GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2023

MARKING GUIDELINES

ECONOMICS PAPER 1 (10731)

22 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTPLE-CHOICE QUESTIONS

1.1.1 D – increase in the national income ✓✓

1.1.2 A – lagging ✓✓

1.1.3 C – sell products and buy factors of production ✓✓

1.1.4 B – balance of trade ✓✓

1.1.5 C – sanctions ✓✓

1.1.6 A – Special Economic Zone ✓✓ OR B -Industrial Development Zone✓✓

1.1.7 B – Maputo Development Corridor ✓✓

1.1.8 D – terms of trade ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 G – economic activities at its lowest ✓

1.2.2 F – total spending on goods and services in the economy ✓

1.2.3 A – the absence of excessive fluctuations in the GDP of a country ✓

1.2.4 D – a world organisation that assists countries with balance of payment problems ✓

1.2.5 E – key institution in the capital market in South Africa ✓

1.2.6 H – a cause of changes in technology ✓

1.2.7 I – very important infrastructure and technology that cause large innovative spillover effects ✓

1.2.8 C – improvement in the well-being and quality of life of people ✓ (8 x 1) (8)

1.3 **GIVE THE TERM**

1.3.1 Residual item ✓

1.3.2 Extrapolation ✓

1.3.3 Capital transfer account ✓

1.3.4 Import substitution ✓

1.3.5 Capital deepening/capital intensive production ✓

1.3.6 Economic hub (node)/Special Economic Zone/Industrial Development Zone/Corridor/Cities ✓ (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 TWO examples of real flows within the four-sector model.**

- Goods and services ✓
- Imports of goods and services ✓
- Export of goods and services ✓
- Factors of production ✓
- Public goods and services ✓ (2 x 1) (2)

2.1.2 **How does comparative advantage encourage the production of specialised goods?**

- Countries will specialise in goods where they have comparative advantages, therefore channel all resources and research to improve the product and enjoy economies of scale. ✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Name ONE fiscal measure to increase economic activity during a recession.**

- Reduce taxes ✓
- Increase government spending ✓ (1)

2.2.2 **Which school of thought proposes external shocks as reasons for business cycles?**

- Exogenous/Monetarist view ✓ (1)

2.2.3 **Briefly describe the term *monetary policy.***

- The approach taken by a country's central bank to influence spending in an economy by controlling the interest rates and the money supply. ✓✓

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

2.2.4 **What is the relationship between unemployment and inflation in the Phillips curve?**

- A reduction in unemployment will cause an increase in inflation because of the increased amount of spending by people that were previously unemployed. ✓✓
- Inverse relationship occurs when unemployment decreases, and inflation will increase✓✓

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

2.2.5 **How can raising interest rates slow down economic growth?**

- When central banks increase interest rates, it reduces demand for goods and services. ✓✓
- This could result in companies hiring fewer or laying off their workers and potentially lead to a recession. ✓✓
- Borrowing money becomes more expensive and the cost of doing business rises. ✓✓
- Over time, higher costs and less business could mean lower revenue and earnings for firms, possibly impacting their growth rate. ✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Who manages exchange rate policies in South Africa?**

- The central bank/South African Reserve bank ✓ (1)

2.3.2 **Which diagram above represents an increase in the number of tourists from the USA to South Africa?**

- Diagram A ✓ (1)

2.3.3 **Briefly describe the term *foreign exchange control.***

- Foreign exchange control governs the measures taken by the South African Reserve bank regarding the purchase of foreign currency. ✓✓
- Restrictions applied by some governments to ban or limit the sale or purchase of foreign currencies by nationals and/or the sale or purchase of the local currency by foreigner✓✓

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

2.3.4 **How can the SARB correct an undervalued currency?**

- When the currency is undervalued, interest rates can be decreased to cause an outflow of foreign currency and drain excess liquidity from the economy and release inflation pressure. ✓✓

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

2.3.5 **Explain the impact on the rand if the number of tourists from South Africa to the USA decreases. Use the information from the diagrams to prove your answer.**

- A decrease in the number of tourists from South Africa to the USA will cause a decrease in the demand for dollars, therefore the USA will decrease the supply of dollars to South Africa. ✓✓
- The decreased number of tourists will shift the supply curve from S1 to S2. ✓✓
- Consequently, the equilibrium quantity of the dollar will reduce from 16 to 12. ✓✓
- The initial exchange rate was $:R16 at quantity 16 dollars, but the decrease in the demand for the dollar increased the value of the dollar to $:R17 at quantity 12 for the dollar. ✓✓
- The exchange rate will rise as the rand depreciates against the dollar. ✓✓

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

2.4 **Briefly explain real business cycles without the use of a graph.**

- A real business cycle is obtained when the effects of irregular events, seasons and long-term growth trends are removed from time series data. ✓✓
- Real business cycle fluctuations are the result of exogenous changes in the real economic environment. ✓✓
- Exogenous factors, like technological advances, cause fluctuations in real output (supply). ✓✓
- Such supply-side shocks in the production function cause fluctuations of output and employment. ✓✓
- It causes the rise and decline of the economic activities taking place in an economy i.e., the expansion and recession of the economy. ✓✓
- Random technological changes cause permanent effects on potential output. In other words, GDP is effected by these fluctuations. ✓✓

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

2.5 **How can an increase in the gross domestic product (GDP) influence the multiplier?**

- A higher GDP refers to higher income levels, higher spending/demand and positive economic growth. ✓✓
- There will be high levels of investment and additional income for consumers. ✓✓
- This will lead to a higher mpc in the economy. (Consumers tend to spend additional income.) ✓✓
- E.g., for every extra R100, the consumers will be prepared to spend a higher fraction. i.e., R70, resulting in an mpc of 0,7. ✓✓
- This increase in income/spending will have a snowball effect, i.e., an even higher GDP. ✓✓

(Accept any other correct relevant response.) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions

3.1.1 **Name any TWO examples of SETAs in South Africa.**

- Agricultural Sector Education and Training Authority (AgriSETA) ✓
- Banking Sector Education and Training Authority (BANKSETA) ✓
- Chemical Industries Education and Training Authority (CHIETA) ✓
- Construction Education and Training Authority (CETA) ✓
- Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) ✓
- Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) ✓
- Energy and Water Sector Education and Training Authority (EWSETA) ✓
- Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) ✓
- Finance and Accounting Services Sector Education and Training Authority (Fasset) ✓
- Food and Beverage Manufacturing Industry Sector Education and Training Authority (FoodBev SETA) ✓
- Health and Welfare Sector Education and Training Authority (HWSETA) ✓
- Insurance Sector Education and Training Authority (Inseta) ✓
- Local Government Sector Education and Training Authority (LGSETA) ✓
- Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) ✓
- Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) ✓
- Mining Qualifications Authority (MQA) ✓
- Public Service Sector Education and Training Authority (PSETA) ✓
- Safety and Security Sector Education and Training Authority (SASSETA) ✓
- Services Sector Education and Training Authority (SSETA) ✓
- Transport Education Training Authority (TETA) ✓
- Wholesale and Retail Sector Education and Training Authority (W&RSETA) ✓ (2 x 1) (2)

3.1.2 **How does deregulation improve Broad-Based Black Economic Empowerment (BBBEE)?**

- It will create healthy competition within the economy and increase access to more black people working. ✓✓

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

3.2 **DATA RESPONSE**

3.2.1 **Name ONE country that is a member of SACU.**

- South Africa ✓
- Namibia ✓
- Botswana ✓
- Lesotho ✓
- Swaziland ✓ (1)

3.2.2 **How many countries does SADC consist of?**

- 16 ✓ (1)

3.2.3 **Briefly describe the term *trading bloc.***

- Trading blocs are groups of countries that establish rules for trade among all participating countries. ✓✓

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

3.2.4 **How do tariffs on imported goods influence domestic prices?**

- For local producers, the import tariff raises the price of imported goods, domestic prices will be lower because the tariffs on imported goods will cause it to be higher than domestic prices. ✓✓

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

3.2.5 **How can countries benefit by being members of a trading block?**

- There will be variety of goods and services among countries. ✓✓
- Countries in SADC enjoy free trade. ✓✓
- Factors of production can flow freely amongst these countries. ✓✓
- They can decide on common tariffs when trading with other countries that are not part of SADC. ✓✓
- Employment will increase within the trade bloc which will improve the standard of living. ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **Identify ONE cross-cutting issue of the integrated manufacturing strategy from the information above.**

- Technology ✓ (1)

3.3.2 **Name ONE reason for industrial development.**

- To create employment ✓
- To diversify the economy ✓
- To increase exports ✓
- To create macroeconomic stability ✓

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

3.3.3 **Briefly describe the term *private-public partnership.***

- It is a relationship between the government and the private sector where the expertise and efficiency and/or capital of the private sector is used to develop certain regions. ✓✓

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

3.3.4 **What is "development within" in regional development?**

- Development from within means that each region will be responsible for its own development. ✓✓

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

3.3.5 **How does foreign direct investment affect employment in South Africa?**

- Direct investments occur when foreign parties invest in South African businesses, or when South African people or businesses invest in foreign businesses. ✓✓
- The investment is an injection into the local economy, spiralling the multiplier effect and stimulating economic growth in various sectors of the economy. ✓✓
- This could cause the demand for more labour – i.e., employment opportunities. ✓✓

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

3.4 **Briefly discuss *good governance* and *provision of resources* as regional development policies in terms of international benchmark criteria.**

<u>Good governance</u>

- Regional development strategies should be managed effectively and free of corruption. ✓✓
- Democratic decision making, where the views of different role players are considered, and factored into decision making. ✓✓
- Transparency, where free and open engagements are promoted so that role players gain a sense of ownership. ✓✓
- Financial management and control where resources are not wasted and are properly accounted for. ✓✓

<u>Provision of resources</u>

- Adequate resources such as infrastructure and energy supply should be provided in poor resource regions to promote decentralisation of industrial hubs. ✓✓
- Providing enough social resources such as education and healthcare and nutrition should be the holistic development for regional development. ✓✓

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

3.5 **Evaluate the impact of the National Skills Development Strategy (NSDS) on economic development since 1994.**

Successes of NSDS

- Individuals who engaged in NSDS gained qualifications, gained work experience and gained confidence to apply for jobs. ✓✓
- About 330 000 learners were funded by the National Skills Fund which showed an increase of 1,4 million people who received skills of development. ✓✓
- Increasing the supply of semi-skilled labour and alleviating poverty to a certain degree in the process. ✓✓
- The growth of FET Colleges was promoted which addressed the critical skills shortage. ✓✓

NSDS was not successful because:

- All SETAS produce quality guides, but they are not well known by the public. This reduced the number of trainees (student). ✓✓
- Skills development has been ineffective in the informal sector. ✓✓
- TVET colleges had limited success and employee confidence remained very low in TVET Sector. ✓✓
- Most registered companies do not participate at all in the skills development system which has compromised the objectives of NSDS. ✓✓

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

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 **Name TWO examples of capital goods.**

- Tools ✓
- Machinery ✓
- Buildings ✓
- Vehicles ✓
- Computers ✓
- Construction equipment ✓

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

4.1.2 **How does mass production influence international trade?**

- Mass production means the production of a good on a large scale, can facilitate surplus trade of goods between countries and allow consumers to buy a variety of goods at lower prices. ✓✓

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

4.2 **DATA RESPONSE**

4.2.1 **Give another term for "compensation of employees".**

- Wages/Salaries ✓ (1)

4.2.2 **Give ONE example of taxes on production.**

- Payroll tax ✓
- Taxes on land and buildings ✓
- License fees ✓
- Stamps ✓
- Registration fees ✓

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

4.2.3 **Briefly describe the term *factor cost*.**

- It is the cost of the factors of production (that is labour, capital, land and enterprise.) ✓✓

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

4.2.4 **What is the main purpose of subsidies on production?**

- It is to keep prices below the market level for consumers. ✓✓

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

4.2.5 **Calculate gross domestic product at market prices. Show ALL calculations.**

Gross value added at basic prices	5 949 671 ✓
Taxes on products	704 144 ✓
Less: Subsidies on products	15 469 ✓
Gross domestic product at market prices	**6 638 346** ✓

(4)

4.3 **DATA RESPONSE**

4.3.1 **Which initiative was established in 2021 to boost trade in Africa?**

- African Continental Free Trade Area (AfCFTA) ✓ (1)

4.3.2 **Which current South African growth and development policy aims to eliminate poverty by 2030?**

- National Development Plan (NDP) ✓ (1)

4.3.3 **Briefly describe the term *global market.***

- The market in which goods and services of one country are traded (purchased or sold) to people of other countries. ✓✓

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

4.3.4 **Why does the North have little interest in the welfare of the South?**

- The North is mainly interested in the cheap resources that they can get from developing countries in the South. ✓✓
- This exploitation is their objective therefore they will never have interest in the welfare of the South. ✓✓
- The improvement of welfare will result in the North not being able to get resources at cheap prices. ✓✓
- When the North gives foreign aid, there will be strings attached and thus increased loss of our natural resources and freedom. ✓✓
- If the North recognises the wealth of the South, it will not have access to resources and cheap labour. ✓✓

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

4.3.5 **How can Africa become a major global player?**

- African countries need to undertake bold domestic structural reforms to scale up the supply capacity of the region by improving digital connectivity, reforming fundamental institutions of legal frameworks. ✓✓
- Diversify trade with Asia: Asia's growing middle class and its substantial demand presents an opportunity for Africa to expand trade with the region. ✓✓
- Deepening regional integration within Africa: Sub-Saharan Africa's success in the global market rests on deepening regional integration to scale up supply capacity and build regional value chains. ✓✓
- There is a need to integrate unilateral trade preferences with other efforts to deepen trade and investment between African countries and advanced countries, mainly the US and the EU, addressing the structural challenges limiting the region's export capacity. ✓✓

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

4.4 **Discuss *direct investments* and *portfolio investments* as sub-accounts of the financial account in the Balance of Payments.**

Direct investment

- Foreign direct investment (FDI) refers to investment in real estate (fixed property) and obtaining a meaningful share (10%+) or control of such business. ✓✓
- Direct investments occur when foreign parties invest in South African businesses, or when South African people or businesses invest in foreign businesses. ✓✓
- When a foreign business invests in a South African business, this results in money flowing into the country. ✓✓
- Such an inward direct investment is recorded as a liability because it needs to be repaid. ✓✓
- When a South African business person invests in a business in a foreign country, this results in money flowing out of the country. ✓✓
- Such an outward direct investment is recorded as an asset because the entity acquired will generate an income for South African investors. ✓✓ (Max. 4)

Portfolio investments

- Refers to the buying of financial assets such as shares in companies on the stock exchange of another country. ✓✓
- These investments are highly liquid, and their flows can be reversed at any time. ✓✓
- Portfolio investment money is also known as 'hot money'. ✓✓
- The investor is only interested in financial returns from investing in shares and not in the management of a business. ✓✓
- When foreign people or businesses buy shares on the JSE or government bonds, this results in money flowing into the country. ✓✓
- However, these money need to be repaid at some stage, therefore it is recorded as a liability. ✓✓
- When South Africans buy shares in companies that are listed on foreign exchanges or buy foreign government bonds, this results in an outflow of money. ✓✓
- However, when South Africans are obtaining ownership of foreign shares or bonds, the purchases are recorded as assets. ✓✓ (Max. 4)

(Accept any other correct relevant response.) (8)

4.5 **Examine South Africa's endeavours to reduce inequality in the country.**

- South Africa focused on higher social spending, targeted government transfers, and affirmative action as efforts to reduce poverty among the previously marginalised. ✓✓
- Currently more than 18 million people are receiving a grant from the state. ✓✓
- A progressive tax system is in place to tax higher income groups at higher tax rates. This revenue is used as a redistributive method. ✓✓
- The equitable share formula used to determine transfers to provincial and local spheres of government contains a poverty component as a redistributive measure. ✓✓
- The 'social wage' has been used as a redistributive mechanism of the government budget deliberately aimed at improving the lives of the poor and reducing their cost of living. ✓✓
- This has been achieved through, among others, free primary health care; no-fee paying schools; old age and child support grants; housing; and free basic services (water, electricity and sanitation) to poor households. ✓✓
- Despite these efforts, inequality has remained high. ✓✓
- According to laffer curve/gini coeffeicit South Africa income distribution remains highly skewed. ✓✓
- The top 20 percent of the population holds over 68 percent of income (compared to a median of 47 percent for similar emerging markets).✓✓
- The bottom 40 percent of the population holds 7 percent of income.✓✓
- The South African land reform policies was not so successful only 23% have benefited from land reform policy.✓✓
- Significant differences remain across regions. Income per capita in Gauteng – the main economic province that comprises large cities like Johannesburg and Pretoria – is almost twice the levels as that found in the mostly rural provinces like Limpopo and Eastern Cape. ✓✓
- Despite various job creation initiatives e.g EPWP,JIPSA,GEAR,high unemployment is still a major factor behind the inequality levels. ✓✓
- South Africa's unemployment rate is significantly higher than in other emerging markets, with youth unemployment exceeding 50 percent. ✓✓

(Accept any other correct relevant response.) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

QUESTION 5: MACROECONOMICS

- **Discuss, in detail, the reasons for public sector failure (link them to a typical problems experienced through public sector provisioning) (26 marks)**
- **Examine the practicality of the medium-term expenditure framework in the South African economy. (10 marks)**

INTRODUCTION

Public sector failure occurs when government intervention in the economy leads to an inefficient allocation of resources and leads to an overall decline in economic welfare. ✓✓
(Accept any other relevant introduction.) (Max. 2)

BODY
MAIN PART

<u>Management failure</u> ✓

Government departments often underperform for the following reasons:

- Lack of training and experience. ✓✓
- Public servants are employed to perform a certain role, but they do not have the correct training, skills, and experience. ✓✓
- This becomes a waste because they will be remunerated for the roles they were not qualified to perform. ✓✓
- People working in parastatals might lack management skills and might end up implementing wrong policies that may cause the public sector to fail. ✓✓
- If the management cannot explain the decisions that they took and explain how they spent the money they have been allocated, they are not accountable and this may be a result of corruption, corruption results in inefficiencies that lead to failure in the public sector. ✓✓
- The state employs a civil servant in the capacity of an accountant, but the employee does not have the required qualifications, and is therefore under qualified for this role. ✓✓
- Poor leadership – people in some managerial positions are not able to motivate, mentor and lead their staff complement. ✓✓
- Employees take the lead from their superiors and display the same lack of ability or become demotivated in their roles. ✓✓
- Management failure is therefore linked to efficiency as a problem of public sector provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure. Only statement of linking: 1 mark)

Apathy ✓

- This occurs when civil servants are disinterested, lack of enthusiasm and are incompetent in their roles. ✓✓
- When public servants are apathetic, their productivity levels decrease resulting in poor service delivery. ✓✓
- Corruption and poor service delivery are signs of apathy and may result in poor accountability. ✓✓
- Parastatal employees lack the interest or concern because they know they will get paid even when they are underperforming. ✓✓
- E.g., a ward councillor receives the approval for the building of new communal toilets at the local park, but the building of the toilets is delayed because the required paperwork was never submitted to the building contractor ✓✓
- Apathy is therefore linked to efficiency as a problem of public sector provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Bureaucracy ✓

- Complex rules and procedures might lead to inefficiencies in the public sector and the public sector might fail to provide the goods and services in time to the consumers. ✓✓
- For example, if there is an electricity fault at some house, the state company Eskom will send their workers to fix the fault and the workers will only fix that fault because they were told to fix that only. Even if there is a fault in the neighbouring house they will not fix it but they will need that fault to be reported so they can come fix it. ✓✓
- This simply means that the parastatals cannot satisfy the needs of consumers in time because of the rules and procedures that must be followed that may take time to finish following them. ✓✓
- Bureaucracy is linked to typical problems experienced through public sector provisioning of efficiency and assessing needs. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Lack of motivation ✓

- Civil servants do not get evaluated, acknowledged or rewarded for excellence as in the private sector. ✓✓
- Civil servants do not get evaluated, acknowledged, or rewarded for excellent service by their clients, whereas their private sector counterparts do. ✓✓
- Furthermore, private sector employees are often incentivised through bonuses, awards etc. for excellent service whereas public sector employees are not. ✓✓
- Customer service is also not regarded as a priority. ✓✓
- Lack of motivation links to typical problems experienced through public sector provisioning of efficiency and assessing needs. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Politicians ✓

- In order to secure their political careers, politicians may be tempted to act in their personal capacity rather then in the interest of the public. ✓✓
- They could therefore promote and endorse projects and policies to secure votes for their re-election. ✓✓
- These projects and policies could lead to misallocation or wastage or resources. ✓✓
- Lack of accountability by politicians may be a result of corruption and this may lead to them not fulfilling the promises they made to community when they were running their campaigns. ✓✓
- As the politicians are not accountable for their actions then resources may not be allocated fairly because of corruption. ✓✓
- E.g., the Minister of Health approves a contract for a vaccination programme from a company where he is a major stakeholder without disclosing this information. ✓✓
- Politicians are linked to accountability and efficiency as problems of public provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure. Only statement of linking: 1 mark)

Structural weaknesses ✓

- When the state is the only service provider of a good or service and there is an undersupply, it compromises the efficiency of the entire economy. ✓✓
- If the good or service provided is critical to the optimum functioning of the economy, and there are problems with its provisioning, all role players within the economy will be compromised. ✓✓
- This will have far-reaching negative consequences, most specifically hampering economic growth. ✓✓
- E.g., Eskom is the only service provider of electricity in South Africa and when power outages occur, it impacts on the efficiency of the entire country. ✓✓
- Linked to accountability, efficiency, and parastatals as problems of public provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Special interest groups ✓

- Rent-seeking is a process where people or businesses lobby for certain aspects in their favour. ✓✓
- Trade unions and other organisations often try to influence government officials to act in their favour. ✓✓
- Special interest groups' political power leads to more government spending which strain the government expenditure for the fiscal year✓✓
- Strikes by special interest groups such as South African taxi association decreases production of the economy since people will not have alternative transportation to work. ✓✓
- This is linked to efficiency as a problem in public sector provisioning. ✓✓

(Accept any other correct and relevant response.) (Max. 26)
(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)
(Maximum 8 marks for linking the reasons to the problems of public sector provisioning)
(A maximum of 8 marks should be allocated for headings and examples)

ADDITIONAL PART

Examine the practicality of the medium-term expenditure framework in the South African economy.

- Greater transparency of budget and service delivery information for the public. ✓✓
- The policy goals and resource allocation are clearly set out. ✓✓
- In this way it empowers government to determine priorities and deliver change. ✓✓
- Strengthen links between planning and prioritisation, budgeting, and service delivery in the country. ✓✓
- Improved efficiency of public expenditure and predictability of resource flows in the country. ✓✓
- The quest for greater efficiency in the management of public resources to deliver services more effectively and fairly. ✓✓
- Enhancing the partnership between government and the private sector to improve service delivery and quality. ✓✓
- It became evident during the pandemic that certain sectors were inefficient and underspend. ✓✓
- There has been underspending on capital programmes in recent years. The capital budgets for the future are the result for less and inelastic examination/accountability of budgets. ✓✓
- Municipalities fail to collect enough revenue during or within the fiscal year which increases pressure on MTEF. ✓✓
- Lack of quality and timely information by provincial and local municipalities as only 16% of South Africa's 257 municipalities have been given a clean audit by the auditor general for the 2020 – 21 financial year. ✓✓

- Pressure on the government's wage bill ceiling could undermine fiscal consolidation measures. ✓✓
- The government should consider how much they spend on salaries, as the wage bill is normally the highest in the total expenditure, and there has been attempts to reduce it, but the labour and unions are not in favour of such actions. ✓✓

(Accept any other relevant correct response.) (Max. 10)
(A maximum of 2 marks will be allocated for a mere listing facts)

CONCLUSION

Increased transparency can help deliver change in public sector performance ensuring information-sharing, and publishing or disseminating performance information. ✓✓
(Accept any other higher-order conclusion.) (Max. 2)

[40]

QUESTION 6

- **Discuss, in detail, South Africa's social indicators. (26 marks)**
- **How important is productivity as an economic indicator? (10 marks)**

INTRODUCTION

Social indicators describe the living conditions of people in a country and measure the level of development in living standards over time. ✓✓ (Max. 2)

BODY
MAIN PART

Demographics indicators ✓
<u>Population growth</u> ✓

- The population of South Africa is estimated to be 60,6 million by the end of June 2022. Between 2002 and 2022 South Africa experienced a positive population growth year-on-year. ✓✓
- A high population growth combined with low economic growth harms efforts to improve the average standard of living of the population✓✓
- Measuring population growth is important for delivering social services and for identifying the size of the tax base (the total number of people paying taxes). ✓✓

<u>Life expectancy</u> ✓

- Number of years a new-born infant is likely to live under the prevailing conditions. ✓✓
- Life expectancy at birth for 2021 was estimated at 59,3 years for males and 64,6 years for females. ✓✓
- Infant mortality is the number of children per 1 000 births who die before the age of one year in a year. ✓✓
- The infant mortality rate for 2021 is estimated at 24,1 per 1 000 live births. ✓✓

Nutrition and health indicators ✓

- The standard of living of the population is related to the quality of nutrition and health. ✓✓
- These indicators are used by the government and other institutions to investigate health-related issues. ✓✓
- Malnutrition is expressed as underweight or dwarfism. ✓✓
- It contributes towards the risks of death and prevents cognitive development of children in SA. ✓✓
- Between 2018 and 2020, the number of people undernourished in South Africa amounted to 3.8 million, showing an increase compared to previous years. ✓✓
- Overweight is associated with obesity in childhood, diabetes, respiratory diseases, high blood pressure and psychological disorders. ✓✓
- Being overweight can lead to numerous adverse health conditions, which affects people's ability to work and take care of themselves. ✓✓
- Approximately 31% of men and 68% of women in South Africa are obese. ✓✓

Education indicators ✓

- The standard of living is related to the level of education. ✓✓
- Education directly influences the level of income and standards of living for the people. ✓✓
- If the level of education increases, more people will find jobs, unemployment will decrease and poverty will decline. ✓✓
- The level of education of the population also affects the country's level of productivity, competitiveness, and national wealth. ✓✓
- Public expenditure: The percentage of the national budget that is directed towards education. ✓✓
- The average percentage spending on the main budget was 20% – 25% over the last decade. ✓✓
- The average spending of education was 6,6% of GDP in 2022. ✓✓
- Secondary enrolment: This shows the percentage of an age group attending high school. ✓✓
- In 2020, the gross enrolment ratio for secondary school students in South Africa was about 102,1 percent. ✓✓
- Secondary education is considered as a minimum entry requirement to employment for semi-skilled labour. ✓✓
- Primary completion: The percentage of an age group that has completed primary education is an indicator of the efficiency of the education system. ✓✓
- In 2018, the gross primary enrolment ratio in South Africa amounted to 98,54 percent. ✓✓
- Young women are less likely to be employed than young men, particularly those with lower levels of education. Only 26% of 25 – 34 year-old women with below upper secondary attainment were employed in 2020 compared to 41% of men in South Africa ✓✓
- The impact of the pandemic on the economy has raised concerns about the prospects of young adults, especially those leaving education earlier than others. In South Africa, the unemployment rate among 25 – 34-year-olds with below upper secondary attainment was 44,4% in 2020, a decrease of 6 percentage points from the previous year ✓✓

- Education is one of the methods to decrease poverty and income inequality. ✓✓
- In South Africa, 15% of 25 – 34 year-olds had a tertiary qualification in 2020 compared to 47% on average across OECD countries. ✓✓

Services indicators ✓

- Basic services such as housing, water, sanitation, and electricity are important factors that indicate the standard of living of people in a country. ✓✓
- Electricity: the government promotes access to electricity to all members of the population, regardless of whether they live in rural or urban areas. ✓✓
- South Africa citizens with electricity access for 2020 was 84,39%, a 0,61% decline from 2019. ✓✓
- Refuse removal: In South Africa, the collection of households' waste decreased from 66,4% households in 2018 to 61,5% households in 2019. ✓✓
- South African households had access to refuse removal by local government services and dumping sites. ✓✓
- Water supply and sanitation is an objective of SA government for all people to have access to clean water and a basic functioning sanitation system. ✓✓
- An estimated 45,2% of households had access to piped water in their dwellings in 2021. A further 29,4% accessed water on-site while 12,2% relied on communal taps and 1,9% relied on neighbours' taps. ✓✓
- Although generally households' access to water improved, 2,7% of households still had to fetch water from rivers, streams, stagnant water pools, dams, wells and springs in 2021. ✓✓

Housing and urbanisation indicators ✓

- Housing: to secure social and economic benefits of proper housing, the government facilitates home ownership by means of housing subsidy scheme and loans from the private sector. ✓✓
- The RDP was also introduced to provide housing to previously disadvantaged people. ✓✓
- Various housing projects such as the People's Housing Process and the hostel redevelopments have been implemented to provide housing to such people. ✓✓
- Urbanisation is the increase in population numbers of urban areas (cities and towns). ✓✓
- South Africa had an urbanisation rate of 73% in 2021. The urbanisation rate in South Africa decreased by 1,4% on a year-on-year basis in 2021. Between 2010 and 2021, the indicator decreased by 15,1% ✓✓
- Causes of urbanisation may include natural growth in urban population, migration in form of rural-urban migration or international migration and founding/establishment of new towns. ✓✓

(Accept any other correct relevant response.) (Max. 26)
(A maximum of 8 marks for headings and examples)

ADDITIONAL PART

How important is productivity as an economic indicator?

- Productivity refers to how much output can be produced with a given set of inputs. ✓✓
- It measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. ✓✓
- Productivity increases when more output is produced with the same amount of inputs or when the same amount of output is produced with less inputs. ✓✓
- A country's ability to improve its standard of living depends almost entirely on its ability to raise its output per worker (i.e., producing more goods and services for a given number of hours of work). ✓✓
- The four reasons of a nation's productivity are physical capital, technology, human capital, and natural resources. ✓✓
- Labour productivity measures the hourly output of a country's economy. ✓✓
- Capital productivity is used to determine the efficiency of fixed assets. It is a measure of the amount of output to the amount of physical capital used as input. ✓✓
- Material productivity is a measure of the output generated to the amount of input materials used. ✓✓
- New machines, technologies, and techniques are crucial factors in determining productivity. ✓✓

(Accept any other relevant correct response.) (Max. 10)
(A maximum of 2 marks will be allocated for a mere listing facts)

CONCLUSION

Social indicators are key in helping the government to decide on appropriate policies that can help in achieving economic development. ✓✓ (Max. 2)
(Accept any relevant higher order conclusion.) **[40]**

TOTAL SECTION C: 40

TOTAL: 150