



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE &
COMMUNITY DEVELOPMENT
(YR II SEM I)**

UNIT CODE: COCC 2205

UNIT TITLE: INTRODUCTION TO DEVELOPMENT ECONOMICS

DATE: 13TH DECEMBER, 2016

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

Vanoil, a Gas and Oil exploration Company was contracted to explore the availability of gas and oil deposits in Kenya in 2007. The government facilitated their operations through tax holidays, and expected the benefits due to trickle down to the communities in terms of improved welfare from the earnings. After completing significant seismic surveys, the company made preparations to drill Block 3A, with several blocks lined up. Their economic activities doing well, attaining 69% of their target in the second quarter of their operations. However relations with the local community are poor. The anticipated benefits to the community from the building of the factory haven't materialized, as most of the workforce needed to be highly skilled and were brought in from other areas, thus providing little local employment. These non-locals were highly paid and have pushed up prices in the local shops and also house prices leading to resentment. The chairman is aware of this resentment and wants to improve the situation. The directors have agreed that up to \$300, 000 may be spent on three schemes to benefit the community and lift the company's image in the community. The schemes outlined were: 1. hospital to be set up, 2. a cultural art center, and 3. a local football club to be sponsored.

The views of the Director of Finance are such that both schemes 1 and 2 will lead to tax savings, while the Corporate Affairs Director feels that scheme 3 would lead to a positive publicity. However, the problem is that the local Member of Parliament feels that soccer is associated with hooliganism and is rallying the locals to oppose the scheme. The chairman has asked you, as a promising development specialist, to study the company operations in the area, the three proposals and present your report for consideration by the Board of Directors at its next meeting. In your report;

- (a) Outline limitations of using per capita income as a measure of citizen welfare. (10 marks)
- (b) Critically examine the effects of such production activities on both human health and ecology. (10 marks)
- (c) Identify and explain factors hindering economic growth and development in counties in the region. (10 marks)

QUESTION TWO

Poorest of the developing countries are both causes and consequences of their poverty. Explain this statement by use of vicious circle of poverty. Suggest government policies and strategies to transform the vicious circle of poverty into a self-regenerating circle of economic progress. (20 marks)

QUESTION THREE

- (a) With relevant examples explain dimensions of sustainable development. (10 marks)
- (b) With illustrations where applicable, justify reasons why Kenya should continue being a member of EAC. (10 marks)

QUESTION FOUR

- (a) Population growth has been seen as both a blessing and a cost. Explain economic costs of population growth to a country and hence suggest policy measures the government can use to curb population growth. (15 marks)
- (b) Outline FIVE characteristics of developing economies and opportunities they create. (5 marks)

QUESTION FIVE

National and County governments hold divergent views of whether to plan centrally or devolve planning especially for essential services.

- (a) Critically evaluate the importance of planning (10 marks)
- (b) Outline major reasons of failed development plans in developing countries. (10 marks)