Solutions

Marking: **M1** a correct method, **A1** the correct answer, **B1** an independent mark.

Each answer shows the steps, then the **result**.

2.1

small loans; given to poor people, often without collateral, to start or grow a small business

2.2

humanitarian aid: short-term help in emergencies, such as food, shelter and medical care; development aid: long-term help, such as grants and loans for schools, health and infrastructure, to raise living standards

2.3

low incomes mean households can save little; low saving means little money for investment in capital and skills; low investment keeps productivity low; so incomes stay low and the cycle repeats

2.4

benefit: jobs, wages, tax revenue, new technology or skills; cost: profits sent abroad / poor working conditions / pollution / tax breaks reduce government revenue; each explained in context

2.5

for: markets under-provide merit and public goods, so the state can invest in education, health and infrastructure; against: government failure: corruption, poor information and inefficiency waste resources; clear development of both points

3.1

award up to [10]: any two strategies, explained and evaluated, e.g.: diversification: new exports reduce dependence on one volatile price; but needs skills, infrastructure and investment; debt relief: frees revenue for health and education; but may need conditions and good governance to work; FDI: capital, jobs, technology; but profits leave the country; aid, microcredit or education also credited; judgement on which works best for this country

3.2

market-led: openness to trade and FDI brings competition, technology and access to large markets; but can widen inequality and leave infant industries unprotected; interventionist: the state can build infrastructure, education and target key industries; but risks corruption and inefficient protected firms; evidence: successful economies combined export promotion with state investment in skills and infrastructure; judgement: the right mix depends on the quality of the country's institutions