



**Strathmore**  
UNIVERSITY

**STRATHMORE BUSINESS SCHOOL**

MASTER OF SCIENCE IN DEVELOPMENT FINANCE

END OF SEMESTER EXAMINATION

**MDF 8106: DEVELOPMENT ECONOMICS**

**Date:** Friday 5<sup>th</sup> April 2024

**Time:** 3 Hours

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**Instructions**

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

**Question 1 (Compulsory) (30 marks)**

Wandanda is a low income country situated in the global south. Its income per capita is currently estimated at US\$ 870. The economy is heavily reliant on agriculture, with agriculture accounting for 48% of GDP. The manufacturing sector only contributes about 9% of GDP and faces many challenges, key among them high levels of inefficiency due to outdated production technologies. The estimated poverty rate and Human Development Index are 44% and 0.49 respectively. The savings and investment rates are considerably low, averaging about 7% and 6% respectively. The unemployment rates are also very high.

- (i) Using the Linear stages theory, explain how the country of Wandanda can jumpstart growth and development. **(6 marks)**
- (ii) At what rate of growth should the country grow at to experience take-off given a capital to output ratio of 3? **(4 marks)**
- (iii) As a low-income country, briefly discuss any four characteristics that enable us to identify the country as a developing country **(8 marks)**
- (iv) Explain how Wandanda can make their economic growth more inclusive through employment creation **(6 marks)**
- (v) Should the country pursue inward looking or outward looking development policies? Explain **(6 marks)**

**Question 2 (10 marks)**

The country of Wandanda discussed in question one above needs to source for ways of financing sustainable development. Briefly discuss any five ways that the country can use to generate resources for sustainable financing.

**Question 3 (10 marks)**

Developing countries implemented the Millenium Development Goals between 2000 and 2015. A lot of progress was made towards the achievement of goals especially education and health outcomes. Discuss any five lessons that the countries learnt after the implementation of the Millenium Development Goals.

**Question 4 (10 marks)**

Following from Mohamed Yunu's case on Grameen Bank,

- (i) Briefly discuss key innovations in microfinance that were presented by the case **(6 marks)**
- (ii) Discuss how your country can achieve inclusive development through microfinance. **(4 marks)**

**Question 5 (10 marks)**

Suppose there are 36 people in an economy, with a poverty line of 4500. Given their consumption levels below, calculate and interpret the following:

2010	2790	3270	4050	4750	5320
2200	2880	3530	4250	4820	5400
2330	2900	3780	4430	4910	5570
2660	3050	3910	4560	5100	5600
2730	3090	3980	4620	5215	5750

- (i) The poverty Gap **(4 marks)**
- (ii) The FGT index **(6 marks)**

**Question 6 (10 marks)**

Briefly discuss the Prebisch and Singer hypothesis and its implications for a developing country that heavily relies on exports of primary products.