Economic Impact of the Composition of Public Expenditure on Agricultural Growth: Case Studies from Selected SADC Countries and Implications on Regional Food Security

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ABSTRACT

The study aimed to analyse the economic impact of the composition of public expenditure on agricultural growth in selected SADC countries and to give implications on regional food security, as depicted by agricultural growth. Due to time constraints and paucity of data in most developing countries, the study used time series data from South Africa and Zimbabwean government offices and statistical agencies for the period between 1983-2011 and 1981-2006, respectively. The specific objectives of the study were to analyse the share and size of public expenditure on agriculture and to estimate the short and long –run impact of public expenditure on agricultural growth.

Trend analysis on the size of public expenditure revealed that both South Africa, and Zimbabwe although in most years particularly in the 1980s and few years during the new millennium allocated more resources on agriculture, there was a decline in the expenditure on agriculturewith the 1990s and the new millennium for South Africa being mostly affected. The study also employed the Stationarity, Cointegration and Error correction methodology to analyse the short - and long - run effect of public expenditure on agricultural growth using agricultural gross domestic product as a proxy for agricultural growth. From the analysis, the study revealed that capital expenditure had a positive effect on agricultural growth both in the short – and long – run for Zimbabwe and South Africa. Recurrent capital expenditure had a negative effect in the long – run for the two economies. Non-agricultural expenditure had a negative effect for the Zimbabwean agricultural growth and the reverse was true for South Africa. More so, a higher speed of adjustment to the equilibrium for the two countries was found.

Among others, the study recommended the national governments and partners in the SADC region to not only revisit their expenditure commitments and mobilise resources towards the agricultural sector, but also governments to revisit their spending priorities and increase expenditure on productive enhancing capital items for sustainable growth objectives.