2.28 Growth and Development: Barriers and Strategies in Poorer Economies: 30-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 30 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for questions worth 4 marks or more. Time guidance: 30 minutes for the whole pack.

1 Explain how primary product dependency can act as a barrier to economic development in a poorer economy such as a small commodity-exporting country.

(Total for Question 1 is 4 marks)

2 Calculation of percentage change in export revenue for a named poorer economy, context: country Koya's coffee export earnings fell from £480 million to £408 million between two consecutive years.

(Total for Question 2 is 4 marks)

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3 Explain the different roles of the World Bank and the International Monetary Fund (IMF) when supporting a low-income developing economy facing slow growth and a balance of payments problem.

(Total for Question 3 is 6 marks)

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4 Data extract comparing development indicators for two poorer economies, Banyana and Lumina, for policymakers. Use the data below to answer the question that follows.

Table: Selected indicators for Banyana and Lumina (most recent year)
Banyana: GDP per capita PPP = £2,400; HDI = 0.56; Poverty rate (national) = 38%; Share of exports in GDP = 35%; Top export concentration on single commodity = 62%.
Lumina: GDP per capita PPP = £3,800; HDI = 0.68; Poverty rate (national) = 18%; Share of exports in GDP = 20%; Top export concentration on single commodity = 18%.

Analyse how the data show differences in development and export structure between Banyana and Lumina, and explain two likely implications for development policy. Use the data in your answer.

(Total for Question 4 is 9 marks)

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Mark scheme · 2.28 Growth and Development: Barriers and Strategies in Poorer Economies: 30-minute Pack

Question 1

identifies that dependence on a small range of primary commodity exports makes export revenues vulnerable to price volatility on world markets	**M1**
explains that volatile export earnings lead to unstable government revenue and private incomes, making planning and investment difficult	**A1**
identifies the risk of the Prebisch-Singer type problem, where long-run terms of trade for primary goods may deteriorate relative to manufactured goods	**M1**
explains that deteriorating terms of trade reduce real purchasing power and make it harder to finance imports of capital goods needed for industrialisation	**A1**

Answer: Primary product dependency causes export revenue volatility and risks long-term adverse terms of trade, creating unstable government income and reducing capacity to import capital goods for development.

Question 2

method: (408 - 480) / 480 x 100	**M1**
= -15.0%, awrt a 15% fall	**A1**
states the sign and unit, e.g. a fall of 15% in export earnings	**B1**
brief interpretation linking to development, e.g. reduced foreign currency earnings make it harder to import capital goods	**B1**

Answer: A fall of 15.0% in coffee export earnings, which reduces foreign currency available for imports and development investment.

Question 3

identifies that the World Bank focuses on long-term development finance such as loans and grants for projects in infrastructure, education and health	**M1**
explains that World Bank funding is intended to raise productive capacity and human capital, supporting long-run growth	**A1**
identifies that the IMF focuses on short-term balance of payments support and macroeconomic stability, often providing conditional lending to stabilise currencies and reserves	**M1**
explains that IMF programmes may require fiscal or monetary adjustments to restore confidence and stabilise external accounts	**A1**
identifies a coordination role where the IMF supports macro stability while the World Bank funds structural projects	**M1**
explains the trade-off: IMF stabilisation can impose short-term austerity costs, while World Bank projects take time to raise growth, so sequencing and policy design are important	**A1**

Answer: The World Bank provides long-term project finance for infrastructure and human capital to raise productive capacity; the IMF supplies short-term balance of payments support and macro stabilisation often with conditional policy changes. Coordination matters because stabilisation and investment have different time horizons and trade-offs.

Question 4

Level 1 Offers basic statements about one or two data points with limited linkage to development. Limited use of the table; analysis is brief and not well developed.	**1-3**
Level 2 Makes clear comparisons using several data points, explains differences in development and export structure with some reasoning. Begins to draw implications for policy, but evaluation and depth are limited.	**4-6**
Level 3 Provides a focused analysis that uses multiple data points from the table to compare development levels and export structures, and explains two plausible implications for development policy with clear linkage to the data. Demonstrates good application and analysis.	**7-9**

Indicative content:

- Comparative statements: Lumina has higher GDP per capita (£3,800 v £2,400) and higher HDI (0.68 v 0.56), and a much lower poverty rate (18% v 38%), indicating Lumina is more developed on both income and non-income measures.
- Export structure differences: Banyana has a very high export concentration in a single commodity (62%) and higher share of exports in GDP (35% v 20%), suggesting heavy reliance on one primary commodity and greater external exposure.
- Implication 1: Banyana's export concentration and vulnerability mean policy should prioritise diversification, value-added processing and stabilisation mechanisms, such as buffering sovereign wealth funds or promoting agriprocessing industries.
- Implication 2: Higher poverty and lower HDI in Banyana imply need for stronger human capital investment in education and health, and targeted social protection to reduce poverty and support inclusive growth.
- Link to trade and shock vulnerability: a fall in the price of Banyana's main commodity would sharply reduce national income and government revenue, unlike Lumina which is more diversified.
- Policy implication 3: Lumina may focus on sustaining productivity and improving institutional quality; Banyana may require external support such as concessional finance or technical assistance for diversification.

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