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Comparative Impact of Public Expenditure on Agricultural Growth: Error Correction Model for South Africa and Zimbabwe

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ABSTRACT The aim of this study was to compare the impact of public expenditure on agricultural growth in South Africa and Zimbabwe based on the error correction model approach. The study found that both governments have higher current expenditure at the expense of capital goods and services, a practice, which is considered to be counterproductive and growth retarding. Furthermore, non-agricultural expenditure showed both negative and positive impact on agricultural growth, depending on the state of the country's economy. For economies with strong backwards linkages like South Africa, it was recommended to increase overall total expenditure. However, an increase in non-agricultural expenditure, especially for lower income countries with smaller expenditure envelops such as Zimbabwe, policymakers were advised not to overly fund their non-agricultural sectors at the expense of the agricultural sector, since diverting resources from agriculture to other sectors could result in higher opportunity costs.