education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

PROVINCIAL ASSESSMENT

GRADE 11

ECONOMICS P1

NOVEMBER 2024

MARKING GUIDELINES

MARKS: 150

This marking guidelines consists of 23 pages

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SECTION A (COMPULSORY)

QUESTION 1 30 MARKS – 20 MINUTES

1.1 MULTIPLE CHOICE

1.1.1 D/ Real wages ✓✓

1.1.2 D/ Gross domestic product ✓✓

1.1.3 A/ Market efficiency ✓✓

1.1.4 B/ South Africa's mixed economy ✓✓

1.1.5 C/ Primary sector ✓✓

1.1.6 C/ Wealth ✓✓

1.1.7 A/ High standard of living ✓✓

1.1.8 B/ Repurchase rate ✓✓ (8 x 2) (16)

1.2 MATCH ITEM

1.2.1 H/ The amount the producer pays as a price for the loan received for buying capital goods. ✓

1.2.2 F/ The money spent by the all sectors of the economy added together. ✓

1.2.3 I/ The economic system that is based on private ownership and profit motive. ✓

1.2.4 A/ Activities such as excavations for building sand, open cast mining etc. ✓

1.2.5 B/ Practices of farming, cultivating of the soil for growing crops and the rearing of animals to provide food, wool and other products. ✓

1.2.6 G/ It is the mathematical representation of inequality in a society. ✓

1.2.7 C/ It is intended to radically transform education and training in South Africa by improving both the quality and quantity of training. ✓

1.2.8 D/ Focuses on government expenditure and taxation to stimulate or reduce aggregate demand. ✓ (8 x 1) (8)

1.3 **CONCEPTS.**

1.3.1 Gross National Income ✓

1.3.2 Private Public Partnership ✓

1.3.3 Tertiary sector ✓

1.3.4 Communication/Communication infrastructure ✓

1.3.5 Land restitution ✓

1.3.6 Deregulation ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions

2.1.1 **Name any TWO examples of taxes on products.**

- Value added tax (VAT) ✓
- Excise duties / Sin tax / Fuel levy ✓
- Custom duties / Ad valorem tariff / Specific tariff ✓
- Environmental levies / Plastic bag levy / Carbon tax / ✓
- Health promotion levy / Sugar tax ✓
- Transfer duty tax ✓
- Securities transfer tax ✓
- Road accident fund levy ✓

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

2.1.2 **How does the primary sector earn foreign exchange for the South African economy?**

South Africa ‘s exports include a variety of minerals and agricultural Products and these exports earn money from foreign countries. ✓✓
(Accept any other relevant correct response) (1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Identify the type of economic system in the cartoon above.**

Socialism / Centrally planned ✓ (1)

2.2.2 **Name ONE characteristic of a market economy.**

- Households own factors of production ✓
- Decentralised decision making ✓
- There is an element of self – interest ✓
- Prices are set by market forces. ✓ (1)

2.2.3 **Briefly describe the term *economic system*.**

Economic system is the mechanisms followed in allocation of resources, production and distribution of goods and services. ✓✓
(Accept any other relevant correct response) (2)

2.2.4 **Explain economic goal as a characteristic of a centrally planned economy.**

- All economic decisions taken by government are aimed benefiting the society in general. ✓✓
- Goods produced are those the government regard as suitable to increase the general welfare of the society. ✓✓

(Accept any other relevant correct response) (2)

2.2.5 **How does lack of freedom of choice negatively affect households as consumers of goods and services?**

- Consumers are not able to buy from sellers who offer goods at a lesser price when they do not have freedom of choice. ✓✓
- A lack of choice often means less competition among providers, and this can lead to higher prices and lower quality of goods and services for consumers. ✓✓
- When consumers can't choose the goods and services they prefer, their overall satisfaction and well-being can decrease. ✓✓
- The inability to choose can also lead to consumer frustrations and helplessness, which decreases their overall quality of life. ✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Identify the type of South African infrastructure in the information above.**

Energy infrastructure ✓ (1)

2.3.2 **Name the state-owned enterprise that is main supplier of electricity in South Africa.**

ESKOM ✓ (1)

2.3.3 **Briefly describe the term *infrastructure.***

The basic facilities and systems needed to support the functioning of the society and to run the economy and the country. ✓✓
(Accept any other relevant and correct responses). (2)

2.3.4 **How does the high increase in electricity tariffs impact on the tertiary sector?**

- It leads to a decline in wholesale and retail trades as s manufacturing costs increases. ✓✓
- The cost of doing business in for Industries such as banks, insurance companies and real estate companies have increased. ✓✓
- The provisioning of Personal services by entrepreneurs such as hair dressers, cleaning companies, doctors etc, are forced to recover their cost of electricity by increasing their prices. ✓✓

(Accept any other relevant and correct responses). (2)

2.3.5 **Explain the benefits of investment in electrical distribution infrastructure on businesses.**

- The availability of reliable energy is important for the growth of an economy as business operations are not disturbed. ✓✓
- Businesses uses modernised equipment to operate efficiently where electricity is needed. ✓✓
- ESKOM is the main supplier of electricity in South Africa, and it also export to the nearing countries which earns foreign reserves for the country. ✓✓

(Accept any other relevant and correct responses) (2 x 2) (4)

2.4 **Discuss *efficiency* and *greater economic growth* as advantages of a market economy.**

Efficiency:

- Resources are allocated more efficiently as businesses and individuals respond to supply and demand signals.
- This leads to optimal production and distribution of goods and services
- This is because of existence of competition, consumer complaints are dealt with speedily and business managers are immediately aware of any problems.
- Competition encourages producers to produce good quality products at lower cost.

(Allocate a maximum of 2 marks for mere listing of facts)

Greater economic growth:

- The market system can lead to high levels of economic growth. ✓✓
- This is because businesses strive to increase production to gain maximum profits. ✓✓
- There is no limitation to the amount of goods to be produced. ✓✓
- Foreign capital flow easily to free enterprise economy where exchange rate and price stability often prevail. ✓✓

(Accept any other relevant correct response)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

2.5 **Analyse the South African government's use of subsidies on products to improve gross domestic expenditure?**

- Subsidies on products can help lower the prices of essential food items and improve food security for consumers. ✓✓
- **Housing Subsidies**: The government provides housing subsidies to assist low-income individuals and families in accessing affordable housing. ✓✓
- These subsidies can be used to purchase or rent homes or to upgrade informal settlements. ✓✓
- **Education Subsidies**: Subsidies are available to help alleviate the cost of education for students from disadvantaged backgrounds. ✓✓
- This includes funding for school fees, textbooks, and other educational resources. ✓✓
- **Health Subsidies**: The government provides subsidies to make healthcare more affordable and accessible. ✓✓
- This may include subsidized or free healthcare services, medication, and medical procedures for qualifying individuals. ✓✓
- **Public Transport Subsidies**: Subsidies are offered to reduce the cost of public transportation for commuters. ✓✓
- This helps make transportation more affordable for low-income individuals and encourages the use of public transport. ✓✓
- **Food and Nutrition Subsidies**: Programs such as school feeding schemes and social grants provide subsidies for food and nutrition. ✓✓
- These initiatives aim to address hunger, malnutrition, and food insecurity among vulnerable populations. ✓✓
- **Energy Subsidies**: Subsidies are provided to reduce the cost of electricity and other energy sources for households. ✓✓
- This helps ensure that energy remains affordable, especially for low-income consumers. ✓✓
- **Water and Sanitation Subsidies**: Subsidies are provided to make water and sanitation services more affordable, particularly for low-income households.✓✓
- This helps ensure access to clean water and proper sanitation facilities. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)
[40]

QUESTION 3: MACROECONOMICS 40 MARKS – 30 MINUTES

3.1 Answer the following questions

3.1.1 **Name any TWO sources of wealth.**

- Inheritance✓
- Savings ✓
- Gifts ✓
- Appreciation of assets ✓
- Luck / gambling (winning lottery and jackpots) ✓
- Profits and dividends ✓

(Accept any other relevant correct responses) (2 x 1) (2)

3.1.2 **How does community skills development affect the society's standard of living?**

Skills development provides economic empowerment for the previously marginalised by ensuring that members of the society are employable and can earn higher income to access more needs and wants. ✓✓
(Accept any other relevant correct response) (1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 **Identify the year and quarter with the highest growth rate from the graph above.**

2022 Q3 ✓ (1)

3.2.2 **Give ONE example of the constrains to economic growth.**

- Low capital investment ✓
- Shortage of skilled labour ✓
- Under-developed financial markets ✓
- Poor technology ✓

(Accept any other relevant correct response) (1)

3.2.3 **Briefly describe the term *real gross domestic product*.**

Real gross domestic product is a measure of the value of all final goods and services produced by an economy, adjusted for inflation or deflation. ✓✓
(Accept any other relevant correct response) (2)

3.2.4 **How does innovation and technological improvements lead to economic growth?**

New and improved machinery leads to better methods of production often result in increased gross domestic product therefore economic growth. ✓✓
(Accept any other relevant correct responses) (2)

3.2.5 **How does youth unemployment negatively impact on economic growth?**

- Unemployed youth have less disposable income, leading to lower consumer spending and affecting businesses and the overall economy. ✓✓
- High rates of youth unemployment can lead to a loss of skills and work experience opportunities, making it harder for young people to find jobs in the future and reducing the overall productivity of the workforce. ✓✓
- It can also lead to social unrest and instability in the form of protests, which can prevent investment and further harm the economy. ✓✓
- The government may need to spend more on social welfare programs to support unemployed youth, diverting funds from other critical areas like infrastructure and education. ✓✓

(Accept any other relevant correct responses) (2 x 2) (4)

3.3 **DATA RESPONSE**

3.3.1 **Identify a South African policy for economic growth and development.**

National Development Plan/NDP ✓ (1)

3.3.2 **Name ONE conceptual pillar of the National Skills Development Strategy**

- Inclusion ✓ (1)
- Relevance ✓
- Sustainability ✓
- Creativity ✓
- Quality ✓
- Quantity ✓

3.3.3 **Briefly describe the term *poverty.***

state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living /
The income level from employment is so low that basic human needs can't be met. ✓✓
(Accept any other relevant correct response) (2)

3.3.4 **Explain the role of the state in the implementation of the National Development Plan (NDP).**

- The state is responsible for building a capable state by creating institutions and infrastructure that enable the economy and society to function effectively. ✓✓
- The state is responsible for improving public service delivery and ensuring that government staff at all levels have the necessary authority, experience, and support. ✓✓
- Effective leadership and coordination between national, provincial, and local governments are essential to proactively address coordination problems to ensure smooth implementation of the NDP. ✓✓
- The state fosters greater accountability and public participation which involves Parliament and Chapter 9 institutions exercising oversight and holding the government officials accountable. ✓✓
- Creates a more inclusive economy, improving education and healthcare, and addressing historical inequities. ✓✓
- The state focuses on sustainable development, which includes addressing environmental challenges and promoting green energy solutions. ✓✓

(Accept any other relevant correct responses) (2)

3.3.5 **How does the NDP contribute positively to South Africa?**

- The National Development Plan (NDP) aims to address several key challenges in South Africa, including poverty, inequality, and unemployment. ✓✓
- The NDP focuses on creating jobs and fostering economic growth by improving skills development, supporting small businesses, and encouraging private investment. ✓✓
- Enhancing the education system and providing better training opportunities, the NDP aims to build a more skilled workforce, which is crucial for economic development. ✓✓
- The plan includes significant investments in infrastructure, such as transportation, energy, and telecommunications, which are essential for economic growth and improving the quality of life. ✓✓
- The NDP aims to improve the health system and expand access to social services, including the implementation of the National Health Insurance (NHI). ✓✓
- By promoting inclusive economic growth and enhancing the capacity of the state, the NDP seeks to reduce inequality and ensure that the benefits of growth are shared more equitably. ✓✓
- It emphasizes the importance of sustainable development, aiming to balance economic growth with environmental protection. ✓✓
- The NDP provides a comprehensive framework for addressing South Africa's most pressing challenges and building a more prosperous and equitable society. ✓✓

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

3.4 **Discuss the importance of indigenous knowledge systems in economic development.**

- Indigenous knowledge often includes sustainable practices that have been refined over generations which are crucial for sustainable agriculture, natural resource management, and environmental conservation. ✓✓
- For example, traditional farming techniques can enhance soil fertility and biodiversity, leading to more resilient agricultural systems. ✓✓
- IKS help preserve cultural heritage and identity, which can be leveraged for economic development through tourism, crafts, and cultural festivals. ✓✓
- This not only provides economic benefits but also strengthens community cohesion and pride. ✓✓
- Traditional medicinal knowledge can offer affordable healthcare solutions, and local construction techniques can be more suitable for the environment and climate. ✓✓
- IKS can inspire innovation by combining traditional wisdom with modern technology. ✓✓
- This hybrid approach can lead to new products and services that are both culturally relevant and economically practical. ✓✓
- By including IKS into economic planning, communities can diversify their economies. ✓✓
- This reduces dependency on a single economic activity and enhances resilience against economic shocks. ✓✓
- IKS empowers local communities by valuing their knowledge and involving them in decision-making processes. ✓✓
- This approach can lead to more inclusive and equitable economic development. ✓✓
- Integrating IKS into educational systems can enrich curricula and provide students with a broader understanding of their heritage and environment. ✓✓
- This can foster a sense of responsibility and innovation among the younger generation. ✓✓

(Accept any other relevant correct responses)
(Allocate a maximum of 4 marks for mere listing of facts) (4 x 2) (8)

3.5 **Evaluate South Africa's economic growth performance.**

South Africa's economic growth performance has been challenging recently because:

- The country is experiencing a mixed performance across sectors, which has contributed to the overall slow growth. ✓✓
- Production declines in sectors including the agriculture, mining and transport meant growth was slightly weaker in recent times. ✓✓
- Agriculture, forestry & fishing faced headwinds, including lower than expected rainfall in some parts of the country, which is affecting food production. ✓✓
- Heavy rain and floods in KwaZulu-Natal reduced sugar cane production while foot-and-mouth disease is affecting sheep and pork production. ✓✓
- The economy has been experiencing less than 1% growth rate, which is a reflection of ongoing struggles to gain momentum. ✓✓
- The country's economic growth has been closer to recession levels, which is a threat to future potential growth. ✓✓
- The country experienced no load shedding in recent times, which helped the electricity, gas & water supply industry. ✓✓

(Accept any other relevant correct responses)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS 40 MARKS – 30 MINUTES

4.1 Answer the following questions

4.1.1 **Name any TWO disadvantages of a mixed economy.**

- Socio economic problems still exist ✓
- Government spending can be too high ✓
- Private sector ideas may clash with government ideas ✓
- Unfair market practices ✓

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

4.1.2 **How can foreign direct investment (FDI) be used to increase economic development?**

FDI brings in capital, which can be used to build infrastructure, expand businesses, and fund new projects./FDI can create new jobs, both directly in foreign-owned enterprises and indirectly through increased demand for local suppliers and services./Multinational companies often provide training and development opportunities for local employees, which can improve the overall skill level of the workforce. ✓✓

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

4.2 **DATA RESPONSE**

4.2.1 **Identify in the table above the term that refers the depreciation value of fixed assets.**

Consumption of fixed capital ✓ (1)

4.2.2 **Name ONE other method used to measure the national account aggregate.**

- Production method ✓
- Income method ✓
- Expenditure method ✓ (1)

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

The total cost of factors of production used to produce particular goods and services (rent, wages/salaries, rent, profit). ✓✓

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

4.2.4 **Explain the impact of taxes on production on market prices for consumers.**

- Taxes on production increases production costs, leading to a decrease in supply, and an increase in the market price. ✓✓
- Consumers pay higher prices for the goods, which typically lead to a decrease in the quantity demanded by consumers. ✓✓

(Accept any other relevant correct response) (2)

4.2.5 **Calculate the gross value added at basic prices (B). Show all calculations.**

= 6 459 696 ✓
+ 119 589 ✓
- 24 036 ✓
= 6 555 249 ✓ (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify a method of income redistribution in the information above.**

Wealth tax ✓✓ (1)

4.3.2 **Give ONE example of the South African government's cash benefits to its poor members of society.**

Old age pensions ✓
disability grants ✓
child support grant ✓
Unemployment insurance✓ (1)

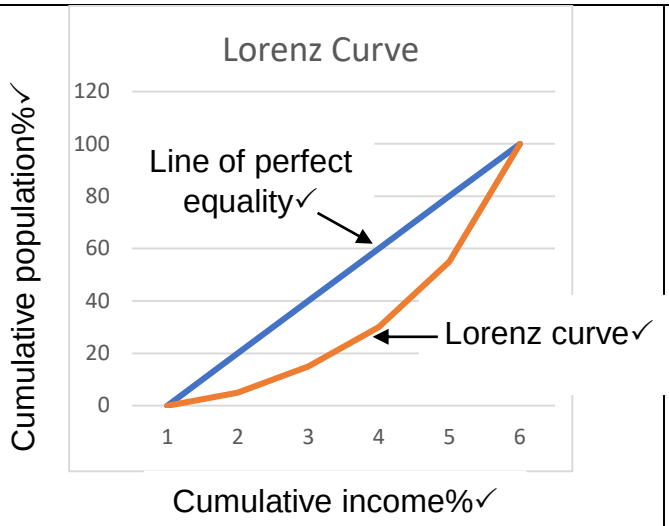
4.3.3 **Briefly describe the term *progressive personal income tax*.**
A progressive personal income tax is a tax system where the tax rate increases as the taxable income of an individual increases. / This means that people with higher incomes pay a higher percentage of their income in taxes compared to those with lower incomes. ✓✓ (2)

4.3.4 **Explain how minimum wage is used as a method to redistribute income and wealth.**

- By setting a minimum wage, governments ensure that even the lowest-paid workers earn a certain amount which is meant to help lift people out of poverty and reduces the income gap between low-wage and higher-wage workers. ✓✓
- When low-income workers earn more, they tend to spend more on goods and services and this increased spending can stimulate the economy and create more jobs, benefiting the overall economic environment. ✓✓

(Accept any other relevant correct response) (2)

4.3.5 **Draw a correctly labelled graph to show the typical distribution of a country's income.**



Mark allocation

Correct labelling of axis = 2 marks

Correct shape and labelling of the line of perfect equality = 1 mark

Correct shape and labelling of the Lorenz curve = 1 mark

(4)

4.4 **Differentiate between economic growth and economic development.**

- Economic growth is an increase in the production capacity of a country, whereas economic development refers to an improvement in the quality of life of the majority of people in a country over a period of time. ✓✓
- Economic growth is measured as a percentage change in real Gross Domestic Production of a country, whilst development is measured using the real GDP per capita income. ✓✓
- Growth measurement is quantitative, and uses indicators like GDP and GNP, while economic development is both quantitative and qualitative, using indicators like the Human Development Index (HDI), literacy rates, life expectancy, and access to healthcare. ✓✓
- Sometimes economic growth fails to give rise to economic development due to population growth rate that is higher (than economic growth rate)
- This means for economic development to take place, economic growth rate should be higher than population growth rate. ✓✓
- Economic growth is concerned with the total value of goods and services produced in a country, whereas development is concerned with factors that show the level of standard of living i.e. education, health, job creation.✓✓
- Economic growth occurs when there is an increase in the availability and use of resources, whilst economic development occurs when the growth rate is higher than the country's population growth rate.✓✓

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

OR

ECONOMIC GROWTH

- An increase in the production capacity of a country over a period of time. ✓
- It is measured as a percentage change in the real Gross Domestic Production of a country. ✓
- Its measurement is only quantitative, using indicators like GDP, GNP, and per capita income. ✓
- Economic growth is concerned with the value of goods and services produced in a country. ✓
- For economic growth to occur, there should be an increase in the availability and use of factors of production. ✓

ECONOMIC DEVELOPMENT

- It is an improvement in the quality of life of the majority of people in a country over a period of time. ✓
- It is measured by real GDP per capita income. ✓
- Its measurement is both quantitative and qualitative, using indicators like the Human Development Index (HDI), literacy rates, life expectancy, and access to healthcare. ✓
- It is concerned with factors that show the level of standard of living i.e. education, health, job creation. ✓
- For economic development to occur, economic growth rate should be higher than the population growth rate. ✓

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

NB: If candidates use the second method for differentiation, allocate marks according to the sequential presentation of facts on both economic growth and development. E.g. Bullet one under economic growth should relate to bullet one under economic development. If there is no correlation, one sub-heading can be marked to a maximum of 4 marks. Additional marks can only be allocated where there is correlation.

4.5 **How does the availability of rail transport benefit poor South African commuters?**

- Rail transport is generally more affordable compared to other modes of transport like taxis or buses. ✓✓
- This is especially important for low-income commuters who need cost-effective travel options. ✓✓
- Trains can transport a large number of passengers at once, making them an efficient mode of transport for densely populated areas. ✓✓
- This helps reduce congestion on the roads and provides a reliable means of commuting. ✓✓
- Rail networks often connect various parts of cities and towns, making it easier for commuters to reach their destinations without the need for multiple transfers. ✓✓
- This is particularly beneficial for those living in remote or underserved areas. ✓✓
- Trains are generally more environmentally friendly compared to cars and buses, as they produce fewer emissions per passenger. ✓✓
- This contributes to a cleaner environment, which benefits everyone, including low-income communities. ✓✓
- Rail transport is often considered safer than road transport, with fewer accidents and incidents. ✓✓
- This provides a more secure travel option for commuters. ✓✓
  (Accept any other relevant correct response).
  Allocate a maximum of 2 marks for mere listing of facts (4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- **Discuss in detail natural resources as a factor of production.**
- **How successful has the government been in protecting the country's natural resources?**

INTRODUCTION
Factors of production are resources (inputs) used to produce goods and services. / Natural resources are inputs that occur in a natural state and are used in the production process. ✓✓

BODY
MAIN PART

CHARACTERISTICS OF NATURAL RESOURCES
Gifts of nature✓
- Natural resources are provided by nature and no human can make them. ✓✓
- They are sometimes called land because they are found on land (earth). ✓✓
- In order to use them in economic activities they need to be excavated them (minerals), grow them(plants) and harvest them (water). ✓✓

Supply is limited✓
- The quantity of natural resources is fixed to what nature provided. ✓✓
- It is mainly impossible to increase the supply of majority of natural resources. ✓✓
- They are usually scarce than their human demand for them, therefore they can be exhausted. ✓✓
- Some natural resources can be increased but this happen over a long period of time ✓✓ e.g. trees take many years to grow into forest. ✓

Uneven distribution✓
- Natural resources are unevenly distributed across the earth as some countries have more of natural resources than others. ✓✓
- South Africa has a wider supply of variety of minerals while it does not have other resources such as oil. ✓✓
- The quality of natural resources can also differ from one region to another. ✓✓

Natural resources need to be processed✓
- Majority of natural resources cannot be used in their natural state. ✓✓
- Producers need to use labour and capital to process natural resources. ✓✓
- This means natural resources are used as raw material in production. ✓✓
- Therefore, countries with skilled labour and good capital are able to change natural resources in to finished goods more efficiently. ✓✓

They are either renewable or non-renewable✓
- Renewable natural resources are those which can be replaced when exhausted. ✓✓
- For example, trees can be grown to replace forest lost due to deforestation. ✓✓
- Non- Renewable natural resources are not replaceable when depleted✓✓ e.g. minerals. ✓

ECONOMIC IMPORTANCE OF NATURAL RESOURCES
Production of finished good✓
- They are used as raw materials which are processed in to finished products. ✓✓
- Therefore, production of goods cannot take place without natural resources. ✓✓
- For example, to produce television 35 different minerals are required as raw material. ✓
- Electricity which is produced form natural resources is needed in order for any production to take place. ✓✓

Job creation✓
- Many job opportunities are created when natural resources are extracted or processed into fished good. ✓✓
- For example, to mine gold labourers are needed and to change the gold into jewellery other people such as jewellery designers are employed. ✓✓
- In South Africa, mining and agriculture often employ unskilled and semi-skilled labour. ✓✓
- Skilled labour is employed in the fields of geology, engineering and surveying which are important for extraction of minerals. ✓✓

Export opportunities✓✓
- The country earns foreign exchange when natural resources are exported. ✓✓
- South Africa exports variety of its minerals such as gold, diamond etc. ✓✓
- This contribute positively to the country' national income. ✓✓

They form the foundation of production✓
- Primary sector is concerned with exploitation and extraction of natural resources and is regarded as the backbone of production. ✓✓
- This is because production in secondary sector depends largely on the success of the primary sector. ✓✓

Enhance the quality of human life✓
- Natural resources improve people 's lives by providing beautiful sceneries✓✓ e.g. forests (God's window), natural parks (Kruger park) etc. ✓
- As people take holidays, their stresses melt away as the natural resources such oceans allow them to engage in activities which often leads to relaxation. ✓✓

REMUNERATION OF NATURAL RESOURCES

- The payment (remuneration) for natural resources is called rent. ✓✓
- Factors that determines the amount paid as rent are:
  - **Increase in demand**✓: Because the supply of natural resources is fixed, the rent earned depends only on demand. ✓✓
  - This means if demand increases the rent will also increase while a fall in demand results in a decrease in rent. ✓✓
  - **Quality of the natural resources**✓: rent paid for fertile land is often higher than the one for unfertile land. ✓✓
  - **Distance (proximity) to markets**✓: the land closer to markets often fetch a higher rent than the one far from the market. ✓✓
  - **An increase in population**✓: high population increase demand for resources such as land, therefore this cause the rent to be high. ✓
  - **Climate**✓**:** for agricultural product a land in an area with good climate fetches higher rand than the land in an area with unsuitable climate for crops. ✓✓

(Accept any other relevant correct response) (Max. 26)
(Allocate a maximum of 8 marks for mere listing of facts/examples)

ADDITIONAL PART

The South African government has been successful in its efforts to protect the country's natural resources by:

- implementing various laws and policies aimed at environmental protection, such as the National Environmental Management Act (NEMA) and the National Water Act. ✓✓
- These laws provide a framework for sustainable resource management and conservation. ✓✓
- Establishing of national parks and protected areas, which has been a significant step. ✓✓
- These areas help preserve biodiversity and protect ecosystems from industrial and agricultural activities. ✓✓
- Dev eloping programs that involve local communities in conservation efforts have shown promise. ✓✓
- These initiatives not only protect natural resources but also provide economic benefits to local populations. ✓✓

The South African government has NOT been successful in its efforts to protect the country's natural resources because:

- Illegal mining, poaching, and logging continue to pose significant threats to natural resources. ✓✓
- Industrial pollution, particularly from mining and manufacturing, has led to the degradation of water and soil quality. ✓✓
- The impacts of climate change, such as droughts and changing weather patterns, have further strained natural resources. ✓✓

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

CONCLUSION
To enhance the protection of South Africa's natural resources, the government could consider several strategies such as Increasing the capacity and resources for environmental enforcement agencies to combat illegal activities, and can build a more comprehensive and effective approach to protecting the country's natural resources. ✓✓
(Accept other relevant correct higher order response) (Max.2) **[40]**

QUESTION 5: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

Discuss in detail the functions of the South African Reserve Bank as a central bank. (26)
How successful has the South African Reserve Bank been in keeping inflation within its target? (10)

INTRODUCTION
A central bank is a financial institution that oversees the monetary system and policy of a country or a group of countries. ✓✓

BODY
MAIN PART

The South African Reserve Bank (SARB) plays a crucial role in the country's economy. Here are its main functions:

Issuing Currency (Bank of issue) ✓
- The SARB is responsible for issuing and destroying banknotes and coins, ensuring the integrity of the national currency. ✓✓
- The SARB is has the sole right to issue money in South Africa. ✓✓
- The South African Mint produces coins and The South African Bank Note Company produces bank notes. ✓✓

It is the banker of the commercial banks (Acts as bankers' bank) ✓
- All banks obtain their money from the Reserve Bank by withdrawing from their balances that are held by the Reserve Bank. ✓✓
- The SARB declares and keeps the minimum cash reserves that all commercial banks are required to hold to stay solvent. ✓✓
- In their daily operations, banks accept cheques drawn on other banks. ✓✓

Banker to the government✓
- The government, different departments, provincial governments and government owned enterprises keep their accounts with the Reserve Bank. ✓✓
- In places where there is no branch of the Reserve Bank, the government and government institutions open accounts at commercial banks. ✓✓
- The Reserve Bank provides the banking services to the government that the other banks provide to their clients. ✓✓
- The Reserve Bank also provides financial advice to the government and its department. ✓✓

Monetary Policy✓
- The SARB formulates and implements monetary policy to maintain price stability. ✓✓
- This involves managing inflation and ensuring balanced and sustainable economic growth. ✓✓

Financial Stability ✓
- The SARB works to protect and enhance the stability of the financial system. ✓✓
- It identifies and mitigates systemic risks that could disrupt the financial system. ✓✓

Prudential Regulation ✓
- Through the Prudential Authority, the SARB regulates financial institutions and market infrastructures to promote their safety and soundness. ✓✓

Managing Foreign Reserves (Custodian of foreign reserves) ✓
- It manages South Africa's gold and foreign exchange reserves, which helps stabilize the national currency and manage international trade. ✓✓

National Payment System ✓
- The SARB ensures the safety and soundness of the national payment system, which is essential for the functioning of the financial system. ✓✓

Financial Surveillance ✓
- It regulates cross-border transactions to prevent the abuse of the financial system and supports the regulation of financial institutions. ✓✓

Lender of Last Resort ✓✓
- In times of financial crisis, the SARB provides emergency funding to financial institutions to prevent them from collapsing. ✓✓

Economic Research and Statistics✓
- The SARB conducts research and provides important economic and financial statistics that present an overview of the economic situation in South Africa. ✓✓

(Accept any other relevant correct response) (Max.26)

ADDITIONAL PART

The South African Reserve Bank (SARB) has generally been successful in keeping inflation within its target range of 3-6% since adopting the inflation-targeting framework in the year 2000 because:

- the SARB has managed to maintain inflation within the target band most of the time, with only brief and minor exceptions. ✓✓
- Over the past five years, the average inflation rate has been around 4.5%, which is right in the middle of the target range. ✓✓
- This success can be attributed to the SARB's transparent communication and well-judged policy measures. ✓✓
- The framework has also enhanced the SARB's accountability and transparency, making it easier for the public to understand and trust its monetary policy decisions. ✓✓
- Expectations are anchored within the inflation target range, and businesses no longer raise prices as soon as the exchange rate weakens. ✓✓
- Inflation targeting, however, has not been entirely successful because:
- there have been some periods of deviation, such as in 2007/08 when inflation surged into double digits. ✓✓
- Some inflationary pressures are from outside the economy such as Ukraine-Russia war which affected oil prices. ✓✓
- The depreciating rand increases prices for key inputs leading to cost push inflation. ✓✓
- South Africa's annual inflation rate was 7,2% in December of 2022, down from 7,4% in the prior month, as expected, but still above the upper limit of the South African Reserve Bank's target of 3-6%.✓✓

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

(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

South Africa faces several inflationary risks with key concerning factors which include higher energy costs, consumer prices, macroeconomic volatility, high geopolitical tensions and economic uncertainties. These factors contribute to a cautious economic outlook, with consumers prioritizing essential spending. ✓✓

(Accept other correct relevant higher order response) (Max.2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

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