LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

LIMPOPO PROVINCE

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1

SEPTEMBER 2024

MEMO

MARKS: 150

This marking guideline consists of 21 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A – consume ✓✓
1.1.2 C – Laffer ✓✓
1.1.3 D – prosperity ✓✓
1.1.4 B – free floating ✓✓
1.1.5 D – developing ✓✓
1.1.6 A – Mpumalanga ✓✓
1.1.7 B – human capital. ✓✓
1.1.8 C – Black economic empowerment ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 D – inflation and unemployment have a stable and inverse relationship ✓

1.2.2 E – the original prices in production, before taxes and subsidies are taken into account ✓

1.2.3 C – the removal or reduction of laws ✓

1.2.4 A – countries who have deficits on their Balance of Payments can borrow money from this institution ✓

1.2.5 F – restrictions placed on the number of imports allowed into the country ✓

1.2.6 B – a form of credit which can be used when balance of payments difficulties are experienced by member countries ✓

1.2.7 H – improvements in the standard of living of a country's citizens ✓

1.2.8 J – countries that does not trade with any other country ✓ (8 x 1) (8)

1.3 GIVE ONE TERM

1.3.1 Residual item ✓
1.3.2 Taxes ✓
1.3.3 Opportunity cost / Marginal cost ✓
1.3.4 Reconstruction and Development Programme ✓
1.3.5 Productivity ✓
1.3.6 South African Reserve Bank ✓ (6 x 1) (6)

TOTAL SECTION A: [30]

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SECTION B: (ANSWER TWO OF THE THREE QUESTIONS)

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

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions:

2.1.1 Name any TWO sources of state revenue.

- Taxes ✓
- Income from property rental ✓
- Income from privatization of assets ✓
- Donations ✓
- Loans ✓
- Profits from State-Owned Enterprises ✓ (2 x 1) (2)

(Accept any other correct relevant answer)

2.1.2 Why are public goods and services more readily available in developed countries compared to developing countries?

Developing countries' unemployment rate is much higher than in developed countries because their workers are less skilled. This causes the inhabitants of developing countries to be much more dependent on public goods. ✓✓ (1 x 2) (2)

(Accept any other correct relevant answer)

2.2 DATA RESPONSE

2.2.1 Identify the institution responsible for approving loans in the above extract.

The Bank ✓ (1)

2.2.2 Name ONE reason why loans in South Africa are difficult to repay.

- High interest rates cause people to pay back much more than they borrowed. ✓
- High inflation rate - even though people are borrowing money, they still can't buy what they need. ✓ (1)

(Accept any other correct relevant answer)

2.2.3 Briefly describe the term *leakage*.

Leakage is when money leaves the Circular flow (economy) and the money is not used for spending, e.g. savings, taxes and imports. ✓✓ (2)

(Accept any other correct relevant answer)

2.2.4 Why is it important that loans are granted by banks?

- Loans are a risk for banks, but very good for the economy. Loan money causes participants of an economy, e.g. households, can now spend / money they did not have or could have spent. ✓✓
- When loan money is spent, goods and services are purchased, leading to much greater economic growth. ✓✓
- A small change in spending will lead to a proportionally larger change in income. ✓✓
- Unemployment can be reduced as producers will produce more if consumers buy more. ✓✓ (2)

(Accept any other correct relevant answer)

2.2.5 Analyze the relationship between the *real flow* and the *money flow* in an open economy.

- *Real flow* is the flow of goods and services while the *money flow* is the flow of money. ✓✓
- The *real flow* in the economy must always be equal to the *money flow*. ✓✓
- The *real flow* and the *money flow* always flow in two different directions. ✓✓ (2 x 2) (4)

(Accept any other correct relevant answer)

2.3 DATA RESPONSE

2.3.1 Identify the economic concept that relate to deliberate decrease in the value of currency in terms of another currency.

Devaluation ✓ (1)

2.3.2 Name ONE effect of international trade.

- Mass production ✓
- Globalization ✓
- Efficiency ✓
- Specialization ✓ (1)

(Accept any other correct relevant answer)

2.3.3 Briefly describe the term *exchange rate*.

The rate at which one currency is exchanged for another. ✓✓ (2)

(Accept any other correct relevant answer)

2.3.4 What is the benefit of surplus on the current account of Balance of payments?

- Surplus on the balance of payments means that a country has more money for imports. ✓✓
- It can also mean that the country's currency can be undervalued, the advantage is that the country's currency therefore has a much higher value than suggested. ✓✓
- The country does not have to borrow money either. ✓✓ (2)

(Accept any other correct relevant answer)

2.3.5 How will an increase in the demand for US dollars impact the value of the rand?

- Demand for US dollars will increase the price of dollars, this will decrease (depreciate) the price of the rand. ✓✓ (2 x 2) (4)

(Accept any other correct relevant answer)

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2.4 Discuss the *product markets* and the *financial markets* in the FOUR SECTOR model.

Product market

- Product market is where goods and services are bought and sold. ✓✓
- Firms, government and foreign sector supply goods and services and their movement is called real flow. ✓✓
- Consumers, firms, government and foreign sector buy goods and services and their payments represent money flow. ✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human needs. ✓✓
- In capital goods market products such as buildings and machinery are exchanged. ✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓
- Services are defined as non-tangible actions and includes wholesale and retail, transport and financial markets. ✓✓ (Max 4)

Financial market

- Financial markets render financial services to the other participants in the economy by gathering surplus funds and lending them to those who needs funding. ✓✓
- Banks, insurance companies and pension funds form part of the financial market. ✓✓
- Financial markets are not directly involved in production of goods and services, but act as a link between households and businesses with surplus income and other participants who require it. ✓✓

(Accept any other correct relevant answer) (Max 4) (8)

2.5 Explain how socio-economic rights are integrated into the budget of the South African government.

- Provincial governments are the main beneficiaries of tax revenue that have been collected by the government. ✓✓
- The equitable share formula distributes state revenue according to six components. ✓✓
- The components and the weighting thereof reflect the priorities of the government. ✓✓
- The six priorities are based on the basic rights of each person and include education, health, basic, institutional, poverty and economic output. ✓✓
- Conditional grants are used to promote spending on national priorities and to compensate provinces for providing services beyond provincial boundaries.✓✓
- Provincial budgets, like national budgets, also from the 1st of April to the 31st of March. ✓✓ (4 x 2) (8)

(Accept any other correct relevant answer)

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions:

3.1.1 Name any TWO methods of import substitution.

- Tariffs ✓
- Quotas ✓
- Subsidies ✓
- Exchange control ✓
- Physical control ✓
- Diverting trade ✓ (2 x 1) (2)

3.1.2 Why are middle income earners critical for economic growth in a country?

Middle-income earners have more disposable income than low-income earners, therefore their demand for goods and services will be higher which will cause the productive capacity of a county to increase. ✓✓ (1 x 2) (2)

(Accept any other correct relevant answer)

3.2 DATA RESPONSE

3.2.1 Identify the institution which compiled the data above.

STATS SA ✓ (1)

3.2.2 Name ONE reason for the high rate of youth unemployment in South Africa.

- Lack of education ✓, skill and training ✓, experience ✓
- Lack of finance and information to pursue tertiary level education✓
- Limited availability at tertiary institutions ✓ (1)

(Accept any other correct relevant answer)

3.2.3 Briefly describe the term *unemployment*.

Unemployment refers to those people within the economically active population who are willing and able to work but cannot find a job. ✓✓ (2)

(Accept any other correct relevant answer)

3.2.4 How can the government reduce unemployment in the economy?

The government can reduce the level of unemployment by:

- applying the skills development programmes to ensure better remuneration that will stimulate demand and production. ✓✓
- incentivising business communities to absorb youths and provide them with relevant training and skills / internships. ✓✓
- required to utilise the latest technology required in production processes incentivising youth participation in the economy through tax rebates and tax cuts. ✓✓
- providing employment through the EPWP. ✓✓ (2)

(Accept any other correct relevant answer)

3.2.5 Why is malnutrition a concerning social indicator?

- Malnutrition is a problem because it can lead to stunted growth and underweight individuals who could develop health problems.✓✓
- Malnutrition places strain on the public healthcare system. ✓✓
- Malnutrition causes young learners to fail to progress in school – with no education they face unemployment which puts further pressure on the state class. ✓✓ (2 x 2) (4)

(Accept any other correct relevant answer)

3.3 DATA RESPONSE

3.3.1 Provide an alternative name for world markets.

Global or international markets ✓ (1)

3.3.2 Which country are the owners of this large online world market mentioned in the article?

China ✓ (1)

3.3.3 Briefly describe the term *comparative advantage*.

A country has a comparative advantage when the opportunity cost of producing a good or service is lower than the other country's opportunity cost. ✓✓ (2)

(Accept any other correct relevant answer)

3.3.4 How can South Africa benefit from being a BRICS member?

- South Africa benefits from being part of the BRICS consortium because the other four members are regarded as the fast-growing emerging economies. ✓✓
- They have very pronounced trade and investment potential.✓✓
- By being part of BRICS consortium, South Africa in on the receiving end of investment and trade opportunities, which will stimulate economic growth locally. ✓✓ (2)

(Accept any other correct relevant answer)

3.3.5 What are the disadvantages of an increase in the demand for imports from those online markets for the South African economy?

- New / young businesses struggle to compete against these industries and often go bankrupt. ✓✓
- Unemployment in South Africa increases when businesses close.✓✓
- Poverty increases because unemployment increases. ✓✓
- South Africa's clothing industry is collapsing and our industrial base is shrinking. So, less diversity of manufactured products in South Africa. ✓✓
- Domestic standards are falling – as products sold on these platforms are not always good quality products. ✓✓ (2 x 2) (4)

(Accept any other correct relevant answer)

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3.4 Discuss *foreign trade* and *inflation rate* as an economic indicator.

Foreign trade

- Changes in terms of trade serve as indicator of changes that may spill over into the balance of payments and may lead to a deficit. ✓✓
- Terms of trade will deteriorate, if a greater volume of exports must be produced to keep export earnings constant. ✓✓
- Changes in an exchange rate affect the prices for imports and prices of exports. ✓✓
- A depreciation of the rand against the dollar will result in US goods and services becoming more expensive domestically and earnings from exports to the US increasing. ✓✓

Inflation rate

- Inflation can be described as an increase in the general level of prices in an economy that is sustained over a period of time. ✓✓
- SARB aims to keep the inflation rate stable between 3 and 6%. ✓✓
- The following instruments measure inflation:
  - *Consumer prices / CPI*
    - This is the weighted average of the prices of a general basket of goods and services likely to be bought by consumers. ✓✓
  - *Production prices / PPI*
    - Measures prices of locally produced goods when they leave the factory and imported goods when they enter the country. ✓✓
    - Serves as an indicator to predict consumer inflation (CPI). ✓✓ (2 x 4) (8)

(Accept any other correct relevant answer)

3.5 Examine competition as a supply-side approach in promoting economic growth and development in South Africa.

- Healthy competition is promoted and regulated in South Africa through the enforcement of the Competition Act. ✓✓
- Competition causes goods to be sold at lower prices. The lower prices cause more products to be sold which means an increase in GDP and economic growth. ✓✓
- Competition from abroad is the best competition to have as the quality of products is often much better than local producers. This increase in quality will also motivate local producers to deliver better quality products. ✓✓
- South Africa's competition law includes the 3 bodies, namely competition commission, competition tribunal and competition appeal court. ✓✓ (4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS & ECONOMIC PURSUITS

4.1 Answer the following questions:

4.1.1 Name any TWO markets that operate within the financial market.

- Money market ✓
- Capital market ✓
- Foreign exchange market ✓ (2 x 1) (2)

(Accept any other correct relevant answer)

4.1.2 What is the purpose of current transfers on the Balance of Payments?

Current transfers record all money that has come into or left the country but no buying or selling has taken place. ✓✓ (1 x 2) (2)

(Accept any other correct relevant answer)

4.2 DATA RESPONSE

4.2.1 Identify the item in the current account which is unique to South Africa.

Net gold exports ✓ (1)

(Accept any other correct relevant answer)

4.2.2 Provide ONE example of merchandise that South Africa exports other than gold.

- Iron ✓
- Coal ✓
- Diamonds ✓
- Platinum ✓ (1)

(Accept any other correct relevant answer)

4.2.3 Briefly describe the term *current account*.

- The current account record transactions relating to production, income and expenditure. ✓✓
- Refers to the balance of payments that shows the surplus or deficit in a country's day-to-day dealings in respect of merchandise (including gold), services, income and current transfers. ✓✓ (2)

(Accept any other correct relevant answer)

4.2.4 Why is Net gold exports listed separately and not included as part of merchandise exports?

- Net gold exports are listed separately because gold exports are one of South Africa's main exports and contribute significantly towards the Balance of Trade. ✓✓
- If it were included in merchandise exports, it would distort the amount by inflating it significantly. ✓✓
- Historically gold has contributed a lot to the South African economy. ✓✓ (2)

(Accept any other correct relevant answer)

4.2.5 Calculate the Balance on the Current Account. Show ALL calculations.

= 1 924 + 116 + 262 + 217 – 1 937 – 343 – 312 + 114 ✓✓

= R 41 m ✓✓ (2 x 2) (4)

4.3 DATA RESPONSE

4.3.1 Identify the rate at which the Reserve Bank lends money to commercial banks.

Repo rate ✓ (1)

4.3.2 Mention any ONE monetary policy instrument (tool) besides the interest rate used to control the velocity of money.

- Open market transactions ✓
- Moral suasion ✓
- Cash reserve requirements ✓
- Exchange rate stability ✓ (1)

(Accept any other correct relevant answer)

4.3.3 Briefly describe the term *fiscal policy*.

Fiscal policy is an attempt by the government to influence consumer spending through taxes. ✓✓ (2)

(Accept any other correct relevant answer)

4.3.4 How can the government use taxes as a redress tool in the economy?

Government uses taxes as a redress tool by taxing individuals who have more income and wealth at a high rate. This ensures that the government has more tax revenue that can be distributed to those who have less income. ✓✓ (2)

(Accept any other correct relevant answer)

4.3.5 Why does the high oil price negatively affect South Africa's economic growth?

- Businesses are responsible for producing goods and services and ensuring that they reach end users. ✓✓
- Goods and services can be transported by rail, road, air and sea in South Africa – South Africa's oil supply is mostly imported and since oil is traded in American dollars, this impacts negatively on producers' input costs as high transport costs increase the cost of production – this leads to higher prices, less demand and less economic growth. ✓✓
- Many machinery in South Africa use diesel to produce goods – and increase in the price of oil will directly influence the price of products which will lead to negative economic growth. ✓✓ (2 x 2) (4)

(Accept any other correct relevant answer)

4.4 Briefly discuss *exchange rate stability* and *price stability* as macroeconomic objectives of the state.

Exchange rate stability

- Depreciation and appreciation of a currency create uncertainty for producers and traders and should therefore be limited. ✓✓
- The government should manage the economy through monetary and fiscal policies so that the exchange rate remains relatively stable for as long as possible. ✓✓
- South Africa pursues stable exchange rates to attract foreign capital. ✓✓

Price stability

- In a mixed economy, prices fluctuate as demand and supply change. ✓✓
- Frequent and dramatic changes in prices affect economic growth an employment. ✓✓
- The government attempts to guard against price instability. ✓✓
- In South Africa, price stability means an inflation rate of between 3% and 6%.✓✓
- Stable prices enable firms and households to predict income and expenditure.✓✓
- Investor confidence is boosted by stable prices and attracts foreign direct investment. ✓✓ (2 x 4) (8)

(Accept any other correct relevant answer)

4.5 Evaluate the success of import substitution as a South African trade policy.

Import substitution has been successful as trade policy by:

- promoting initiation and growth of local industries. ✓✓
- creating a gap for investment within domestic boundaries. ✓✓
- redirecting resources to the production of goods leading to formation of new industries. ✓✓
- leading to increased profits which impacted positively on savings, investment and capital formation boasting domestic industrialisation that enhanced demand for labour intensive industries that created job opportunities by using the latest technology. ✓✓
- increasing the resilience to global economic shocks by building economic stability and sustainability. ✓✓
- facilitating urbanisation through expanding industries. ✓✓
- restricting imports created an increased demand for locally produced products.✓✓

Import substitution was unsuccessful as trade policy because:

- it led to a lack of external competition that affected the efficiency of infant industries – negatively affecting growth. ✓✓
- it failed to meet the needs of a growing domestic industry that resulted in black markets (illegal markets). ✓✓
- financial leakages took effect reducing government revenue an overall capital base of the economy. ✓✓
- trade protection due to import substitution led to overvalued exchange rates causing a rise in domestic prices. ✓✓
- it forced government to spend more on subsidising industrial investment. Inflation followed. ✓✓
- capital and entrepreneurial talent are pulled away from industries and developing countries to countries who have a comparative advantage in production. ✓✓
- the total amount of imports are not reduced, as South Africa still import specialised products, as well as capital (loans) and intermediate goods to produce goods locally. ✓✓ (4 x 2) (8)

(Accept any other correct relevant answer)

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: • A good starting point will be to define a concept or key. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in body.	Max. 2
Body: • Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain / Assess / Debate. • Additional part: Give own opinion / Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Complete the graph given / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How? / Your own opinion.	Max. 26 Max. 10
Conclusion: Any relevant higher order conclusion that should include: • A brief summary of what has been discussed / analyzed without repeating facts already mentioned in the body. • An opinion or valued judgement on the facts discussed. • Additional support information to strengthen the discussion / analysis. • A contradictory viewpoint with motivation, if so required. • Recommendations	Max. 2
TOTAL	**40 MARKS**

QUESTION 5: MACROECONOMICS

- **Discuss in detail the features underpinning forecasting of business cycles.** **(26 marks)**

- **How can trade unions cause an expansion (upswing) in the business?** **(10 marks)** **[40]**

INTRODUCTION:

Business cycles can be described as successive periods of contraction and expansion of economic activities.✓✓

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

BODY: MAIN PART

Leading Indicators ✓

- Leading indicators are indicators that change before the economy changes. ✓✓
- Leading indicators give consumers, business leaders and policy makers a glimpse (advance warnings) of where the economy might be heading. ✓✓
- These indicators peak before a business cycle has reached a peak. ✓✓
- Most important type of indicator in helping economists to predict what the economy will be like in the future. ✓✓
- When these indicators rise, the level of economic activities will also rise in a few months' time. ✓✓
- When they decline it also means the level of economic activity will decline in the near future. ✓✓
- Examples: include the number of residential plans passed, number of job advertisements, number of new companies. ✓

Coincident Indicators ✓

- Coincident indicators are indicators that change at the same time as the economy changes. ✓✓
- Coincident indicators show the actual state of the economy. ✓✓
- A downturn is shown by a decrease in these indicators while an upswing is shown as an increase in these indicators. ✓✓
- Coincident indicators confirm the changes predicted by the leading indicators. ✓✓
- The value of retail sales will reach a peak and then begin to decline at the same time as the business cycle. ✓✓
- Examples: are usage of capacity in manufacturing, registered unemployment, real GDP.✓

Lagging Indicators ✓

- Lagging indicators change after the economy has already changed. ✓✓
- Lagging indicators reach the turning point after the business cycle has already turned.✓✓
- Lagging indicators serve to confirm the behaviour of coincident indicators. ✓✓
- Examples: number of commercial vehicles sold, real investment in machinery, unit labour costs in manufacturing. ✓

Composite Indicators ✓

- Composite indicators summarise a group of indicators of the same type into a single value. ✓✓
- The single figure forms a norm for a country's economic performance. ✓✓
- Composite indicators can be consolidated into single values of a composite leading, coincident and lagging indicator. ✓✓

Amplitude ✓

- It is the difference between the value of total output between peak and trough measured from the trend line to the peak and trough. ✓✓
- Amplitude reflects the intensity of the upswing and downswing in economic activity. ✓✓
- The amplitude shows two things:
  - **The power of the underlying forces** such as interest rates, exports or consumer spending. ✓✓ A large amplitude during the upswing signifies strong underlying forces. ✓✓ The duration of a cycle with larger amplitude is usually longer than one with a small amplitude. ✓✓
  - **The extent of change** such a decrease in unemployment of 50% or increase in inflation of 100% during the upswing. ✓✓ The larger the amplitude, the more extreme the changes that may occur. ✓✓

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Trend Line ✓
- The trend line indicates the general direction in which the economy is moving. ✓✓
- When the economy is growing, there is an upward trend, but when the economy is contracting there is a downward trend. ✓✓
- The trend will change when the time series data change their behavioral patterns of the past. ✓✓
- The trend line normally has a positive slope because the production capacity of the economy increases over time. ✓✓

Length / Duration of a Cycle ✓
- Length is measured from peak to peak or from trough to trough. ✓✓
- Longer cycles show strength and shorter cycles show weakness with regard to economic activities. ✓✓
- Cycles may overshoot which means that whenever activity in terms of some composite indicators increase to beyond its normal level. ✓✓
- The contraction in the growth of output may overshoot the level where it should naturally stop. ✓✓

Extrapolation ✓
- Extrapolation refers to the estimation of something unknown from the facts that are known. ✓✓
- Past data is used when predictions are made about the future based on assumptions related to trends. ✓✓
- Extending a trend into the future may provide information on what is likely to happen. ✓✓
- Economists may predict that the economy will grow in few months to come if a business cycle has passed through a trough and entered into an upswing. ✓✓
- Extrapolation techniques are sometimes used to predict future share prices. ✓✓

Moving Averages ✓
- They are calculated along the time series so that a smoother business cycle can be established. ✓✓
- Moving averages are used to analyse the changes in a series of data over a certain period of time. ✓✓
- Economists use moving averages to eliminate the effect of sharp fluctuation in the business cycle. ✓✓

(Accept any other correct relevant answer)
(A maximum of 8 marks may be allocated for listing of facts / examples) **(Max. 26)**

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ADDITIONAL PART:

How can trade unions cause an expansion (upswing) in the business?

- Trade unions are likely to increase economic growth and thereby cause an expansion.✓✓
- Trade unions negotiate for increased wages / salaries which increase purchasing power, thereby causing aggregate demand to increase. ✓✓
- When this occurs, aggregate supply will increase causing businesses to expand their operations, thereby investing more within the economy which will facilitate economic growth. ✓✓
- Trade unions promote workers' rights which will make workers feel more validated and invested in what they do. ✓✓
- This could increase their productivity levels facilitating economic growth. ✓✓
- Trade unions also promote increased levels of education and training of workers which will increase the skill base and therefore productivity of workers, which will cause economic growth. ✓✓

(Accept any other correct relevant answer)
(A maximum of 2 marks may be allocated for listing of facts / examples) **(Max. 10)**

CONCLUSION:

It remains critical that business cycles should be clearly monitored by available indicators, policymakers should act quickly using monetary and fiscal instruments in order to prevent instability in the economy. ✓✓

(Accept any other correct higher order conclusion / view) **(Max. 2)**

[40]

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QUESTION 6: ECONOMIC PURSUITS

- **Discuss in detail South Africa's initiatives (endeavours) in regional development.** **(26 marks)**

- **How successful is the government in promoting industrial development?** **(10 marks)** **[40]**

INTRODUCTION:

- Regional development refers to policies which are aimed at increasing the economic livelihood of specific areas or regions. ✓✓
- This is the promotion of economic development in areas where poverty, unemployment and income inequality are high in order to uplift them. ✓✓
- Regional development is the provision of support and other assistance to regions which are less economically developed in order to improve them. ✓✓

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

BODY: MAIN PART

Spatial Development Initiatives (SDI) ✓

- SDI is a policy to promote sustainable industrial development in areas where poverty and unemployment are at their highest. ✓✓
- It can be defined as a link between important economic hubs and regions in a country.✓✓
- The intention was to grow the SDI's mostly through private sector investment. ✓✓
- The state was to enhance inward investment through the granting of incentives. ✓✓
- The Public Private Partnerships promotes the economic potential of underdeveloped areas. ✓✓
- 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 ✓✓ e.g. roads and water. ✓
- There are 2 types of PPPs which are compensated differently: unitary payments and user-fees. ✓✓
- The SDI involves an interdepartmental investment strategy that the DTI and the Department of Transport (DOT) lead. ✓✓
- Government's industrial policy strives towards balance between openness and in promoting local competitiveness by opening up the domestic economy to international competition. ✓✓
- DTI is driving force behind industrial and spatial development. ✓✓
- Relies on networking with other central provincial government departments, IDC, parastatals (like Telkom, Eskom and Transnet) and research institutions to plan and monitor development. ✓✓
- Key policy remains sustainable industrial development in areas where poverty and unemployment are at their highest. ✓✓
- SDI's focus on high-level support on areas where socio-economic conditions require concentrated government assistance and inherent economic potential exists. ✓✓
- SDI goal to fast-track investment and maximize synergies between various types of investments. ✓✓

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- Objectives of Spatial Development Initiatives
  * Develop physical infrastructure such as roads and harbours. ✓✓
  * Stimulate economic activities in the underdeveloped areas. ✓✓
  * Create employment and stimulate economic growth in the underdeveloped areas.✓✓
  * Develop inherent economic potential in the underdeveloped areas. ✓✓
  * Attract private sector and Foreign Direct Investment (FDI). ✓✓
  * Establish Public Private Partnerships (PPP). ✓✓

Industrial Development Zones (IDZs) ✓

- They are purpose-built industrial estates, physically enclosed and linked to a port or airport. ✓✓
- They are in duty-free import areas. ✓✓
- This strategy was aimed at making exports internationally competitive. ✓✓
- They focus on creating jobs and promoting exports. ✓✓
- Goods produced in these zones should be exported to foreign countries. ✓✓
- As services are provided from outside, the economy in the areas should be stimulated.✓✓
- An IDZ offers a world-class infrastructure, enjoys a zero rate of VAT on supplies from South African sources and reduced taxation on some products. ✓✓

  - IDZs were located to benefit:
    * investing companies through support. ✓✓
    * access to transport for exporting purposes. ✓✓
    * products produced for export by wavering import duties. ✓✓
    * skills training for employees by providing subsidies. ✓✓

  - Each IDZ is designed to:
    * provide location for establishment of strategic investments. ✓✓
    * promote and develop links between domestic and zone-based industries. ✓✓
    * enable exploitation of resource-intensive industries. ✓✓

Special Economic Zones (SEZs) ✓

- It creates a basis for a broader range of industrial parks and provide economic infrastructure to promote employment. ✓✓
- 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. ✓✓
- There are plans to reduce tax to 15% as an incentive to attract new industries. ✓✓
- The DTI has indicated that the existing IDZs where special tax incentives do not apply, would be graduated into SEZs. ✓✓

  - The aim of creating SEZ is to attract:
    * only new business. ✓✓
    * business which are developing a new product line. ✓✓
    * business which are expanding their volume. ✓✓

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Corridors ✓

- Corridors in South Africa are spatial areas that offer specific advantages to mining, manufacturing and other businesses. ✓✓
- The advantages also include the presence of existing infrastructure and the specialisation of products or services. ✓✓
- These corridors are development areas within South Africa and are the development priorities of all development agencies. ✓✓
- The DTI provides help in support of the development corridors. e.g. the Maputo corridor, that starts in Gauteng and extends through Mpumalanga to the Maputo port, offers opportunity to the transport industry. ✓✓

(Accept any other correct relevant answer)
(A maximum of 8 marks may be allocated for mere listing of facts / examples) **(Max. 26)**

ADDITIONAL PART:

How successful is the government in promoting industrial development?

The government has promoted industrial development by:

- implementing GEAR which focused on promoting growth in the economy, although it hasn't been successful because real GDP growth is not at the expected levels. ✓✓
- the New Growth Path (NGP) which focused on improving certain skills which would attract global business and ensure long term economic growth, has not seen a decrease in the number of people which are unemployed. ✓✓
- the National Industrial Policy Framework (NIPF) as an appropriate policy within best practice, although hindered by the unemployment problem. ✓✓
- spending huge amounts on improvement of infrastructure through the SDI's for example maintaining, improving, expanding infrastructure: access to suitable, modern, reliable, effective, efficient infrastructure and services, the creation of jobs was not enough to reduce unemployment. ✓✓
- implementing IDZ's, although some IDZ's growth have been slow due to incentives not being attractive enough to establish businesses. ✓✓
- introducing the SEZ's to address the negative elements of the IDZ's by providing additional incentives. ✓✓
- promoting Small Business Development that has been reasonably successful, due to the improved access to finance and capital which has promoted entrepreneurship as well as efficient and competitive markets. ✓✓
- promoting regional development although it is still uneven because it is still concentrated in the four major metropoles. ✓✓

(Accept any other correct relevant answer)
A maximum of 2 marks may be allocated for listing of facts / examples) **(Max. 10)**

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CONCLUSION:

- It is the ultimate responsibility of the government to ensure that proper and effective policies and policy direction is given on the entire development of the country. Every area in the country should be considered for development and growth. The industrial sector is earmarked as safety net for millions of jobless people in rural areas. ✓✓
- Economic decentralisation would guarantee that greater emphasis of the development of the country and comprehensive use of resources are used effectively for the improvement of the well-being of the country. ✓✓
- The department of trade and industry plays a key role in ensuring that aims of regional development are achieved by ensuring that there is a decentralisation of industries in the country. ✓✓

(Accept any other correct higher order conclusion / view) **(Max. 2)**

[40]

TOTAL SECTION C: [40]

GRAND TOTAL: [150]

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