approach is towards international competitiveness, regional cooperation and a more diversified ownership base. 🗸🗸
* Some of the main focus points of the SDI Programme are:
* Lubombo Corridor (agro-tourism, education, craft, commercial and agricultural sectors); 🗸🗸
* KwaZulu-Natal (ports of Durban and Richards Bay); 🗸🗸
* West Coast SDI (fishing and industrial ports); 🗸🗸
* Coast-2-Coast Corridor with agro-tourism. 🗸🗸
* It also makes it possible for private sector businesses to take advantage of the economic potential of underdeveloped areas in **private-public-partnerships. (PPPs**).
* In a PPP a private business may provide the capital to build the factory and to buy raw materials and employ labour, while the government provides the capital for the infrastructure such as roads and water and electricity. The business benefits from profits and the government benefits from taxes, levies and employment opportunities. There are TWO types of PPP’s which are compensated differently:

Unitary payments: private sector builds and runs a project (it performs the function on behalf of the public sector); the payment provides an acceptable return on the total investment (building cost, maintenance, operational expenses)

User-fees: private sector constructs the project and then is given the right to charge a toll fee (e.g. public road); the toll covers costs of construction, maintenance, operation.

The above options can be combined. E.g. hospital (cost of building is an annual payment and a user-fee is also charged)

**Corridors**: a track of land that forms a passageway allowing access from one area to another and particular advantages to mining, manufacturing and other businesses 🗸🗸

**Two types**:

* Domestic corridor 🗸🗸 e.g. Lubombo, West Coast, Fish River 🗸🗸
* Corridors beyond the South African borders (SADC) 🗸🗸 e.g. Maputo Development Corridor, Mozambique. 🗸🗸

Reasons in support of South Africa's regional integration in Southern Africa:

have political and stable neighbours 🗸🗸

have important export markets and a future source of water and energy supplies 🗸🗸

integration may be a precondition for support from foreign investors, donors and multilateral institutions 🗸🗸

a robust regional transport system and a solid infrastructure base hold the key to attracting investment into the SADC region – improving competitiveness and promoting trade. 🗸🗸

-**Advantages from corridor development**:

greater levels of economic efficiency and productivity 🗸🗸

compact urban form 🗸🗸

corridor developments will often occur due to private investment 🗸🗸

integration of land use and transport planning will lead to generally efficient integration 🗸🗸

efficient urbanisation leads to efficient use of land and promotion of an efficient transport system. 🗸🗸

**INDUSTRIAL DEVELOPMENT ZONES (IDZs)**

• Geographically designed, purpose-built industrial sites providing services tailored for export-orientated industries. 🗸🗸

-Physically enclosed and linked to an international port or airport. 🗸🗸

-Specifically designed to attract new investment in export-driven industries. 🗸🗸

-Falls outside domestic customs zones and able to import items free of customs and trade restrictions, add value, and then export their goods. 🗸🗸

-Development and management done by private sector. 🗸🗸

-Government IDZ policy designed to boost exports and jobs. 🗸🗸

-IDZs aim to encourage economic growth – attract foreign investment in industrial development – facilitate international competitiveness regarding manufacturing.🗸🗸

(Max 26)

**BODY: ADDITIONAL PART**

**FINANCIAL INCENTIVES**

• **Small and Medium Enterprise Development Programme (SMEDP)** 🗸

This incentive has provided a tax-free cash grant for investment in industries in South Africa 🗸🗸 E.g. manufacturing, agricultural, processing, aquaculture and tourism.

-**Critical Infrastructure Fund Programme (CIF)** 🗸

A tax-free cash grant incentive for projects has improved critical infrastructure in South Africa 🗸🗸 e.g. for installation, construction of infrastructure, payment of employees, materials directly consumed during installation. 🗸🗸

-**Duty-free Incentives (for businesses operating in the IDZs)** 🗸

This has encouraged export-orientated manufacturing to increase their competitiveness 🗸🗸 and helped to promote foreign and local direct investment. 🗸🗸

-**Foreign Investment Grant (FIG)** 🗸

This has assisted foreign investors to invest in new manufacturing businesses in SA 🗸🗸 benefited in terms of the cost of relocating new machinery and equipment from abroad. 🗸🗸

-**Strategic Investment Projects (SIP)** 🗸

This has attracted investment from local and foreign entrepreneurs in manufacturing, computer, research and engineering sectors. 🗸🗸

-**Skills Support Programme (SSP)** 🗸

This cash grant for skills development has encouraged greater investment in training in general and stimulated the development of new advanced skills. 🗸🗸

-**Black Businesses Supplier Development Programme (BBSDP)** 🗸

This 80% cash grant has provided black-owned enterprises with access to training which has improved management of their enterprises. 🗸

-The government has introduced **Special Economic Zones (SEZ)** as an extension to the current financial incentives to further promote regional development. 🗸🗸 The major incentive is a tax reduction of 15 % for businesses settling in this area. 🗸🗸 This does not mean that existing businesses in the IDZ can relocate to take advantage of this incentive. 🗸🗸 If a current business in the IDZ wants to expand they are allowed. 🗸🗸 (Max 10)

|  |
| --- |
| If incentives are only listed, a learner can obtain a maximum of 5 marks.  If incentives are discussed, a maximum of 10 marks can be allocated. (A learner can obtain 10 marks by discussing at least 3 incentives.) |

**CONCLUSION**

From the above discussion it is clear that different initiatives form part of South Africa's Regional Industrial Development Programme. 🗸🗸 (Max 2)

**[40]**

**2: REGIONAL development**

**SECTION B: HOMEWORK SOLUTIONS**

**QUESTION 1: 10 marks 10 minutes (taken from DBE November 2015)**

* 1. **What does the abbreviation SDI stand for?**
* Spatial Development Initiative 🗸🗸 (2)

1.2 **Give ONE example of an SDI in South Africa.**

* Maputo Development Corridor 🗸🗸
* Richards Bay SDI 🗸🗸
* Wild Coast SDI 🗸🗸
* Lubombo SDI 🗸🗸
* Fish River SDI 🗸🗸
* West Coast Investment Initiative 🗸🗸
* Platinum SDI (Coast to coast) 🗸🗸
* Phalaborwa SDI 🗸🗸 (2)

**1.3 Explain the term corridors.**

A corridor is a spatial area that forms a passage way allowing access from one area to another and offering advantages to mining, manufacturing and other businesses 🗸🗸

(Accept any other relevant answer) (2)

**1.4 How will South Africa benefit from SDIs?**

* Improving logistics and policy environment 🗸🗸
* New investments 🗸🗸
* Job opportunities 🗸🗸
* New business opportunities 🗸🗸
* New export opportunities 🗸🗸

(Accept any other relevant answer) Any (2 x 2) (4)

|  |
| --- |
|  |

**Question 2: 10 marks 10 minutes**  **(Source: Clever Economics)**

2.1 **What is the main purpose of the expanded public works programme (EPWP)?**

The objective of the initial South African Industrial Development Policy was to

enhance🗸🗸 the international competitiveness🗸🗸 in the nine provinces with

the additional aim of alleviating the problems of poverty🗸🗸, unemployment🗸🗸

and inequalities. 🗸🗸 (4)

2.2

**The need for a regional development plan:**

* The new democratic government identified the problems of poverty, unemployment and inequality in the economy.🗸🗸
* It also identified two other major challenges. The first was the unequal

development in the nine provinces🗸🗸 (the highly developed Western Cape and

Gauteng and the underdeveloped Eastern Cape, Northern Cape and Limpopo as well as the difference between urban and rural development) 🗸🗸

* The second challenge identified was that South Africa’s future economic

development was closely linked to the economic growth and economic

development of the countries on the African continent. 🗸🗸

* The government responded to these two challenges by including two items of

focus in all its industrial development policies to date, namely facilitating

investment in underdeveloped regions of the country and actively supporting the

productive capacity and increased regional trade integration with the countries on

the African continent. 🗸🗸

(10)

**Question 3: 16 minutes**  **(Source: Solution for all Economics)**

3.1 National policy should be evaluated to determine whether it is appropriate and provides support for policies aimed at certain sectors or regions of the

economy. 🗸🗸

Similarly, policies aimed at a certain region or sector should be evaluated in

terms of how well they fit into the national policy. 🗸🗸

As far as national policy is concerned, it should support regional development

policies and sectoral development policies by ensuring that the following are in place or encouraged:

* Promotion of investment in production capacity🗸🗸
* Promotion of investment in human capital, example, through supporting the education sector🗸🗸
* Investment in physical infrastructure that supports all regions and sectors 🗸🗸
* Promotion of investment in technology🗸🗸 (Max 4 marks)

Regional policy should be evaluated to ensure that it is appropriate for

encouraging development in a particular region. 🗸🗸

This is a very important part of development policy as it is aimed at addressing

imbalances between regions. 🗸🗸

The needs of every individual region should be evaluated in terms of factors

that may inhibit growth, and policies should be judged on how appropriate

they are for a particular region. 🗸🗸 (8)

3.2 Collective economic policies could yield greater development benefits as

working together can mean that policies are more effective and efficient. 🗸🗸

This is due to the fact that production factors from the different countries can

be shared and combined, 🗸🗸 contributing to lower costs and the possibility

of using the most efficient production factors offered by the different countries. 🗸🗸 When a few countries combine it also ensures more bargaining power in a global  
context🗸🗸 (8)

**QUESTION 4: 20 minutes (taken from the examination guidelines)**

**4.1**

**Sustainability**

* The capacity of a region has to support its own development 🗸🗸
* Human resources of the region should be harnessed so that employment and sustainable development is achieved 🗸🗸 (2x2) (4)
* Accept any other relevant answer

**Good governance**

* Regional development strategies should be managed effectively and free of corruption 🗸🗸
* Principles of accountability and transparency should be applied to ensure financial
* Control 🗸🗸
* Projects should be correctly programmed, monitored and evaluated 🗸🗸 (2x2) (4)

(Accept any other relevant answer)

**4.2**

* It attempts to limit the negative effects of economic centralisation🗸🗸
* E.g. the concentration of economic activities in only a few (mostly urban) areas🗸🗸
* It attempts to promote the advantages of more even regional development 🗸🗸
* By using the labour, other natural resources and infrastructure in  
  neglected areas 🗸🗸 (4x2) (8)

(Accept any other relevant answer)

**4.3**

* **The National research and Development Strategy(NRDS)** 🗸🗸
* It requires performance and responses in three key areas
* Enhanced innovation 🗸🗸
* Providing science, engineering and technology (SET ) human resources and transformation 🗸🗸
* Creating an effective government S&T system 🗸🗸
* (Accept any other relevant answer) (2x2) (4)
* **The integrated Manufacturing Strategy (IMS)** 🗸🗸
* Aimed at the development of technology🗸🗸
* It is supported by cross-cutting services .e.g. infrastructure 🗸
* Finance and human resource development 🗸🗸 (2x2) (4)
* (Accept any other relevant answer)

**4.4 Discuss competitiveness and investment in human capital as benchmark strategies for industrial development*.* (8)**

**Competition**

* Companies are more focused, innovative and effective if strong competition is present. 🗸🗸
* This improves the overall quality of the manufactured products. 🗸🗸
* As with technological advancement, high quality products can more easily be exported and compete on an international level. 🗸🗸 (Max 4)

**Human capital**

* The development of human capital through skills development is of critical importance, as skilled employees are more productive than untrained ones. 🗸🗸
* By investing in human capital, a country is assured of having long-term economic growth. 🗸🗸 *(*Max 4)

(Accept tabular format)

(Accept any other correct relevant response

**(Allocate a maximum of 4 marks for mere listing of facts / examples)**

**4.5**

|  |  |  |
| --- | --- | --- |
| **How can the development of small businesses benefit the South African economy?**  Small businesses can benefit the South African economy by:   * Providing guidance to create employment for structurally unemployed people that might lead towards a more inclusive economy 🗸🗸 * Promoting entrepreneurial development among women and the youth in rural areas where unemployment is very high 🗸🗸 * Helping in the diversification of the economy by promoting the upliftment of a variety of skills 🗸🗸 * Enhancing competition most needed to benefit the consumer pricewise   (Accept any other correct relevant response)  (Allocate a maximum of 2 marks for mere listing of facts / examples) |  | (8) |

**4.6**

|  |  |  |
| --- | --- | --- |
| **Briefly discuss Special Economic Zones as part of South Africa's industrial development plan.**  **Special Economic Zones (SEZ)**   * Geographically demarcated area where specific economic activities have been identified to be developed 🗸🗸 * These areas may enjoy incentives such as tax relief and support systems to promote industrial development 🗸🗸 * It creates a basis for a broader range of industrial parks 🗸🗸 * It also provides economic infrastructure to enable the effective clustering of value-adding and employment-enhancing manufacturers 🗸🗸   **The aims of SEZ's**:   * Promote rapid development by acting as a magnet for investment in key growth areas 🗸🗸 * Enable the development of new industrial regions through the establishment of new industrial hubs in under-developed regions and the strengthening of existing one 🗸🗸 * SEZ's are used for the purposes such as export promotion, enterprise development, urban renewal, rural development and domestic or regional production 🗸🗸 (Any 4 x 2)   (Allocate a maximum of 4 marks for mere listing of facts / examples) |  | (8) |

|  |  |
| --- | --- |
| **STRUCTURE OF THE ESSAY:** | **MARK ALLOCATION** |
| **Introduction**  The introduction is a lower-order response.   * A good starting point would be to determine the main concept related to the question topic * Do not include any part of the question in your introduction * Do not repeat any part of the introduction in the body * Avoid saying in the introduction what you going to discuss in the body | Max. 2 |
| **Body:**  **Main part:** Discuss in detail/In-depth discussion/Examine/  Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain  **Additional part:** Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/ Compare/Explain/Distinguish/Interpret/Briefly debate/How/Suggest | Max. 26  Max. 10 |
| **Conclusion**  Any higher-order conclusion should include   * A brief summary of what has been discussed without repeating facts already mentioned * Any opinion or value judgement on the facts discussed * Additional support information to strengthen the discussion analysis * A contradictory viewpoint with motivation, if required * Recommendations | Max. 2 |
| **TOTAL** | **40** |

**QUESTION 5: 40 MINUTES (Taken from the examination guideline)**

* Discuss the practices and principles that are suggested to be internationally best when managing regional development. (26)
* Analyse the success factors for the implementation NIPF on which IPAP 1 and IPAP 2 were based. (10)

**[40]**

**INTRODUCTION**

Regional development is the process of uplifting areas or regions of a country that are less developed than they could or should be. The intention is to promote economic growth and development in regions where poverty, unemployment and income inequality are high. 🗸🗸

(Accept any other relevant response**) (Max. 2)**

**BODY**

**MAIN PART**

**FREE-MARKET ORIENTATION** 🗸

* Government intervention in markets should be kept to a minimum so that the forces of supply and demand and profit for efficient allocation of resources.🗸🗸

**COMPETITIVENESS** 🗸

* Industries or business established as a result of regional polices should be competitive and not need ongoing financial aid from government**.** 🗸🗸

**SUSTAINABLILITY** 🗸

* The capacity of a region has to support its own development🗸🗸.
* The natural resources and human resources of a region should be harnessed so that employment and sustainable development is achieved.🗸🗸

**GOOD GOVERNANCE** 🗸

* Regional development strategies should be managed effectively and free of corruption.🗸🗸
* Principles of accountability and transparency should be applied to ensure financial control.🗸🗸
* Projects should be correctly programmed, monitored and evaluated.🗸🗸

**POVISION AND RESOURCES** 🗸

* Sufficient resources should be provided in resource-poor areas, such as the development of infrastructure**.** 🗸🗸

**INVESTING IN SOCIAL CAPITAL** 🗸

* Governments need to improve the quality of education and healthcare in region. 🗸🗸

**INTEGRATION** 🗸

* An integrated approach should be followed, ensuring the benefits in one part of a region spill over to other industries and areas.

**PARTNERSHIPS** 🗸

* Regional development is the responsibility of different stakeholders.🗸🗸
* Partnerships should be built between central government, local authorities’ civil society, special interest groups, NGOs and the private sector🗸🗸
* (Accept any other relevant response)
* HEADINGS AND EXAMPLES - (1X 8) (8)
* DISCUSSION- (2X 9) (18) (**MAX. 26)**

**ADDITIONAL PART**

SUCCESS FACTORS

* Interventions in industries were based on sound economic research and analysis. 🗸🗸
* There was substantial progress and growth in the upgrading of value-adding and labour intensive manufacturing sectors.🗸🗸
* Great success was achieved in combating customs fraud, and targeting illegal imports and products of inferior quality.🗸🗸
* An alignment of trade policy with industrial policy took place. 🗸🗸
* This resulted in South African industries being more competitive in global market.🗸🗸

(Accept any other relevant response) **(Max. 10)**

**CONCLUSION**

Although the industrial policies of South Africa compare well with international best practice for regional development, certain shortcomings can be observed in its regional policies whereby the implementation of the NIPF and IPAP 1 and 2 overlapped with one of the worst global recession since the great depression. 🗸🗸

(Accept any other relevant conclusion) **(Max. 2)**

**[40]**

**3: ECONOMIC AND SOCIAL PERFORMANCE INDICATORS**

|  |
| --- |
| **SECTION A: TYPICAL EXAM QUESTIONS SOLUTIONS** |

**QUESTION 1: 5 minutes Section A** (Taken from various sources)

* 1. C 3%-6%

1.2 A Broad-based Black Economic Empowerment

1.3 C GEAR

* 1. C Skills Support Programme
  2. A labour productivity

**QUESTION 1.2: 4 marks Section A** *(*Taken from various sources)

**(no abbreviations)**

1.2.1 System of National accounts 🗸

1.2.2 Economic indicator🗸

1.2.3 Life expectancy🗸

1.2.4 Social indicator🗸

**TYPICAL HIGHER ORDER TYPE OF QUESTIONS**

1. **Evaluate the uses of employment figures (8)**

* Economically Active Population ( EAP) is also known as labour force🗸🗸
* EAP Consists of people between the ages of 15 and 64 who are willing to work and includes the formal sector and informal sector. 🗸🗸
* Unemployed, the number of people who are actively looking for work expressed as a percentage of EAP 🗸🗸
* Employment indicators are used for the following purposes;
* To calculate trends in employment in different sectors or industries🗸🗸
* To calculate productivity 🗸🗸
* To show the success of the economy in utilising its full potential.🗸🗸
* To enable the government to formulate the best policies to decrease unemployment.🗸🗸

1. **Evaluate Real GDP as an economic indicator (8)**

* GDP is the value of goods and services produced within the borders of a country at a particular period of time usually one year🗸🗸
* Real GDP takes into account the effect of inflation and GDP is calculated at constant prices 🗸🗸
* Increase in Real GDP indicates economic growth 🗸🗸
* Decrease in Real GDP prompts the government to apply measures to improve economic growth 🗸🗸

1. **Evaluate the uses of Per Capita figures (8)**

- Real GDP is divided by the population figure to get GNI per Capita 🗸🗸

- Indicate economic development 🗸🗸

- High per capita real income indicate higher standard of living🗸🗸

- Used to compare standard of living among countries by converting to US dollars. 🗸🗸

**4) Evaluate the impact of population growth and life expectancy as social**

**Indicators relating to demographics. (8)**

**Population growth:**

* This is determined by the birth rate, deaths and migration of people 🗸🗸
* South Africa's population numbered 50.5 million in 2011 🗸🗸
* It is estimated that it will grow to 55 million by 2021 🗸🗸
* The growth rate slowed to only 1.19% in 2011 (from 2.3% in the 1990) 🗸🗸

**(2×2 = 4)**

**Life expectancy**:

* This expresses the number of years a new born infant will live if the prevailing patterns of mortality remain the same throughout this person's life 🗸🗸
* In South Africa, life expectancy went down from 62 years in 1991 to 47 years in 2005 🗸🗸
* Since then it has increased again to 52 years in 2011 🗸🗸

Accept current data.

**(2 ×2 =4) (8)**

**QUESTION 2.1: 10 minutes (Taken from DBE November 2013)**

**2.1.1 What type of indicator is shown by the above bar graph?**

Social indicator 🗸🗸  **(2)**

**2.1.2 Explain the term poverty line.**

Refers to an income level that is just enough to avoid less than adequate consumption / income is not enough to cover the basic needs / a person living only on $1, $1,50 or $2 per day 🗸🗸

**Accept any other relevant explanation. (2)**

**2.1.3 What percentage (%) of the world population lives above the poverty line?**

58% / 59% / 60%🗸🗸  **(2)**

**2.1.4 Name the economic concept which measures the extent of poverty in various countries.**

Gini-coefficient🗸🗸 **(2)**

**2.1.5 Why do you think the poor find it difficult to escape poverty?**

* The poorest people will also have less access to health, education and other services 🗸🗸
* Some find it difficult to satisfy their basic needs / many people live beyond their means 🗸🗸
* Problems of hunger, malnutrition and disease affect the poorest in society 🗸🗸
* the poorest are also typically marginalised / poverty trap / poverty cycle 🗸🗸
* No income / high unemployment levels 🗸🗸
* No skills 🗸🗸
* Discrimination 🗸🗸
* Dependence on social grants 🗸🗸

Any other relevant fact (Any 1 x 2) (2)

**QUESTION 2.2: 10 marks 10 minutes (taken from DBE MAY-JUNE 2016)**

**2.2.1 Which international institution provided the data in the extract?**

World Bank 🗸 (1)

**2.2.2 When did the income disparities in South Africa increase drastically?**

2009 🗸 (1)

**2.2.3 Which index describes the percentage of the population living below the**

**poverty line income?**

Head Count Index 🗸🗸 (2)

**2.2.4 Give a reason why poverty in South Africa declined between 2000 and 2006**.

* Increased social grants 🗸🗸
* Increase in the informal sector 🗸🗸
* Implementing skills developing programme 🗸🗸

(Accept any other correct relevant response) (2)

**2.2.5 What is the relationship between the Lorenz curve and the Gini coefficient?**

* The further the Lorenz curve is away from the line of equality, the higher will be the Gini coefficient 🗸🗸
* The closer the Lorenz curve is to the line of equality, the lower will be the Gini coefficient 🗸🗸 (2 x 2)

(Accept any other correct relevant response) (4)

**QUESTION 3:**

3.1

|  |  |  |
| --- | --- | --- |
| **Why are economic indicators important to government?**   * Budgetary and planning 🗸🗸 * Strategic policy planning and development 🗸🗸 * They are used to assess current economic conditions 🗸🗸 (1 x 2) |  | (2) |

3.2

|  |  |  |
| --- | --- | --- |
| **Analyse population growth and life expectancy as social indicators under demographics**.  **Population growth**:   * This is determined by the birth rate, deaths and migration of people 🗸🗸 * South Africa's population numbered 50.5 million in 2011 🗸🗸 * It is estimated that it will grow to 55 million by 2021 🗸🗸 * The growth rate slowed to only 1.19% in 2011 (from 2.3% in the 1990) 🗸🗸  (2 x 2) (4)   **Life expectancy**:   * This expresses the number of years a new born infant will live if the prevailing patterns of mortality remain the same throughout this person's life 🗸🗸 * In South Africa, life expectancy went down from 62 years in 1991 to 47 years in 2005 🗸🗸 * Since then it has increased again to 52 years in 2011 🗸🗸   Accept current data. (2 x 2) (4) |  | (8) |

**3.3** **How does a high level of education influence the ability of an individual to get employed?**

* It provides skills to do a specific job 🗸🗸
* It provides knowledge to do a specific job🗸🗸

(Accept any other relevant answer) Any (1 x 2) (2)

**QUESTION 4: 20 minutes (Taken from the examination guideline)**

4**.1 Propose four considerations when assessing the performance of an economy? (8)**

– Performance 

– Comparisons 

– Specifications 

– Purposes 

|  |  |
| --- | --- |
| **STRUCTURE OF THE ESSAY:** | **MARK ALLOCATION** |
| **Introduction**  The introduction is a lower-order response.   * A good starting point would be to determine the main concept related to the question topic * Do not include any part of the question in your introduction * Do not repeat any part of the introduction in the body * Avoid saying in the introduction what you going to discuss in the body | Max. 2 |
| **Body:**  **Main part:** Discuss in detail/In-depth discussion/Examine/  Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain  **Additional part:** Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/ Compare/Explain/Distinguish/Interpret/Briefly debate/How/Suggest | Max. 26  Max. 10 |
| **Conclusion**  Any higher-order conclusion should include   * A brief summary of what has been discussed without repeating facts already mentioned * Any opinion or value judgement on the facts discussed * Additional support information to strengthen the discussion analysis * A contradictory viewpoint with motivation, if required * Recommendations | Max. 2 |
| **TOTAL** | **40** |

**QUESTION 4: 40 minutes (taken from DBE Feb/March 2015)**

Analyse in detail the following economic indicators:

* Inflation rate
* Employment (26)
* In your opinion, why is it important for the government to consider assessing the performance of the economy from time to time? (10)

[40]

**INTRODUCTION**

Economic indicators are statistical data that shows the behaviour of one or other economic variable, usually overtime 🗸🗸

(Accept any other relevant introduction) **(Max. 2)**

**BODY: MAIN PART**

**1. Inflation rate**

* This is the general increase in the price level of goods and services in the economy over a certain period in time. 🗸🗸 E.g. one year.
* This is therefore an indicator of the health of the economy and it is monitored in two ways that is at the production wholesale level producer price level (PPI) 🗸🗸and at the retail or consumer level consumer price index (CPI). 🗸🗸

**Producer Price Index (PPI)** 🗸

* Used to measure the price of goods that are produced domestically when they leave the factory yard🗸🗸 and goods that are imported when they enter the country( at a port) 🗸🗸and both of these are before consumers become involved. 🗸🗸
* PPI consists of three baskets that are domestically manufactured outputs, 🗸🗸e.g. changes in the PPI can be made monthly or quarterly or yearly. 🗸🗸
* While changes in the imported products and exported commodities are given separately in the same report. 🗸🗸
* PPI includes capital and intermediate goods but not services. 🗸🗸
* It is based on a completely different type of a basket of items in the CPI. 🗸🗸
* It measures the cost of production rather than the cost of living. 🗸🗸
* It is used to predict consumer goods inflation, (CPI). 🗸🗸
* If prices increase at the production level, they are likely to increase to a similar extent at the consumer level at a later stage. 🗸🗸

**Consumer Price Index (CPI)** 🗸

* Shows price increases of a representative (weighted) basket of goods and services that consumers buy. 🗸🗸
* It is abbreviated as CPI, this cover all the urban areas. 🗸🗸
* It is an overall index and weights are obtained from expenditures of different income categories of households. 🗸🗸
* It is the most comprehensive indicator measuring consumer inflation in the country. 🗸🗸
* It shows changes in the general purchasing power of the rand and it is used for inflation targeting. 🗸🗸

**(Max.16)**

**2. Employment**

* In addition to economic growth, the employment of people of working age (15-64 years) is a major economic objective. 🗸🗸
* We need to know more than this; we need to know who the people are that need to be employed. The numbers are determined, not only by age, but also by people’s willingness to work. 🗸🗸

**The economically active population (EAP)** 🗸

* The EAP is also known as the labour force. 🗸🗸
* It consists of people between the age of 15 and 64 who are willing to work for income in cash or in kind and includes: 🗸🗸
* Workers in the formal sector - Workers in the informal sector 🗸🗸
* Employers

Any one

* Self-employed persons

Unemployed persons

* The 2011 estimate of the South African population was 50.5 million people. 🗸🗸
* The EAP numbered 17.5 million. (34.6% of the population). 🗸🗸

**Employment rate** 🗸

* The number of employed persons expressed as a percentage of the EAP gives the employment rate. 🗸🗸
* The employment rate can also be converted into an index. 🗸🗸
* The SA employment rate was 74.9% in 2011. 🗸🗸
* This is low, compared to rates in developed and even some developing countries such as Argentina and Pakistan. 🗸🗸
* In SA the growth in the economy is not accompanied by the similar growth in employment numbers. 🗸🗸

**Employment indicators are used for**:

* To calculate trends in employment in different sectors or industries. This indicates structural changes in the economy. 🗸🗸
* To calculate productivity. 🗸🗸
* To show the success of the economy in utilising its full potential. 🗸🗸

Unemployment rate 🗸

* Statistics SA (SSA) obtains its labour data each year from Quarterly Labour Surveys (QLFS) 🗸🗸
* It uses the standard definition of the International labour Office (ILO) to calculate unemployment. 🗸🗸
* The strict definition of unemployment is used to calculate the unemployment rate. 🗸🗸

- The unemployment are those people within the economically active population who:

* Did not work during the seven days prior to the interview 🗸🗸
* Want to work and are available to start work within a week of the interview 🗸🗸
* Have taken active steps to look for work or to start some form of self-employment in four weeks prior to the interview. 🗸🗸
* In SA the official unemployment rate was 25.2% in 2012.
* In developed countries, change in the unemployment rate trigger responses
* From governments to fine-tune the economy. 🗸🗸
* Increases require more funds for unemployment insurance (UIF) drawings. 🗸🗸
* In developing countries, unemployment is the most important cause of poverty. 🗸🗸

Accept current statistical data. **(Max.16)**

**BODY: ADDITIONAL PART**

* To give a policy direction in the country 🗸🗸
* To develop mechanism to caution the most affected sectors of the economy promptly e.g. during the 2008-2009 recession some companies required a bail out from the government 🗸🗸
* Develop some economic stabilisers to defuse the huge impact that may result from the unexpected economic downturn 🗸🗸
* Open some other alternative markets for their goods and services 🗸🗸
* To do research and advice the business community before the actual moment hits 🗸🗸
* It can be used to stimulate thinking and growth in a number of sectors in the Economy 🗸🗸

Accept any other relevant consideration. **(Max.10)**

**CONCLUSION**

Countries cannot survive and grow their economies if they do not pay attention to economic indicators for their planning processes. 🗸🗸

Accept any other relevant consideration. **(Max. 2) [40]**

**SECTION B: HOMEWORK SOLUTIONS**

**Question 1: 10 minutes**  (Source: Solution for all Economics)

* 1. Economic indicators can show:
* changes taking place in a country, example an increase in real GDP per capita indicates economic growth
* how a country compares with other countries, example when South Africa’s HDI is compared with another country’s HDI
* the future path of the economy (this is called forecasting)

any 2 x 1(2)

* 1. **The naïve extrapolation technique:** This method entails assuming that the future path of an economic variable will be determined by its current and recent path. Example, if the economy has been growing at a rate of 3% in the recent past, you assume that it will continue to grow at 3% in the future.
* **The barometric approach:** Leading economic indicators are used to predict the future path of the economy, that is, the change in economic activity rather than the level of economic activity. Example, leading indicators may include the change in the number of new cars sold, the change in the number of building plans approved, the number of new companies registered etc.
* **Macroeconometric models:** These are based on macroeconomic models. There will be various economic indicators that will be used as inputs into the model. These are called exogenous variables. The future values of these exogenous variables may sometimes be based on extrapolation techniques. Examples can be the marginal propensity to consume and the interest elasticity of investment. (8)

**Question 2: 10 minutes**  (Source: Oxford Successful Economics)

2.1 Discouraged work seekers  (2)

2.2 Discouraged work seekers are those who are no longer looking for work but would still like to get a job.

Economically active are people who do not want to work, such as full-time home makers, the disabled and students. (4)

2.3 Terms of trade is the ratio between the average price of a country’s exports and the average price of its imports

Trade balance is the difference in value of a country’s merchandise imports and exports over a period of time (4)

**Question 3: 5 minutes**  (Source: Via Afrika Economics)

3.1

* Education spending
* School enrolment level
* Adult literacy all reflect on education level 2 x 1 (2)

3.2

* The inflation rate is monitored at producer and consumer levels.
* At consumer level it is called the Consumer Price Index (CPI) which shows the change in prices of a standard package of goods and services which South African households purchase for consumption.
* Inflation rate = CPI year 2 – CPI year 1/CPI Year 1 x 100/1

2 x 2 (4)

* The indicator at producer level is called the Production Price Index or PPI.
* It is used to measure the prices of goods that are produced locally when they leave the factory, and imports when they enter the country.

2 x 2 (4)