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KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2015/2016

THIRD SEMESTER EXAMINATION FOR DEGREE OF EXECUTIVE AND MASTER OF PUBLIC POLICY AND ADMINISTRATION

APP 817: PUBLIC POLICY ANALYSIS

DATE: Tuesday, 2nd August, 2016 TIME: 5.30 p.m. - 8.30 p.m.

INSTRUCTIONS:

Answer any **THREE** questions from the list below. Each question carries 20 marks so that the total possible number of points is 60.

Question 1

Describe the types of potential market failures in detail, and provide examples of each type. What is the relevance of the concept of market failure to government intervention in the economy? Explain as fully as possible.

Question 2

Kingdom article "Agendas, Alternatives and Public Policies", states that policy comes out of a simultaneous opening of three different "windows" involving three different types of people or interests. He names these "problems", politicians", and "programs". Make up a hypothetical example (or give a real example) of a public policy that might (or did) emerge from the opening of these three windows. The point of the question is, of course, for you to show, in the context of this policy, specifically what those three windows were and how they were distinct from each other. How important are "policy entrepreneurs" in the agenda-setting process?

Question 3

In some areas of the nation, the problem of "affordable housing" has become acute. According to the National Housing Corporation (NHC) some 2 million renter and homeowner households, currently pay more than 50 percent of their annual incomes for housing, far above the 30 percent of annual income considered affordable by NHC. Further, according to NHC a family with one full-time

*INVOLVEMENT IN ANY **EXAMINATION IRREGULARITY** SHALL LEAD TO **DISCONTINUATION*** worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the Nairobi. In response to this, activists and governments in many areas have proposed many different policies designed to bring housing costs down to acceptable levels. Apply knowledge from your course work to analyze the following three potential policies of addressing the situation.

a) Rent controls limiting the rent in an area to a specified amount, for example, no greater than 30 percent of the median household income in the area;

b) Property tax credits and development incentives given to developers of housing that will meet affordability targets (again usually expressed as having a monthly rent no greater than a specified amount; and

c) Housing vouchers given directly to families to help them pay for the cost of housing.

Question 4

Public advocacy is a necessary feature of the policy analyst's role whether s/he is arguing for a personal stance or for someone else's. Discuss the stages of the policy cycle and how policy advocacy can affect the evolution of policy at each stage for better or worse.

Question 5

a) Compute the net present value (NPV) of the following projects:

Project A	Years	0	1	2	3	4	5
	Benefits	0	300	400	500	600	700
	Costs	2000	200	200	200	200	200
	Discount rate = 5%						
Project B	Years	0	1	2	3	4	5
	Benefits	0	10000	15000	20000	30000	10000
	Costs	40000	0	0	0	0	10000
	Discount rate = 7%						

Imagine you are faced with three alternatives, each of which cost Kshs.1000. Which would you decide to build, assuming the discount rate is 15 percent?

a) A bridge which takes five years to build, then yields Shs.500 benefits per year for next ten years.

b) Temporary classrooms for schools yielding Shs.500 benefit per year for three years.

c) Tax breaks to a foreign auto manufacturer for a new auto plant, yielding Shs.200 benefit per year forever.