

**ADVANCED GCE**  
**ECONOMICS**  
Economics of Development  
**FRIDAY 6 JUNE 2008**

**2886**

Afternoon  
Time: 1 hour 30 minutes

**Additional materials (enclosed):** Answer Booklet (8 page)

**Additional materials (required):**  
None



**INSTRUCTIONS TO CANDIDATES**

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided on the separate Answer Booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Answer Question 1 in Section A and answer **one** question from Section B.
- Write all your answers in the separate Answer Booklet provided.
- If you need to use additional answer sheets, fasten these sheets securely to the Answer Booklet.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **45**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.

This document consists of **4** printed pages.

## Section A

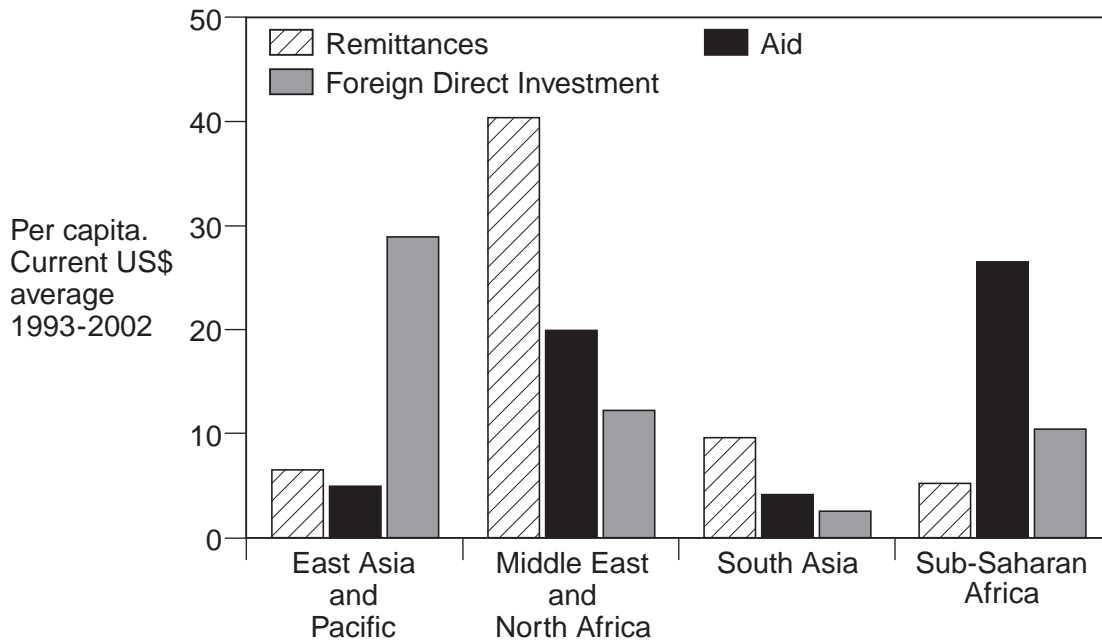
Answer this question.

1

### Financial flows into Sub-Saharan Africa

Three important financial inflows for developing economies are foreign aid (official development assistance), foreign direct investment (FDI) and remittances (money transfers) from national citizens working abroad. The relative size of these inflows to developing economies in four parts of the world is shown in Fig. 1.

**Fig. 1 Financial inflows to developing economies**



Data source: World Bank, 2004.

**(a) Using Fig. 1:**

- (i)** compare Sub-Saharan Africa's pattern of financial inflows with those of the Middle East and North Africa; [3]
- (ii)** how might these differences in the pattern of financial inflows be explained? [3]
- (b)** Comment on the advantages that FDI may have over remittances as a source of finance for developing economies. [4]
- (c)** State and explain **two** reasons why Sub-Saharan Africa might also suffer from high levels of financial **outflows**. [4]
- (d)** Discuss whether a developing economy can ever have too much foreign aid. [6]

**Section B**

Answer **one** question.

- 2 (a) Explain what distinguishes a developed economy from a developing economy. [10]  
(b) Discuss, with the help of examples, whether there is such a thing as a typical developing economy. [15]
- 3 (a) Explain why government failure may occur in developing economies. [10]  
(b) Discuss whether national or international factors are the main cause of the problems of developing economies. [15]
- 4 (a) Explain the features of a policy of import substituting industrialisation. [10]  
(b) Discuss whether import substituting industrialisation is an appropriate policy to help long term development. [15]

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*Copyright Acknowledgements:*

Fig. 1 Data source: World Bank, 2004. Sourced from *Our Common Interest*, Report of the Commission for Africa, March 2005, [www.commissionforafrica.org](http://www.commissionforafrica.org)

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