



Strathmore
UNIVERSITY

STRATHMORE BUSINESS SCHOOL

MASTER OF SCIENCE IN DEVELOPMENT FINANCE

END OF SEMESTER EXAMINATION

MDF 8106: DEVELOPMENT ECONOMICS

Date: Thursday 7th April 2022

Time: 3 Hours

Instructions

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

Question 1 (30 marks)

Kenya is a typical Sub-Saharan African country which has over time experienced moderate levels of economic growth. The country became a lower middle-income country in 2014, even though poverty and inequality levels still remain high. The country's GDP is mainly driven by agriculture and service sectors, while manufacturing is still lagging behind. While the country has over time sought an export-led growth, the main exports are primary products, including tea, coffee and horticulture.

- i. Identify any six characteristics of Kenya that make it a typical developing country
(6 marks)
- ii. Discuss the country's growth path and identify the theory that explains the growth path
(8 marks)
- iii. Can the country benefit from an export-led growth given the heavy reliance on the exports of primary exports? Explain your answer.
(8 marks)
- iv. Identify and explain four policies that the country can pursue to address the high levels of poverty and inequality
(8 marks)

Question 2 (10 marks)

Even though the developing world has made significant progress in development over time, the global economy has extreme contrasts. Explain how such an unequal world came about and remained persistently unequal?

Question 3 (10 marks)

The Foster-Greer-Thorbecke (FGT) index is the most commonly accepted measure of poverty. Suppose there are 30 people in an economy, with a poverty line of 4000. Given their expenditure levels, calculate and interpret the FGT index.

2050	2490	3270	4030	4450	4740
2100	2660	3530	4150	4550	4780
2230	2800	3780	4230	4620	4810
2440	2950	3910	4400	4700	5000
2460	3010	3980	4420	4715	5250

Question 4 (10 marks)

The main transformative shift of the Sustainable development Goals is the need for developing countries to mobilize their own resources for development. Explain how the developing countries can mobilize domestic resources to finance development.

Question 5 (10 marks)

Early economists premised that benefits of growth would automatically trickle down to the poor, which has not be the case. The issue of inclusive growth became importnat, especially with the Sustainable Development Goals' principle of Leave no one Behind. Explain any five ways through which countries can make their growth more inclusive.