**STRATHMORE BUSINESS SCHOOL**

MASTER OF SCIENCE IN DEVELOPMENT FINANCE

**END OF SEMESTER EXAMINATION**

**MDF 8106: DEVELOPMENT ECONOMICS**

**DATE:** Friday, 10th April 2026 **TIME:** 3 Hours

**Instructions**

1. This examination consists of **SIX** questions.
2. Answer **QUESTION ONE (COMPULSORY)** and **ANY OTHER THREE** questions.

**QUESTION ONE (30 MARKS)**

Below is data on several development indicators for countries A, B, C, D, E and F as published by a United Nations Development Agency. Statistics are provided for the following indicators – GNI per capita, life expectancy at birth, mean years of schooling, percentage of population living below the poverty line, Gini coefficient, share of agriculture and manufacturing in GDP and share of primary exports in total exports. Use the information in the Table below to answer the following questions.

| Country | GNI per capita (PPP$, 2016) | Life Expectancy at birth | Mean years of schooling | % of population living below$2 per day (PPP) | Gini Coefficient | Share of agriculture in GDP | Share of manufacturing in GDP | Share of primary exports in total exports |
|---|---|---|---|---|---|---|---|---|
| A | 14400 | 75.5 | 14.1 | 3.5 | 45.5 | 4.5% | 20% | 5% |
| B | 6420 | 68.0 | 9.2 | 13.4 | 43.9 | 25% | 27% | 10% |
| C | 1450 | 61.4 | 6.2 | 38.1 | 51.5 | 35% | 10% | 85% |
| D | 9800 | 73.3 | 12.6 | 5.1 | 42.3 | 8.2% | 23% | 7% |
| E | 1005 | 58.5 | 5.5 | 45.2 | 55.6 | 40.2% | 7% | 95% |
| F | 2520 | 64.5 | 8.7 | 30.1 | 29.7 | 32% | 13% | 80% |

(i) From the data above, what indicators provide information on a country's level of development? **(2 Marks)**

(ii) Rank the countries according to the level of development and indicate the income category of each country. **(3 Marks) – ½ Mark each)**.

(iii) From the data, rank the countries according to their human development index. **(4 Marks)**

(iv) How do low-income countries today differ from developed countries in their earlier stages of development? Highlight any four differences. **(4 Marks)**

(v) Using insights from the data above, explain the human capital approach to development **(6 Marks)**

(vi) Briefly explain the concept of illicit financial flows and how it undermines domestic resource mobilization **(6 Marks)**

(vii) Considering Country E's level of development, should the country pursue inward looking or outward looking trade policy? Explain **(5 Marks)**

## QUESTION TWO (10 MARKS)

(i) Briefly explain the concept of comparative advantage **(2 Marks)**

(ii) Briefly discuss **FOUR** specific measures that are needed to address the issues of transfer pricing and tax havens. **(8 Marks)**

## QUESTION THREE (10 MARKS)

(i) From theory, the process of economic development can be initiated through the big push, which entails concerted economy-wide and public policy led effort. Discuss **TWO** cases in which the big push might be necessary. **(4 Marks)**

(ii) Briefly explain **THREE** aspirations of the African Union Agenda 2063. **(6 Marks)**

## QUESTION FOUR (10 MARKS)

(i) Briefly explain how inequality is measured using functional distribution **(4 Marks)**

(ii) Briefly explain underdevelopment as a coordination failure **(6 Marks)**

## QUESTION FIVE (10 MARKS)

Briefly discuss **FIVE** arguments for trade liberalization.

## QUESTION SIX (10MARKS)

Suppose there are 30 households with the following incomes/consumption levels, with a poverty line of 4500. Calculate and interpret the following:

a) The Kuznets ratio of inequality **(5 Marks)**

b) Foster-Greer-Thorbecke (FGT Index) **(5 Marks)**

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|---|---|---|---|---|---|
| 1302 | 2800 | 3905 | 4515 | 5600 | 6170 |
| 1935 | 3120 | 4010 | 4945 | 5715 | 6255 |
| 2085 | 3290 | 4225 | 5032 | 5892 | 6450 |
| 2333 | 3475 | 4265 | 5309 | 5917 | 6650 |
| 2650 | 3655 | 4300 | 5438 | 6035 | 6820 |