

UNIVERSITY OF SWAZILAND  
FACULTY OF SOCIAL SCIENCE  
DEPARTMENT OF ECONOMICS

MAIN EXAMINATION PAPER

MAY 2017

PAPER TITLE: ECONOMIC AND SOCIAL ANALYSIS OF  
PROJECTS

CODE : ECON 309

INSTRUCTIONS

1. ANSWER THREE QUESTIONS
2. QUESTION 1 IS COMPULSORY
2. ALL QUESTIONS CARRY EQUAL MARKS [25]
3. THIS IS A TWO HOUR PAPER

DO NOT OPEN THIS PAPER UNTIL YOU HAVE BEEN  
INSTRUCTED TO DO SO

**Question 1 Compulsory****[25]**

a) (i) Highlight, with relevant examples the different methodologies used for evaluating projects in uncertain situation. If the government aims for rapid economic growth and more investment and overall society is optimistic about the outcomes of the project. [15]

b) Define Risk and Uncertainty [5]

(i) Suppose Project A, whose expected net cash flows are shown in Table below, is to be evaluated using the certainty equivalent method. Assume that the initial net cost, \$2,000, is fixed by contract and hence known with certainty. Further, assume that the capital budgeting analyst estimates that the cash inflows in Years 1 through 4 all have average risk, and that the appropriate certainty equivalent is \$700.

Calculate the risk free NPV or the certainty equivalence NPV at 5% DF. [5]

**Question 2**

a) What is an Externality? [3]

b) Why is it important to value externalities in CBA? [5]

c) What are the implications of the existence of a negative externality on production on the NPV estimates of a project? [5]

d) What are the implications of the existence of a positive externality on consumption on the NPV estimates for a project? [5]

e) Outline how a pollution permit can be used to curb a negative externality. What will the implications of a sale or purchase of a pollution permit be on the NPV? [7]

**Question 3**

(a) Differentiate between monitoring and evaluation [5]

(b) What the difference between an M&E framework, a performance framework and a performance monitoring plan (PMP)? [5]

(C) Outline the five step BSR approach to stake holder management. [15]

**Question 4**

- (a) Highlight the importance of an Environmental Impact Assessment. [10]
- (b) Highlight the importance of a Social Impact Assessment [10]
- (c) What are the qualities of a good indicator [5]

**Question 5**

- (a) What is a QUALY [5]
- (b) What is a DALY [5]
- (c) Discuss the importance of including gender issues at all stages of the project life cycle. [15]