

Economic impact of Kidja using SAM

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Overview

- Introduction
- General theoretical overview about CBA
- CBA analysis of KIDJA
- General theoretical overview about NC SAM
- Results
- Conclusion
- Questions

Introduction

- NC economy focused on primary sector
- Promote diversification in the mining industry eg diamond strategy
- Kidja to address skills shortage in diamond industry
- To provide overview about the utilization of the NC SAM in impact assessment

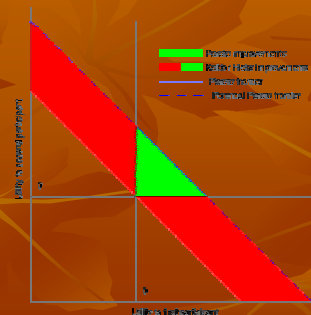
Economic Overview

- Primary sector contributes 32.6%
- Mining contributing 24%
- Volatile growth performance impacts negatively on provincial growth performance
- Importance of service sector
- America – Agric 1,2%, manufacturing 19,8% and services 79% (Econowatch, 2009)

Cost Benefit Analysis

- Dupuit- Measuring nett gains to society
- Consumer surplus
- Boardman – CBA measuring allocative efficiency
- Linked to Pareto efficiency
- Kaldor-Hicks criterion

Kaldor-Hicks criterion



Shadow and surrogate prices

- Market price of cost and benefit does not correspond to social cost and advantages
- Market is not perfectly competitive- tariffs, quotas and monopolies create distortions

Social discount rate

- Not to be influenced by business cycle
- Low discount rate favours project with high initial capital cost
- Relationship between private and social discount rate
- Use 8% as determined by DBSA

Results for CBA

Internal rate of return	26%
Nett Present Value (Benefits)	R 76,346,927.57
Nett Present Value costs	R 28,152,473.97
Nett Present Value	R 48,194,453.60
Benefit Cost Ratio	2,71

SAM

- A Social Accounting Matrix can be defined as a matrix depicting the economic linkages that exist between the different institutions in a national or provincial economy i.e. households, incorporated enterprises and government (Conningarth, 2005:10).

Six sectors

- Activity account
- Commodity account
- Factor account
- Institutional account
- Capital account
- Rest of the World

Impact

- Direct effect
- Indirect effect
- Induced effect

Results

- Direct expenditure of R4 million will contribute R7 million to GDP
- 26 jobs will be created
- Main contribution is skills to diamond industry

Conclusion

- Both CBA and SAM showed positive economic impact
- Possible use of CGE model
- Main contribution of project is in terms of skills for diamond industry