2225 – 5206M

Diploma Programme
Programme du diplôme
Programa del Diploma

Markscheme

May 2025

Economics

Higher level and standard level

Paper 2

29 pages

Notes for examiners:

1. Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

2. Whenever relevant, carry over marks must be awarded. If a candidate makes an error in calculation, but then uses the incorrect figure appropriately and accurately in later question parts, then the candidate may be fully rewarded. This is the "own-figure rule", and you should put OFR on the script where you are rewarding this.

3. A candidate may be penalized for not rounding correctly, failing to give answers correct to 2 dp or, in some cases, for not including the appropriate units. However, a candidate may only be penalized ONCE per script for each type of error.

1. (a) (i) Define the term *inflation* indicated in bold in the text (**Text A**, paragraph 3). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that it is an increase in prices	
2	*Accurate definition*	2
	An understanding that it is a sustained/persistent/continuous increase in the (average/general) price level	

(ii) Define the term *foreign aid* indicated in bold in the text (**Text B**, paragraph 2). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that it is assistance from overseas or giving money to poor countries/countries in need.	
2	*Accurate definition*	2
	An understanding that it flows from other countries/multilateral agencies to developing countries/ELDCs/countries in need **AND** that it is a concessional transfer of resources **OR** it consists of any **two** from the following: • grants • low-interest/soft loans • technical support • humanitarian assistance • development support • debt relief.	

(b) (i) Using information from **Table 1**, calculate the price elasticity of supply for tea when the price changes from 324 KES per kilogram (kg) in 2021 to 340 KES per kg in 2022. **[2]**

$\frac{1100}{16} \times \frac{324}{3700}$

OR

$\frac{1100}{3700} \times 100 = 29.73$

or 0.2973

$\frac{16}{324} \times 100 = 4.94$

or 0.0494

OR

$\frac{29.73}{4.94}$

*Any valid working (correct percentage change for Qd or P, provided the formula is not inverted) is sufficient for **[1]**.*

= 6.02 **[1]**

An answer of 6.02 *without working is sufficient for **[1]**.*

For full marks to be awarded, the response must provide valid working

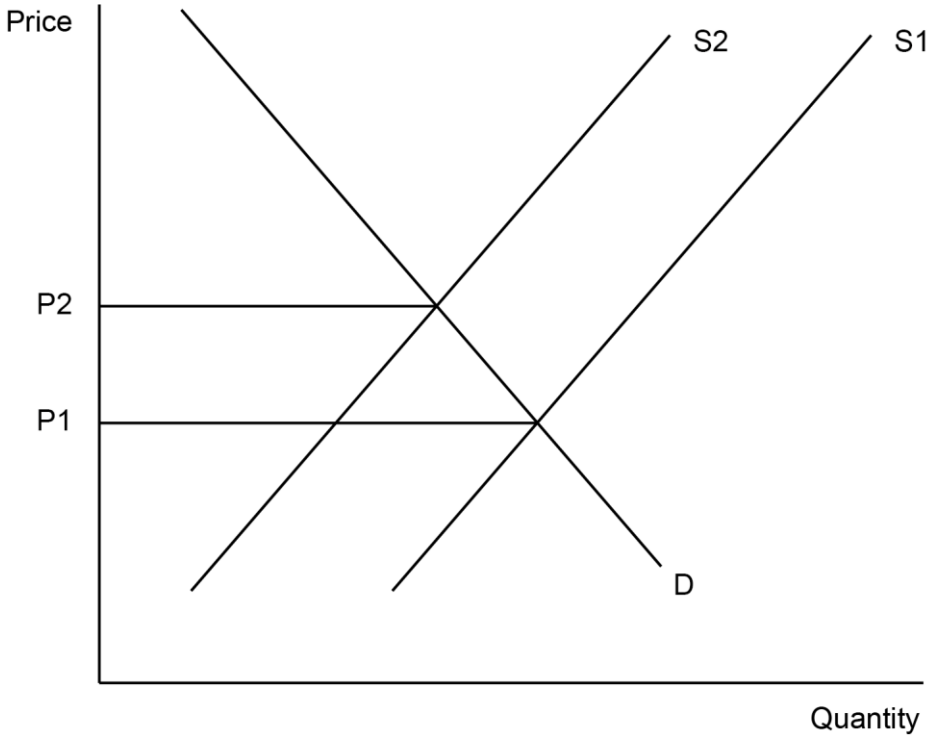
***N.B.** A response in which the formula is inverted should be awarded **[0]**.*

(ii) Using information from **Table 1**, calculate the total revenue earned by tea growers in Kenya in 2022 in millions of KES. **[1]**

340 × 4800 = 1 632 000 **[1]**

An answer of 1.63 trillion **or** 1632 billion **or** 1 632 000 000 000 *without working or units is sufficient for **[1]**. Scientific notation is accepted e.g. 1.63 x 10^{12}*

(iii) Sketch a demand and supply diagram to indicate how droughts caused the price of food to rise in Kenya (**Text A**, paragraphs 2 and 3). **[2]**



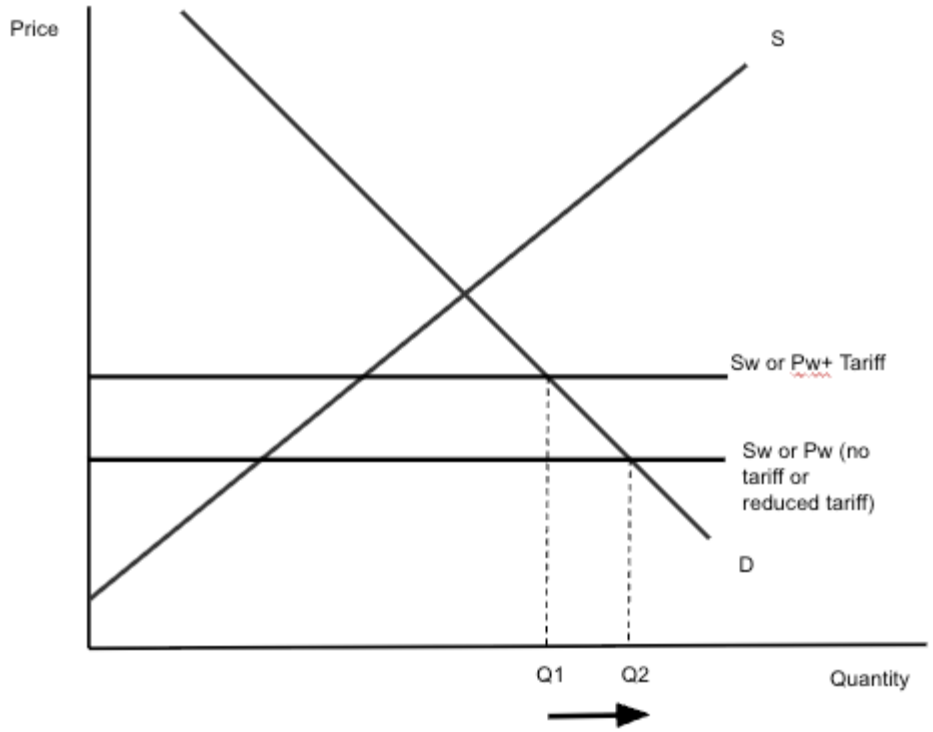
Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	There is a correct demand and supply diagram showing the supply curve shifting left **BUT** incorrect labelling.	1
2	For sketching a correctly labelled demand and supply diagram showing the supply curve shifting left and the equilibrium price rising.	2

The vertical axis may be price or P. The horizontal axis may be quantity or Q.
A title is not necessary.

(c) Using an international trade diagram, explain how the quantity demanded of rice in Kenya will change if the tariff on imports of rice is reduced (**Text A**, paragraph 2). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled international trade diagram, showing the Sw + tariff line moving down and an increase in the quantity demanded ***OR*** for an explanation that the reduction of the tariff on rice will lower its price causing an increase in the (quantity) demand(ed).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled international trade diagram, showing the Sw + tariff line moving down and an increase in the quantity demanded ***AND*** for an explanation that the reduction of the tariff on rice will lower its price causing an increase in the (quantity) demand(ed).	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*



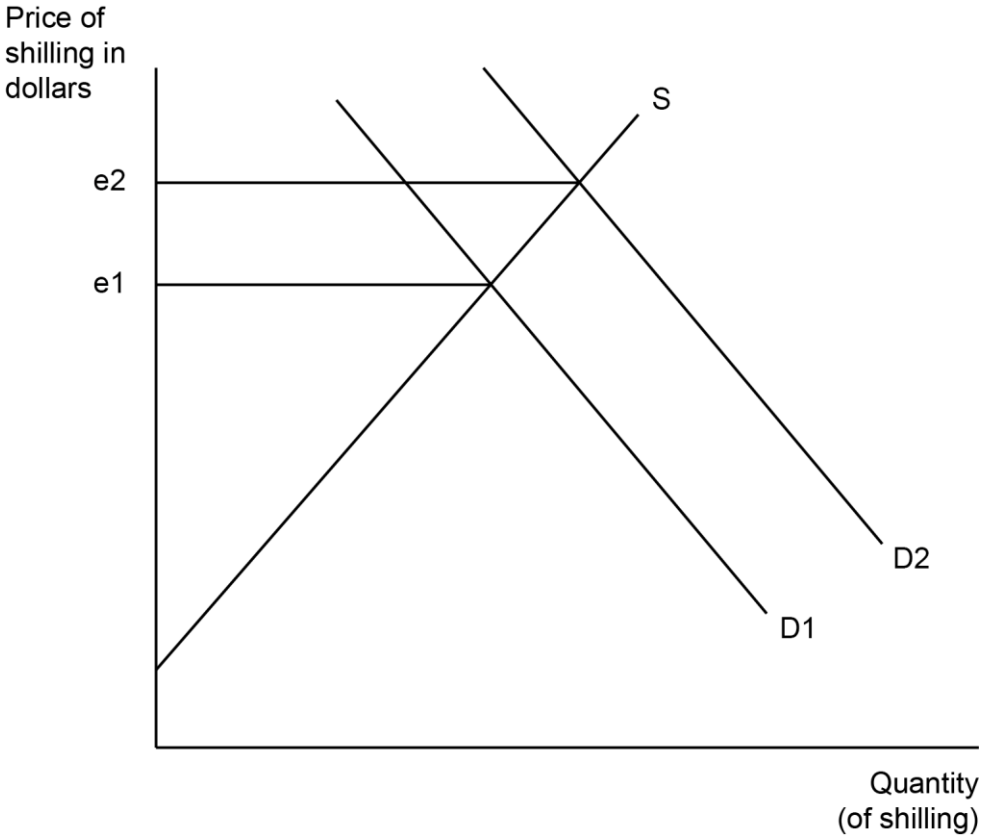
The use of P and Q on the axes is sufficient for an international trade diagram. The world price line may be labelled as S(World), Sw, Pworld, or any similar label indicating the horizontal line is the world price/supply, either on the y-axis or the end of the line. Domestic can be omitted on the other curves. The increase in the quantity demanded of rice can be shown in different ways. A title is not necessary.

Alternatively, the diagram may have three horizontal price/supply lines to show the effect of the tariff, a reduced tariff, and no tariff. If the explanation is valid, this can be fully rewarded.

(d) Using an exchange rate diagram, explain how a contractionary monetary policy could prevent the depreciation of the Kenyan currency (KES) (**Text A**, paragraph 3). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled exchange rate diagram showing demand shifting right and the exchange rate increasing ***OR*** for an explanation that a contractionary monetary policy means higher interest rates, which cause inward portfolio/financial investment/increased foreigners' saving in Kenyan banks and, therefore, more demand for/purchase of KES, leading to a rise in the exchange rate/appreciation.	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled exchange rate diagram, showing demand shifting right and the exchange rate increasing ***AND*** for an explanation that a contractionary monetary policy means higher interest rates which cause inward portfolio/financial investment/increased foreigners' saving in Kenyan banks and therefore more demand for/purchase of KES, leading to a rise in the exchange rate/appreciation.	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*



The vertical axis may be

- *exchange rate/ER*
- *price/value of shilling in another currency*
- *other currency/shilling*
- *other currency per shilling*

The horizontal axis may be quantity or quantity of shilling. All abbreviations are acceptable. A title is not necessary.

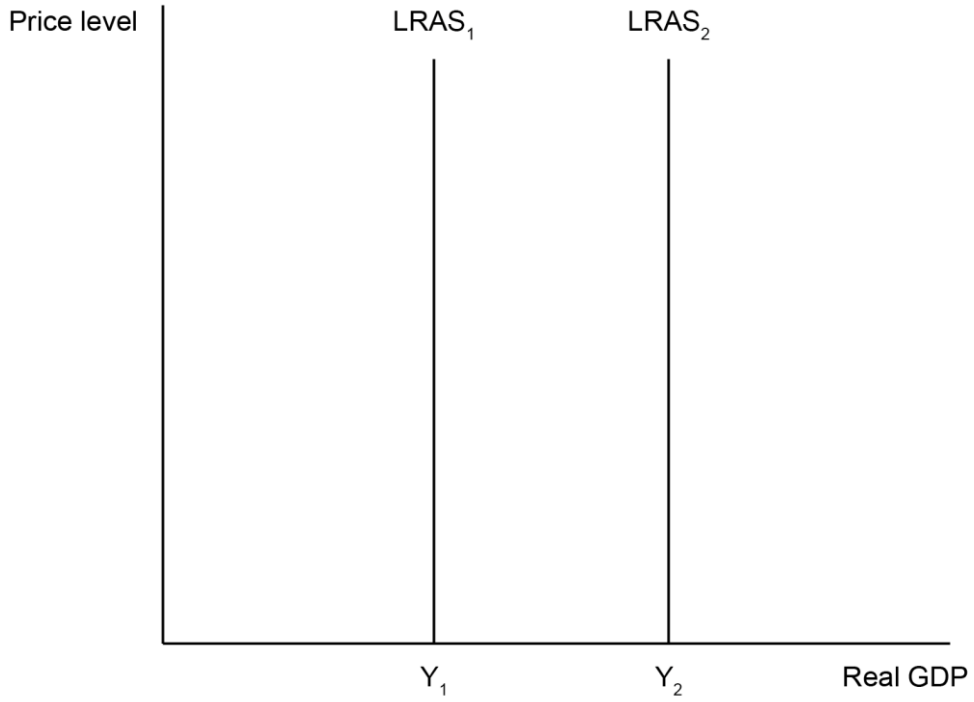
*Alternatively, the **supply curve** may be shown shifting left, as there is less outward portfolio investment/lower imports (purchased with borrowed funds). If correctly explained, this can be fully rewarded. (VAM)*

*The diagram may **also** show the supply curve shifting right (or the demand curve shifting left) to cause the depreciation, which is countered by the demand curve shifting right. If properly explained, this approach can be fully rewarded.*

(e) Using an AD/AS diagram, explain the likely effect of the improvement in the level of education on Kenya's full employment level of output (potential output) (**Text B,** paragraph 2). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled AD/AS diagram with LRAS (no AD or SRAS required) shifting to the right and an increase in full employment (potential) level of output **OR** for an explanation that increased education would lead to an increase in efficiency/productivity and/or increase in the quantity/quality of labour/human capital/resources/factors of production. This would lead to an increase in full employment level of output/potential output.	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled AD/AS diagram with LRAS (no AD or SRAS required) shifting to the right and an increase in full employment (potential) level of output **AND** for an explanation that increased education would lead to an increase in efficiency/productivity and/or increase in the quantity/quality of labour/human capital/resources/factors of production. This would lead to an increase in full employment level of output/potential output.	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*

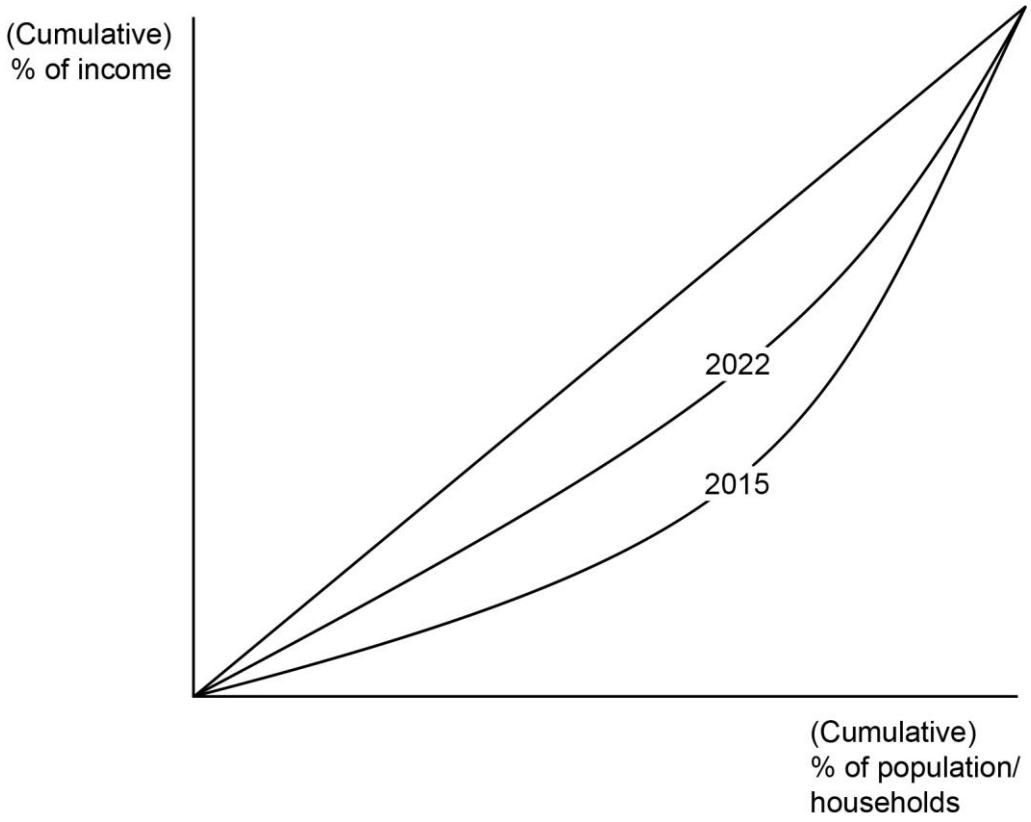


For an AD/AS diagram, the vertical axis may be Average (General) Price Level or Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS is acceptable. A title is not necessary.

(f) Using a Lorenz curve diagram, explain what happened to the distribution of income in Kenya between 2015 and 2022 (**Table 3**). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled Lorenz curve diagram showing two curves with the curve for 2022 being closer to the line of (perfect/absolute) equality than the curve for 2015 ***OR*** an explanation that a lower Gini coefficient implies that the distribution of income became more equal.	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled Lorenz curve diagram showing two curves with the curve for 2022 being closer to the line of (perfect/absolute) equality than the curve for 2015 ***AND*** an explanation that a lower Gini coefficient implies that the distribution of income became more equal.	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*



*For the vertical axis, the label may be cumulative percentage of income **or** percentage (%) of income (GDP and GNI are valid alternatives to income but wealth is not acceptable). For the horizontal axis, the label may be cumulative percentage of population/households or percentage of population/households. All abbreviations are acceptable. The diagonal line need not be labelled. A title is not necessary.*

(g) Using information from the text/data and your knowledge of economics, discuss the likely impact of high economic growth on environmental sustainability in Kenya. **[15]**

Marks	Level descriptor
0	• The work does not meet a standard described by the descriptors below.
1–3	• The response indicates little understanding of the specific demands of the question. • Economic theory is stated but it is not relevant. • Economic terms are stated but they are not relevant or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
4–6	• The response indicates some understanding of the specific demands of the question. • Relevant economic theory is described. • Some relevant economic terms are included. • The response contains evidence of relevant but superficial synthesis or evaluation. • The response contains limited use of text/data.
7–9	• The response indicates understanding of the specific demands of the question, but these demands are only partially addressed. • Relevant economic theory is partly explained. • Some relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included. • The response contains evidence of appropriate synthesis or evaluation but lacks balance. • The response includes some relevant information from the text/data.
10–12	• The specific demands of the question are understood and addressed. • Relevant economic theory is explained. • Relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • The use of information from the text/data is generally appropriate, relevant, and applied correctly.
13–15	• The specific demands of the question are thoroughly understood and addressed. • Relevant economic theory is fully explained. • Relevant economic terms are used appropriately throughout the response. • Where appropriate, relevant diagram(s) are included and fully explained. • The response contains evidence of effective and balanced synthesis or evaluation. • The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation.

Command term
"Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

*Terminology **may** include:*
- growth
- sustainability
- economic well-being
- development
- externalities
- opportunity costs/choice
- nominal/real GDP.

*Economic models to support analysis **may** include:*
- an externalities diagram
- a PPC diagram
- an AD/AS diagram.

***N.B.** It should be noted that diagrams that have already been given in answers to parts (b), (c), (d), (e) or (f), and then referred to in part (g), should be rewarded.*

*Responses **may** include:*

A discussion of the impact of economic growth on environmental sustainability

High economic growth improves sustainability	**High economic growth damages sustainability**	**High economic growth may not impact sustainability**
• Growth in the secondary and tertiary sectors, which may damage the environment less than agriculture (**Text A**, paragraph 1) • Employment increasing due to economic growth may increase education which may lead to more understanding about environmental sustainability (**Text A**, paragraph 1) or • More employment could lead to higher levels of income and allow for more environmentally sustainable living (**Text A**, paragraph 1).	• Low productivity and limited access to technology in agriculture, if neglected may lead to unsustainable practices or external costs of production (**Text B**, paragraph 1).	Students may discuss that economic growth may have little or no impact because of policies/practices in place to protect sustainability including: • Use of renewable resources (**Text C** – paragraph 1) • Ability to obtain finance and technology for climate-related projects (**Text C**, paragraph 4) • Revenue from tradeable permits (**Text C**, para 2) • Reforestation programmes (**Text C**, paragraph 2) • World Bank programme aimed at green energy (**Text A**, paragraph 4) • Use of carbon taxes as suggested by IMF (**Text C**, paragraph 1)

		• Hustler fund – promoting education (**Text B**, paragraph 2) • Growth of Green goods (**Text C**, paragraph 2).
• Potential increases in tourism may encourage sustainability as tourists make environmental choices (**Text A**, paragraph 1 and paragraph 5).	• The growth of tourism (*e.g.* safaris) may damage the environment and culture (**Text A**, paragraph 1 and paragraph 5) • Climate change could be from increased production (**Text A**, paragraph 1).	
• Growth is allowing education levels to improve → possibly more consciousness about the environment (**Text B**, paragraph 2).	• Sale of SOEs/privatization may mean that firms are less concerned about possible environmental damage (**Text A**, paragraph 4).	
• Growth allowed for the government to help fund the (although partly funded by aid) Hustler fund may be used for small-scale, environmentally friendly investments (*e.g.* solar power in villages) (**Text B**, paragraph 2).	• Growth through export revenues from primary goods is volatile due to low PED and supply shocks → possibly more environmentally damaging agricultural practices (**Text A**, paragraph 5).	
• Growth may have allowed for 90% of electricity (100% by 2030) to be generated by renewables → fewer externalities (**Text C**, paragraph 1).	• Growth from export production does not use resources sustainably enough to meet EU standards (**Text C**, paragraph 2).	
• Economic growth has allowed for "green markets" to expand and reforestation is improving the environment and may enable Kenya to sell tradable permits (**Text C**, paragraph 2).	• Urbanization from rapid growth results in using fossil fuels too much for transport, which is growing. Needs more efficiency (**Text C**, paragraph 3).	
• Economic growth has seen rapid urbanization and is encouraging more	• Growth leading to rapid urbanization → possibly more pollution (**Text C**,	

use of electric vehicles and use of public transport. Kenya is incentivized to use energy more efficiently *etc,* because fossil fuels are imported (**Text C**, paragraph 3).	paragraph 3) and population growing fast → more strain on resources (**Table 3**).	
• Economic growth is attracting climate-related projects. Foreign aid and public-private partnerships will help to promote sustainable growth (**Text A**, paragraph 4, **Text C**, paragraph 4).	• Economic growth causing sustainability issues may lead to carbon taxes needed because the environment is being damaged (**Text C**, paragraph 3).	
• High tax revenue from economic growth could allow for more investment in sustainability projects (**Text A**, paragraph 4).		
• It may be dependent on where growth arises from – education creating growth may support sustainability.		

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

2. (a) (i) Define the term *economic growth* indicated in bold in the text (**Text D**, paragraph 2). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that output of a country increases.	
2	*Accurate definition*	2
	An increase in (an economy's) real GDP/total real output (over time).	

(ii) Define the term *resources* indicated in bold in the text (**Text D**, paragraph 3). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea they are factors of production/inputs **OR** Goods/raw materials needed to produce/manufacture.	
2	*Accurate definition*	2
	Factors of production/inputs required/used to produce goods (and services)/output **OR** The idea that they are factors of production/inputs **AND one example**, such as land, labour, capital, entrepreneurship.	

(b) (i) Using information from **Table 4**, calculate Bhutan's real gross domestic product (GDP) in USD in 2021. **[2]**

(2539.55 / 279) × 100

*Any valid working is sufficient for **[1]***

= 910 232 974.91 **or** 910 232 975 **or** 910.23 million **or** 9.1×10^8 **[1]**

*Any valid working is sufficient for **[1]** (e.g. if x100 has been neglected).*

For full marks to be awarded, the response must provide valid working and include correct units where necessary.

(ii) Using information from **Table 4**, calculate Bhutan's nominal GDP per capita in USD in 2021. **[1]**

= 3245.62

An answer of 3245.62, 0.0032 million **or** 3246 *is sufficient for **[1]***
Workings are not required.

(iii) Using information from **Table 4**, calculate the change in Bhutan's nominal gross national income (GNI) in USD between 2008 and 2021. **[2]**

Nominal GNI for 2021 = 2539.55 – 155.64 = 2383.91
Nominal GNI for 2008 = 1227.81 – 34.02 = 1193.79

*Any valid working (either value for 2021 **or** 2008) is sufficient for **[1]***

Change in GNI = 2383.91 – 1193.79

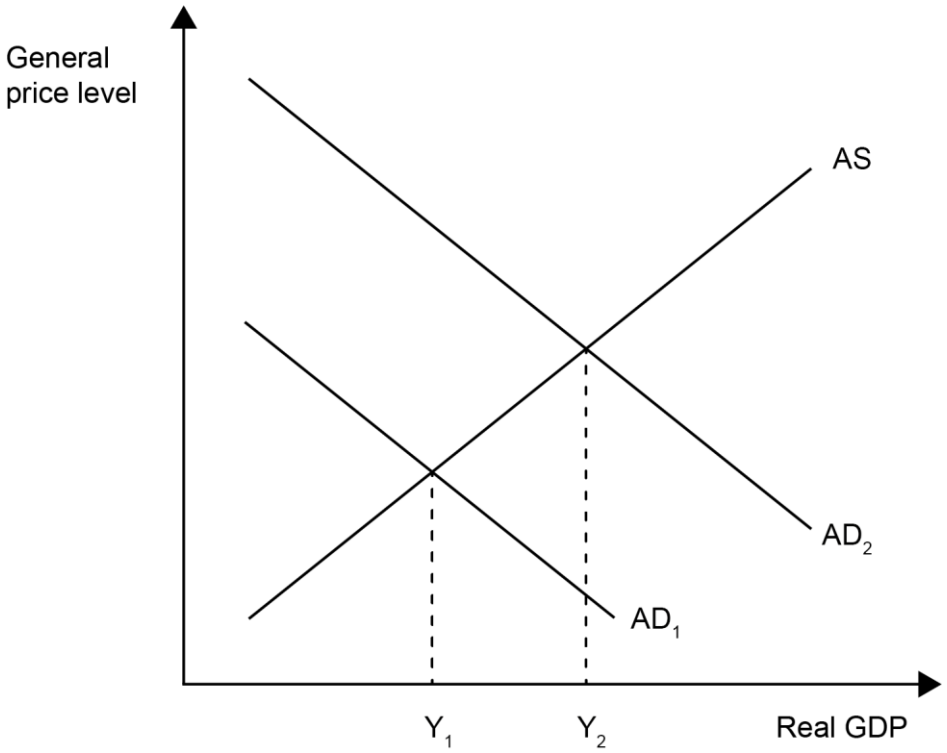
= 1 190.12 million **[1]**

*An answer of 1190.12 million without any valid working is sufficient for **[1]***

For full marks to be awarded, the response must provide valid working.

(c) Using an AD/AS diagram, explain the likely effect on Bhutan's real GDP of a large increase in sales of electricity, produced in Bhutan, to India (**Text D**, paragraph 4). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled AD/AS diagram, with AD shifting to the right with an increase in real GDP **OR** for an explanation that increased sales of electricity to India would raise exports/X/X-M/government spending, causing AD/expenditure to increase and a higher real GDP.	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled AD/AS diagram, with AD shifting to the right with an increase in real GDP **AND** for an explanation that increased sales of electricity to India would raise exports/X/X-M/government spending, causing AD/expenditure to increase and a higher real GDP.	

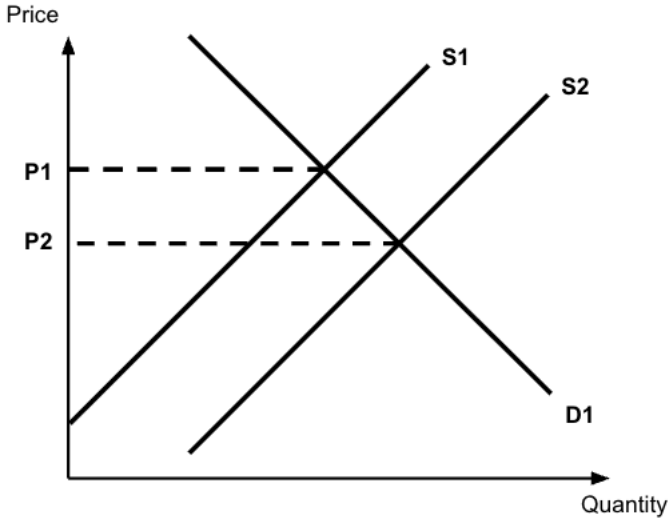


*Candidates who label diagrams incorrectly can be awarded a maximum of **[3]**. For AD/AS, the vertical axis may be Average (General) Price Level, CPI, or Price Level. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. A Keynesian AS is permissible. Abbreviations are acceptable. A title is not necessary.*

Alternatively, students may use an AD/AS diagram and illustrate an increase SRAS/LRAS due to infrastructure/roading improvements lowering the cost of production or education/healthcare expenditure improving productivity/efficiency/ quality or quantity of resources to show the impact on real GDP.

(d) Using a demand and supply diagram, explain the likely effect of improved road networks on the price of rice that is sold in Bhutan's towns (**Text D**, paragraph 7). **[4]**

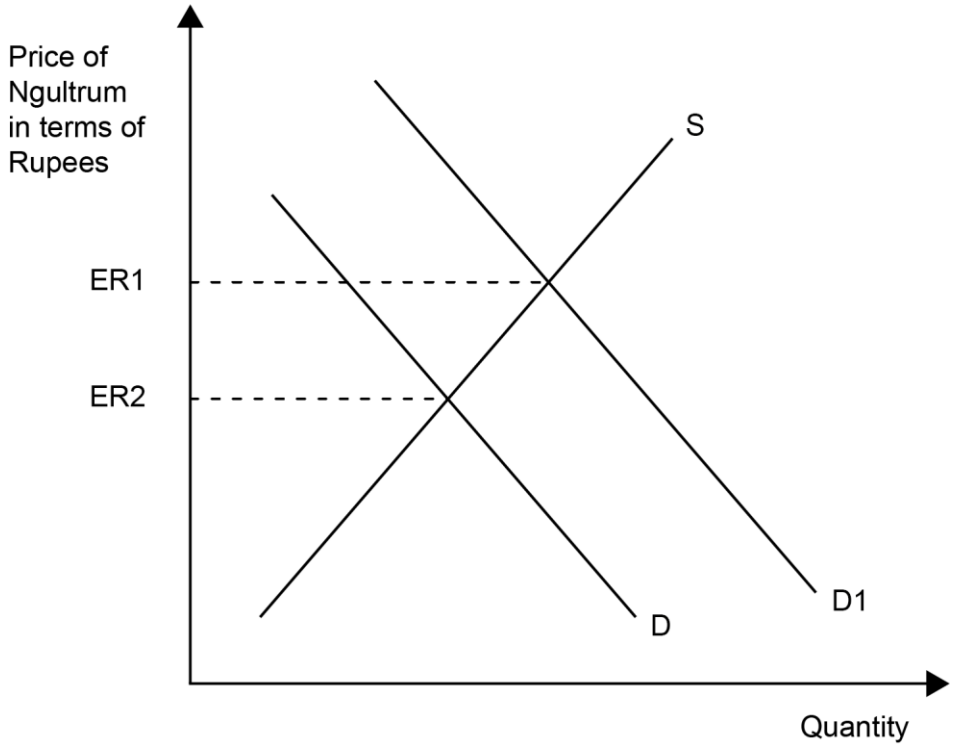
Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled demand and supply diagram, showing an increase in supply and fall in price ***OR*** for an explanation that an improvement in road networks will cause **one** of the following: • Reduction in costs • Increase in productivity/efficiency Thus, increasing supply/production and reducing the price (of rice).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled demand and supply diagram, showing an increase in supply and fall in price ***AND*** for an explanation that an improvement in road networks will cause **one** of the following: • Reduction in costs • Increase in productivity/efficiency Thus, increasing supply/production and reducing the price (of rice).	



*Candidates who label diagrams incorrectly can be awarded a maximum of **[3]**. Abbreviations are acceptable. A title is not necessary.*

(e) Using an exchange rate diagram, explain how the central bank of Bhutan could maintain its fixed exchange rate during a period of falling demand from India for metals and cement produced in Bhutan (**Text F**). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled exchange rate diagram, showing demand shifting right **and either**: • the exchange rate increasing • the exchange rate being maintain/returned to its original value ***N.B.** Candidates need not draw the decrease in demand resulting from the decrease in demand for Bhutan's metals and cements.* ***OR*** for an explanation that the central bank could (**one** of the following): • sell foreign currencies/assets/reserves • purchase ngultrums • increase the interest rate to prevent the depreciation/put upward pressure on the exchange rate**.**	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled exchange rate diagram, showing demand shifting right **and either**: • the exchange rate increasing • the exchange rate being maintain/returned to its original value ***N.B.** Candidates need not draw the decrease in demand resulting from the decrease in demand for Bhutan's metals and cements.* ***AND*** for an explanation that the central bank could (**one** of the following): • sell foreign currencies/assets/reserves • purchase ngultrums • increase the interest rate to prevent the depreciation/put upward pressure on the exchange rate**.**	



*Candidates who label diagrams incorrectly can be awarded a maximum of **[3]**.*
The vertical axis may be labelled:

- *ER*
- Exchange rate
- Price or value of BTN (ngultrum) in another currency
- Other currency/BTN or ngultrum
- Other currency per BTN or ngultrum.

The horizontal axis may be quantity or quantity of BTN/ngultrum.

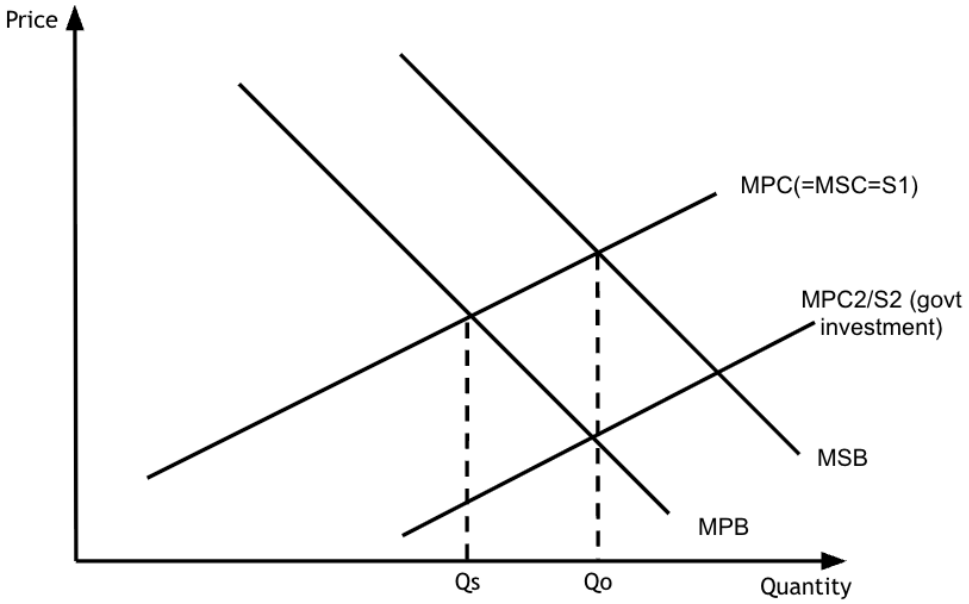
Abbreviations are acceptable. A title is not necessary.

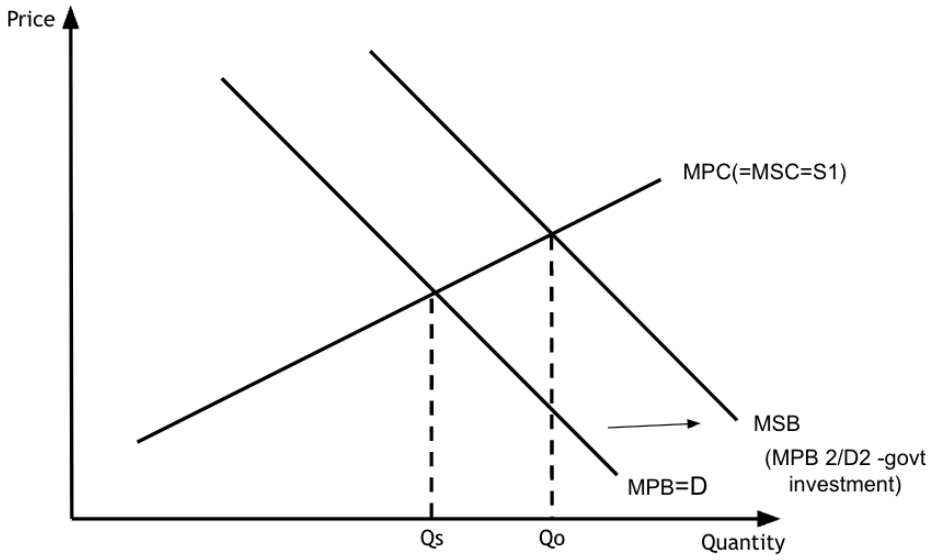
Alternatively, the diagram could show a shift left in the supply curve because the central bank could decrease supply of the BTN by using forex restrictions or restrictions on financial capital outflows. If correctly drawn and explained, this can be fully rewarded. (VAM)

(f) Using an externalities diagram, explain how increased government investment in education could achieve allocative efficiency in Bhutan's education market (**Text D,** paragraph 4). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	Award **[2]** for a correctly labelled positive externality of consumption diagram with a shift in supply/MPC or demand/MPB, the social optimal output Award **[1]** for: • correctly labelled positive externality of consumption diagram with no indication of a shift in a curve towards the social optimal output • correctly labelled positive production externality (incorrect externality) is drawn with a correct shift towards the social optimal output ***OR*** *Either* • For an explanation **(for a supply curve shift)**, that government provision/investment increases number of education institutions/supply *or* • For an explanation **(for a demand curve shift)**, that government investment can involve measures that encourage more participation in education resulting in (***one** of the following*): • more resources being allocated to education/the market • the removal/reduction of the welfare loss • a new equilibrium where MSB=MSC. • output is at or closer to social optimal level of output.	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	*Award **[2]** for a correctly labelled positive externality of consumption diagram with a shift in supply/MPC or demand/MPB, the social optimal output* *Award **[1]** for:* • correctly labelled positive externality of consumption diagram with no indication of a shift in a curve towards the social optimal output • correctly labelled positive production externality (incorrect externality) is drawn with a correct shift towards the social optimal output ***AND***	

	Either • For an explanation **(for a supply curve shift)**, that government provision/investment increases number of education institutions/supply *or* • For an explanation **(for a demand curve shift)**, that government investment can involve measures that encourage more participation in education resulting in *(**one** of the following):* • more resources being allocated to education/the market • the removal/reduction of the welfare loss • a new equilibrium where MSB=MSC. • output is at or closer to social optimal level of output. ***N.B.** If a candidate incorrectly identifies a positive production externality, resulting in an incorrect diagram, this should not be penalized again in the explanation. The explanation may still be awarded up to **[2]** if it otherwise meets the markscheme requirements.*	





*Candidates who label diagrams incorrectly can be awarded a maximum of **[3]**. The vertical axis may be labelled Price, P, Costs or Benefits. The horizontal axis may be labelled Quantity or Q. A title is not necessary. If a candidate interprets "could achieve allocative efficiency" as "an improvement in allocative efficiency", both the optimal output AND the new output must be shown.*

***N.B.** Candidates may illustrate and explain an improvement in allocative efficiency with the output getting closer to the optimum output. If drawn and explained correctly, this can be fully rewarded.*

(g) Using information from the text/data and your knowledge of economics, evaluate the strengths and limitations of Bhutan's economic development strategy. **[15]**

Marks	Level descriptor
0	• The work does not meet a standard described by the descriptors below.
1–3	• The response indicates little understanding of the specific demands of the question. • Economic theory is stated but it is not relevant. • Economic terms are stated but they are not relevant or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
4–6	• The response indicates some understanding of the specific demands of the question. • Relevant economic theory is described. • Some relevant economic terms are included. • The response contains evidence of relevant but superficial synthesis or evaluation. • The response contains limited use of text/data.
7–9	• The response indicates understanding of the specific demands of the question, but these demands are only partially addressed. • Relevant economic theory is partly explained. • Some relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included. • The response contains evidence of appropriate synthesis or evaluation but lacks balance. • The response includes some relevant information from the text/data.
10–12	• The specific demands of the question are understood and addressed. • Relevant economic theory is explained. • Relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • The use of information from the text/data is generally appropriate, relevant, and applied correctly.
13–15	• The specific demands of the question are thoroughly understood and addressed. • Relevant economic theory is fully explained. • Relevant economic terms are used appropriately throughout the response. • Where appropriate, relevant diagram(s) are included and fully explained. • The response contains evidence of effective and balanced synthesis or evaluation. • The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation.

Command term

"Evaluate" requires candidates to make an appraisal by weighing up the strengths and limitations. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

*Terminology **may** include:*

- economic development
- economic growth
- sustainability
- equity
- economic well-being
- externalities
- opportunity costs/choice
- absolute/relative poverty
- nominal/real GDP

*Economic models to support analysis **may** include:*

- a poverty cycle diagram (could link to improved health and education).
- a Lorenz curve diagram to show reduced income inequality (Gini coefficient, **Table 5**)
- a tariff diagram (**Text F**)
- a labour market diagram
- a PPC diagram
- an AD/AS diagram
- an externalities diagram.

N.B. diagrams that have already been given in answers to parts (c), (d), (e) or (f), and then referred to in part (g), should be rewarded.

Candidates are not expected to cover every possible type of strategy/policy in order to achieve high marks.

Economic Development strategy – possible policies	**Strengths in furthering Economic development**	**Limitations in furthering economic development**
Aim to increase GNH - measuring income inequality, environmental conservation, sustainable development, and gender equality (**Text D**, paragraph 1).	• Considers development measures that are of wider scope than those measured by GDP per capita and HDI • Improvement in life expectancy and income equality, reduction of poverty etc (**Table 5)** • Improvement in HDI (**Figure 1)**.	• May hinder improvement of agricultural productivity • Could restrict growth (**Text D**, paragraph 7).
Trade liberalization: FTA with India (**Text F**).	Probably increases revenue from exports, which will contribute to economic growth and possibly ultimately development.	• Trade reliance (80% of trade) on India creates vulnerability to external shocks (**Text F**) • Could result in a significant drop in government revenue from tariffs.
Sales of electricity to India (**Text D**, paragraph 4).	• Helps to finance import spending, which may contribute to development	Dependence on trade with India suggests the need to diversify exports (**Text F)**

	• Helps to finance government spending	
Utilising foreign aid by accepting grants and loans from India (**Text D**, paragraph 3).	Fills the savings gap (in the poverty cycle), allowing for increased investment spending by government.	• loans taken from India need to be repaid with interest • implications for the BOP current account (**Table 4**).
Protection of forests (**Text D**, paragraph 1).	Promotes environmental conservation efforts.	May limit growth potential.
Investment in hydropower and other infrastructure (**Text D**, paragraph 2 & 4).	• Provides electricity to rural areas and at lower prices, allowing households greater access to necessities (**Text D**, paragraph 2). • Increased revenue for state-owned enterprises, which help finance development through provision of healthcare and education (**Text D**, paragraph 3&4).	Transportation networks are still inadequate, indicated by "high transport costs" (**Text D**, paragraph 5).
State control of production and distribution of electricity (**Text D**, paragraph 3).	Ensures access to electricity in vulnerable communities (**Text D**, paragraphs 2&3).	Public control may reduce efficiency and lead to financial losses (**Text D**, paragraph 3).
Investment in healthcare and education (**Text D**, paragraph 3).	• Adds to human capital and therefore productivity/potential output • Provision of education may help reduce the high youth unemployment, especially for women (**Text E**, paragraph 1) • Better healthcare leads to increase in life expectancy (**Table 5**).	• Opportunity cost of government spending • Lack of job opportunities and lack of access to finance for entrepreneurship still exist (**Text E**, paragraph 2) • Progress on gender equality (**Text D**, paragraph 1) is questionable, given the high rate of female youth unemployment, (**Text E**) • Will place burdens on healthcare sector as population ages.
Expansion of essential infrastructure (**Text A,** paragraph 4).	• Improves quality/quantity of resources • May encourage private sector investment by lowering transport costs (**Text A**, paragraph 5).	• Opportunity cost of government spending • Over reliance on public sector with the private sector facing a lack of investment (**Text E**, paragraph 2) • Infrastructure construction may lead to negative

		externalities, resulting in a conflict with GNH aims.
Tax on tourists (**Text D**, paragraph 5).	• Supports sustainable development • Provides government revenue to finance development.	• May reduce competitiveness of the tourism sector • Resulting fall in incomes of workers in the tourism sector may make it difficult for them to break the poverty cycle.
Partnership with UN agency to provide funds for investment in agricultural sector (**Text D**, paragraph 7).	• Provides infrastructure and investment in agriculture where wages are low. • Increase in productivity may help farmers break out of the poverty cycle • May reduce urban-rural inequalities. • Improves food security and nutrition • May reduce need for food imports (**Text D**, paragraph 6). • Improved infrastructure (roads) may also improve access to jobs and schools/hospitals.	• Could lead to dependency on foreign aid • Most agricultural output is not marketed. Subsistence farming may limit potential productivity gains (**Text D**, paragraph 6).
Regulations on chemical fertilisers (**Text D**, paragraph 7).	Aim to make farming practices more sustainable.	Increases in productivity may be limited by the restrictions on use of fertilisers (**Text D**, paragraph 7).
Fixed exchange rate (to the Indian rupee) (**Text F**).	• Trade with India is facilitated • Costs of necessities that are imported (fuel and rice) are less volatile.	• Restricts monetary policy freedom • Requires central bank intervention.

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.