



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2015/2016

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF ARTS IN ECONOMICS WITH INFORMATION
TECHNOLOGY**

MAIN CAMPUS

AEC 105: AFRICA ECONOMIES PROBLEMS

Date: 8th January, 2016

Time: 11.00 - 1.00pm

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions.**



1. Consider two countries, Kenya and Uganda, which produce and consume two goods, X and Y. Assume that both countries face constant opportunity costs and operate under the perfect conditions. If both countries use their resources efficiently to produce X, the resulting outputs are:

Kenya : 1000 units

Uganda : 1000 units

When they use their resources to produce Y, the resulting outputs are:

Kenya: 600 units

Uganda: 200 units

Required:

- a. Draw the countries production possibility frontiers. (6marks)
 - b. Briefly explain the general economic characteristics common to Kenya and Uganda. (6marks)
 - c. Discuss the countries comparative advantages with regard to goods X and Y. (6marks)
 - d. Choose plausible international terms of trade and use diagram to illustrate how specialisation and trade between the two countries can be mutually beneficial. (6marks)
 - e. Discuss bilateral trade and multilateral trade. (6marks)
2. a. Discuss integrated poverty and its relationship with inequality (10marks)
- b. The style of budget gives decision makers and the public necessary information to make better choices about spending priorities. Justify, why it is critical to link planning and budgeting in the planning and resource management cycle. (10 marks)
3. a. Using relevant examples, explain the view that foreign aid hinders rather than helps the economic development of less developed countries. (10marks)

b. The technology department of African Development Bank (ADB) has developed a simple irrigation hand pump which can be made from locally available resources, in most Sub Saharan Africa countries. Research workers have calculated that use of the pump, which costs the equivalent of two months' income for a small scale farmer, will save farmers time and effort in irrigation. How can an extension agent promote the adoption of this technology?

b. The technology department of African Development Bank (ADB) has developed a simple irrigation hand pump which can be made from locally available resources, in most Sub Saharan Africa countries. Research workers have calculated that use of the pump, which costs the equivalent of two months' income for a small scale farmer, will save farmers time and effort in irrigation. How can an extension agent promote the adoption of this innovation in rural villages? (10 marks)

4. a. Outline the practical difficulties facing the development of Agricultural sector in Africa and suggest possible remedial measures. (10marks)

b. The macro-fiscal framework provides the basis for projecting public expenditure allocations over the medium-term and sets the context against which key budget issues relating to revenues, expenditures and the financing of the budget deficit will be executed. Explain important macro-fiscal framework issues (10marks)

5. a. Discuss the arguments for the privatisation of public enterprises?

(10marks)

b. Government wishing to influence aspects of the behaviour of the population in regard to pursuing a development agenda will often use policy measures such as laws or subsidies, and occasionally extension services. Examine various methods for influencing human behaviour, for development purpose.

(10 marks)