KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF ECONOMICS

EAE 405: DEVELOPMENT PLANNING

DATE: MONDAY 29TH JANUARY 2018 TIME: 4.30 P.M. – 6.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

(a) Consider an economy with three industries: coal, electricity, and railways. To produce KSHS 1 of coal requires KSHS 0.25 worth of electricity and KSHS. 0.25 rail costs for transportation. To produce KSHS. 1 of electricity requires KSHS. 0.65 worth of coal for fuel, KSHS. 0.05 of electricity for the auxiliary equipment and KSHS 0.05 for transport. To provide KSHS 1 worth of transport, the railway requires KSHS 0.55 coal for fuel and KSHS 0.10 for electricity. Each week the external demand for coal is KSHS 50,000 and the external demand for electricity is KSHS. 25,000. There is no external demand for the railway.

(i) Write out the following:

- The input matrix (3 marks)
- The Leontief matrix (3 marks)
- The specific input-output matrix equation for this economy (3 marks)

Presented below is the inverse matrix for the above three sector economy.

$$[1-A]^{-1} = \begin{bmatrix} 1.50298 & 1.07753 & 0.934392 \\ 0.437376 & 1.37177 & 0.377733 \\ 0.397614 & 0.337972 & 1.25248 \end{bmatrix}$$

(ii) Find the sectoral total output that will be necessary for the realization of the planned level of final demand (3 marks)

(iii) Find the grand total output that must be produced in the economy to realize the planned final demand (2 marks)

(b) Using relevant examples, explain how devolution process in Kenya is impacting the overall macroeconomic planning (6 marks)

(c) Citing various examples from developing countries explain case for and against development planning (10 marks)

QUESTION TWO (20 MARKS)

In order to design and analyze effective projects, critical aspects must be considered and reconsidered at every stage of project planning and implementation. Using a relevant project, discuss the various aspects that you must consider so that the project may achieve its intended objectives. (20 marks)

QUESTION THREE (20 MARKS)

In 2014, Kenya secured rights to plan and host the 2018 African Nations Championship (CHAN). However, just few months to the championships, the country was stripped of the rights. It is the second time Kenya has lost the right to stage an African Football competition after being replaced by South Africa as 1996 Africa cup of Nations hosts. Using knowledge from development planning, discuss what could have led to the failure on the part of the country to host CHAN (20 marks)

QUESTION FOUR (20 MARKS)

(a) Using a hypothetical example, critically discuss the key stages of project cycle (10 marks)

(b) Briefly explain the limitations of using Incremental Capital-Output Ratio (ICOR) s a planning technique (10 marks)

QUESTION FIVE (20 MARKS)

(a) Explain why development planning in Kenya is said to be a compromise between the characteristics of planned and unplanned economics (10 marks)

(b) Kenya's Vision 2030 is a long term plan. The achievements of the Vision are anchored on three pillars. State and explain briefly the pillars of Vision 2030, outlining clearly the aims of each pillar (10 marks)