



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

BACHELOR OF ARTS

EAE 405: DEVELOPMENT PLANNING

DATE: 20/8/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

- (i) Answer question one (Compulsory) and any other two questions
- (ii) Do not write on the question paper
- (iii) Show your working clearly

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Briefly describe Wassily Leontief (1950) Input-Output planning technique explaining the analysis processes, assumptions and steps (10 marks)
- b) In order to design and analyze effective projects, it is necessary to consider many **ASPECTS** which together determine how profitable the project will be. These aspects are closely interrelated and all of them must be considered and reconsidered at every stage of project planning and implementation. Brief explain these **ASPECTS**. (8 marks)
- c) Define the following terms (2 marks)
 - i. Project
 - ii. Program
- d) From the table of coefficient of input-output shown below, determine the macroeconomic solution for final output (10 marks)

	Sector <i>I</i>	Sector <i>II</i>
Sector <i>I</i>	0.133	0.308
Sector <i>II</i>	0.2	0.192
Imports	0.2	0.115
Primary Inputs	0.467	0.385
Total	1.00	1.00

QUESTION TWO (20 MARKS)

- a) Differentiate between anti cyclical and development planning as you understand them in economic planning. (5 marks)
- b) A project cycle is the sequence that is followed or a way in which projects are normally planned and carried out that is where to begin and end following a number of stages. Briefly explain the main stages of a project cycle. (5 marks)
- c) As a planning technique differentiate between Capital-Output Ratio (COR) and Incremental Capital-Output Ratio (ICOR) (5 marks)
- d) There are a number of reasons why the implementation of development program and plans such as Big four plan may fail. Discuss these reasons. (5 marks)

QUESTION THREE (20 MARKS)

- a) Differentiate between planning and plan and explain why country should plan (5 marks)
- b) Describe the kind of resources required in planning (5 marks)
- c) Describe the shortcoming of input-output analysis (6 marks)
- d) Briefly describe the Cost Benefit Analysis in project- Based Planning giving examples in Kenya and its limitations (4 marks)

QUESTION FOUR (20 MARKS)

- a) A project to be successful, it must accommodate the institutional structure of the country and region. In order to achieve this, important questions must be asked. Briefly explain these questions. (5 marks)
- b) Planning by inducement is often referred to as “*indicative planning*” or ‘*market incentives*’. In such a type of planning, the market is manipulated through incentives and inducements. Accordingly, in this system there is persuasion rather than compulsion or deliberate enforcement of orders. This kind of economic planning for developments has some components or approaches. Briefly explain and give example (you can quote the ones I gave during Lecture time) in Kenya. (5 marks)
- c) Discuss the challenges Kenya is facing in implementation of Vision 2030 constitution (4 marks)
- d) Discuss and compare the centralized planning in former USSR and decentralized planning in Kenya currently (6 marks)

QUESTION FIVE (20 MARKS)

- a) Briefly differentiate between planning by directions and planning by inducement as an economic planning procedure citing relevant examples in each. (5 marks)
- b) Discuss the merits and demerits in planning by inducements (6 marks)
- c) Differentiate the following planning procedure: (9 marks)
1. Physical and Financial planning
 2. Centralized and decentralized planning
 3. Structural and Functional Planning
 4. Democratic and totalitarian Planning