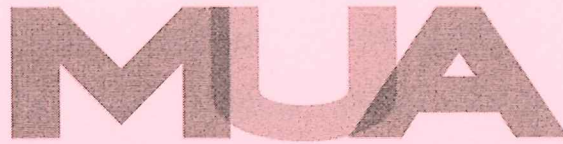


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BMT 302 : ECONOMIC DEVELOPMENT

DATE: 24TH MARCH 2025

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

ECONOMIC AND INVESTMENT CLIMATE IN KENYA'S INFRASTRUCTURE DEVELOPMENT

Kenya has become one of the leading economies in East Africa, with significant progress in infrastructure development and a favorable investment environment. Following the implementation of the new Constitution in 2010, the country has experienced both political and economic reforms that have enhanced business opportunities, particularly in infrastructure development, including transport, energy, and housing.

Kenya operates as a unitary state with a devolved governance system, divided between the National Government and 47 County Governments. The 2010 Constitution introduced a new structure of government aimed at improving service delivery and decentralizing power to local levels. Kenya has experienced political stability since the 2013 elections, which has been instrumental in creating a conducive environment for investment.

The Kenyan government has prioritized infrastructure development as a key element of its economic strategy. Under Vision 2030, the government aims to position Kenya as a globally competitive and prosperous nation by focusing on transforming its infrastructure. This includes a comprehensive road network, an expansion of the electricity grid, and improvements to the public transportation system. The government's commitment to infrastructure development has opened up numerous opportunities for private investors, both local and international.

The transport sector is vital to Kenya's economy, given its strategic position as a gateway to East and Central Africa. The expansion of the Standard Gauge Railway (SGR) between Nairobi and Mombasa is one of the country's largest infrastructure projects in recent years. The SGR aims to reduce the cost of freight transport, enhance regional trade, and promote connectivity within the East African Community (EAC). Additionally, Kenya is investing heavily in the development of airports and seaports, including the expansion of the port of Mombasa and the construction of the Lamu Port.

Kenya's energy sector has also undergone significant growth, driven by both domestic and foreign investments. The government has made strides in expanding the national electricity grid, focusing on renewable energy sources such as geothermal, wind, and solar power. This shift towards clean energy has attracted considerable foreign investment, as Kenya seeks to position itself as a leader in sustainable energy within the region.

The housing and real estate sector in Kenya is one of the fastest-growing areas of investment. With a growing middle class, rapid urbanization, and increasing demand for affordable housing, the sector has seen a boom in construction. The government's Big Four Agenda, which includes **a focus on affordable housing**, has created more opportunities for developers, real estate investors, and contractors to engage in the construction of both residential and commercial properties.

Kenya has made significant strides in improving its business climate, ranking favorably in the World Bank's Ease of Doing Business index. The government's efforts to streamline regulatory processes and foster a stable economic environment have made Kenya an attractive destination for foreign direct investment (FDI). The creation of Special Economic Zones (SEZs) and public-private partnership (PPP) frameworks further enhance opportunities for investment, particularly in infrastructure projects.

Kenya's membership in the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) has allowed for greater regional integration and the free movement of goods, services, and labor within the region. This integration has had a positive impact on Kenya's infrastructure development, as projects such as the Northern Corridor Transport Infrastructure Project have benefited from regional cooperation.

Despite the numerous opportunities, there are several challenges facing infrastructure development in Kenya. These include bureaucratic inefficiencies, land acquisition issues, corruption, and insufficient funding for large-scale projects. Additionally, while Kenya's energy sector is growing, the country still faces electricity supply challenges, particularly in rural areas.

In conclusion, Kenya's focus on infrastructure development as a driver of economic growth has created a dynamic investment environment. As the government continues to prioritize the development of its transport, energy, and housing sectors, Kenya is expected to become an even more attractive investment destination in the coming years. However, addressing the challenges that remain will be critical to ensuring sustainable and inclusive growth.

Source: Kenya News

Required:

- a) The case study highlights the importance of the ICT and business process outsourcing sectors to Kenya's economic transformation under Vision 2030. In light of this, explain five ways that these sectors have contributed to employment generation and economic diversification in Kenya (10 Marks)
- b) The Standard Gauge Railway (SGR) project is one of Kenya's most ambitious infrastructure undertakings, as mentioned in the case study. Describe five ways in which the successful completion of the SGR will benefit Kenya economically and improve regional connectivity (10 Marks)
- c) Kenya is increasingly focusing on renewable energy sources, such as wind and geothermal power, to meet its energy needs. Based on the case study, highlight five specific ways that this transition to renewable energy is expected to strengthen Kenya's economy and its position as a regional energy leader (5 Marks)

QUESTION TWO

- a) In the context of Kenya's economic challenges, examine five key demerits of underdevelopment (10 Marks)
- b) While Gross Domestic Product (GDP) is widely used to measure economic performance, it has several limitations as a development indicator. State five limitations of using GDP as the sole measure of a country's development (5 Marks)

QUESTION THREE

- a) The theory of comparative advantage plays a crucial role in international trade. Drawing from relevant sources, analyze five benefits of theory of comparative advantage and explain its relevance to global trade dynamics (10 Marks)

- b) International trade plays a vital role in shaping the economies of countries like Kenya. Assess five potential opportunities for Kenya through international trade and their possible impact on the economy (5 Marks)

QUESTION FOUR

- a) Kenya has accumulated significant debt from various countries, including Japan, to finance infrastructure development projects. Explain five potential consequences of Kenya's debt to Japan on its economic stability and development trajectory (10 Marks)
- b) Trade deficits and current account deficits are crucial indicators of a country's economic health. Analyze the potential effect of a trade deficit on Kenya's economy (5 Marks)

QUESTION FIVE

- a) Per capita income is often used as a measure of a country's economic development, but it has certain shortcomings. Elaborate five (5) reasons why per capita income may not be a comprehensive measure of economic development in Kenya (10 Marks)
- b) Malthus' theory on population dynamics has had a significant impact on economic thought. Highlight five (5) key assumptions made by Malthus in his population theory and their relevance to current global population trends (5 Marks)

QUESTION SIX

- a) Multilateral financial institutions play a significant role in the global economy. Describe five key functions that multilateral financial institutions perform in fostering economic development and global financial stability (10 Marks)
- b) Labour shortages can significantly affect a country's economic development. Outline five (5) economic challenges that a developing country may face due to a shortage of skilled labor (5 Marks)

