

# Impact of Government Expenditure on Economic Growth in South Sudan

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## Abstract

Government spending can be defined as any expenditure made by local, regional, and national governments making up a considerable portion of the Gross National Product (GNP). Government spending can be financed by government borrowing or taxes. The expenditure is vital for the efficient running of the economy. The need for much of the government expenditure arises from the fact that some goods cannot be provided at all by a free market economy and that others may be under-provided. It is expenditure on merit goods such as health, education, police and defence, among others, that accounts for a large proportion of government spending. Economic growth represents the expansion of a country's potential GDP or output. When the economy is growing positively, businesses will need to hire more people to help to cope with the increase in production and services and consequently leading to economic growth which reflects the standard of living of a country. Although South Sudan is one of the fastest growing economies in East and Central Africa if not for the war, its economy still depends heavily on oil production and agriculture sector which is still inactive. The government of South Sudan uses a number of regulatory bodies to regulate the economic development. These bodies include the Central Bank of South Sudan and the Capital Markets Authority which are not always effective in measuring growth and formulating policies towards its development. The objective of this study was to determine the effect of government expenditure on economic growth in South Sudan. The study was descriptive in nature and involved quantitative analysis of data which employed secondary data to analyse the effect of government expenditure on economic growth in South Sudan. Data for economic growth was obtained from World Bank and IMF data bank from 2007 to 2019. The study findings indicated that; there is a significant influence of the government spending on education, infrastructure, health and defence. Thus it has been recommended that education spending should be linked to resource needs (both human and capital) both at subnational and facility levels. The Government should emphasize infrastructure development to reduce the cost of doing business and enhance efficiency in service delivery to accelerate development. The government should be committed to improving access and equity of essential health care services by setting critical and ambitious targets for providing health services to the citizens as well. Finally, in order to achieve the national goals and objectives, provision of security in the country is critical.

**Keywords:** Government expenditure, government spending, economic growth, South Sudan

## Introduction

Government expenditure is beyond doubt that is an important tool for a government to control the economy of a nation. Hence the government of South Sudan is not an exception to this. Government expenditure on social and economic infrastructure can be growth enhancing although the financing of such expenditure to provide the essential infrastructural facilities including transport, electricity, security, telecommunication, water and sanitation, education, health can be growth retarding (Olukayade 2005). Furthermore, expanding the government is always contrary to economic interest since the major sources of financing government expenditures are taxes, borrowing and money printing which is harmful to the economy because government expenditure by its nature is economic destructive regardless of how it is financed.

In South Sudan, the structure of government expenditure is largely categorised into capital and recurrent expenditure (UNICEF 2017). The recurrent expenditure is government spending on administration such as wages, salaries, interest on loans, operational cost and so forth. However, the expense on capital projects like roads, education, electricity, telecommunication are referred to as capital expenditure. But the bulk of public funds are earmarked for salaries and transfers, with very limited support to goods and services or capital investments which does not correspond to long term economic or social development needs (UNICEF 2017). As such, the impact of government expenditure in South Sudan in relation to the economic growth is still a puzzle and unresolved issue, although the theoretical positions on the subject are quite diverse, the conventional wisdom is that, “government expenditure is a source of economic stagnation” while a few studies does not support this conventional truth but rather finds no relation between an increase in government spending and economic growth in real output. Therefore, the study is undertaken to empirically evaluate the impact of government expenditure on economic growth in South Sudan.

## Objectives of the Study

The objective of this study is divided into general and specific objective. The general objective is to examine the impact of government expenditure on the economic growth of South Sudan. However, the specific objectives are as follows:

- To ascertain the relationship between government capital expenditure and the economic growth in South Sudan?
- To find out if there is a significant relationship between government recurrent expenditure and the South Sudanese economic growth?
- To ascertain how macroeconomic variables induce government expenditure and the economic growth in South Sudan?
- To examine the relationship between government fiscal policies and the economic growth in South Sudan?

## Research Questions

Specifically, the research questions of this study are as follows:

- Is there any relationship between government capital expenditure and the economic growth in South Sudan?
- Is there a significant relationship between government recurrent expenditure and the South Sudanese economic growth?

- Does the South Sudanese government recurrent revenue promote the growth of the economy?
- How do macroeconomic variables induce government expenditure and the economic growth in South Sudan?
- What is the relationship between government policies and the economic growth in South Sudan?

## Methodology

Secondary data was used in this study to analyse the effect of government expenditure on economic growth in South Sudan. Arasa (2008) describes secondary data as information that has already been collected for another purpose other than the current purpose of another researcher; he further explains that the data however should be of relevance and utility for the current research. The researcher collected time series data of the expenditures on health, education, security and infrastructure from 2007 to 2018. This type of data was obtained from government publications as well as publications of international organizations such as World Bank and International Monetary Fund.

## Literature Review

Various studies have been carried out to establish the relationship between economic growth and government expenditure. Different researchers have used different explanatory variables to establish this relationship. Chude and Chude (2013) carried out a study with the objective of finding out the impact of government expenditure on economic growth in Nigeria using Error Correction Model (ECM). The study used Ex-post facto research design and applied time series econometrics technique to examine the long and short run effects of public expenditure on economic growth in Nigeria. The results indicated that total expenditure education is highly and statistically significant and have positive relationship on economic growth in Nigeria in the long run. The result had an important implication in terms of policy and budget implementation in Nigerian context (Chude & Chude 2013). This led the researcher to conclude that economic growth is clearly impacted by factors both exogenous and endogenous to the public expenditure in Nigeria. They recommended that there is need for government to reduce its budgetary allocation to recurrent expenditure on education and place more emphasis on the capital expenditures so as to accelerate economic growth of Nigeria and that Government should direct its expenditure towards the productive sectors like education as it would reduce the cost of doing business as well as raise the standard living of poor ones in the country.

Ramon and Yan (2010) studied the effect of fiscal policies on the quality of growth. Results from their studies pointed out that government spending on public goods is strongly associated with faster economic growth as well as with greater poverty reduction. In other words, more spending on public goods is linked to accelerate economic growth and reduced poverty. In contrast, government expenditures on private goods and on subsidies to firms that distort markets, as opposed to public goods, are associated with weaker economic growth and greater structural inequality. According to them however, many other dimensions of quality of economic growth can be considered including the nature of health outcomes, level and variability of education, macroeconomic fluctuation and volatility of growth (Olopade & Olopade 2010). Studied how fiscal and monetary policies influence economic growth and development. The essence of their study was to determine the components of government expenditure that enhance growth and

development, identify those that do not and recommend those that should be cut or reduce to the barest minimum. The study employs an analytic framework based on economic models, statistical methods encompassing trends analysis and simple regression. They find no significant relationship between most of the components of expenditure and economic growth. Ocran (2009) examined the effect of fiscal policy variables on economic growth in South Africa by considering fiscal policy variables such as capital formation, tax expenditure and government consumption expenditure as well as budget deficit. The study covered the period 1990 to 2004.

Quarterly data was used in the estimation with the aid of vector regressive modelling technique and impulse response functions. The outcome of the study indicated that government consumption expenditure has a significant positive effect on economic growth. Gross fixed capital formation from government also has a positive impact on output growth but the size of the impact is less than that attained by consumption expenditure (Ocran 2009). Tax receipts also have a positive effect on output growth. However, the size of the deficit seems to have no significant impact on growth outcomes. The policy lesson that can be distilled from the findings is that a continued sensible use of consumption and investment expenditure as policy tools can speed up growth as compared to a reduction in the size of government (Gregorious and Ghosh 2007). Olorunfemi (2008) studied the direction and strength of the relationship between public investment and economic growth in Nigeria, using time series data from 1975 to 2004 and observed that public expenditure impacted positively on economic growth and that there was no link between gross fixed capital formation and Gross Domestic Product. He averred that from disaggregated analysis, the result reveal that only 37.1% of government expenditure is devoted to capital expenditure while 62.9% share is to current expenditure. Gregorious and Ghosh (2007) made use of the heterogeneous panel data to study the impact of government expenditure on economic growth. Their results suggest that countries with large government expenditure tend to experience higher economic growth. Mitchell (2005) evaluated the impact of government spending on economic performance in developed countries. He assessed the international evidence, reviewed the latest academic research, cited examples of countries that have significantly reduced government spending as a share of national output and analysed the economic consequences of these reforms.

Regardless of the methodology or model employed, he concluded that a large and growing government is not conducive to better economic performance. He further argued that reducing the size of government would lead to higher incomes and improve country's competitiveness. Gemmell and Kneller (2001) provide empirical evidence on the impact of fiscal policy on long-run growth for European economy. Their study required that at least two of the taxation/expenditure/deficit effects must be examined simultaneously and they employ panel and time series econometric techniques, including dealing with the endogeneity of fiscal policy. Their results indicate that while some public investment spending impacts positively on economic growth, consumption and social security spending have zero or negative growth effects. Devarajan and Vinay (1993) used panel data for 14 developed countries for a period ranging from 1970 to 1990 and applied the ordinary least square method on 5-year moving average. They took various functional types of expenditure (health, education, transport) as explanatory variables and found that health, transport and communication have significant positive effect while education and defence have a negative impact on economic growth. Alexander (1990) applied OLS method for sample of 13 Organization for Economic Cooperation and Development (OECD) countries panel during the period ranging from 1959 to 1984. The

results show, among others, that growth of government spending has significant negative impact on economic growth.

### **Determinants of Economic Growth**

Investment is one of the most fundamental determinants of economic growth identified by both neoclassical and endogenous growth models (Barro & Martin 1992). However, in the neoclassical model investment has impact on the transitional period, while the endogenous growth models argue for more permanent effects. The importance attached to investment by these theories has led to an enormous amount of empirical studies examining the relationship between investment and economic growth (Lensink & Morrissey 2006). Human capital is also a main source of growth in several endogenous growth models as well as one of the key extensions of the neoclassical growth model. Since the term 'human capital' refers principally to workers' acquisition of skills and know-how through education and training, the majority of studies have measured the quality of human capital using proxies related to education (e.g. school-enrolment rates, tests of mathematics and scientific skills, etc.). A large number of studies have found evidence suggesting that educated population is key determinant of economic growth. Innovation and Research & Development R&D activities can play a major role in economic progress increasing productivity and growth. This is due to increasing use of technology that enables introduction of new and superior products and processes. This role has been stressed by various endogenous growth models, and the strong relation between innovation/R&D and economic growth has been empirically affirmed by many studies (Hermes & Lensink 2000).

Economic policies and macroeconomic have also great potential as determinants of economic performance since they can set the framework within which economic growth takes place. Economic policies can influence several aspects of an economy through investment in human capital and infrastructure, improvement of political and legal institutions and so on. Macroeconomic conditions are regarded as necessary but not sufficient conditions for economic growth (Fischer 1993). In general, a stable macroeconomic environment may favour growth, especially, through reduction of uncertainty, whereas macroeconomic instability may have a negative impact on growth through its effects on productivity and investment. Several macroeconomic factors that have been identified to impact development include but are not limited to; inflation, fiscal policy, budget deficits and tax burdens (Fischer 1993). Openness to trade has been used extensively in the economic growth literature as a major determinant of growth performance. There are sound theoretical reasons for believing that there is a strong and positive link between openness and growth. Openness affects economic growth through several channels such as exploitation of comparative advantage, technology transfer and diffusion of knowledge, increasing scale economies and exposure to competition. Openness is usually measured by the ratio of exports to GDP. Economies that are more open to trade and capital flows have higher GDP per capita and grew faster (Borensztein et al. 1998).

Foreign Direct Investment (FDI) plays a crucial role of internationalizing economic activity and it is a primary source of technology transfer and economic growth. This major role is stressed in several models of endogenous growth theory. The empirical literature examining the impact of FDI on growth has provided more-or-less consistent findings affirming a significant positive link between the two (Borensztein et al. 1998). Institutional framework is another factor that influences economic growth. Rodrik (2000) highlights five key institutions (property rights, regulatory institutions, institutions for macroeconomic stabilization, institutions for social insurance and institutions of conflict management), which not only exert direct influence on

economic growth, but also affect other determinants of growth such as the physical and human capital, investment, technical changes and the economic growth processes. It is on these grounds that Easterly (2001) argued that none of the traditional factors would have any impact on economic performance if there had not been developed a stable and trustworthy institutional environment. The most frequently used measures of the quality of institutions in the empirical literature include government repudiation of contracts, risk of expropriation, corruption, property rights, the rule of law and bureaucratic quality (Knack & Keefer 1995). There also exist a relationship between political factors and economic growth. Lipset (1959) examined how economic development affects the political regime and established that political instability would increase uncertainty, discouraging investment and eventually hindering economic growth. The degree of democracy is also associated with economic growth, though the relation is much more complex, since democracy may both retard and enhance economic growth depending on the various channels that it passes through (Alesina et al. 1994).

In the recent years a number of researchers have made an effort to measure the quality of the political environment using variables such as political instability, political and civil freedom, and political regimes. Brunetti (1997) distinguishes five categories of relevant political variables: democracy, government stability, political violence, political volatility and subjective perception of politics. Trusting economies are expected to have stronger incentives to innovate, to accumulate physical capital and to exhibit richer human resources, all of which are conducive to economic growth (Knack and Keefer, 1997). Ethnic diversity, in turn, may have a negative impact on growth by reducing trust, increasing polarization and promoting the adoption of policies that have neutral or even negative effects in terms of growth (Easterly and Levine, 1997). Several other social cultural factors have been examined in the literature, such as ethnic composition and fragmentation, language, religion, beliefs, attitudes and social/ethnic conflicts, but their relation to economic growth seems to be indirect and unclear. For instance cultural diversity may have a negative impact on growth due to emergence of social uncertainty or even of social conflicts, or a positive effect since it may give rise to a pluralistic environment where cooperation can flourish.

Geographical factors including absolute values of latitude, distances from the equator, proportion of land within 100km of the coast, average temperatures and average rainfall, soil quality and disease ecology are known to have impact on the growth rate of an economy (Hall & Jones 1999). Armstrong and Read (2004) affirms that natural resources, climate, topography and 'landlockedness' have a direct impact on economic growth affecting (agricultural) productivity, economic structure, transport costs and competitiveness. Many demographic aspects have been related to economic progress. Of those examined, population growth, population density, migration and age distribution, seem to play the major role in economic growth (Kelley & Schimdt 2000). High population growth, for example, could have a negative impact on economic growth influencing the dependency ratio, investment and saving behaviour and quality of human capital. The composition of the population has also important implications for growth. A large working-age population is deemed to be conducive to growth, whereas population with many young and elderly dependents is seen as impediment. Population density, in turn, may be positively linked with economic growth as a result of increased specialization, knowledge diffusion and so on. Migration would affect growth potential of both the sending and receiving countries.

## Theoretical Perspectives

This section highlights some basic theories that have been used to support the effects of public expenditure on economic growth. Such theories amongst others are the Wagner's Law of Increased Government Activities (Wagner 1835-1917), Musgrave Theory of Public Expenditure Growth (Musgrave 1988), and the Keynesian Theory (Knack & Keefer 1995). Wagner's law is a principle named after the German economist Adolph Wagner (1835-1917). Wagner advanced his 'law of rising public expenditures' by analysing trends in the growth of public expenditure and in the size of public sector. Wagner's law postulates that; the extension of the functions of the states leads to an increase in public expenditure on administration and regulation of the economy. He also adds that the development of modern industrial society would give rise to increasing political pressure for social progress and call for increased allowance for social consideration in the conduct of industry. According to the Wagner's law, the rise in public expenditure will be more than proportional increase in the national income (income elastic wants) and will thus result in a relative expansion of the public sector. Generally, Wagner's Law focuses on the nexus between the size of the economy and the size of the public-sector provided goods and services and postulates that the latter grows at a faster pace than the former during the process of industrialization and urbanization. This reflects the increasing expansion of government activities that complement or substitute for private activities. Specifically, Wagner attributed the growth of the public sector to higher expenditures in areas such as enforcing contracts and regulatory activities (necessitated by a higher demand for government intervention in an economy with new layers of externalities and interdependencies), income elastic "cultural and welfare" programs, and public long-term investment and infrastructure projects as well as managing and financing natural monopolies (Wagner 1835-1917).

The implication of this theory is that as progressive nations industrialize, the share of the public sector in the national economy grows continually. This necessitates an increase in State Expenditure because of the demand for social activities of the state, administrative and protective actions, and welfare functions. Socio-politically speaking, the state social functions expand over time: retirement insurance, natural disaster aid (either internal or external), environmental protection programs, among others. Economically it is marked by advancement in science and technology and consequently the increase of state assignments into science, technology and various investment projects (Wagner 1835-1917). Finally, as implied in the Wagner's theory, the state resorts to government's loans for covering contingencies and thus sum of government debt and interest grow in the form of increase in debt service expenditure. Another implication of this is that the increased division of labour would be accompanied by the development of new technological processes which would lead to the growth of monopolies in the private sector. In Wagner's view, private sector monopolies would not adequately take into account the social needs of society as a whole and would therefore need to be replaced by public corporations. Further, if private sector companies became too large, the economy would become unstable because problems for individual companies would become problems for society as a whole. Finally, government would need to expand to provide social benefits and services which Wagner saw as not open to economic evaluation (Wagner 1835-1917).

Musgrave Theory of Public Expenditure Growth theory, on the other hand, was propounded by Musgrave as he found changes in the income elasticity of demand for public services in three ranges of per capita income (Knack & Keefer 1995). He posits that at low levels of per capita income, demand for public services tends to be very low, this is so because according to him

such income is devoted to satisfying primary needs and that when per capita income starts to rise above these levels of low income, the demand for services supplied by the public sector such as health, education and transport starts to rise, thereby forcing government to increase expenditure on them. He observes that at the high levels of per capita income, typical of developed economics, the rate of public sector growth tends to fall as the more basic wants are being satisfied (Musgrave 1969). Musgrave and Musgrave (1989) opined that as progressive nations industrialize, the share of the public sector in national economy grows continually. The theory states that there is a functional relationship between the growth of an economy and the growth of the government activities; so that the government sector grows faster than the economy (Musgrave 1969). Thus, all kinds of government, irrespective of their level of intentions (Peaceful or war), and size, indicate the same tendency of increasing public expenditure. In other words, Wagner's law states that, as per capita income of an economy grows, the relative size of public expenditure grows; the relative size of public expenditure grows along with it. As the economy grows, there will be increase in the number of urban centres, with the associated social vices such as; crime, which require the intervention of the government to reduce such activities to the minimum. Large urban centres also require internal security, to maintain law and order. These interventions by the government have cost, leading to increase in public expenditure in the economy. This theory implies that growth in government capital outlay can translate into positive economic growth as well bring about growth in recurrent government spending. However, growth in government recurrent expenditure does not bring about significant growth in the economy. This also implies that the causal effect of economic growth on government capital spending is more significant when compared with government recurrent expenditure.

The Keynesian Theory originated from the English economist John Maynard Keynes and offered a remedy for the problem of unemployment and inflation. Of all economists who discussed the relation between public expenditures and economic growth, Keynes was among the most noted with his apparently contrasting viewpoint on this relation. Keynes regards public expenditures as an exogenous factor which can be utilized as a policy instruments to promote economic growth. From the Keynesian thought, public expenditure can contribute positively to economic growth (Knack & Keefer 1995). Hence, an increase in the government consumption is likely to lead to an increase in employment, profitability and investment through multiplier effects on aggregate demand. As a result, government expenditure augments the aggregate demand, which provokes an increased output depending on expenditure multipliers (Keynes 1930). According to Keynes (1930), the economy is subject to fluctuations, and supply and demand could well balance out at an equilibrium that did not deliver full employment. The solution to this conundrum was seemingly simple: Replace the missing private investment with public investment, financed by deliberate deficits. The government would borrow money to spend on such things as public works; and that deficit spending, in turn, would create jobs and increase purchasing power. Striving to balance the government's budget during a slump would make things worse, not better. In order to make his argument, Keynes deployed arrange of new tools— standardized national income accounting (which led to the basic concept of gross national product), the concept of aggregate demand, and the multiplier (people receiving government money for public-works jobs will spend money, which will create new jobs).

Keynes's analysis laid the basis for the field of macroeconomics, which treats the economy as a whole and focuses on government's use of fiscal policy—spending, deficits, and tax. These tools could be used to manage aggregate demand and thus ensure full employment. As a corollary, the

government would cut back its spending during times of recovery and expansion (Knack & Keefer 1995). The implication of the Keynesian theory is that the government should take a bigger role in the economy since it is the one that has the ability to intervene and manage market failures effectively. He deemed government intervention to be superior to that of the market place. In many economies in both developing and developed countries, Keynesian theory has laid the intellectual foundations for a managed and welfare oriented form of capitalism. The widespread absorption of the Keynesian message has in large measure been responsible for the generally high levels of employment achieved by most developed countries and for a significant reorientation in attitudes toward the role of the state in economic life (Knack & Keefer 1995).

## Discussions

In the last half decade, South Sudan's economy has metamorphosed from level of millions South Sudanese Pounds to billions of South Sudan Pounds on the expenditure side of the budget due to the increased inflation and political instability (UNICEF 2017). The effects of this expenditure are largely unnoticeable on the citizenry. Empirically, while a positive and significant relationship between government expenditure and economic growth have been established, there are much significant negative or no relationship between an increase in government expenditure and economic growth, following these mixed reactions, the research questions discusses in page 3 are being raised to answer those tough questions. This study is to basically examine the impact of government expenditure on the economic growth of South Sudan. The impact of government capital expenditure, recurrent expenditure, recurrent revenue and other macro-economic variables are critically examined. The relevance of this study cannot be over emphasized going by the present day government expenditure and regardless of the South Sudan economic growth or stagnation but will help the government and policymakers to know how best to structure yearly budgets so as to benefit the citizens and enhance the growth of the economy.

The study results indicated that there is a strong and positive correlation between government expenditure on education, defence, health and infrastructure are positively and strongly associated with economic growth. Thus, a positive change (increase) in these expenditures will result to positive impacts on economic performance and its development. The findings also illustrated that, holding other factors constant; the government expenditure on the four aspects (economic sectors) which are the independent variables in this study would explain the variability in economic growth. This indicates that, other factors that are not studied in this study, (determinants of economic growth) account for its variability. The result also shows that, expenditure on infrastructure, defence and health has positive and significant impact on economic growth. However, expenditure on education has negative but no significant impact on the growth of the economy. This indicates that expenditure on education does not improve human capital in the country. This may not be unconnected with the mass unemployment and the brain drain of the youth and educated professionals in the country. Expenditure on health, defence and infrastructure are positive and significantly related with growth since these are direct investments which facilitate economic activities directly.

The first part of the literature review highlighted basic theories that have been used to support the effects of government expenditure on economic growth. The researcher discussed three theories; the Keynesian theory, Wagner's theory of increasing state activities, and Musgrave theory of public expenditure growth. From these theories have different views of the effect on government spending on economic growth. According to Keynesian view, government could reverse

economic downturns by borrowing money from the private sector and then returning the money to the private sector through various spending programs. High levels of government consumption are likely to increase employment, profitability and investment via multiplier effects on aggregate demand. Thus, government expenditure, even of a recurrent nature, can contribute positively to economic growth. Wagner's theory on the other hand emphasizes that increase in public demand leads to more than proportional increase in national income. Musgrave theory, on the other hand, observes that at the high levels of per capita income, typical of developed economics, the rate of public sector growth tends to fall as the more basic wants are being satisfied (Knack & Keefer 1995). From the empirical literature review, various findings have also contradicted each other. Some of them relate economic growth increase to government expenditure while other attributes negative economic growth to government expenditure as well. It is worth noting that the differences in the outcome of these findings could be as a result of the different exploratory variables used in different combinations and different contexts. But what remains for sure is that government expenditure has a great impact on the economic development of a country. As revealed from the literature reviewed, different exploratory variables lead to different outcomes in the study of economic growth and public expenditure. All these studies were done in different African contexts. However, none of those reviewed was based on South Sudanese context as most of similar studies done in South Sudan are not documented and therefore not traceable. These studies hardly gave policy recommendations and implications. A study on economic growth and expenditure becomes even more useful when the researcher provides policy recommendations at the end of the study.

## Conclusions

The main objective of this study has been to explore the relationship between government spending and economic growth in South Sudan, which is measured as the growth rate of real GDP—while focusing on government spending like, education, infrastructure, health and defence. The study based on the findings presented above concludes that; since the GDP value is affected by a great deal of factors, such as prices, disasters, and the economic crisis and so on, the prediction of GDP per capita is very complicated. Therefore, the simple time series models are not always enough to offer an accurate prediction of GDP per capita. However, for short-term forecasting, the results of time series models could be used as preliminary predictions, which can be used for the regional government to draw up economics plans and policies. GDP growth rates in the recent past have below the 10 percent level due to both domestic and external factors. Counties/regions with highest poverty levels in South Sudan lack access to a wide range of resources. In particular, they have very poor infrastructure and, therefore, have limited access to facilities such as schools, health centres and markets. Total government expenditure and net lending as a share of GDP has increased in the last years. The current public spending programme is expected to ensure continuity in resource allocation based on prioritized programmes consistent with Vision 2030 and the Medium Term Plan to accelerate growth, poverty reduction and employment creation. In the last three years, public spending priorities have been in social programmes (mainly education) and infrastructure.

There has been significant progress in a number of areas, notably for initial and basic education, but tertiary enrolment remains low. Indeed, in terms of literacy rates and access to primary education, the country has seen dramatic improvements over the past decade. This improvement in literacy rates is largely due to the population's increased access to education. However, these improvements do not necessarily bring about economic growth which is due to increased

unemployment rates as well as due to poor wages and enumeration allowances offered to graduates. Also, there is weak balance between quality and quantity of schooling especially to the poor in the country. There is a high level of wastage across levels and unsatisfactory development. Despite the low paid primary and day secondary education schooling, the education burden on households is high. The rising cost of schooling on the part of households has negatively impacted on household demand for schooling. Therefore, the extent to which the Government shields households from the direct and indirect costs of schooling determines the extent of access to schooling in the different regions of the country. The study confirms that there is a strong causal relationship between Government investment on infrastructure and economic growth. This implies that an increased Government investment in infrastructure generates more Income through the actual construction, operation and maintenance. Well networked and efficient infrastructure is essential for inter country market integration, lowering unit costs of production and transactions, facilitating the flow of materials and information, reducing inequalities and poverty and enhancing economic capacity. It is also expected to generate employment directly through the actual construction, operation and maintenance requirements but also through indirect multiplier effects across the economy.

There is a strong bidirectional causal link between economic growth and Government expenditure on Health. Good health is a prerequisite for enhanced economic growth and poverty reduction as a precursor to the realization of South Sudan Vision 2030's social pillar goal. In view of the low investment in infrastructure, most public health facilities in South Sudan are old and dilapidated. Given the increases in population and demand for services, these facilities do not conform to the current infrastructure norms and standards. Poor working conditions coupled with brain drain are a major challenge affecting service delivery capacity in the health sector. These shortages of human resources have a negative impact on the economic development of the nation. Reproductive health is also influenced by the capacity of the health system to provide access to comprehensive, quality reproductive health information and services as a basic human right to all. The government expenditure on defence generally has a stagnating trend on its contribution to the economic growth. However, there is no direct contribution to growth despite the stagnating contribution of the Government expenditure on defence. Tourism in South Sudan relies on the country's natural attractions, including wildlife in its native habitat, as well as fine beaches and other coastal ecosystem assets. These attractions are also the target of the terror groups who are out to demolish the economy of the country. This therefore necessitates the government to employ more security personnel to safeguard these sites and ensuring suitable environment for the tourists. Although military expenditure may affect growth through different mechanisms, economic growth may be causally prior to defence spending. For instance, with a high growth rates in South Sudan may necessitate to strengthen against foreign or domestic threats by increased defence spending. Much of the growth of military spending is usually based on the need to maintain national security. The neoclassical approach sees the state as a rational actor which balances the opportunity costs and security benefits of military spending in order to maximize a well-defined national interest reflected in a societal social welfare function. Military expenditure can then be treated as a pure public good and the economic effects of military expenditure are determined by its opportunity cost, with a clear trade-off between civil and military spending.

## Recommendations

The study makes policy contributions through recommendations it composes from the findings and conclusions made herein. This includes macroeconomic stability should remain top policy precedence for the government of South Sudan. South Sudan is facing potential risks originating from internal and external imbalances (UNICEF 2017). Moreover, South Sudan's economic growth remains vulnerable to external shocks, especially developments in the global economy, regional stability and security, and weather-related supply shocks (UNICEF 2017). High educational attainment, high literacy levels and high levels of human capital are likely to improve the business environment. Possessing such characteristics facilitates the emergence of a highly skilled labour base that is attractive to business. To ensure effective and productive education, clear expenditure roles for counties and the national government should be developed and appropriate resources mobilized. Education spending should also be linked to resource needs (both human and capital) both at sub-national and facility levels. If opportunities for job creation are realized, more jobs will be created for the available working age population, and the demographic bonus would result in higher productivity, savings and economic growth.

The Government should emphasize infrastructure development to reduce the cost of doing business and enhance efficiency in service delivery to accelerate development. Businesses, lawmakers, heads of Counties and policy experts all have different solutions to the South Sudan's infrastructure needs, but they all boil down to the idea that South Sudan needs a little bit of everything. Competitiveness and sustainability questions must interrogate how to stimulate investments in key infrastructure for enhanced service delivery and equitable access. Inequalities in access to health and education can exacerbate poverty and lead to greater marginalization within society, reinforcing a vicious circle than dampens development prospects. Due to these challenges, the provisions for health as a basic human right will require fundamental transformation to signify change in the health sector with major implications for the human resources for health. Healthy individuals increase their value in the labour market. To accumulate the human capital necessary for sustainable economic growth, therefore, South Sudanese government has to invest in, among other areas, education and health.

The South Sudanese government should also be committed to improving access and equity of essential health care services by setting critical and ambitious targets for providing health services to the citizens. This is through investments in health and in implementation of planned investments. The Private and mission health facilities and public hospitals are important sources of health services for the non-poor, while health centres in rural areas and urban slums are the primary health care providers for majority of the patients from poor households. Therefore, improvement in rural and basic urban health facilities would be more beneficial to the poor. Several policy implications can be derived from understanding directions and magnitude of causality between military expenditures and economic growth. The trends in military expenditures are becoming more diverse. Investing on defence is a core prerequisite for the country to be stable for business and economic activities to take place. In order to achieve the national goals and objectives, provision of security in the country is critical. Availability of secure business environment attracts both local and foreign investors in the market which directly contributes to economic growth through tax provision.

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