



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

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ECONOMICS

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Paper 3 Analysis and Critical Evaluation

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1 hour 30 minutes

INSERT

READ THESE INSTRUCTIONS FIRST

This insert contains extracts for Questions 1 and 2.

This document consists of **2** printed pages.



Extract for Question 1

Banking Services from Mobile (Cell) Phones

Mobile phone banking is able to offer low-cost financial services to people in Africa who do not have conventional bank accounts. The phone can be used to provide banking services such as holding a savings account, obtaining small loans, paying bills and transferring money. Launched in 2007, M-PESA is a system used in Kenya which gives financial services, via the mobile phone, to people who live a long distance from the nearest bank. In its first three months it attracted 95 000 customers.

Improving access to financial services is vital to reducing poverty. There are many workers who have moved away from rural areas and now work in the cities. Their wages paid into a M-PESA phone account in Nairobi, for example, can be sent via text to their home in rural areas via an approved agent – usually a retailer. Other advantages may be that a loan arranged through the system could help to expand business activities, while the ability to save may help poorer people to invest in livestock.

In 2007, Vodaphone announced an initiative which allowed Kenyans living in the UK to send money home to their families in Kenya by phone.

The amount sent home by workers in other countries is worth US\$200 billion a year and, therefore, the potential benefits of this system to developing countries are huge.

Extract for Question 2

Zambezi Hydro-Electric Power

Although hydro-electric power (HEP) projects on the Zambezi river have brought private benefits by providing electricity, they have also caused problems. One example of the problems is that they have changed river flows and damaged freshwater fishing. This has been estimated to have caused prawn fisheries to lose between US\$10 million and US\$20 million a year without any compensation.

A researcher said, 'large HEP projects are rarely the best option to bring electricity to local people. The poorest communities in rural areas may not be able to be connected to the system. Solar systems or smaller HEP projects are better.' For example, the small-scale, relatively cheap Tungu-Kabri project in Kenya benefits around 1000 people in a remote area who can now have electricity. Without this project, it would not be possible for these people to access the main electricity grid system.