



POST GRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF ARTS IN DEVELOPMENT
STUDIES

MDE 516: ECONOMICS OF DEVELOPMENT

DATE: 2ND APRIL 2026

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 **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 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 and answer the questions that follow:

ECONOMIC DEVELOPMENT OF TANZANIA

Tanzania, the second-largest economy in East Africa, has a GDP of about \$80 billion and a per capita income of \$1,700. Despite being resource-rich, about 34% of the population still lives in poverty. Agriculture is the backbone of the economy, employing nearly 80% of the population. Other significant contributors are mining, tourism, and natural gas. The nation benefits from political stability and foreign direct investment (FDI), though corruption, infrastructure gaps, and dependence on agriculture remain challenges.

Indicator	Value
GDP (2023 est.)	USD 80 billion
GDP Growth Rate	7% annually
GDP per Capita	USD 1,700
Employment in Agriculture	80%
FDI Contribution to GDP	6.5%
Inflation (2015)	6.4%

Tanzania has a diverse population exceeding 50 million with over 120 ethnic groups. Christianity and Islam dominate religious affiliations. Urban migration is increasing, although rural areas still account for over 70% of the population. Historically, Tanzania transitioned from the socialist Ujamaa system under Julius Nyerere to liberalized markets in the 1980s, encouraging privatization and FDI.

Religion	Population	% Share
Christian	31,191,200	61.4%
Muslim	17,881,600	35.2%
Folk Religion	914,400	1.8%
Others	812,800	1.6%
Total	50,800,000	100%

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Tanzania's economic growth has been largely supported by mining, agriculture, construction, and tourism. Major exports include gold, tobacco, coffee, cotton, and fish products. Main trade partners are China, Switzerland, South Africa, India, and Kenya. Despite strong growth, challenges include inflationary pressures, currency depreciation, and dependence on imports of capital goods.

Year	Exports	Imports	Balance
2011	260.2	59.0	201.2
2012	245.4	114.9	130.5
2013	412.0	70.3	341.6
2014	302.2	86.1	216.1
2015	117.6	79.8	37.8

The Human Development Index (HDI) in 2013 was 0.488, ranking Tanzania 159 out of 187 countries. Life expectancy is about 61 years, while poverty and inequality remain widespread. Agriculture contributes 26% of GDP and 75% of employment, with key crops including maize, coffee, tobacco, tea, and cotton. Livestock also plays a major role. However, farming is largely rain-fed, with low irrigation use and limited financial access for smallholders.

Sector	2008 (%)	2011 (%)	2014 (%)
Agriculture, Forestry, Fishing	29.7	28.7	~28.0
Mining & Quarrying	3.7	3.8	~4.0
Manufacturing	8.6	9.2	~9.0
Construction	8.5	8.9	~9.0
Trade, Hotels & Restaurants	15.7	16.0	~16.0
Finance & Real Estate	11.2	10.1	~10.0
Public Admin, Health & Education	9.0	8.6	~8.5

Conclusion:

Tanzania's economy has grown steadily due to natural resources, agriculture, and foreign investment. However, persistent poverty, corruption, and underdeveloped industrial capacity hinder progress. Strengthening governance, improving infrastructure, expanding irrigation, and diversifying exports will be critical for sustained economic development.

Source: *Vishwas Gupta, Lovely Professional University*

Required:

- a) Using the data provided, analyze five reasons why GDP growth in Tanzania has not automatically translated into improved human development outcomes.

(5

Marks)

- b) "Tanzania's reliance on agriculture remains both an opportunity and a constraint to its economic development." Critically evaluate this statement with three points for each.

(6 Marks)

- c) Discuss how Foreign Direct Investment (FDI), which contributes 6.5% to Tanzania's GDP, has shaped the country's economic growth. What three risks and three benefits do this present?

(6 Marks)

- d) In reference to the case study, examine four structural challenges that hinder Tanzania's economic transformation despite strong GDP growth. **(8 Marks)**

- e) Tanzania wants to achieve middle-income status by 2030. Discuss five key reforms in governance and infrastructure that are necessary to achieve this.

(5

Marks)

QUESTION TWO

- a) Some economists have argued that Gross Domestic Product (GDP), as compared to the Human Development Index (HDI), is a better measure of economic development. Evaluate the extent to which this statement is true with five points

(10

Marks)

- b) *“Foreign aid and assistance are indispensable for a developing country.”* With five reasons critically examine this statement with reference to Kenya. **(5 Marks)**

QUESTION THREE

- a) Discuss the view that economic development will be most effectively achieved through a freely operating market economy with at least five points **(7.5 Marks)**
- b) Comprehensively discuss five roles and contribution of education to economic development in Kenya.
(7.5 Marks)

QUESTION FOUR

- a) Examine the significance of economic, political, historical, geographical, institutional, and environmental factors involved in the development of poor nations.
(5 Marks)
- b) *“Evidence shows that more accountable governments are more successful in dealing with economic growth factors.”* True or false? Support your stance with five points
(10 Marks)