



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF
ECONOMICS (COOPERATION AND HUMAN DEVELOPMENT)

EAE 841: HUMAN DEVELOPMENT I: CONCEPTUAL FOUNDATIONS AND
USE OF HD

DATE: Wednesday 10th May 2017

TIME: 2.00p.m-5.00p.m

INSTRUCTIONS:

ATTEMPT ALL QUESTIONS

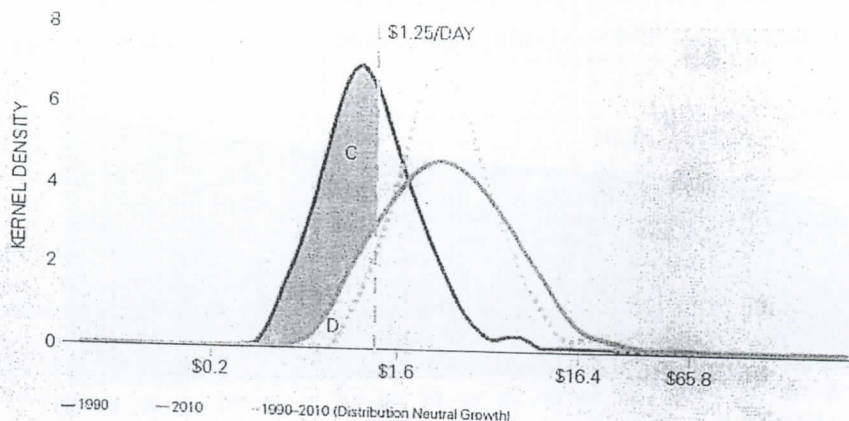
Question One

- Explain the distinction between growth effect and distributional effect and their potential impact for reducing absolute poverty (4 marks)
- Comment on the following figure and explain how poverty changed from 1990 to 2010 on the basis of the two effects discussed above (4 marks)

FIGURE 3.1B

INCOME DISTRIBUTION IN EAST ASIA AND PACIFIC

DAILY PER CAPITA INCOME PPP'S (2005), NATURAL LOGS



Source: Estimates using PovcalNet, The World Bank.

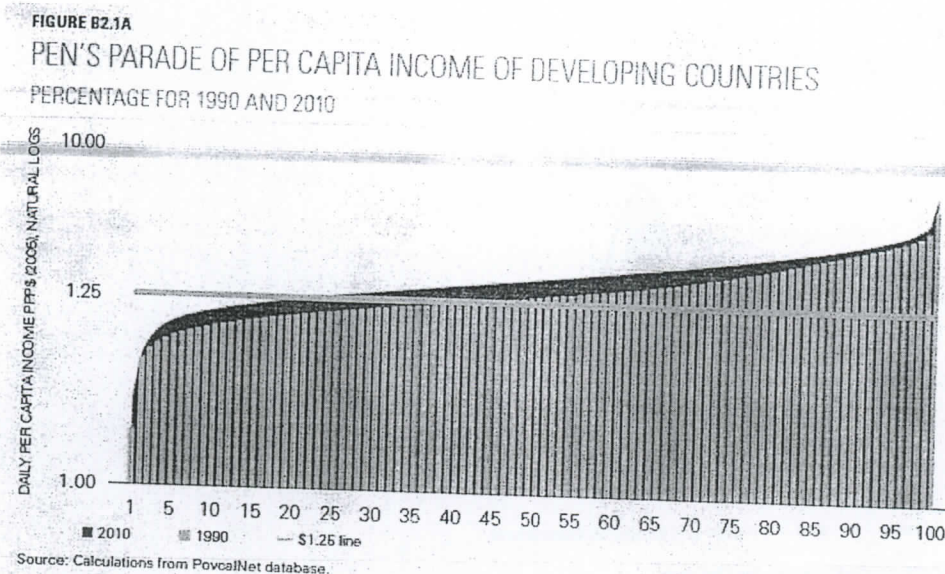
- c) Explain the link between economic growth and income inequality according to Kuznets hypothesis. (3 mark)
- d) Describe, by use of a diagram and a relevant example, the linkages between resources, capabilities and functionings as postulated by Amartya Sen. (4 marks)

Question Two

- a) Assume three households with the following characteristics:
- Household #1: a couple with two children below the age of 15 and income (Y) = 1000
 - Household #2: an adult with three children below the age of 15, Y=700
 - Household #3: three adults and a child below the age, Y=800

Calculate the equivalent incomes for the three households using any two different equivalence scales and compare the results across household and between scales. (4 marks)

- b) Given the vectors of income $X=[10, 20, 50, 120, 200]$ and $Y = [50, 50, 50, 200]$ calculate, comment and compare the corresponding Lorenz curves. (4 marks)
- c) Describe the concept of “shared prosperity” explaining how this concept is measured by the World Bank. (3 marks)
- d) Explain how the Pen’s Parade can be depicted and interpreted and comment on the following figure that compares the Pen’s parade of income for developing countries in 1990 and 2010. (4 marks)



Question Three

- Define the meaning of objective and subjective poverty and provide examples on how poverty lines can be set up in the two cases. (2 marks)
- Phonate the formulae and meaning of the three following measures of poverty: incidence (H), intensity (PGI) and severity (SPG). Discuss the policy implications that can derive by the use of these three different indexes. (4 marks)
- Calculate the poverty indexes discussed in the point (b) on the following income vector $K=[2, 5, 8, 10, 14, 20, 30]$ assuming a poverty line $z = 12$ (5 marks)
- Discuss the World Bank goal of “ending poverty by 2030” and comment on the poverty measures reported in the following table. (4 marks)

Table 0.1 World and Regional Poverty Estimates, 2013

Region	Headcount ratio (%)	Poverty gap (%)	Squared poverty gap (%)	Poor (millions)
East Asia and pacific	3.5	0.7	0.2	71.0
Eastern Europe and Central Asia	2.3	0.6	0.3	10.8
Latin America and the Caribbean	5.4	2.6	1.8	33.6
Middle East and North Africa	-	-	-	-
South Asia	15.1	2.8	0.8	256.2
Sub-Saharan Africa	41.0	15.9	8.4	388.7
Total, six regions	12.6	3.8	1.8	766.6
World	10.7	3.2	1.5	766.6

Question Four

- Calculate the HDI for the following countries and comment on the results

Country	Life expectancy (years)	Mean years of schooling (years)	Expected years of schooling (years)	GNI (US\$ PPP)
Tanzania	65	5.1	9.2	2411
Malawi	62.8	4.3	10.8	747

(5 marks)

- Explain the Gender Inequality Index (GII) clearly specifying the dimensions included in its measurement and the indicators used. (3 marks)
- Discuss the meaning of IHDI and the additional information provided compared to the HDI. (3 marks)

d) Comment on the following figure.

(4 marks)

Relationship between economic growth and the HDI and its nonincome components, 1970-2010

