GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2022

MARKING GUIDELINES

ECONOMICS PAPER 1 (10731)

22 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE

1.1.1 A – double counting ✓✓

1.1.2 B – downswing-trough-upswing-peak ✓✓

1.1.3 B – Auditor-General ✓✓

1.1.4 C – undervalued ✓✓

1.1.5 D – A subsidy on emerging wine farmers to encourage wine exports ✓✓

1.1.6 C – Brazil, Russia, India, China, and South Africa (BRICS) ✓✓

1.1.7 A – corridors in South Africa (Accept A/B as answers) ✓✓

1.1.8 D – labour productivity ✓✓ (8 x 2) (16)

1.2 MATCH ITEMS

1.2.1 I – It involves output, unemployment, and inflation. ✓

1.2.2 G – Used to analyse the changes in a series of data over a certain period ✓

1.2.3 A – A short-term (three months) debt obligation of the central government ✓

1.2.4 B – The difference between the value of a country's exports and the value of a country's imports for a given period (Accept both B and F)✓

1.2.5 H – A small business that has a small share of the marketplace and is managed directly by owners ✓

1.2.6 C – Designed to help build South Africa’s industrial base in critical sectors of production and value-added manufacturing ✓

1.2.7 D – Benefits and facilities mainly provided by a government to improve the quality of life of citizens ✓

1.2.8 E – Removing government intervention in trade flows ✓

(8 x 1) (8)

1.3 **GIVE THE TERM**

1.3.1 Market price ✓

1.3.2 The new economic paradigm ✓

1.3.3 Department of finance/treasury ✓

1.3.4 Emerging markets/economies ✓

1.3.5 Strategic integrated projects ✓

1.3.6 Labour force participation rate ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions from this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO aggregate indicators of macroeconomics.**

- National income ✓
- National spending ✓
- National production ✓
- Total employment ✓
- General prices of goods and services ✓
- Total money stock ✓
- Leading/Lagging/Coincident/Composite ✓

(Any other correct relevant response.) (2 x 1) (2)

2.1.2 **How does a lack of capacity contribute to public sector failure?**

- The lack of skills could lead to management failure and collapse service delivery. ✓✓
- Public sector workers may have insufficient training and experience that leads to wrong decisions and low productivity. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

2.2 **Read the following information and answer the questions that follow.**

2.2.1 **Name ONE example of a leading indicator.**

- Job advertisement space ✓
- New passenger vehicle sales ✓
- Index of consumer confidence ✓
- Average hours worked ✓
- Average weekly work hours in manufacturing ✓
- Factory orders for goods ✓
- Building plans approved/housing permits ✓
- Stock prices ✓

(Accept any other correct relevant response.) (1)

2.2.2 **Name ONE external factor that causes business cycles to change.**

- Natural disasters ✓
- Political reasons ✓
- Psychological reasons ✓
- Change in weather patterns ✓
- Technological shocks ✓
- Taste shocks ✓

(Accept any other correct relevant response.) (1)

2.2.3 **Briefly describe the term *composite indicator.***

A composite indicator is formed when individual indicators are compiled into a single index. ✓✓
(Accept any other correct relevant response.) (2)

2.2.4 **Explain how the upswing phase of the business cycle affects commodity prices.**

The expectation is that commodity prices should increase because aggregate demand increases, and could exceed aggregate supply during an upswing. ✓✓
(Accept any other correct relevant response.) (2)

2.2.5 **How can economic indicators improve business efficiency in South Africa?**

- An economic indicator is economic data, usually of macroeconomic scale, that is used by analysts to interpret current or future investment possibilities. These indicators also help to judge the overall health of an economy. ✓✓
- Investors can use indicators to help them make predictions on where the market is heading. ✓✓
- Economic indicators such as employment, inflation and GDP not only help predict how the economy is performing, but also help predict if the stock market will decrease or increase in value. ✓✓
- Economic indicators assist investors/businesses consider trade in the context of economic events and understand price actions during these events. ✓✓

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

2.3 **Study the cartoon below and answer the questions that follow.**

2.3.1 **Identify the parastatal which was privatised in 2021.**

South African Airways (SAA) ✓ (1)

2.3.2 **Name ONE reason for the establishment of state-owned enterprises.**

Provision of strategic services, which are essential for the optimal functioning of the country. ✓
(Accept any other correct relevant response.) (1)

2.3.3 **Briefly describe the term *public sector.***

Public sector is the section of the economy that is owned and operated by the government, not by private businesses or individuals. ✓✓
(Accept any other correct relevant response.) (2)

2.3.4 **How does government finance its deficit?**

- Governments borrow money to pay for budget deficits, and whenever a government borrows money, this adds to its national debt. ✓✓
- Governments can only increase revenue by raising taxes or increasing economic growth. ✓✓

(Accept any other correct relevant response.) (2)

2.3.5 **Why is it necessary for parastatals (SOEs) to publicly give a full account of their activities?**

- It gives the public an opportunity to access the effectiveness and efficiency of parastatals. ✓✓
- It helps to improve efficient management and monitor operations of parastatals to ensure that there is no waste in the use of the resources. ✓✓
- It is used as a measure of checks and balances to regulate the conduct of officials and managers to ensure that policies of their institutions are responsive, promote good governance and are of benefit to public interest. ✓✓
- Accountability for legality is concerned with ensuring that the powers given by the law are not exceeded. ✓✓

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

2.4 **Discuss how the expenditure GDP(E) method is used to determine gross domestic product.**

- The expenditure method is a system for calculating gross domestic product (GDP) that combines consumption, investment, government spending, and net exports. ✓✓
- It is the most common way to estimate GDP. It includes everything that the private sector, including consumers and private firms, and government spend within the borders of a particular country, which must add up to the total value of all finished goods and services produced over a certain period. ✓✓
- This method produces nominal GDP, which must then be adjusted for inflation to result in the real GDP. ✓✓
- The formula for expenditure is GDP=C+I+G+(X−M). ✓✓
- The most dominant component in the calculation of GDP under the expenditure method is consumer spending, which accounts for the majority of South African GDP. Consumption is typically broken down into purchases of durable goods (such as cars and computers), nondurable goods (such as clothing and food), and services. ✓✓
- The second component is government spending, which represents expenditures by state, local and provincial government on defence and nondefense goods and services, such as weaponry, healthcare, and education. ✓✓

- Business investment is one of the most volatile components that goes into calculating GDP. It includes capital expenditures by firms on assets with useful lives of more than one year each, such as real estate, equipment, production facilities, and plants. ✓✓
- The last component included in the expenditure approach is net exports, which represents the effect of foreign trade of goods and services on the economy. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)
(Maximum of 4 marks for mere listing)

2.5 **Analyse the link between the Medium Term Expenditure Framework (MTEF) and the national budget.**

- The Medium-Term Expenditure Framework (MTEF) provides government with a tool to manage the tension between competing policy priorities and budget realities. ✓✓
- This helps to reprioritise expenditure and make informed policy choices that are affordable in the medium term. ✓✓
- MTEFs improve budget formulation by encouraging the development of spending plans based on existing resources and by promoting fiscal discipline. ✓✓
- MTEFs can increase national budget stability by decreasing uncertainty in the financial flows. ✓✓
- MTEFs may enhance effectiveness in the national budget as it opens it to greater accountability and transparency. ✓✓
- The national budget does not propose major changes to government spending or taxes as the MTEF does. ✓✓

(Accept any other correct relevant response.) (8)
(Maximum of 2 marks for mere listing and examples)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions.

3.1.1 **Name any TWO arguments in favour of free trade.**

- Specialisation ✓
- Economies of scale ✓
- Choices/Increased welfare ✓
- Innovations/Best practice ✓
- Improved international relations ✓ (2)

3.1.2 **How does tax policy affect foreign direct investment?**

- High tax will reduce foreign direct investment while incentive attracts more foreign direct investment in the country. ✓✓
- A low tax rate will attract more foreign direct investment which will lead to building of infrastructure and creation of employment. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.2 **Study the extract below and answer the questions that follow.**

3.2.1 **Which international organisation encourages free trade amongst all countries in the world?**

World Trade Organisation ✓ (1)

3.2.2 **What does the abbreviation AfCFTA stand for?**

African Continental Free Trade Area ✓ (1)

3.2.3 **Briefly describe the term *trade protocol.***

Agreements on trade that establish the norms that control the level of commerce/trade. ✓✓ (2)

3.2.4 **Why is industrialisation critical for the development of Africa?**

- To encourage consumers to shift demand away from foreign products towards domestically produced ones. ✓✓
- To promote growth of strategic industries in the country. ✓✓

(Accept any other correct relevant response.) (2)

3.2.5 **How does implementation of protectionism raise national welfare?**

- A protectionist trade policy allows the government of a country to promote domestic producers, and thereby boost the domestic production of goods and services. ✓✓
- Protectionism prevents dumping, cheap imports from foreign countries that threaten the profitability and survival of local industries. ✓✓
- It allows the country to diversify and become self-sufficient. ✓✓
- Export tax will allow it to take advantage of its power in trade and generate an increase in welfare. ✓✓
- Quota's set by a country that is large in an international import market can allow the nation to take advantage of its monopsony power in trade and cause an increase in national welfare ✓✓
- Tariffs applied to protect an import/competing industry – a surge in imports may reduce or eliminate the impending unemployment in the country. ✓✓

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

3.3 **Study the information below and answer the questions that follow.**

3.3.1 **Provide ONE service indicator linked to social indicators.**

- Electricity ✓
- Refuse/Garbage removal ✓
- Water supply ✓
- Sanitation ✓ (1)

3.3.2 **Name any ONE health indicator.**

- Child mortality ✓
- Under 5 years old mortalities ✓
- Spending on health ✓
- Access to sanitation ✓
- Access to clean drinking water ✓ (1)

3.3.3 **Briefly describe the term *social services.***

Benefits and facilities mainly provided by a government to improve the quality of life. ✓✓ (2)

3.3.4 **How does Gift of the Givers impact government's failure in the provision of basic services in South Africa?**

- It decreases government's responsibility to provide basic services to its citizens. ✓✓
- It partnered with government on disaster relieve such as COVID-19 food and medical assistance. ✓✓
- It aided certain communities where government seemed to have failed. ✓✓

(Accept any other correct relevant response.) (2)

3.3.5 **How can the unequal nature of healthcare provision be managed more effectively in South Africa?**

- Upgrading of government institutions will make it possible for the government to give access to healthcare where the majority of people need it. ✓✓
- Training of more health care workers to improve the quality of healthcare. ✓✓
- Provision of basic medicine in community clinics will relieve pressure on hospitals to treat minor sickness (diseases). ✓✓
- Increase funding on health will provide equity, efficiency, and better health outcomes ✓✓

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

3.4 **Discuss the roles of Spatial Development Initiatives (SDIs) in South Africa.**

- Spatial development Initiatives (SDIs) endeavour to improve infrastructure and attract investments to underdeveloped areas. ✓✓
- The SDIs aim to facilitate the creation of viable new jobs, as potential investment opportunities, identified through the process, are taken up by the private sector. ✓✓
- The South African government sees the need to work with private capital in partnership to facilitate such SDIs. ✓✓
- Due to fiscal constraints on financing road projects, the PPP approach means that an additional means to finance infrastructure and services is made available from sources other than the public sector. ✓✓
- The Department of Trade, Industry and Competition is the driving force behind industrial and spatial development. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)
(Maximum of 4 marks for mere listing)

3.5 **Analyse the role of entrepreneurs in export promotion.**

- Entrepreneurship plays a vital role in economic growth of a country through export. It increases the economic condition of the people of the country. ✓✓
- Entrepreneurs help in creating a global image for South African products in the international markets to compete against globally manufactured products. ✓✓
- Through sales of their surplus products in foreign markets, entrepreneurs enable a country to earn foreign exchange. ✓✓
- The earning of foreign exchange could help to maintain a suitable balance of payments for a country. ✓✓
- Entrepreneurs develop substitute goods being imported and thus prevent overdependence on foreign countries, and at the same time help in saving of foreign exchange. ✓✓
- Local industries of the country can develop rapidly. ✓✓
- Low-cost transport and cheap freight rates can be used for export markets ✓✓
- DTIC provides business intelligence and identify business opportunities in other countries, which have the entrepreneurs can access ✓✓
- DTIC offers technical advice and expertise on product specifications to advertising and marketing, for foreign market; entrepreneurs can gain information from this channel ✓✓

(Accept any other correct relevant response.)
(Maximum of 2 marks for mere listing and examples) (8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 **Answer the following questions.**

4.1.1 **Name any TWO government pricing policies when supplying public goods and services.**

- Free-of-charge goods and services ✓
- Charging a small fee or toll ✓
- Subsidies ✓ (2 x 1) (2)

4.1.2 **Why is a low savings indicator detrimental to the South African economy?**

- The South Africa economy will not be able to build up its capital stock. ✓✓
- Businesses will not be able to invest and expand their businesses. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

4.2 **Study the graph below and answer the questions that follow.**

4.2.1 **Give the formula of a two-sector model of the multiplier by using the information above.**

AE = C + I. ✓

$\boldsymbol{K = \frac{\Delta Y}{\Delta E}}$ ✓

$\boldsymbol{K = \frac{\Delta Y}{\Delta J}}$ ✓ (1)

4.2.2 **Identify the component that caused a change in the aggregate expenditure according to the graph.**

C/Consumption spending ✓

(1)

4.2.3 **Briefly describe the term *multiplier effect.***

The multiplier effect indicates that an injection of new spending can lead to a larger increase in final national income (GDP). ✓✓
(Accept any other correct relevant response.) (2)

4.2.4 **Why does an increase in investment create a positive multiplier effect?**

- Firms will get an increase in orders and sell more goods which will increase output and encourage firms to hire more workers to meet higher demand. ✓✓

- Workers will now have higher incomes and they will spend more which creates more spending and revenue for the government. ✓✓
- When government increases its spending, this is an injection into the economy, the multiplier then takes over and as each round of spending occurs, more money is generated into the economy but at the rate of the multiplier which is derived from the mpc.✓✓ (2)

(Accept any other correct relevant response.)

4.2.5 **Calculate the multiplier using the information in the graph and explain the multiplier effect on the economy.**

$$K = \frac{\text{Change in income Y}}{\text{Change in total expenditure AD}}$$

$$= \frac{1\ 200 - 500}{700 - 400} \quad ✓$$

$$\frac{700}{300} = 2{,}3 \ ✓$$

The multiplier shows a decline of 2,3 due to consumption spending. The effect is slower growth in the economy. ✓✓ (2 x 2) (4)

4.3 **Study the map below and answer the questions that follow.**

4.3.1 **In which province is the Makhado Special Economic Zone situated?**

Limpopo Province✓ (1)

4.3.2 **Name any ONE industry suitable for investment in the above SEZ.**

- Mineral beneficiation/mining ✓
- Agro-processing ✓
- Petrochemical ✓ (1)

4.3.3 **Briefly describe the term *industrial development strategy.***

- Industrial development strategy refers to deliberate government efforts to change the structure and distribution of industrial activity to promote economic growth and development. ✓✓
- The strategy to generate value-added products by highly advanced utilisation of local resources. ✓✓
- Refers to the laws and regulations aimed at encouraging investment, improvement and the expansion of particular industries ✓✓

(Accept any other correct relevant response.) (2)

4.3.4 **Explain the statement, *development for the people by the people*.**

- The aim of regional development is to increase people's standard of living. ✓✓
- No development can happen without people. ✓✓
- Aspects such as training, and health are very important. ✓✓
- Building infrastructure for the people using the same people to build infrastructure ✓✓

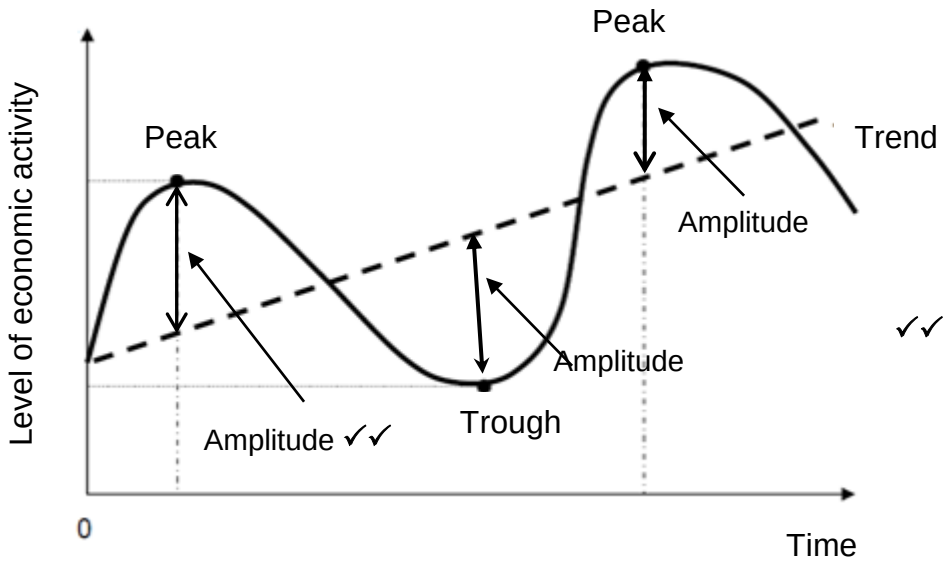
(Accept any other correct relevant response.) (2)

4.3.5 **How can the South African government ensure the promotion of investments in underdeveloped areas?**

- Financial investment support should be provided through several programmes including the Small and Medium Enterprise Development Programme. ✓✓
- New incentive schemes should be launched including schemes to support cooperative enterprises and women-owned enterprises. ✓✓
- Providing micro-loans to micro-enterprises addressing a gap in the financing provided by other development finance institutions and the private sector. ✓✓
- Financial support provided to enterprises include tax incentives through the Strategic Industrial Programme. ✓✓

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

4.4 **Draw a graph to illustrate the amplitude in a business cycle. Explain the variations of the amplitude on the business cycle.**



✓✓

Mark allocation
Correct drawing of business cycle: 2 marks
Correct positioning and labelling of the amplitude: 2 marks
(Max. 4 marks)

- The amplitude is the distance between the trendline and the peak/trough. ✓✓
- Amplitude reflects the intensity of the upswing and downswing in economic activity. ✓✓
- The amplitude reflects the power of the underlying forces, e.g., interest rates, exports or consumer spending. ✓✓
- A large amplitude during the upswing signifies strong underlying forces – which results in longer cycles. ✓✓
- The larger the amplitude, the more extreme the changes that may occur. ✓✓

(Max. 4)

(Accept any other correct relevant response.) (4 x 2) (8)
(Maximum of 4 marks for mere listing)

4.5 **Analyse the impact of COVID-19 on the inflation rate indicator.**

- Measures to contain COVID-19 led to a short-term increase in expectations and inflation uncertainty. ✓✓
- Lockdown measures such as temporary business shutdowns, first indicated a supply-side shock, whereas contagion fears increased uncertainty, and job losses led to declines in demand. ✓✓
- Food prices rose while energy and services inflation fell – The fall could be seen both in energy prices and in the set of goods that determine core inflation. ✓✓
- There was a slight decline in inflation overall, although prices of industrial goods increased significantly.✓✓
- The rise in inflation in unprocessed food has been abnormally high, indicating a decline in production as demand remains more stable, since the lockdown did not alter consumer's basic needs. ✓✓
- Prices may also have been affected by a possible increase in demand as consumers stockpiled. ✓✓
- Households with higher incomes tend to save more as a precaution which reduced inflationary pressures. ✓✓
- The fiscal policies deployed during lockdown and recovery phases will be crucial in avoiding persistent effects on demand and justifying the risk of deflation. ✓✓
- COVID-19 could have a lasting impact on the behaviour of consumers and businesses which may become more cautious in their consumption and investment decisions which will affect the consumption basket. ✓✓

(Accept any other correct relevant response.)
(Maximum of 2 marks for mere listing and examples) (8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions from this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define 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 mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.** **Additional part:** Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for mere listing of facts.**	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: MACROECONOMICS

- **Discuss, in detail, the supply reasons for international trade. (26 marks)**
- **Analyse the effect of international trade on the balance of payments. (10 marks)**

INTRODUCTION

International trade is the exchange of goods and services between countries. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries, or which would be more expensive domestically. ✓✓ **(Max. 2)**
(Accept any other correct relevant introduction.)

BODY: MAIN PART

SUPPLY REASONS

Natural resources ✓
- These resources are not evenly distributed across all countries of the world. ✓✓
- They vary from one country to another and can only be exploited in places where the resources exist. ✓✓
- South Africa is well equipped with different natural resources, but less equipped with skilled labour and capital. ✓✓
- Examples are Japan and Ireland, that have an abundance of skilled labour, but they lack natural resources. ✓✓

Labour resources ✓
- Labour differs between different countries in terms of skills, knowledge, training, quality, quantity and also cost. ✓✓
- Some countries such as Switzerland have highly skilled, well-paid workers, and high productivity levels. ✓✓

The availability of capital ✓
- Some countries need to modernise their industries and economies with advanced machinery, equipment (plants), but cannot manufacture this equipment, because they lack the capital to do so. ✓✓
- This factor has therefore increased the need for international trade. ✓✓

Lack of entrepreneurship ✓
- Those countries that have good entrepreneurial skills offer more goods and services for trade. ✓✓
- Efficiency determines the supply of goods and services produced at lower prices and also reduces the opportunity cost of acquiring them. ✓✓

Climatic conditions ✓
- Countries with favourable climatic conditions make it possible to produce certain goods at a lower price than other countries. ✓✓
- An example is Brazil, which is the largest producer of coffee. ✓
- Countries have different climatic conditions and are therefore able to produce different products. ✓✓

Technological resources✓

- The developmental levels and innovation processes of countries will always differ and as a result one country may have them in abundance, while others may not. ✓✓
- Countries such as Germany and the USA have enough capital to develop high levels of technology and healthcare, while other countries do not have access to the latest technology such as basic internet services and healthcare. ✓✓
- Developed countries that have high technological labour forces can produce certain goods and services at a low unit cost. ✓✓

Specialisation ✓

- The production of certain goods and services allows some countries to produce them at a lower cost than other producers. ✓✓
- Japan produces electronic goods and sells these at a much lower price. ✓✓
- International trade enables countries to specialise in the production of goods and services in which they have a comparative advantage above others. ✓✓
- Most of these surplus production gets exported to other countries and the revenue earned from these exports can be used to finance their imports. ✓✓

(Allocate a maximum of 8 marks for mere listing of facts/examples) (Max. 26)

ADDITIONAL PART:

Analyse the effect of international trade on the balance of payments.

- International or external trade is the flow of goods and services across international boundaries. ✓✓
- The balance of payments (BOP) transactions consist of imports and exports of goods, services, and capital, as well as transfer payments, such as foreign aid and remittances.✓✓
- A country's balance of payments and its net international investment position together create its international accounts. ✓✓
- A balance of payments surplus means the country exports more than it imports. It provides enough capital to pay for all domestic production. ✓✓
- Conversely, if the imports exceed exports, an unfavourable balance of trade, or a trade deficit, exists. ✓✓
- Increase in merchandise exports will result in a country having a positive balance of payments. ✓✓
- The balance deficit or surplus has an impact on the exchange rate of a country's currency. ✓✓
- A strong currency stimulates imports and constrains exports while a weaker currency stimulates exports and discourages imports. ✓✓
- A deficit in the balance of payments leads to a higher demand for foreign currency to the disadvantage of a country's currency which would depreciate in this situation. ✓✓
- However, an exceeding account balance involves a high amount of foreign currency for which a country's currency would be exchanged. An increasing demand for the country's currency consequently leads to its appreciation. ✓✓
- Tourism and other high-level services: ✓ (*1 mark for the phrase*)

Effect of globalisation on international trade (specialisation, mass production, efficiency and globalisation as effects of international trade can be linked to the balance of payments)

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

CONCLUSION

- Countries that are more open to international trade tend to grow faster, innovate, enhance productivity, and give their citizens higher income and more opportunities. Integrating into the global economy through international trade and global value chains contribute to local and global economic growth and poverty reduction. ✓✓ (Max. 2)

(Accept any other correct relevant higher order conclusion)

QUESTION 6: ECONOMIC PURSUITS

- **Discuss, in detail, the aims and objectives of the following growth and development policies:**

  - **New Growth Path (NGP) (13)**
  - **Expanded Public Works Programme (EPWP) (13) (26)**

- **Analyse South Africa's fiscal policy in terms of benefits in kind (natura benefits), as a measure to improve the economic welfare of its citizens. (10)**

INTRODUCTION

The New Growth Path reflects government's commitment to prioritising employment creation in all economic policies. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner while attaining South Africa's developmental agenda. ✓✓

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. ✓✓ (Max. 2)

(Accept any other correct relevant introduction.)

BODY: MAIN PART

The New Growth Path (NGP) was implemented in 2010. ✓

Aims
The New Growth Path proposed major improvements in government, with a call for reducing unnecessary red tape, improving competition in the economy and stepping up skills development. ✓✓

Objectives
- Green economy: ✓ Expansions in construction and the production of technologies for solar, wind and biofuels. ✓✓ Clean manufacturing and environmental services were projected to create 300 000 jobs by 2020. ✓✓
- Agriculture: ✓ Jobs would be created by addressing the high input costs and upscaling processing and export marketing.✓✓ Support for small holders would include access to key inputs. ✓✓
- Mining: ✓ Increased mineral extraction and improving infrastructure and skills development. It focuses support for beneficiation on the final manufacture of consumer and capital goods, which can create large-scale employment. ✓✓
- Manufacturing: ✓ Re-industrialisation in the South African economy based on improving performance through innovation, skills development and reduced input costs in the economy. ✓✓
- Tourism and other high-level services: Holds employment potential and forms the framework for South Africa to position itself as the higher education hub of the African continent. ✓✓

Specific aims
- Creating five million jobs by 2020. ✓
- Creating youth brigades in which a million young adults are to be provided with training and work experience. ✓✓
- Creating a more inclusive, labour-absorbing, and efficient economy. ✓✓
- To reduce the unemployment rate to 15 percent. ✓✓
- The New Growth Path has fixed six priority areas to job creation: Infrastructure development, agriculture, mining, manufacturing, the "green" economy, and tourism. ✓✓
- A transition to a green economy involves expanding green production and markets; ✓✓
- reducing depletion of natural resources and degradation of ecosystems caused by economic activity; ✓✓
- increasing reliance on low-carbon energy supply to mitigate climate change. ✓✓ (Max. 13)

(Accept any other correct relevant response.)

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

- It was launched in 2004. ✓

EPWP focuses on four sectors:

- Non-state sector ✓– led by the Independent Development Trust IDT provides funding to NGOs to provide regular part-time work with regular incomes ✓✓
- Environmental and Culture sector ✓ – This sector creates jobs through alien vegetation clearing projects, wetland rehabilitation programmes, waste management and community tourism projects. ✓✓
- The social sector ✓ – focuses on increasing the quality of home-based care and early childhood development programmes ✓✓

Aims

- To provide poverty and income relief through temporary work to poor, unskilled and unemployed South Africans. ✓✓
- It provides labour intensive work opportunities. ✓✓
- It is a nationwide programme in all levels of government and state-owned enterprises. ✓✓
- Provides an important opportunity for labour absorption and income transfers to poor households in the short and medium term. ✓✓

Objectives

- Work opportunities within the infrastructure sector focuses more on labour-related activities (for example maintenance programmes) and are likely to provide regular jobs to large numbers of people.✓✓
- Phase 1's focus was on job opportunities for poor and unemployed households, SMME development and service delivery. ✓✓
- Phase 2's (April 2009 – March 2014) objective was to provide work opportunities for 4,5 million temporary and 2 million permanent work opportunities. ✓✓
- Increased targets for designated groups (women, youth, and people with disabilities). ✓✓
- Provides work opportunities for 6 million people in Phase 3 (April 2014 – March 2019). ✓✓
- Provides temporary work opportunities to 5 million people and 2,3 million permanent job opportunities in Phase 4 (April 2019 – March 2024). ✓✓ (Max. 13)

(Accept any other correct relevant response.)

ADDITIONAL PART

Analyse South Africa's fiscal policy in terms of benefits in kind (natura benefits), as a measure to improve economic welfare of its citizens.

- Healthcare expenditure can result in better provision of health opportunities, which can strengthen human capital and improve productivity, thereby contributing to economic performance. ✓✓
- School meals can improve the nutrition status of pre-school children, primary school children and adolescents, by addressing macronutrient and micronutrient

deficiencies. This leads to enhanced nutrition and health, decreased morbidity, and increased learning capacities and enrolment. ✓✓

- Households with educated people stand a better chance of lifting themselves out of poor living conditions than households without educated people in them. ✓✓
- Education is the key to increasing economic efficiency and social consistency. By increasing the value and efficiency of their labour, it helps to raise the poor from poverty. ✓✓
- Free basic electricity of 50 kWh per household per month for a grid-energy system (connected through the national electrification programme) is provided. This amount of electricity will be enough to provide basic lighting, basic water heating using a kettle, basic ironing and a small TV and radio. ✓✓
- Sewerage and sanitation, as well as solid waste management, are subsidised up to R50 per month or 100% subsidy to indigent households. ✓✓
- Free basic water consists of at least a basic amount of 6 kl (6 000 l) of water per month, per household. ✓✓
- Infrastructure ensures easy movement of goods and raw materials, thereby reducing inefficiencies and leads to efficient utilisation of scarce resources and eliminates wastage. ✓✓
- Where user-fees are charged, poor people and low-income earners benefit more than other users because they pay nothing or less than higher-income earners. ✓✓ (Max. 10)

(Accept any other correct relevant response.)

CONCLUSION

Policies should strengthen confidence in the country's ability to adhere to a fiscal consolidation path, to improve the efficiency of expenditure and to strengthen revenue mobilisation. ✓✓ (Max. 2)

(Accept any other correct relevant higher order conclusion.) **[40]**

TOTAL SECTION C: 40

TOTAL: 150