



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P1
NOVEMBER 2019
MARKING GUIDELINES**

MARKS: 150

This marking guideline consists of 20 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B – upswing ✓✓
 1.1.2 A – $G + I + X > S + T + M$ ✓✓
 1.1.3 D – co-incident ✓✓
 1.1.4 B – absolute advantage ✓✓
 1.1.5 A – tax revenue and tax rate ✓✓
 1.1.6 D – real GDP ✓✓
 1.1.7 C – Integrated Manufacturing Strategy ✓✓
 1.1.8 C – the influence on inflation and unemployment ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 F - Outflow of money from the economy ✓
 1.2.2 D - Independent factors that influence business cycles and originate outside the economy ✓
 1.2.3 I – The well-being of people determined by health, education and income ✓
 1.2.4 A – Estimate figures or trends in future from facts that are known ✓
 1.2.5 H - Buying of financial assets such as shares in companies on the stock exchange of another country ✓
 1.2.6 B - A country's export prices are compared to its import prices ✓
 1.2.7 G – Total value of final goods and services produced within the boundaries of a country ✓
 1.2.8 C - The removal of laws, regulations and bylaws by government ✓ (8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Multiplier effect ✓
 1.3.2 Trough ✓
 1.3.3 Privatisation ✓
 1.3.4 Appreciation ✓
 1.3.5 Free trade ✓
 1.3.6 Demographics ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer 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 TWO types of business cycles that occur in a market economy.**

- Kitchin cycle ✓
- Juggler cycle ✓
- Kuznets cycle ✓
- Kondratieff cycle ✓

(2 x 1) (2)

2.1.2 **Why would an increase in import tariffs benefit the South African economy?**

An increase in import tariffs would benefit the economy because it will:

- reduce imports thereby saving on foreign exchange ✓✓
- lead to an increase in domestic production ✓✓
- increase revenue to government through direct and indirect taxation ✓✓
- improve the balance of payments through reduced imports ✓✓
- protect local industries from being forced out through uncompetitive pricing ✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Name any ONE state-owned enterprise in the country.**

SAA / Eskom / Transnet / Post Office / SA Express / Denel ✓
(Accept any other correct relevant response)

(1)

2.2.2 **What is the current VAT rate in South Africa?**

15% ✓

(1)

2.2.3 **Briefly describe the term *Medium Term Budget Policy Statement*.**

The MTBPS adjusts to changes in the economy since the main budget / It is based on the MTEF and shares the developments in public policy that will shape the next and forthcoming budgets ✓✓
(Accept any other correct relevant response)

(2)

2.2.4 **Explain the relation between the main budget and the MTEF.**

The main budget is guided by the MTEF which estimates income and expenditure for a three-year period ✓✓
(Accept any other correct relevant response)

(2)

2.2.5 **What can the government do to solve the current financial challenges of State Owned Enterprises?**

The current financial challenges can be solved by:

- ensuring that fiscal and monetary management is improved ✓✓
 - ensuring that proper human capital is correctly sourced or obtained ✓✓
 - strengthening the internal/external audit control systems ✓✓
 - changing management to ensure accountability ✓✓
- (Accept any other correct relevant response) (2 x 2)

(4)

2.3 **DATA RESPONSE**

2.3.1 **Identify the year currently being used by the Reserve Bank as a base year.**

2010 ✓

(1)

2.3.2 **Name any ONE example of a non-durable good.**

- Food / beverages / tobacco ✓
 - Household fuel / power / water ✓
 - Household consumer goods ✓
 - Medical and pharmaceutical products ✓
 - Petroleum products ✓
 - Recreational and entertainment goods ✓
- (Accept any other correct relevant response)

(Accept any goods under above mentioned categories)

(1)

2.3.3 **Briefly describe the term *at constant prices*.**

Constant prices represents the real value of NI-figures where inflation is excluded ✓✓
(Accept any other correct relevant response)

(2)

2.3.4 Why is there a rise in household expenditure while unemployment is steadily increasing?

The increase in household expenditure due to:

- the increase in borrowing money from financial institutions ✓✓
- using savings and investments to maintain the standard of living ✓✓
- increase in transfer payments e.g. social grants ✓✓
- increase in government expenditure / programmes e.g. EPWP ✓✓
- an increase in informal sector activities as a source of income ✓✓

(Accept any other correct relevant response)

(2)

2.3.5 How will an increase in the repurchase (repo) rate affect the economy?

An increase in the repurchase rate, will:

- force banks to adjust their interest rates upwards making credit more expensive ✓✓
- make credit more expensive leading to less demand for goods and services which will lower production ✓✓
- lower production results in an increase in unemployment which will reduce tax revenue for the government ✓✓
- lead to households paying back loans and bank overdrafts will have less money available because credit becomes more expensive ✓✓
- lead to households earning interest on fixed deposits and savings will enjoy the benefits of higher returns on deposits/savings affecting the satisfaction of wants positively ✓✓
- attract foreign investment due to higher returns ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.4 Use the graph to explain the impact of an increase in exports to China on the value of the rand.

- An increase in South Africa's exports to China will shift the supply curve to the right (from SS to S_1S_1) causing an increase in the demand for the rand ✓✓
- This will lead to an increase in the quantity supplied of yuan (from 100 units to 150 units) ✓✓
- The value of the yuan will depreciate from R2,00 to R1,40 / the value of the rand appreciated ✓✓
- The situation has to be well managed, because in the long term our appreciated currency will make our products unaffordable and exports might decline ✓✓
- The value of the rand has increased in terms of the yuan ✓✓

(Accept any other correct relevant response)

(Max 8)

(8)

2.5 With reference to the Phillips curve, analyse the relationship between inflation and unemployment.

- The Phillips curve shows that inflation will increase if there is less unemployment (trade-off) ✓✓
 - Skills development and improved education that increases employment will create an increased demand for goods and services leading to inflation ✓✓
 - A very high inflation can lead to stagflation (high inflation and high unemployment) due to reduced demand for goods and services which will lead to less employment ✓✓
 - Inflation targeting (3 – 6%) will prevent stagflation (high unemployment) ✓✓
 - The demand for goods and services can be stimulated without increased employment ✓✓
 - The worker (consumer) might make use of extended credit facilities to enjoy the same standard of living when they experience price increases ✓✓
 - Various external factors may influence job creation in a country i.e. a tendency to import final goods which might improve the choice of consumers without solving the problem of unemployment ✓✓
 - The depreciation of the rand might lead to price hikes, not necessarily lower unemployment ✓✓
 - Capital intensive production processes would not necessarily contribute to further job creation ✓✓
- (Accept any other correct relevant higher order response)
- (Max 8)

[40]

QUESTION 3: ECONOMIC PURSUITS**3.1 Answer the following questions.**

3.1.1 **Name TWO types of economic indicators related to price changes.**

- PPI ✓
 - CPI ✓
- (2 x 1) (2)

3.1.2 **What can local government do to prevent service delivery protests?**

- Ensure that maintenance of infrastructure, clean water, sanitation and sewage disposal is in tact ✓✓
 - Municipalities should deliver excellent services to their communities timeously ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 **Which economic indicator is addressed in the above extract?**

Employment / production ✓ (1)

3.2.2 **Name the social indicator that includes “access to electricity”.**

Services ✓ (1)

3.2.3 **Briefly describe the term *globalization*.**

Globalization is the worldwide interfacing and interaction of economies, with trade as an important element and information technology making it possible ✓✓
(Accept any other correct relevant response) (2)

3.2.4 **What impact will a shortage of trained workers have on global trade?**

- It will reduce international trade due to increased production cost which reduces competitiveness ✓✓
 - It will increase the inequality gap between countries where advanced economies benefit from the latest technology ✓✓
 - Reducing international trade due to poor quality products being produced ✓✓
- (Accept any other correct relevant response) (2)

3.2.5 **How could education as social indicator reduce inequalities experienced worldwide?**

Education as social indicator can reduce inequality by:

- creating skills and knowledge needed for technologically advanced economies ✓✓
- providing effective education and training to all, for example the no fee school system / feeding-scheme / financing tertiary education or apprenticeships ✓✓
- increasing budget allocation to provide adequate infrastructure ✓✓
- constant development and in-service training to ensure life-long learning in updating skills and knowledge ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

3.3 **DATA RESPONSE**

3.3.1 **Identify the first government policy implemented in 1994 to address the imbalances of the past.**

RDP ✓

(1)

3.3.2 **Give ONE aim of the National Development Plan.**

- Eliminating unemployment ✓
- Eradicate poverty ✓

(Accept any other correct relevant response)

(1)

3.3.3 **Briefly describe the term *economic development*.**

Economic development is an increase in the per capita income which leads to an improved standard of living ✓✓

(Accept any other correct relevant response)

(2)

3.3.4 **Why did AsgiSA fail?**

AsgiSA failed because it did not achieve its goal of halving unemployment and poverty by 2014 ✓ because:

- an average growth rate of 6% has not been achieved although certain economic sectors were targeted ✓✓
- stable exchange rate was not achieved ✓✓
- shortfall in skills development ✓✓
- good governance (public administration) was not achieved ✓✓
- a massive investment in infrastructure was an important strategy of government, although a massive degrading of roads is evident ✓✓
- focus on building small businesses to bridge the gap between the formal and informal economies did not solve unemployment ✓✓

(Accept any other correct relevant response)

(2)

3.3.5 How will South Africa benefit in a dynamic global environment if the NDP succeeds?

If the NDP succeeds South-Africa will benefit by:

- participating in global trade and investment to reshape the world economy and international politics ✓✓
- emerging of new consumers in developing countries that will broaden opportunities for all economies ✓✓
- increasing demand for commodities and expanding markets ✓✓
- competing in manufacturing and information technology to enable services by increasing international competition ✓✓
- enjoying the flow of people, capital, ideas and technology ✓✓
- participating in regional cooperation in Africa where neighbouring countries could supply much needed water in exchange for low-carbon energy in Southern Africa ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Explain the role of international institutions in the *standardisation* of a country's indicators.

- The international institutions involved in standardisation are the International Monetary Fund, the World Bank and United Nations ✓✓
- Bridging finance for balance of payments deficits is paid by the IMF if the balance of payments is compiled according to their requirements ✓✓
- The IMF manually focus on government finance statistics on public finance accounting, basing their predictions only on transactions that have indeed taken place and those expected to happen ✓✓
- The World Bank is responsible for development aid and is the world's largest source of financial assistance ✓✓
- The United Nations is responsible for child aid through the Unicef ✓✓
- The United Nations prescribes the use of the System of National Accounts when compiling the production, income and expenditure accounts ✓✓
- Economic and social indicators are important that international aid and funding organisations have specifications on how to compile them ✓✓
- Benefits may not be given to countries if their indicators are not available, not in line with the institutions' requirements or do not show performances that qualify a member for aid or funding ✓✓

(Accept any other correct relevant response)

(4 x 2)

(8)

3.5 **How can unequal *standards of living* related to the North-South divide be addressed?**

Unequal standards of living can be addressed by:

- creating surpluses on GDP that countries can save and invest in their economies, leading to higher standards of living ✓✓
- increasing the per capita income in developing countries in the South through increased foreign investment leading to increased economic growth ✓✓
- focusing on large-scale industrial activities and a wide variety of services where more people could be involved in economic activities leading to a rise in income levels ✓✓
- the government contributing more, by raising more taxes to provide better services ✓✓
- increasing the life expectancy of developing countries suffering from diseases and ill health, through the intervention of developed countries where the latest research and techniques are practiced ✓✓
- focusing on the fight against malnutrition and serious illnesses like HIV and AIDS ✓✓
- increasing the standard of education through effective interaction with the relevant parties involved with human development ✓✓
- making available the level and effectiveness of education as expressed by the adult literacy rate ✓✓

(Accept any other correct relevant response)

(8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**4.1 Answer the following questions.**

4.1.1 Name TWO types of markets that form part of the financial system.

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

4.1.2 Why is it important to use moving averages to forecast business cycles?

It removes fluctuation in economic data which makes it easier to predict business cycles (a particular trend) ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

4.2 DATA RESPONSE

4.2.1 Identify the country in the extract that belongs to the G8-countries.

United Kingdom ✓ (1)

4.2.2 What is the impact of corruption on full employment as a macroeconomic objective?

Decrease employment / Unemployment will increase ✓
(Accept any other correct relevant response) (1)

4.2.3 Briefly describe the term *balance of payments*.

It is a record of all financial transactions between one country and the rest of the world for a specific period usually one year ✓✓
(Accept any other correct relevant response) (2)

4.2.4 Why would public sector failure lead to *economic instability*?

Incorrect use of fiscal policy would not:
effectively stabilise prices / correct the balance of payments /
create more employment. ✓✓
Public sector failure occurs when basic needs are not satisfied in
the country leading to a decrease in the standard of living
(inefficient allocation of resources) ✓✓
(Accept any other correct relevant response) (2)

4.2.5 **How could foreign direct investments influence the growth rate in South Africa?**

The economic growth rate would be influenced positively when:

- foreigners increase their FDI in South Africa, production of goods and services will be stimulated, leading to increased economic growth ✓✓
- employment increases, consumption expenditure will increase that will stimulate further production ✓✓

The economic growth rate would be influenced negatively when:

- foreigners feel insecure due to state capture, corruption and crime, they might withdraw their FDI in South Africa ✓✓
- production will be negatively affected and economic growth decreased ✓✓

(Any 2 x 2) (4)

(Accept any other correct relevant response)

4.3 **DATA RESPONSE**

4.3.1 **Name any ONE member country that belongs to BRICS.**

China, Brazil, South Africa, Russia, India ✓

(1)

4.3.2 **What is the purpose of BRICS?**

BRICS strives towards development of all member countries / increase investment / increase trade / to promote integration between member countries ✓

(Accept any other correct relevant response)

(1)

4.3.3 **Briefly describe the term *recession*.**

A negative economic growth rate for at least two consecutive quarters / refers to a decline in the level of economic output that lasts for 6 months or longer ✓✓

(Accept any other correct relevant response)

(2)

4.3.4 **Why would a recession affect emerging market economies more than developed economies?**

- During a recession developed economies tend to withdraw financial aid from emerging market economies to try and solve their own internal issues ✓✓
- Lack of capacity to achieve acceptable economic growth rates ✓✓
- Emerging market economies have more challenges for example high unemployment, lack of infrastructure and are more vulnerable to a recession ✓✓

(Accept any other correct relevant response)

(2)

4.3.5 **How can countries benefit from international trade agreements?**

Countries would benefit by:

- enjoying reduced tariffs on imports and exports ✓✓
- securing credit lines amongst member countries ✓✓
- strengthening relations in other fields than trade and investment ✓✓ for example economic cooperation, science and technology, culture and arts and dialogue on international issues ✓
- improving global efficiency ✓✓

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

4.4 **Briefly explain the role of *households* and the *business sector* in the circular flow model.**

HOUSEHOLDS:

- Households are the major consumers of economic goods and services ✓✓
- Households are the primary economic participants because they are the owners of the four factors of production ✓✓
- Households sell factors of production in the factor market to firms ✓✓
- Households pay tax to the government ✓✓
- Households receive remuneration for factors of production (rent, wages, interest and profit) ✓✓
- Households use their income to buy consumer goods and services on product markets to satisfy their wants ✓✓ (Max 4)

BUSINESS SECTOR:

- Firms purchase the factors of production from the household in the factor market ✓✓
 - Firms use the factors of production to produce goods and services ✓✓
 - Businesses sell goods and services to households, government and the foreign sector ✓✓
 - Businesses receive an income from the other three participants (households, government and foreign sector) ✓✓
 - Businesses act as buyers in the factor market and sellers in the goods market with profit as their aim ✓✓ (Max 4)
- (Accept any other correct relevant response) (2 x 4) (8)

4.5 How can the monetary policy contribute to economic growth?

The monetary policy contributes to economic growth by:

- increasing the money supply to advance credit to households and companies, affecting consumption and production positively ✓✓
- adjusting interest rates downwards to allow consumers to borrow more money, which will stimulate demand for goods and services and influence production positively ✓✓
- implementation of open-market transactions by buying back securities and bonds, will increase money available for loans ✓✓
- managing exchange controls by liaising with SARB to manage the inflation rate not to harm the economy ✓✓
- decreasing the cash reserve requirements that will allow banks to loan out more money that will stimulate production ✓✓
- persuading commercial banks (moral suasion) to lend more money in a recession to ensure that the production of goods do not decrease ✓✓

(Accept any other correct relevant response)

(8)
[40]

TOTAL SECTION B: 80

SECTION C**QUESTION 5: MACROECONOMICS**

- **Examine South Africa's export promotion trade policy. (26 marks)**
- **Evaluate the success of protectionism as a trade policy to protect industries against foreign competitors. (10 marks)**

INTRODUCTION

- Export promotion involves providing incentives to encourage local businesses to produce goods for export ✓✓
- When government pay incentives to encourage the production of goods that can be exported ✓✓

(Accept any other correct relevant response)

(Max 2)

BODY: MAIN PART**Methods of export promotion:**

- Incentives: ✓
 - Involves a programme administered by EMIA, aiming to compensate exporters for costs incurred in developing export markets for South Africa ✓✓
 - Also participation in National Pavilion exhibitions, where government ministers conclude future trade agreements for business ✓✓
 - Providing support in credit facilities, such as government assisting businesses to get low interest loans by signing surety on certain loan agreements ✓✓
 - The DTI is providing Business Intelligence by providing market research as well as export opportunities overseas ✓✓
 - Technical advice and expertise is provided by the DTI on matters such as product specification, advertising and marketing ✓✓
 - To provide insurance contracts for export transactions. ✓✓

Other grants

- Tax concessions on earnings from exports ✓✓
- Tax concessions on capital investments to produced export goods ✓✓
- Implementing Export-Processing Zones (EPZs) to attract export investment firms to such zones by offering tax exemptions and less labour restrictions.
- The government supplies information on export markets in order to stimulate exports ✓✓
- Other examples are research on new markets, concessions on transport charges, export credit ✓
- Subsidies: ✓
 - Incentives to encourage exporters to increase the amount of their production ✓✓
 - It includes direct and indirect subsidies:
 - Direct subsidies: Cash payments to exporters ✓✓
 - Indirect subsidies: Refunds on import tariffs and general tax rebates ✓✓
- Trade neutrality: ✓
 - Subsidies, equal in size to import duties, are paid ✓✓
 - Neutrality can be achieved through trade liberalisation ✓✓
 - Experience growth in exports if cost-raising effects of protection are neutralized by subsidies ✓✓

Reasons for export promotion:

- Exports helps to pay for the goods we need to import, and thus improves the BOP/it earns foreign exchange ✓✓
- Export promotion can provide the financial assistance required by domestic efficient firms to become more competitive ✓✓
- Export promotion can also lead to an increase in South Africa's trade globally ✓✓
- It stimulates industrial development, which is very important for economic growth and development in the country ✓✓
- The country achieves significant export-led economic growth ✓✓
- Export promotion enlarges the production capacity of the country because more manufacturing industries are established ✓✓
- Export markets are much bigger than local markets and to capture them many greater volumes need to be produced ✓✓
- More workers will be employed due to the increased volumes produced ✓✓
- Prices will be reduced due to larger volumes of goods being produced ✓✓

Advantages

- No limitations of size of scale since world market is very large ✓✓
- Production is based on cost and efficiency ✓✓ organized according to comparative advantages ✓✓
- Increased domestic production leads to growth in exports and imports (supply foreign exchange to pay for necessary imports) ✓✓
- Exchange rates would be realistic ✓✓ no exchange control or quantitative limitations exists ✓✓
- Increased employment opportunities, which could improve income and skills ✓✓
- The increased size of domestic businesses and the increase in the number of producers will result in increased competition, more efficient output, lower prices and larger variety of goods/inflation could be reduced ✓✓

Disadvantages of export promotion

- The real cost of production is hidden: ✓
 - It reduces the total costs by subsidies and incentives ✓✓
 - The real cost of production is concealed by the subsidies ✓✓
 - The product may thus never be able to compete in the open market ✓✓
- Lack of competition: ✓
 - Incentives and subsidies reduce prices and force competitors who may be able to create sustainable and profitable businesses out of the market ✓✓
 - Total potential trade is therefore reduced with subsidies rather than without subsidies ✓✓
- Increased tariffs and quotas: ✓
 - Overseas countries may retaliate with tariffs and even quotas when similar goods are sold domestically below their real cost of production ✓✓
 - Powerful overseas businesses can afford to offer similar products at much lower prices ✓✓
 - Compared to their production, the subsidised business's domestic market may be so small that it will destroy the business who received the subsidy ✓✓

- Protection of labour-intensive industries: ✓
 - Developed countries often maintain high levels of effective protection for their industries that produce labour-intensive goods in which developing countries already have or can achieve comparative advantage ✓✓
 - Export promotion results in the protection of labour-intensive industries by developed countries ✓✓
 - Increased exports could be seen as dumping, which enables foreign firms to obtain a larger market share and force local producers out of the market ✓✓

(Max 26)

BODY: ADDITIONAL PART

Protectionism has been successful by:

- promoting industrial development by focussing on the implementing of technology and markets (for example the NIPF) ✓✓
- achieving stable wage levels by introducing a national minimum wage applied in all sectors of employment, affecting productivity of workers positively ✓✓
- supplying certain much needed strategic key industries like Sasol and Mittal Steel that ensured the national independence ✓✓
- developing secondary industries for example in the provision of electricity, mechanical services and the building industry that created a more differentiated economy with greater economic stability ✓✓
- protecting the natural resources such as rooibos tea and safeguarding of the indigenous knowledge that allowed the hoodia plant to be used as medicine ✓✓

Protectionism has not been successful because:

- some industries were not protected against price-cutting / dumping of foreign goods and services ✓✓ for example the dumping of chicken by the US ✓
 - industries that have been granted protection, tend to become dependent on it and can never survive financially without it ✓✓
 - the rising of unemployment figures (29%) compromised the standard of living due to a lower demand impacting negatively on local production ✓✓
 - the disadvantages of higher prices against the advantages of lower imported prices is difficult to weigh up in the long term ✓✓
 - protection largely encourages import substitution, not the export of goods due to lack of government subsidies. This dampens economic growth and job creation ✓✓
 - it is difficult for the government to determine when to phase out protection, because if it is done too early, it will leave the industries vulnerable ✓✓
 - the inflation spiral is activated, because the costs involved in protection means that locally produced goods are more expensive than imported goods ✓✓
 - it is difficult to design a policy of protection and decide whether a particular industry is beneficial to the whole country or not ✓✓
 - it is difficult to identify infant industries that maybe granted temporary protection ✓✓
- (Accept any other correct relevant higher order response) (Max 10)

CONCLUSION

World economies grow and develop on better international relations with other countries by applying different trade policies such as import substitution and free trade ✓✓

(Accept any other correct relevant response)

(Max 2)

[40]

QUESTION 6: ECONOMIC PURSUITS

- **Discuss in detail the South African endeavours (initiatives) in regional development. (26 marks)**
- **How successful is the government in promoting industrial development in South Africa? (10 marks) [40]**

INTRODUCTION

Regional development refers to policies which are aimed at increasing the economic livelihood of specific areas or regions ✓✓

(Any other correct relevant introduction)

(Max 2)

BODY: MAIN PART**SPATIAL DEVELOPMENT INITIATIVES ✓**

- 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 ✓✓

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 under developed 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 waiving 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 ✓

- 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 aim of creating SEZ is to attract:
 - only new business ✓✓
 - business which are developing a new product line ✓✓
 - Business which are expanding their volume ✓✓
- The DTI has indicated that the existing IDZs where special tax incentives do not apply, would be graduated into SEZs ✓✓

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 response)

(Max 26)

ADDITIONAL PART

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 metropolises ✓✓

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

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 ✓✓

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

(40)

TOTAL SECTION C: 40
GRAND TOTAL: 150