

Review of Public Sanitation Expenditure in South Africa and Investigation of its Spill-over Effects in KZN, Province

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Abstract: *This study reviews the public sanitation expenditure policies in South Africa and investigates the policies' spill-over effects in KwaZulu-Natal, over the period 1998 to 2014. The use of government funding to provide sanitation highlights the state's role in social welfare. However, little is known about the spill-over effects of this involvement. Government's actual objectives for the sanitation subsidy were to achieve equality, restore human dignity, environmental and health care improvement, and poverty eradication. This work relies heavily on Mann's 1980 application of Wagner's Law in the Mexican economy. This study draws from Mann 1980 to investigate the spill-over effects on urbanisation and industrial growth in KwaZulu-Natal. An ARDL methodology was applied to the specified model to test for the spill-over effects as real life time series tend to be in polynomial form; ARDL (p,r) was thus applied. The results from testing suggest that operational expenditure tends to have a positive and larger impact on sanitation subsidies than capital expenditure, which is inconsistent with Mann (1980). Therefore this has the following implications on the sanitation policy, government operational spending on sanitation needs to be higher than capital spending.*

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Key Words: Sanitation Policies, Government Expenditure, Urbanisation, Industrial Growth, Sanitation Subsidy and ARDL