

**Assessing the Effects of Provincial Government Expenditure on Economic Growth**

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## **ABSTRACT**

This study examines how public expenditure at a provincial level contributes to economic growth by focusing on different categories of government expenditure. It attempts to assess which government expenditure components have stronger impact on economic growth. The constrained economic environment in South Africa has necessitated the introduction of austerity policies on government expenditure. This has led to more emphasis on cost containment and achieving better value for money. From a policy perspective, it is empirical that the dynamic relationship between government expenditure and economic growth be better understood to ensure appropriate design of measures that are aimed at achieving fiscal targets and maintain cost containment.

The analysis is applied to all 9 provinces using a panel data method and examines government expenditure on economic development, roads and transport, health, and education. The overall results show that government expenditure of economic development and roads and transport have a significant effect of economic growth due to their long term impact on economic activity. Expenditure on health and education, although found to provide less impact in the short run, has been found to improve economic growth in the long run, through increased productivity of labour.

**Keywords:** Government Expenditure, Economic Growth, Panel Data