



STRATHMORE BUSINESS SCHOOL
MASTER OF SCIENCE IN DEVELOPMENT FINANCE
END OF SEMESTER EXAMINATION
MDF 8106: DEVELOPMENT ECONOMICS

Date: Tuesday 26th March 2024

Time: 3 Hours

Instructions

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

Question 1 (30 marks)

The country of Barako is a typical developing country that is characterized by high poverty rates, low Humna Development Index, high unemployment levels, over reliance on agriculture, low contribution of manufacturing to GDP and low savings & investment.

- (i) Use the Haussmann-Rodrik-Velasco Growth Diagnostics Framework to identify the country most binding constraints to growth and development and provide at least two recommendations on how the country can jumpstart growth and development
(12 marks)
- (ii) Using the Hecksher-Ohlin Neoclassical factor endowment trade theory, explain what Barako should specialize in so that they can benefit from trade. **(6 marks)**
- (iii) According to Rostow's stages of growth and development, the transition from underdevelopment to development can be described in terms of a series of steps or stages through which all countries must proceed.
 - a. Briefly discuss the five stages of growth and development and identify which stage the country of Barako is at. **(10 marks)**
 - b. What should Barako do to jumpstart growth and development? **(2 marks)**

Question 2 (10 marks)

Suppose there are 30 households earning the following income levels. Using deciles, calculate the income shares and the Kuznet's index of inequality. Interpret the level of inequality.

2312	3011	4193	4815	5588	6040
2445	3350	4267	5021	5613	6146
2543	3540	4370	5146	5790	6350
2691	3624	4515	5299	5855	6499
2851	3845	4760	5365	5888	6622

Question 3 (10 marks)

Can today's developing countries be favorably compared with those in developed countries at an early stage of development? Identify and briefly explain any five similarities or differences

Question 4 (10 marks)

- (i) What do you understand by a Multidimensional Poverty Index? **(2 marks)**
- (ii) Suppose a household has the following characteristics (a) a child has died (b) another child is malnourished (c) there is one child who is out of school (d) they have no electricity, safe drinking water and sanitation. What would be their MPI score? Interpret the score **(8 marks)**

Question 5 (10 marks)

- (i) What do you understand by inclusive growth and development? **(4 marks)**
- (ii) Briefly explain Amartya Sen's capability approach and how does it help us in gaining insights into development goals and achievements? **(6marks)**

Question 6 (10 marks)

- (i) Is it possible for a country to grow without development? Explain. **(4 marks)**
- (ii) The African Union Agenda 2063, as a strategic framework for the socio-economic transformation of the continent over the next 50 years, had several aspirations. Briefly explain any three aspirations. **(6 marks)**