FISCAL POLICY SUSTAINABILITY IN A PANEL OF SADC COUNTRIES

[1]NTOKOZO PATRICK NZIMANDE, [2]HAROLD NGALAWA

[1]School of Accounting, Economics & Finance, University of KwaZulu-Natal, Pietermaritzburg, South Africa
[2]School of Accounting, Economics & Finance, University, Durban, South Africa
E-mail: [1]nzimanden3@ukzn.ac.za

Abstract - This study appraises fiscal policy sustainability in the SADC bloc, finding significant evidence in support of fiscal policy sustainability. Relying on the typical intertemporal budget constraint, we tested for cointegration between public revenues, and expenditures including interest payments. Our findings suggest that there exist a long-run relationship between public revenues and expenditures; indicating fiscal policy sustainability in SADC. The most credible evidence in support of sustainability is the robust sanguine reaction of government revenues as a ratio of GDP to variabilities in government expenditures as a ratio of GDP.

Keywords - Fiscal Policy; Debt; Sustainability; Co-integration
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