



A F R I C A

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMEC 403: DEVELOPMENT ECONOMICS

END OF SEMESTER EXAMINATIONS

NOVEMBER 2024

LECTURER: MR T MASESE

TIME: 3 HOURS

INSTRUCTIONS CANDIDATES

1. Answer any FOUR questions
2. All questions carry equal marks
3. Start each question on a new page.
4. Show all workings where applicable

Question 1

- a. According to the Harrold-Domar theory of economic development (AK model), one of the principal strategies of development necessary for any take-off was the mobilisation of domestic and foreign saving in order to generate sufficient investment to accelerate economic growth. Outline and discuss the AK model of economic development clearly explaining the role of savings, investment and capital accumulation **(15 marks)**
- b. In addition to investment, two other components of economic growth are labour force growth and technological progress. What is technological progress? Briefly explain each of the following forms of technological progress:
 - i. Capital saving technological progress **(2 marks)**
 - ii. Labour saving technological progress **(2 marks)**
 - iii. Neutral technological progress **(2 marks)**
 - iv. Labour-augmenting, technological progress **(2 marks)**
 - v. Capital-augmenting technological progress **(2 marks)**

Question 2

- a. Consider the Harrod-Domar model. Suppose that initially, Developa, a developing country's capital-output ratio (k) is 6, and the savings rate (s) is 12%.
 - i. What will be the initial GDP growth rate? **(2 marks)**
 - ii. Suppose that technological advances cause the capital-output ratio to fall to 4. How will this affect the GDP growth rate? **(3 marks)**
 - iii. Starting again from the initial situation, suppose instead that the national savings rate is increased to 15%. How will this affect the GDP growth rate? **(3 marks)**
 - iv. What does the Harrod-Domar model tell us about the sources of economic growth? **(6 marks)**
- b. Development is both a physical reality and a state of mind in which society has, through some combination of social, economic, and institutional processes, secured the means for obtaining a better life. Whatever the specific components of this better life, development in all societies must have at least three objectives. Discuss the three core values of development and three main objectives of development **(10 marks)**

Question 3

- a. Briefly outline and explain the Sustainable Livelihoods Approach (SLA) development model, its principles and implications for development planning. (15 marks)
- b. Development traps have become a fashionable area of academic dispute, with a fairly predictable right-left divide. Discuss the 4 main poverty traps and their impact on development (10 marks)

Question 4

- a. The UN 2030 Agenda for Sustainable Development was published in 2015, setting up 17 Sustainable Development Goals (SDGs) which should be achieved by 2030. Briefly discuss any 3 SDGs outlining the specific targets of each of the goals (10 marks)
- b. Describe the main features of participatory development? Outline and discuss the main levels of participation and the key challenges faced in ensuring participation by the public (15 marks)?

Question 5

There are a total of twenty (20) citizens living in Porvata, an African developing country. Eight (8) are farmers, each with the respective annual incomes \$207, \$340, \$300, \$208, \$345, \$400, \$430 and \$475. Seven (7) others are small businesswomen, each of whom earn \$700 per year. The final five residents own factories and resorts making \$1,000, \$1300, \$1208, \$1500 and \$1750 per year respectively.

- i. What is the total income in the country? (2 marks)
- ii. Based on the information given above find the percentage of income earned by the poorest 20%, 40%, 60%, 80% and 100% respectively (4 marks)
- iii. Calculate the Kuznets ration and the Palma ratio (4 marks)
- iv. In general, what is a Lorenz curve and what measure? Graph this country's Lorenz curve. (3 marks)
- v. If you are given that the area between the diagonal and the Lorenz curve you plotted above is 0.33, calculate the Gini coefficient for this population. What can you say about income distribution in this country? (3 marks)
- i. Suppose the absolute poverty line for this population is \$350, calculate the poverty headcount, headcount index, total poverty gap, average poverty gap, normalised poverty gap and average income shortfall (9 marks)

END OF EXAMINATION
