



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1

NOVEMBER 2014

MEMORANDUM

MARKS: 150

This memorandum consists of 19 pages.

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

- 1.1.1 A injection ✓✓
 1.1.2 C privatisation ✓✓
 1.1.3 C medium-term expenditure framework (MTEF) ✓✓
 1.1.4 A policy ✓✓
 1.1.5 B protectionism ✓✓
 1.1.6 B Special Economic Zones (SEZs) ✓✓
 1.1.7 A reducing production costs ✓✓
 1.1.8 C Department of Trade and Industry ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 D the flow of goods and services ✓
 1.2.2 G a negative economic growth for at least two consecutive quarters ✓
 1.2.3 A provided by the state for use by all the members of a society ✓
 1.2.4 I the ratio between export prices and import prices. ✓
 1.2.5 F the international institution which promotes economic recovery and development ✓
 1.2.6 C it strengthens institutional capacity and facilitate development ✓
 1.2.7 E promotes development in the Southern African region ✓
 1.2.8 B measures changes in prices of goods and services ✓ (8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Open economy / four sector economy ✓
 1.3.2 Money market ✓
 1.3.3 Laffer curve ✓
 1.3.4 Globalisation / free trade / international trade / foreign trade ✓
 1.3.5 Repo rate / repurchase rate ✓
 1.3.6 Deregulation ✓ (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 questions:****2.1.1 List TWO methods used to calculate national income aggregates.**

- Production method / Value Added / GDP (P) ✓
- Income method / GDP (I) ✓
- Expenditure method / GDP (E) ✓ (Any 2 x 1) (2)

2.1.2 How will the contraction phase of a business cycle influence the economy through interest rates?

In the latter stage of a downswing interest rates will decrease ✓ more people will borrow money to stimulate the economy ✓

In the early stage of a downswing interest rates will increase ✓ to dampen the economy - people will borrow less money ✓

Any other relevant answer (Max 2) (2)

2.2 Study the information and answer the questions that follow.**2.2.1 Identify a leading economic indicator from the above data.**

Job advertising space ✓✓ (1 x 2) (2)

2.2.2 Define the term composite indicator.

It is a summary of various indicators of the same type into one single index. ✓✓

The three composite indicators are often used to calculate a single composite indicator to benchmark a country's economic performance ✓✓

A composite indicator measures multi-dimensional concepts e.g. competitiveness, e-trade or environmental quality, which cannot be captured by a single indicator ✓✓

Ideally a composite indicator should be based on theoretical framework which allows individual indicators to be selected, combined and weighted in a manner which reflects the dimensions or structure of the economy being measured ✓✓

Any other correct definition (1 x 2) (2)

2.2.3 What does the *amplitude of a business cycle* demonstrate?

- It demonstrates the power of underlying forces. ✓✓
- It demonstrates the extent of change. ✓✓
- A large amplitude shows the strength (severity) of underlying forces ✓✓
- The larger the amplitude the more extreme the changes that might occur / It shows how deep and how high the recession goes ✓✓
- The amplitude demonstrates the distance of the peaks and troughs measured from the trend line ✓✓
- It indicates the effect of economic activity ✓✓

Accept a graphical demonstration (maximum 2 marks)

Any other relevant answer

(1 x 2)

(2)

2.2.4 Explain the length of a business cycle as a feature that underpins forecasting.

- Is measured from peak to peak or from trough to trough / It's the time used to move through a complete cycle ✓✓
- If the length is 10 years it can be predicted that it will take 10 years for the economy to move through another complete cycle ✓✓
- Cycles may overshoot ✓✓
- Longer cycles are stronger / Shorter cycles are weak ✓✓
- The strength of the underpinning forces ✓✓

Any relevant answer

(2 x 2)

(4)

2.3 Study the data and answer the questions that follow.**2.3.1 Which item captures a South African business that purchases property in the United States of America?**

(Net) direct investment ✓

(1)

2.3.2 Define the term balance of payments.

A systematic record of all transactions ✓ between one country and other countries (and the rest of the world) ✓ for a specific period e.g. one year

Any other relevant definition

(1 x 2)

(2)

2.3.3 What is the purpose of the item *unrecorded transactions*?

To capture the effects of errors / omissions / and timing differences ✓✓

Incorrect explanation (to balance the BOP) should NOT be taken as correct

Any other relevant explanation.

(1 x 2)

(2)

- 2.3.4 If the balance on the current account was –R164 548, calculate the value for *Changes in Net Gold and other Foreign Reserves*. Show all calculations.

Balance on the current account	-164 548 ✓
+ Capital transfer account	241 ✓
+ Balance on financial account	175 065 ✓
+ Unrecorded transactions	- 1 801 ✓
Changes in net gold and other foreign reserves	8 957 ✓

(5)

Minus 1 for any irrelevant/faulty item (double counting)

- 2.4 Compare a *free floating exchange rate system* with a *managed floating exchange rate system*.

- **Free floating exchange rate system:**

- Free floating can be defined as exchange rates which are determined by the market forces of demand and supply ✓✓
- They work automatically ✓✓ If imports increase, the demand for foreign exchange increases. The currency **depreciates** as the result of the working of market forces ✓✓
- Depreciation makes a country's imports more expensive and exports cheaper ✓✓
- Imports decrease and exports increase, and the currency appreciates as the result of the working of market forces / exchange rate fluctuates as the market conditions change ✓✓
- South Africa has a free floating exchange rate system ✓✓
- Disequilibria are automatically corrected ✓✓ (2 x 2) (4)

- **Managed floating exchange rate system:**

- A system where central banks intervene in the exchange rate markets stabilising the currency ✓✓
- Central banks use their reserves to influence the exchange rates ✓✓
- E.g. When the value of the currency declines/depreciate the central bank will sell currency in the market to increase the demand and price/exchange rate ✓✓
- Over the long term currencies have to find their equilibrium levels ✓✓
- Any other relevant fact. (2 x 2) (4) (8)

2.5 **Discuss the multiplier and its aggregate effect on the economy, if the marginal propensity to consume (mpc) is 0,6 and investment increases by R10bn.**

- Def: A relative small investment produces a proportionately larger increase in national income ✓✓

<ul style="list-style-type: none"> Formula: Multiplier = $1/1-mpc$ $= 1/1-0.6$ $= 2.5$ ✓✓ 	<ul style="list-style-type: none"> OR $1/mps$ $= 1/0.4$ $= 2.5$ ✓✓ 	<ul style="list-style-type: none"> OR $y = 0.6y+10$ $y - 0.6y = 10$ $0.4y = 10$ $y = \frac{10}{0.4}$ ✓✓ = 25 ✓✓
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- The multiplier effect = $2.5 \times R10bn$
 $= \underline{R25bn}$ ✓✓ (max 4)
- Therefore an investment of R10bn will produce a R25bn increase in national income ✓✓
- If the candidate shows a graphical representation of the effect, the graph should indicate the change in investment of R10 bn. and the change in national income of R25 bn. ✓✓
- Accept if a candidate explains the effect based on one person's spending becomes another person's income ✓✓ (4 x 2)

(8)

[40]

QUESTION 3: ECONOMIC PURSUITS**3.1 Answer the questions:****3.1.1 List any TWO monetary policy instruments used by the Reserve Bank.**

- Interest rates / repo rate ✓
- Open market transactions ✓
- Moral suasion / persuasion ✓
- Cash reserve requirements ✓
- Exchange rate policy ✓

(Any 2 x 1) (2)

3.1.2 Why are economic indicators important to government?

- Government use it for budgetary (and planning) purposes ✓✓
 - Economic indicators are used in strategic policy planning and development ✓✓
 - They are used to assess current economic conditions ✓✓
- Accept any other relevant answer.

(1 x 2) (2)

3.2 Study the extract and answer the questions that follow.**3.2.1 Which government department initiated the Buy Back SA campaign?**

Department of Trade and Industry (DTI) ✓

(1)

3.2.2 What does the government intend to achieve through this campaign?

- Strengthening and diversifying the countries industrial base ✓
- Raising competitive value-added exports to the rest of the continent ✓
- Growing the economy ✓
- Developing of the traditional export market ✓
- Promote the purchase of South African manufactured products ✓

(1)

3.2.3 How can the government benefit from diversifying the country's industrial base?

- Producing a greater variety of goods and services will increase government revenue ✓✓
 - Improve infrastructure delivery ✓✓
 - The government will be able to meet its objectives of growth employment and price stability ✓✓
- Any other relevant positive effect

(2 x 2) (4)

3.2.4 What negative effect might the banning of citrus imports by the European Union have on the local citrus producers?

- Loss in production ✓✓
 - Lay-off employees / unemployment ✓✓
 - Decrease in income / sales decrease ✓✓
 - Down scaling of business ✓✓
 - Increase in poverty ✓✓
- Any other relevant negative effect (2 x 2) (4)

3.3 Study the cartoon and answer the questions that follow.

3.3.1 What is the aim of Black Economic Empowerment?

- Redress the inequalities of the past ✓✓
 - Empower the black people ✓✓
- Any other relevant answer (1 x 2) (2)

3.3.2 What challenges does the BEE policy currently face?

- Verifying the BEE levels of companies ✓
 - Fronting / corruption / nepotism ✓
 - Still a shortage of black industrialists ✓
- Any other relevant answer (2 x 1) (2)

3.3.3 Explain the message depicted in the cartoon.

- Some individuals misused the benefits of BEE for their own greed ✓✓
 - Before democracy Chinese were classified as 'Asians'; after democracy Chinese were classified as 'Blacks' ✓✓
- Any other relevant message (1 x 2) (2)

3.3.4 In your opinion why do we still experience a serious shortage of black industrialists in South Africa?

- Lack of capital ✓✓
 - Lack of training and grooming of more black industrialists ✓✓
 - Access to capital ✓✓
 - Lack of exposure and awareness to opportunities ✓✓
- Any other relevant answer (2 x 2) (4)

3.4 Briefly discuss the aims of regional development?

- It refers to policies which are aimed at increasing the economic livelihood of specific areas or regions ✓✓
- To limit the effects of economic centralisation, reduce the unequal development of economic activities ✓✓
- To promote the advantage of more regional development by using labour, other natural resources and infrastructure in neglected areas ✓✓
- Stimulate development in poor rural areas to prevent new imbalances from emerging ✓✓
- To implement and coordinate the implementation of national and regional industrial policies ✓✓

Accept any other relevant aim

(Any 4 x 2)

(8)

3.5 Analyse population growth and life expectancy as social indicators under demographics.**Population growth:**

- This is determined by the birth rate, deaths and migration of people ✓✓
- South Africa's population numbered 50.5 million in 2011 ✓✓
- It is estimated that it will grow to 55 million by 2021 ✓✓
- The growth rate slowed to only 1.19% in 2011 (from 2.3% in the 1990) ✓✓

(2 x 2) (4)

Life expectancy:

- This expresses the number of years a new born infant will live if the prevailing patterns of mortality remain the same throughout this person's life ✓✓
- In South Africa, life expectancy went down from 62 years in 1991 to 47 years in 2005 ✓✓
- Since then it has increased again to 52 years in 2011 ✓✓

(2 x 2) (4)

(8)

Accept any other relevant facts and current data.

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**4.1 Answer the questions:****4.1.1 List TWO supply reasons for international trade.**

- Natural resources ✓
- Climatic conditions ✓
- Labour resources ✓
- Technological resources ✓
- Specialisation ✓
- Capital ✓

Accept any other relevant reason.

(Any 2 x 1) (2)

4.1.2 What is the main purpose of the *Expanded Public Works Programme (EPWP)*?

Create employment using labour intensive methods / Give people skills that they can use to find jobs ✓✓

(1 x 2) (2)

4.2 Study the cartoon and answer the questions that follow**4.2.1 Define the term *trade protocol*.**

An agreement (trade rules or guidelines) between countries on how to trade with each other ✓✓

(2)

4.2.2 Explain the message depicted by the cartoon.

The other members of BRICS are using SA to exploit the resources of Africa ✓✓

Any other relevant message

(1 x 2) (2)

4.2.3 Why is South Africa regarded as the gateway to Africa?

- South Africa's developed infrastructure ✓✓
- South Africa's political stability ✓✓
- Financially and economically stable ✓✓
- The largest / second-largest economy in Sub-Saharan Africa ✓✓
- Investment in South Africa will give countries access to markets in Africa ✓✓

Any other relevant answer

(Any 1 x 2) (2)

4.2.4 **How will South Africa benefit from its BRICS membership?**

- to advance its national interests ✓✓
 - to promote its regional integration programme and related continental infrastructure programmes ✓✓
 - to partner with key players of the South on issues related to global governance and reform. ✓✓
 - South Africa's membership of this body has expanded BRICS' geographic and intercontinental reach ✓✓
- Any other relevant answer (Any 2 x 2) (4)

4.3 **Study the table and answer the questions that follow.**

4.3.1 **Name the missing item labelled (A).**

Gross Value Added / GDP at basic prices ✓✓ (1 x 2) (2)

4.3.2 **Define the term Gross Domestic Product (GDP)**

The total value of all final goods and services ✓ produced within the boundaries of the country for a specific period, e.g. a year ✓ (2)

4.3.3 **Explain the item Consumption of fixed capital**

Cost of using capital ✓ e.g. machinery/equipment used in production ✓ / Depreciation on the use of fixed assets / Diminishing value of an asset ✓ (1 x 2) (2)

4.3.4 **Calculate Gross Domestic Product @ Market Prices labelled (B). Show ALL calculations.**

Gross Value Added @ Basic prices	2 820 262✓
+ Taxation on products	338 804✓
- Subsidies on products	20 086✓
Gross Domestic Product @ Market Prices	3 138 980✓

Minus 1 for any irrelevant/faulty item (double counting) (4 x 1) (4)

4.4 **Discuss the economic indicators relating to productivity**

- **Labour productivity** ✓✓
 - To measure labour productivity real GDP should be divided by the number of workers employed for a number of years to construct an index number for each year ✓✓
 - Changes in the index indicate changes in labour productivity ✓✓
 - Productivity is the ratio between output and input of resources in the economy ✓✓ (2 x 2) (4)
- **Capital productivity** ✓✓
 - Refers to a change in output in relation to an increase in capital investment ✓✓ (2 x 2) (4)
- **Multi-factor productivity** ✓✓
- **Remuneration per worker** ✓✓
 - If labour productivity increases by less than wages, inflationary pressure will occur and the business cycle may turn unfavourable, e.g. unemployment may increase ✓✓
 - The relationship between productivity and wages is crucial for employers and workers, and they are therefore important indicators ✓✓
 - For workers it relates to improvement in their standard of living for those who are able to remain employed ✓✓
 Any other relevant fact (2 x 2) (4) (8)

4.5 **Argue how free trade rather than protectionism will favour countries.**

- Under free trade **economies of scale** will exist due to increased trade and lower unit cost ✓✓ whereas in protectionism decreased trade and higher unit cost might lead to **diseconomies of scale** ✓✓
- Under free trade countries will benefit from **comparative advantage** through specialization ✓✓ while protectionism will reduce the ability of other countries to enter the local markets ✓✓
- Free trade promotes **innovation through competition** ✓✓
Protectionism limits competition and thus reduces innovation ✓✓
- Free trade helps to satisfy a greater **variety of wants** by increasing the choice of consumers ✓✓ while protectionism limits the choices of consumers, thereby reducing welfare ✓✓
Accept if in tabular form.
Accept any other relevant argument. (Any 2 x 4) (8)

[40]**TOTAL SECTION B: 80**

SECTION C

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

STRUCTURE OF THE ESSAY:	MARK ALLOCATION:
Introduction	Max. 2
Body: Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain/Assess/Debate Additional part: Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/ Compare/Explain/Distinguish/Interpret/Briefly debate	Max. 26 Max. 10
Conclusion	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS**40 MARKS – 35 MINUTES**

Government is constantly trying to achieve specific objectives to improve the standard of living of the nation.

- **Discuss the macroeconomic objectives of the state in South Africa's economy.** (26)
- **In your opinion, to what extent has the South African government achieved these objectives?** (10)

[40]**INTRODUCTION:**

The government provides goods and services that are under supplied by the market and therefore plays a major role in regulating economic activity and guiding and shaping the economy ✓✓ (Max. 2)

Accept any other relevant introduction.

BODY: MAIN PART**Objectives:**

- **Economic growth** ✓
 - Refer to an increase in the production of goods and services ✓✓
 - Measured in terms of Real GDP ✓✓
 - For economic growth to occur, the economic growth rate must be higher than population growth ✓✓
 - Growth and development in a country benefit its citizens because it often leads to a higher standard of living ✓✓
 - Formula used:

$$\Delta \text{Real GDP} = \frac{\text{Real GDP current year} - \text{Real GDP previous year}}{\text{Real GDP previous year}} \times 100$$
- **Full employment** ✓
 - It is when all the people who want to work, who are looking for a

- job must be able to get a job ✓✓
- High levels of employment is the most important economic objective of the government ✓✓
- The unemployment rate increased over the past few years ✓✓
- Disabled persons have disadvantaged status in South Africa ✓✓
- Informal sector activities must be promoted because it is an area where employment increase ✓✓
- For employment to increase, production needs to increase ✓✓
- Formula: Employment rate = $\frac{\text{number of employed persons}}{\text{Total EAP}} \times 100$ ✓✓

- **Exchange rate stability** ✓

- The economy must be managed effectively and effective fiscal and monetary policy must be used to keep the exchange rate relatively stable ✓✓
- Depreciation and appreciation of the currency create uncertainties for producers and traders and should be limited ✓✓
- The SARB changed the exchange rate system from a managed floating to a free floating exchange rate system ✓✓

- **Price stability** ✓

- Stable prices cause better results in terms of job creation and economic growth ✓✓
- The SARB inflation target is 3 - 6% ✓✓
- Interest rates, based on the repo rate are the main instruments used in the stabilisation policy ✓✓
- The stable budget deficit also has a stabilizing effect on the inflation rate ✓✓

- **Economic equity / Economic fairness** ✓

- Redistribution of income and wealth is essential ✓✓
- South Africa uses a progressive income tax system – taxation on profits, taxation on wealth, capital gains tax and taxation on spending, are used to finance free services ✓✓
- Free social services are basic education; primary health and to finance basic economic services ✓✓
- E.g. cash grants to the poor, e.g. child grants and cash grants to vulnerable people, e.g. disability grants ✓✓
- Progressive taxation means that the higher income earners pay higher/more taxation ✓✓

- **Balance of Payments equilibrium:**

- The surplus or deficit on the trade balance should be minimised by limiting imports and promoting exports ✓✓
- It can be done by a foreign trade policy which focuses on export promotion, import substitution and protection ✓✓
- Domestic industries, with special focus on the secondary sector, must also be developed ✓✓

(Max. 26)

BODY: ADDITIONAL PART

- Learner responses can be positive or negative
- Follow the argument and see if the learner can produce enough evidence to support his/her answer

Economic Growth:

- SA targets 4 – 5% economic growth. Previously SA had a 5% growth rate ✓✓
- In recent years the growth rate decreased steadily ✓✓
- Presently the economic growth rate is 1.4% ✓✓

Full Employment:

- Compared to foreign countries unemployment is very high. ✓✓
- Expanded – over 30% ✓✓
- currently 25,5 % unemployment in SA ✓✓ for age group of 24 – 34 years of age current figures exceed 36.3% ✓✓
- Efforts by SA government to reduce these figures includes the GEAR strategy, focus on small business enterprises, Public Works Programme ✓✓

Exchange rate stability:

- SA now operates on a free floating exchange rate system in line with international benchmarks ✓✓
- Unfortunately our currency has lost its value, with a general trend of depreciation over the last few years ✓✓

Price stability:

- For the past few years South Africa has managed to remain within the 3 – 6% target ✓✓
- The current increase in the repo rate has put constraints on the inflation rate ✓✓

Economic equity:

- Economic equity has improved in many areas ✓✓
- E.g. BEE, affirmative action, gender equity, progressive income tax ✓✓

Balance of Payments equilibrium:

- The deficit on the trade balance shows a much bigger increase of imports compared to exports ✓✓

(Any 5 x 2) (Max.10)

CONCLUSION:

While some successes have been achieved by government, the fulfilling of some of the objectives are compromised by factors like a lack of accountability, corruption, budgeting, nepotism and incompetence. ✓✓

Accept any other relevant higher order conclusion.

(Max. 2)

[40]

QUESTION 6: ECONOMIC PURSUITS**40 MARKS – 35 MINUTES**

Since 1994 the South African government has developed different strategies to transform the economy.

- Discuss the following South African growth and development strategies in detail:
 - National Skills Development Strategy (NSDS)
 - The New Growth Path (NGP)
 - National Development Plan (NDP) (26)
- Evaluate the strategies used in South Africa. (10) [40]

INTRODUCTION

Almost 30% of the South African population is absolutely poor, therefore poverty is a serious policy matter for the government ✓✓

Any other relevant definition.

(Max. 2)

BODY: MAIN PART**NATIONAL SKILLS DEVELOPMENT STRATEGY (NSDS)**

- This policy provides the framework for skills development in the workplace. ✓✓
- JIPSA is a short- to medium term mechanism to fast track the objectives of the NSDS ✓✓
- and to prioritise the acquisition of skills necessary for accelerated and shared growth ✓✓

Three processes for implementation:

- It focuses on productive citizens ✓✓
- **Focuses** on equity ✓✓ quality training ✓✓ and skills development in workplace ✓✓
- Focuses on institutional learning ✓✓

THE NEW GROWTH PATH

- It **aims** to enhance growth ✓✓ create employment ✓✓ and greater equity ✓✓
- It was announced in October 2010 ✓✓ and the main focus was to create 5 million jobs over the next 10 years ✓✓

Key areas where jobs can be created:

- Infrastructure expansion with investments in five key physical and social infrastructure areas ✓✓ namely energy, transport, communication, water and housing ✓✓
- The agricultural value chain by addressing the high costs of fertilisers and other inputs ✓✓ and by promoting processing and export marketing ✓✓
- The mining value chain by increasing mineral extraction ✓✓ improving infrastructure ✓✓ and skills development ✓✓ and supporting the beneficiation on the final manufacture of consumers and capital goods ✓✓ whereby minerals are processed into higher value products locally rather than exporting raw minerals to be processed

- abroad, thus creating employment and generating wealth ✓✓
- The green economy by expanding construction and production of technologies ✓✓ for solar energy, wind energy and biofuels ✓✓
- Manufacturing sectors through innovation ✓✓ strong skills development ✓✓ reduced input costs ✓✓ and increased research and development investment ✓✓
- Tourism and certain high level services ✓✓

NATIONAL DEVELOPMENT PLAN (NDP)

- Aims to eliminate poverty ✓✓ and reduce inequality by 2030 ✓✓

Goals are:

- To reduce poverty ✓✓
- Economic growth/grow an inclusive economy – build capabilities ✓✓
- Economic transformation/enhancing the capability of the state and leaders working together to solve complex problems ✓✓
- Job creation/reduce unemployment ✓✓ to 14 % by 2020 and 6% by 2030 ✓✓

The process in the implementation of the plan includes the following:

- The NDP and its proposal will need to be implemented in the right order over the next 17 years, it will shape the budget allocation during the period. ✓✓
- Government has already started a process to align the long term plans of the departments with the NDP and to identify areas where policy change is required for smooth implementation. ✓✓
- Government will also engage with all sectors to understand how they are contributing to the implementation process. ✓✓
- The President and the Deputy President will be the lead champions of the plan with the cabinet, in government and throughout the country, Premiers and Mayors will be active champions of the plan with their offices driving implementation at provincial and municipal levels. ✓✓
- The plan identifies the task of improving the quality of public services as critical to achieving transformation. ✓✓
- Planning and implementation should be informed by evidence-based monitoring and evaluation. ✓✓

Critical actions:

- A social compact to reduce poverty and inequality and raise employment and investment ✓✓
- A strategy to address poverty and its impacts by broadening access to employment, strengthening the social wage, improving public transport and raising rural incomes ✓✓
- Steps by the state to professionalise the public service, strengthen accountability, improve coordination and prosecute corruption ✓✓
- Boost private investment in labour-intensive areas, competitiveness and exports with adjustments to lower the risk of hiring younger workers ✓✓
- An education accountability chain with lines of responsibility from state to classroom ✓✓
- Phase in national health insurance, with a focus on upgrading public health facilities, producing more health professionals and reducing the relative cost of

- private health care ✓✓
 - Public infrastructure investment at 10% of GDP financed through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water ✓✓
 - Interventions to ensure environmental sustainability and resilience to future shocks ✓✓
 - New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps ✓✓
 - Reduce crime by strengthening criminal justice and improving community environments ✓✓
- (Max.26)

ADDITIONAL PART

Positive outcomes of strategies:

- South Africa's public finances were stabilised, with public debt to GDP ratio brought down to 32%. ✓✓ World Bank recommends a ratio of 60% ✓✓
- The inflation rate was brought down to a stable average of between 3–6% ✓✓
- The country's international reserves increased, supporting a stable exchange rate ✓✓
- South Africa has a floating foreign exchange system with little government intervention and meets the international benchmark in this regard ✓✓
- Infrastructure development driven by the public sector has produced meaningful growth in gross fixed capital formation ✓✓
- South Africa ranks 74th in the 2011 Index of Economic Freedom with a score of 62.7 in terms of economic freedom ✓✓

Negative outcomes of strategies:

- Economic growth of South Africa has slowed down dramatically (below 2% currently) ✓✓
- The skills development system as a whole has not yet achieved its aims and the economy remains constrained by this lack of skills ✓✓
- Many jobs were lost in manufacturing and agricultural sectors – unemployment has continued to rise between 23% to 27% ✓✓
- South Africa struggles to attract foreign direct investments due to wage levels relative to worker productivity are significantly higher than those of other countries ✓✓

OR CAN BE PRESENTED IN THE FOLLOWING WAY:

Since 1994, several plans aimed at encouraging growth and development in South Africa have been implemented. These include the:

GEAR: 1996 – 2001 designed to:

- It was built on the strategic vision set out in the RDP ✓✓
- It was also committed government to specific macro objectives/targets ✓✓
- Continue service delivery to the poor, and to increase spending on this ✓✓
- Improve infrastructure to improve service delivery ✓✓
- Stabilise inflation through monetary policy ✓✓
- Reduce national budget deficit through a more effective fiscal policy ✓✓

ASGISA: launched in 2006

- it is committed to halve unemployment and poverty by 2014 ✓✓
- improve economic development ✓✓
- overcome constraints to economic growth ✓✓

JIPSA:

- it is the skills empowerment arm of AsgiSA ✓✓
- the initiative was launched in 2006 to address the country's chronic problem areas: unemployment and the skills shortage ✓✓

EPWP:

- it is a nationwide government intervention to create employment using labour-intensive methods, and to give people the skills they can use to find jobs when their work in the EPWP is done ✓✓

Accept any other relevant fact.

CONCLUSION

It is debatable whether the new strategies implemented will be successful in addressing the various economic objectives because past policies have failed to meet their targets, e.g. Asgisa ✓✓ (Max. 2) **[40]**

Accept any other relevant higher order conclusion.

TOTAL SECTION C: 40
GRAND TOTAL: 150