KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2013/2014

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF ECONOMICS

EAE 405: DEVELOPMENT PLANNING

DATE: Monday 25th November 2013 **TIME:** 8.00a.m -10.00a.m

INSTRUCTIONS: ANSWER QUESTION ONE AD ANY OTHER TWO QUESTIONS

Question One

a) Using relevant examples explain the following concepts as used in development planning:

i) Economic development [3marks]

ii) Planning by inducement [3marks]

iii) Goals of development planning [3marks]

iv) Shadow pricing [3marks]

b) Discuss five phases of a project cycle. [10marks]

c) Describe the role of Human and Non-Human Resources development planning. [8marks]

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Question Two

a) Using the information given below, determine the net present value of the below projects and rank them accordingly. Market rate of interest = 20% [12marks]

Year	PROJECTS					
	X		Y		Z	
	Benefits	Costs	Benefits	Costs	Benefits	Costs
0	0	150	0	313	0	299
1	100	80	160	250	400	145
2	220	80	170	190	450	175
3	400	60	650	240	40	210

b) "In developing countries there has been an observation of massive failure of development planning" Account for this phenomenon. [8marks]

Question Three

a) What are the draw-backs of using input-output model as a development planning tool? [8marks]

b) Provided below is a matrix of input coefficients of country X.

$$\begin{bmatrix} 0.15 & 0.01 \\ 0.48 & 0.27 \end{bmatrix}$$

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Required

i) Determine the industrial output that are consistent with the final demand as indicated below $\begin{bmatrix}600\\980\end{bmatrix}$

[8marks]

ii) Determine the minimum primary sectors' resources for (i) to be feasible. [4marks]

Question Four

a) Discuss the importance of development planning for a small open and developing country. [10marks]

b) Explain the obstacles of development planning in developing countries. [10marks]

Question Five

a) What are the primary objectives envisaged in the Kenyan Vision 2030? [10marks]

b) Discuss the salient features of the economic pillar of the development agenda in Kenya Vision 2030. [10marks]

Assume an oligopolistic market structure with 2 identical firms each facing costs and inverse demand functions $P_i(q_i) = C_i(q_j)$

$P_i = \alpha_i - \beta q_i - \delta q_j \Leftrightarrow P_j = \alpha_j - \beta q_i - \delta q_i$

Compute cournot equilibrium output and profits of the firms

If $\alpha_i = \alpha_j = \alpha$ $\beta_i = \beta_j = \delta$

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