2.28 Growth and Development: Barriers and Strategies in Poorer Economies: Test Pack

Total Marks

AQA 7136 · Calculators not allowed · about 25 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for questions worth 4 marks or more. Time guidance: 25 minutes for the whole pack.

1 Multiple choice on development indicators, context: two poorer economies being compared.

(a) Which of the following is NOT normally included when constructing the Human Development Index (HDI) for a developing economy? **(1)**

- ☐ A Life expectancy at birth
- ☐ B Mean years of schooling
- ☐ C GDP per capita (PPP)
- ☐ D Current account balance as a percentage of GDP

(Total for Question 1 is 1 mark)

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2 Explain how debt relief for a heavily indebted poor country can support development, and draw (describe) a diagram showing the short-run macroeconomic effect on government spending and private investment. Name the economy context in your answer.

(Total for Question 2 is 5 marks)

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3 Define the Human Development Index (HDI) as used for comparing development across poorer economies.

(Total for Question 3 is 2 marks)

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4 Define microfinance in the context of development policy for poorer economies and state one typical objective of microfinance programmes.

(Total for Question 4 is 2 marks)

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5 Explain two advantages and two disadvantages of relying on foreign direct investment (FDI) rather than official aid to promote development in a low-income economy.

(Total for Question 5 is 6 marks)

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Mark scheme · 2.28 Growth and Development: Barriers and Strategies in Poorer Economies: Test Pack

Question 1

(a) selects D, correctly identifies that current account balance is not in HDI **B1**

(a) Answer: D

Question 2

explains that debt relief reduces the debt-service burden allowing the government of the named poor country to reallocate resources from debt payments to public investment and social spending **M1**

explains how increased public investment in infrastructure and health can raise productive capacity and human capital, supporting long-run development **A1**

identifies the risk that if debt relief is not accompanied by good governance it may be wasted or lead to inflationary fiscal expansion **M1**

explains that complementary reforms and transparency are needed to secure development gains **A1**

diagram description: an AD/AS or simple market for loanable funds sketch described in words showing that reduced debt service shifts the government's budget constraint allowing higher public investment, and in the loanable funds model a reduction in government borrowing can lower interest rates and crowd in private investment **B1**

Answer: Debt relief reduces debt service so the government of the named poor country can raise public investment and social spending, boosting capacity and human capital. Without governance reforms gains may be lost. Diagram description: in a loanable funds sketch government borrowing falls so the supply of loanable funds rises, lowering interest rates and crowding in private investment; alternatively, an AD/AS description shows AD rising via higher public investment and long-run AS rising later after improved productivity.

Question 3

a composite index that combines life expectancy, education (mean and expected years of schooling) and income per capita to rank countries on human development **B1**

scores are normalized and combined to give a value between 0 and 1, where higher values indicate higher human development **B1**

Answer: A composite index combining life expectancy, education and income per capita into a single score between 0 and 1 to compare human development.

Question 4

microfinance is the provision of small loans and basic financial services to poor individuals and microenterprises who lack access to traditional banking **B1**

objective: to increase entrepreneurship and incomes among the poor, empower women, and reduce poverty through access to credit **B1**

Answer: Microfinance is small loans and basic financial services to those excluded from banks; its objective is to boost entrepreneurship and incomes among the poor, reducing poverty.

Question 5

identifies an advantage of FDI: brings capital, technology and management expertise **M1**

explains how this can raise productivity, create jobs and transfer skills, supporting sustainable growth **A1**

identifies a second advantage: FDI is typically profit-seeking and less likely to create dependency compared with recurrent aid **M1**

explains that private-sector projects may be more likely to be self-sustaining and integrated into global value chains **A1**

identifies a disadvantage: FDI can lead to profit repatriation and limited local linkages, reducing net benefits **M1**

explains that repatriated profits reduce domestic foreign exchange and tax revenue, and weak local supply chains limit technology diffusion **A1**

Answer: Advantages: FDI brings capital, technology and jobs and can be more sustainable than repeated aid. Disadvantages: profits may be repatriated and local linkages may be weak, reducing developmental benefits.

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