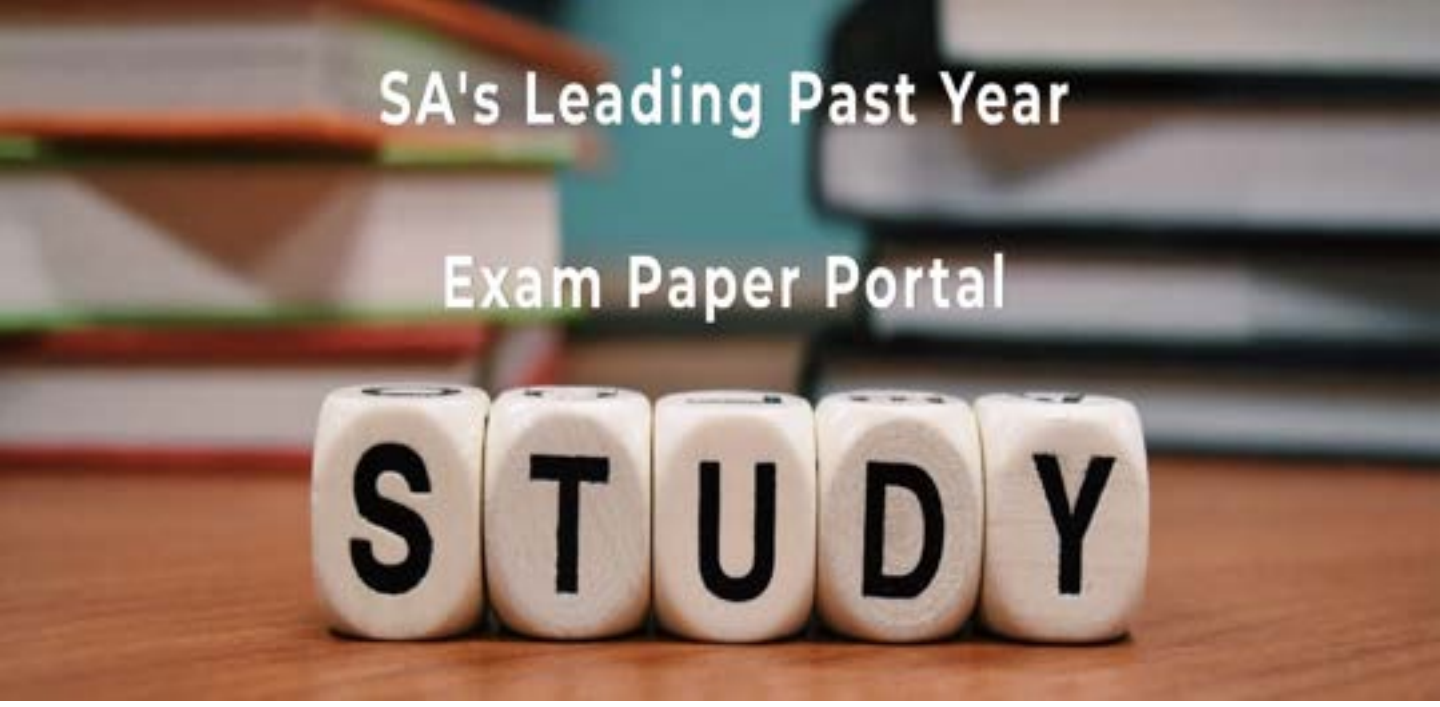

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GRADE 12

ECONOMICS P1

NOVEMBER 2016

MEMORANDUM

MARKS: 150

This marking guideline consists of 19 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A – public ✓✓
1.1.2 B – product ✓✓
1.1.3 C – parastatals ✓✓
1.1.4 C – free-floating ✓✓
1.1.5 B – per capita income ✓✓
1.1.6 B – interest rates ✓✓
1.1.7 A – urbanisation ✓✓
1.1.8 B – corridor ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 F – worldwide interaction of economies with trade as a common element ✓

1.2.2 E – a trade policy that encourages the production of locally manufactured goods to be sold abroad ✓

1.2.3 D – a common argument in favour of free trade ✓

1.2.4 G – a system of government that does not approve rules and therefore causes delays ✓

1.2.5 A – the rate banks are paying for lending money from the central bank ✓

1.2.6 H – measures prices of locally manufactured goods at factory level ✓

1.2.7 B – products traded in its basic form, for example coal and timber ✓

1.2.8 C – hampers the cognitive development of children ✓ (8 x 1) (8)

1.3 GIVE THE TERM

1.3.1 Business cycles ✓
1.3.2 Amplitude ✓
1.3.3 Ad valorem ✓
1.3.4 Employment Equity ✓
1.3.5 Terms of Trade ✓
1.3.6 Unemployment ✓ (6 x 1) (6)
(No abbreviations or examples are accepted)

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.**

- Kitchin ✓
- Jugler ✓
- Kuznets ✓
- Kondratieff ✓ (2 x 1) (2)

2.1.2 **How will foreign direct investment benefit the South African economy?**

- Provide capital for new enterprises/expansion on existing enterprises / increased competition ✓✓
- Increase in income/revenue for business/state / more profits ✓✓
- Creation of more job opportunities/improve standard of living ✓✓
- Increase economic growth ✓✓
- Diversify the economy / a wider range of products ✓✓
- Bring in new technology and knowledge ✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Identify TWO indirect taxes in the cartoon above.**

- Value-added tax (VAT) ✓
- Fuel levies ✓
- Sin tax ✓ (2 x 1) (2)

2.2.2 **Name the fiscal instrument represented by the scale in the cartoon above.**

Taxation ✓✓ (2)

2.2.3 **What is the 'surprise' depicted in the cartoon above?**

The Minister of Finance did <u>not increase any income tax</u> and VAT as expected / but the impact of the <u>increase in fuel levies and excise duties</u> were to such an extent that it made up for not increasing income tax and VAT ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **In your opinion, why did the Minister of Finance decide to keep income tax and VAT at the same levels?**

- Due to increased income tax in 2014/15 he didn't want to over-burden the tax payers ✓✓
- To prevent a negative reaction from the labour force which is constantly demanding higher wages ✓✓
- VAT as a regressive type of taxation remained the same to prevent the poor from becoming poorer ✓✓
- To prevent loss of income through tax evasion and disincentive to work ✓✓
- To stimulate consumer spending and economic growth ✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Identify the reason in the extract why South Africa agreed to import chicken from the US.**

South Africans consume more chicken than people in any other African country / Local producers have struggled to keep up with the rising demand / to smooth the passage of AGOA ✓ (1)

2.3.2 **Name the trade initiative mentioned above.**

African Growth and Opportunity Act (AGOA) ✓ (1)

2.3.3 **Briefly describe the term *dumping*.**

Selling goods in a foreign market at prices that are below the cost of production in the country of origin ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **What will be the effect of population growth in South Africa on chicken imports from the US?**

An increase in the population will cause an increase in the demand for chicken pieces from the US and imports will rise ✓✓
(Accept any other correct relevant response) (2)

2.3.5 **What negative impact could this deal have on the <u>local poultry industry</u>?**

- The local poultry industry may experience <u>consumer's resistance</u> against the product due to a <u>low quality of import</u> cuts / <u>switch to other types</u> of meat consumption ✓✓
- The local poultry industry may experience an oversupply in the product during certain periods which might lead to <u>low prices, leading to less income to industry</u> ✓✓
- Local producers <u>leaving the industry because of losses</u> due to unfair competition / low prices and high inputs ✓✓

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

2.4 **Distinguish between *exogenous approaches* and *endogenous approaches* to business cycles.**

Endogenous approach:

- This follows the belief that economic growth is primarily the result of endogenous and not external forces ✓✓
- This is often called the <u>Keynesian view</u>. This approach holds the view that markets are <u>inherently unstable</u> and therefore <u>government intervention may be required</u> ✓✓
- The <u>price mechanism fails to co-ordinate</u> demand and supply in markets and this gives rise to upswings and downswings ✓✓
- <u>Prices are not flexible</u> enough ✓✓ (e.g. wages) ✓
- A business cycle is an <u>inherent feature of a market economy</u> ✓✓
- Indirect links or <u>mismatches between demand and supply</u> are normal features of the economy ✓✓ (Max 4)

Exogenous approach:

- Refer to those independent <u>factors that can influence</u> business cycles and originate <u>outside</u> the economy ✓✓
- Some economists believe that business cycles are caused by exogenous factors such as those described below ✓✓
- The <u>monetarists believe markets are inherently stable</u> and disequilibrium is caused by incorrect use of policies, e.g. monetary policy ✓✓

The following are examples:

- <u>Weather conditions and shocks</u> cause upswings and downswings ✓
- <u>Governments should not intervene</u> in the market ✓
- <u>Sunspot theory</u> based on the belief that increased solar radiation causes changes in weather conditions ✓
- <u>Technological changes</u> ✓

(Accept any other correct relevant response)
(A maximum of 1 mark for examples per approach) (Max 4) (8)

2.5 **How can imports be targeted to reduce the deficit on the balance of trade in South Africa?**

- South Africa can use import substitution as part of their international trade policy ✓✓
- Tariffs can be imposed on imported goods, which will increase the prices of imported goods for domestic consumers, and that will tend to shift demand from imports to domestic products ✓✓ e.g. customs duties, ad valorem tariffs, specific tariffs ✓
- Quotas can be imposed to limit the import of goods and services ✓✓
- Subsidies will make local producers more competitive and switch from imported goods to locally produced goods ✓✓
- Through exchange control government can reduce imports and limit the amount of foreign exchange made available to those who wish to import ✓✓
- Physical control may put a complete ban or embargo on the import of certain goods from a particular country ✓✓
- Trade can be diverted through monetary deposits, time-consuming customs procedures and high-quality standards are imposed to make the importing of goods more difficult ✓✓ (Max 8) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 **Answer the following questions.**

3.1.1 **Name TWO social indicators related to income distribution.**

- Lorenz curve ✓
- Gini Coefficient ✓
- Quintile Ratio ✓
- Head Count Index ✓
- Human Development Index ✓
- Poverty line / poverty gap ✓

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

3.1.2 **How can deregulation benefit the business sector of South Africa?**

- By opening up opportunities for formerly excluded businesses to participate in the formal economy/Helping with entrance of new economic players in the economy / More businesses (more competition) benefits the business sector / efficiency of businesses will increase ✓✓
- By providing easy access to markets ✓✓
- By Simplifying administrative processes/red-tape / businesses interact directly with consumers without state interference ✓✓

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

3.2 **DATA RESPONSE**

3.2.1 **Identify any TWO previous strategies in the information above that were used to improve economic growth in South Africa.**

- GEAR – Growth Employment and Redistribution ✓
- NGP – New Growth Path ✓
- NSDS – National Skills Development Strategy ✓ Any (2 x 1) (2)

3.2.2 **State the main aim of the NDP.**

It provides a road map to government for 2030 / poverty relief / economic growth / economic transformation / sustainable job opportunities / income distribution ✓✓
(Accept any other correct relevant response) (2)

3.2.3 **What negative impact will the NDP have on the taxpayers?**

For implementation of the NDP the state will increasingly need more revenue – more and higher taxation will be needed / reduce disposable income even more / higher levels of fraud and corruption affecting services to the poor ✓✓
(Accept any other correct relevant response) (2)

3.2.4 **In your opinion, how successful will the implementation of the NDP be in the South African economy?**

The implementation of NDP will <u>be successful</u> due to the following reasons:

- A good progress has been made since 2014 in the construction of renewable energy sources ✓✓ e.g. solar farms and wind farms ✓
- Standard of living might improve that will reduce poverty levels ✓✓ e.g. housing, social grants ✓

AND / OR

The implementation of NDP will <u>not be successful</u> due to the following reasons:

- Since 2014 there has been no improvement in the unemployment rate and this scenario might continue to exist ✓✓ e.g. unemployment might increase even further ✓
- The gap between rich and poor might increase further ✓✓
- The following targets set out in the NDP will be difficult to reach: an economic growth rate of 5% (currently 0,8%) ✓ job creation of 5 million per annum ✓

(Accept any other correct relevant response) (4)

3.3 **DATA RESPONSE**

3.3.1 **What happened to the standard of living of South Africans between 1996 and 2015?**

It improved ✓ (1)

3.3.2 **Identify an element of the Human Development Index (HDI) in the information above.**

Standard of living ✓ (1)

3.3.3 **What can the government do to improve the quality of service delivery even further?**

The government should:

- Accept accountability and give account for their actions and expenditures ✓✓
- Improve on efficiency by appointing competent high skilled people ✓✓
- Operate according to market forces ✓✓
- Privatise those corporations that are not profitable ✓✓✓
- Assessing the needs of people ✓✓
- Put a stop to corruption / Prevent nepotism / poor management ✓✓
- Utilise the available resources more efficiently e.g. budgets ✓✓
- Practise transparency and consultation ✓✓

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

3.3.4 **How can the private sector get involved through public-private partnerships to strengthen the efforts of government?**

The private sector can:
- Accept responsibility for a clean environment (street and pavement) to reduce the workload of municipalities ✓✓
- Improve the skills of their workforce through in service training without any cost for tertiary training by government ✓✓
- Offer various initiatives to government and pay for it to uplift the state of the environment, and reduce government's involvement and responsibility ✓✓ Corporate Social Investment ✓

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

3.3.5 **In your opinion, how can labour market access drive future improvement in living standards?**

The following can improve the access into the labour market aimed at improved living standards:
- A <u>better standard of basic education</u> will improve skills needed to better the development of industry in general ✓✓ e.g. building and construction, tourism, health, service delivery ✓
- <u>Proper training</u> will ensure more people access to the job market, because they will be able to offer much needed initiative and originality to keep the business competitive in a fast changing market ✓✓

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

3.4 **Briefly discuss *growth* and *trade* as globalisation challenges that face developing countries.**

Growth
- Inefficiencies in management/governance leads to <u>inefficient allocation of recourses</u> ✓✓
- It resulted in <u>low levels of production</u> and subsequently low levels in economic growth ✓✓ (Max 4)

Trade
- <u>Rich countries subsidise production</u> and make it difficult for poorer/ developing countries to compete/many developing countries feel they are marginalised ✓✓
- These countries have to accept <u>low prices at relatively high input costs</u> ✓✓

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

3.5 **How does South Africa comply with various international bodies that require them to standardise their indicators?**

- **IMF** ✓ South Africa's annual budget review is compiled in terms the IMF's Government Finance Statistics (GFS) that focuses on public finance accounting ✓✓
- **WORLD BANK** ✓ Requires countries to report on various economic and social indicators which South Africa conforms to ✓✓ These indicators are collected and published by The World Bank group of institutions in the *World Development Indicators* and the *African Development Indicators* ✓✓. It assists the World Bank in deciding on how much loans it can make available to countries for development purposes ✓✓
- **United Nations** ✓ South Africa conforms to the UN system in compiling their national accounts e.g. GDP statistics ✓✓ The United Nation's best known guide of economic indicators in the UN's System of National Accounts (SNA) ✓✓ e.g. changes to the Balance of Payments by the SARB ✓✓ This allows the IMF to decide how much it can make available to correct BOP deficit ✓✓

(Max 8) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 **Answer the following questions.**

4.1.1 **Give TWO reasons for public sector failure.**

- Management failure ✓
- Apathy ✓
- Lack of motivation ✓
- Bureaucracy ✓
- Politicians ✓
- Structural weaknesses ✓
- Special interest group ✓ (2 x 1) (2)

4.1.2 **How will a decrease in export prices affect our country's terms of trade?**

It would be negatively affected because our revenue received from exports will decline ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **What market is depicted in the graph above?**

Foreign Exchange market/Currency market ✓ (1)

4.2.2 **What effect does the shift in the demand curve have on the price of dollars?**

The price of dollars will increase/appreciate ✓ (1)

4.2.3 **Briefly describe the term *exchange rate*.**

The price of one currency expressed in terms of another ✓✓ (2)

4.2.4 **What will the effect of the new price for dollars be on export trade between South Africa and the United States?**

Exports from South Africa will increase / more South African goods can be purchased at the same price because of the depreciation of the rand/ appreciation of the dollar ✓✓ (2)

4.2.5 **Explain how an increase in the number of US tourists to South Africa will influence the value of the rand.**

- More US tourists in South Africa means a higher demand for ZAR / The supply of dollars will also increase ✓✓
- That will result in an increase in the value of the rand ✓✓ (2 x 2) (4)

4.3 DATA RESPONSE

4.3.1 Give TWO factors in the extract above that contributed to the poor performance of the South African economy.

- Slump in commodity price ✓
- Weakening demand from China ✓
- Drought ✓
- Plunging value of the rand ✓ Any (2 x 1) (2)

4.3.2 When is a country officially in a recession?

When the country experiences a negative economic growth rate for two consecutive quarters ✓✓ (2)

4.3.3 What impact will a downgrading of South Africa's credit rating have on its economy?

- Down grading implies a bigger risk for investors which might lead to an increase in interest rates ✓✓
- The fact that South Africa who have very high levels of debt will have to pay higher interest rates which will definitely impact on the lower income groups who will not be able to afford goods and services ✓✓
- There will be less money available for spending, that will put more pressure on the budget, the tax payer as well as social grants and infrastructure development ✓✓
- A poor credit rating might increase poverty that will drive a lower standard of living which might lead to a recession ✓✓

(Accept any other correct relevant response) (2)

4.3.4 In your opinion, what can government do to stabilise the business cycle?

- The government can get involved in the smoothing of cycles through monetary and fiscal policy measures ✓✓
- The government can apply supply and demand side policies to stabilise prices ✓✓
- The government might take measures to influence the aggregate demand that will stimulate consumer spending ✓✓
- The government might take measures to influence the level of aggregate supply and lead to an increase in domestic production and lower inflation pressure ✓✓

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

4.4 **Briefly discuss any TWO arguments in favour of privatisation.**

- Privatisation ensures additional funds (income) for government ✓✓ this will help them to maintain and manage state-owned enterprises ✓✓
- The tax base will be broadened ✓✓creating more income for government ✓✓
- Private enterprises are more efficient than public enterprises ✓✓ The profit motive in the private sector ensures that firms operate efficiently and at the lowest possible price ✓✓ SOE's – are bureaucratic, inefficient, unresponsive to consumer needs, poorly managed, uncreative with low levels of productivity ✓✓
- Privatisation attracts more foreign investors to South Africa ✓✓ capital, skills, technology and foreign exchange flows into the country ✓✓
- Privatisation relieves pressures from the budget ✓✓ deficits on the budget will decrease ✓✓
- Promote black economic empowerment ✓✓ shares in public companies can be made available to black entrepreneurs ✓✓

Any (2 x 4) (8)

4.5 **How will subsidies influence export-orientated businesses negatively?**

- By subsidising certain industries, capital and entrepreneurial talents are drawn away from other businesses who enjoyed a comparative advantage ✓✓
- Subsidies reduce the total cost of production which gives businesses a false indication of the real price (distorted prices) ✓✓
- Local production can be inefficient, because local producers are shielded from overseas competition ✓✓
- Businesses that become too dependant on subsidies will not be able to survive once the subsidies are withdrawn ✓✓
- Subsidies allow businesses to charge lower prices which edge other export competitive industries out of the market ✓✓
- Foreign countries may impose tariffs on subsidized products from other countries to benefit their own industries ✓✓ Max (8) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/ Assess/Debate **Additional part:** Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/ Complete the given graph/Calculate/Deduce/Compare/Explain/ Distinguish/Interpret/Briefly debate/How?/Suggest	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS

The circular-flow model shows how the economy works via the various markets.

- **Discuss the role of the various markets in the circular flow without the use of a diagram. (26 marks)**
- **Explain the multiplier concept with the aid of a well-labelled graph. (10 marks) [40]**

INTRODUCTION

- The circular flow model is a simplified representation of the interaction between the participants of the economy ✓✓/
- Markets coordinate economic activities and determine prices for goods and services ✓✓
  (Accept any other relevant introduction) Max (2)

MAIN PART

Goods/Product/Output markets ✓

These are markets for <u>consumer</u> goods and services ✓✓

In economics a distinction is made between goods and services:

- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human wants or need ✓✓
- Buying and selling of goods that are produced in markets e.g.
  - Capital goods market for trading of buildings and machinery ✓✓
  - Consumer goods market for trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods ✓✓
- Services are defined as non-tangible actions and includes wholesale and retail, transport and financial markets ✓✓

Factors/Resources/Input markets ✓
- Households sell factors of production on the markets: rent for natural resources, wages for labour, interest for capital and profit for entrepreneurship ✓✓
- The factor market includes the labour, property and financial markets ✓✓

Financial markets: ✓
- They are not directly involved in production of goods and services, but act as a link between households, the business sector and other participants with surplus funds ✓✓
- E.g. banks, insurance companies and pension funds ✓

Money markets ✓
- In the money market, short term loans and very short term funds are saved and borrowed by consumers and business enterprises ✓✓
- Products sold in this market are bank debentures, treasury bills and government bonds ✓✓
- The SARB is the key institution in the money market ✓✓

Capital markets ✓
- In the capital market long term funds are borrowed and saved by consumers and business enterprises ✓✓
- The Johannesburg Security Exchange is a key institution in the capital market ✓✓
- Products sold in this market are mortgage bonds and shares ✓✓

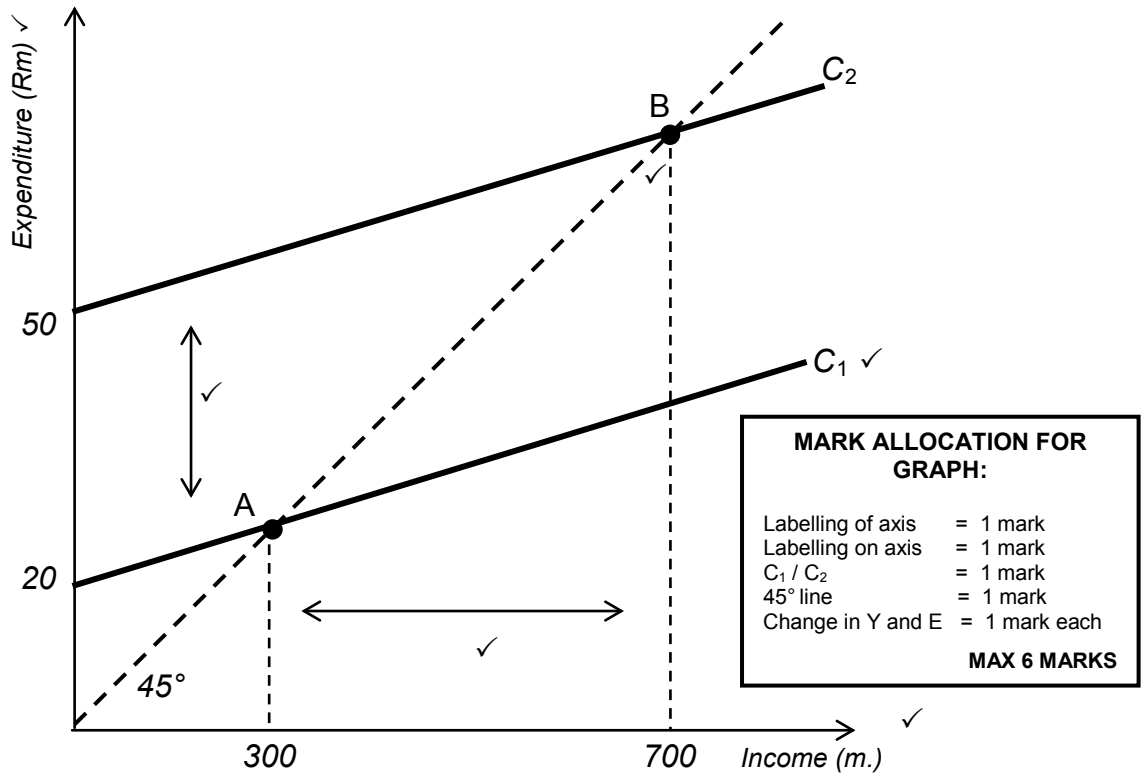
Foreign exchange markets ✓
- On the foreign exchange market businesses buy/sell foreign currencies to pay for imported goods and services ✓✓
- These transactions occur in banks and consists of an electronic money transfer from one account to another ✓✓
- The most important foreign exchange markets are in London/New York/Tokyo ✓✓
- The S.A Rand is traded freely in these markets ✓✓ e.g. when a person buys travellers cheques to travel abroad ✓

Flows ✓
- Flows of private and public goods and services are real flows and they are accompanied by counter flows of expenditures and taxes on the product market ✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market ✓✓
- Imports and exports are real flows and they are accompanied by counter flows of expenditure and revenue on the foreign exchange market ✓✓

If candidates discussed only ONE market, a maximum of 14 marks.
If candidates discussed only TWO markets, a maximum of 20 marks.
If candidates discussed THREE or more markets, the maximum of 26 marks.
Allocate a maximum of 8 MARKS for lower order elements, inclusive of headings, sub-headings or examples.

ADDITIONAL PART

Explain the multiplier concept with the aid of a well-labelled graph.



- The multiplier describes the fact that changes in spending/expenditure have an impact on income that is greater than the original change in spending ✓✓
- Expenditure/spending increase from 20 to 50 (expenditure change by 30) which causes an increase in income from 300 to 700 (Income change by 400) ✓✓
- $\Delta Y / \Delta J = 400 / 30 = 13.3$ ✓✓
- Therefore for each R1 increase in expenditure the aggregate income will rise by R13,30 ✓✓ Max (6)

(Max 10)

CONCLUSION

Markets are critically important institutions in our economic system, because they regulate supply and demand and safeguard price stability and general business confidence ✓✓ Max (2) **[40]**

QUESTION 6: ECONOMIC PURSUITS

Government actions encourage operations and new investments to boost industrial development.

- **Discuss South Africa's Spatial Development Initiatives (SDIs), highlighting its initiatives, objectives and Industrial Development Zones (IDZs). (26 marks)**
- **What advice would you give government to promote industrial development in South Africa? (10 marks) [40]**

INTRODUCTION

Regional development refers to policies which are aimed at increasing the economic livelihood op specific areas or regions ✓✓
(Any other relevant introduction) Max (2)

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 ✓✓

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 (FDI) investment ✓✓
- Establish Public Private Partnerships (PPP) ✓✓

Corridors ✓

- These 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. Maputo corridor that starts in Gauteng and extends through Mpumalanga to the Maputo port ✓✓

The above discussion includes:
- the initiatives and
- objectives of the SDIs
- and Corridors. (Max 18)

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 ✓✓
- The idea is that 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 ✓✓

Special Economic Zones ✓

- It creates a basis for a broader range of industrial parks and provide economic infrastructure to promote employment ✓✓
- It was introduced because of the limitations of the IDZs and need not be linked to a port of airport ✓✓
- IDZs are only created for export industries while the SEZs cater for exports and domestic consumption ✓✓
- Geographically demarcated area where specific economic activities have been identified to be developed ✓✓
- These areas may enjoy incentives such as tax relief ✓✓ e.g. 15% incentive to attract new industries ✓

The above discussion includes:
- IDZs
- and SEZs (Max 14)

Allocate a maximum of 8 MARKS for lower order elements, inclusive of headings, sub-headings or examples.

Also allocate marks for the following: Small Business Support Program, Seda Technology Program, Duty Free Incentives, Foreign Investment Incentives and Services to Business Processes, Infrastructure Plan, Strategic Integrated Projects, Critical Infrastructure Programme, Skills Development Programme, Customs free incentives, Foreign investment incentives, Services to business processes

ADDITIONAL PART

The government can be advised to:

- offer incentives to domestic and foreign entrepreneurs who establish new businesses in South Africa ✓✓
- pay incentives that will create an investor friendly environment for foreign direct investment to flow into the country ✓✓

What the government can do to promote industrial development:

- Provide tax incentives and relief for the young industries ✓✓
- Develop a user-friendly labour regime for the country that both employer-employee sensitive at the same promoting growth and development ✓✓
- Provide funding schemes for upstart businesses for support growth and development ✓✓
- Provide skills development programmes and offer cash grants as incentives to those who engage in this capacity development programmes ✓✓
- Critical Infrastructure Facilities (CIF) - The government specify financial incentives in the form of a cash grant of up to 50% to large enterprises requiring critical infrastructure such as roads, electricity water and purification services ✓✓

- All these incentives are aimed at encouraging the development of businesses to support the state's effort to promote industrial development ✓✓
  (Accept any other correct relevant answer) Max (10)

CONCLUSION

Despite all the efforts from government it would be important to see a more rapid growth in this area of the economy, there are still too many poor people in South Africa without a job. The industrial sector is earmarked as safety net for the millions of jobless people in the rural areas ✓✓
(Accept any other correct relevant response) Max (2) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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