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AN EMPIRICAL ANALYSIS OF FOREIGN DIRECT INVESTMENT AND DOMESTIC INVESTMENT AS DRIVERS OF ECONOMIC GROWTH IN SOUTH AFRICA

Abstract:

The South African economy has made great strides since its advent to democracy in 1994. However, South Africa is constrained by its continuous policy uncertainty generated by the South African government. This has resulted in poor sector performance, declining investments and slow economic growth. Investment, nonetheless, plays a crucial role in growing the South African economy. As such, policymakers often debate whether to focus on FDI or domestic investment, especially in developing countries. In order to point out where most government resources should be allocated, this study will investigate which type of investment – FDI or domestic investment – will have the most significant impact on economic growth in South Africa. This study makes use of the autoregressive distributive lag model (ARDL) over the period 1994 to 2018 to determine the impact of both FDI and domestic investment on economic growth in the short- and long-run. The study concludes that when policymakers seek to harness the potential of investment to encourage economic growth, they should not be distinguishing whether domestic or foreign investment should be a priority, but rather, what can be done to make the two forms of investment work together to achieve optimal benefits for the growth of the economy?

Keywords:

South Africa, Foreign direct investment, Domestic investment, Economic growth

JEL Classification: A10, C01, E22

1 INTRODUCTION

According to TIPS (2000), low investment growth in South Africa is a contributing factor to sub-optimal growth rates. Since economic growth is created by technological advancements and capital formation, the growth of a host nation is set to be improved. As such, investment is considered to be one of the key tools to boosting a country's economic growth. For this reason, foreign direct investment and domestic investment are among the most vital economic injections in an economy (Bakari, 2017). The Budget Review by the National Treasury (2018) also identified increased investments, rapid growth and job creation as requirements for expanded income and extended service delivery. South Africa, however, lags behind when compared to other countries that have similar economic conditions. In 2015, private sector investments declined, where the decline further spilled over to 2016 and 2017 (National Treasury, 2018). Accordingly, this was indicated as a consequence of the growing concerns regarding the sustainability of public finances.

This study investigates the long- and short-run impact of domestic investment and FDI on economic growth in South Africa. In order to alleviate the growth problem experienced by South Africa, a thorough investigation into FDI investment and domestic investment is needed to indicate where most resources should potentially be directed to determine which type of investment –domestic investment or FDI – will bring about the most positive effects on GDP growth in South Africa.

1.2 LITERATURE REVIEW

1.2.1 Investment theory

Policymakers often debate whether to focus on foreign or domestic investment, especially in developing countries. The literature identified numerous benefits of investment, recognising its potential in the long-term growth and development of a country. Wells and Wint (1990) summarised these benefits nearly 30 years ago and they include job creation, skill development, technology spill-overs and increased access to international markets and financing.

The modernisation theory argues that as communities develop, they become increasingly complex in predictable stages. This theory places great emphasis on internal sources of development such as a market-based economy, formal education and democratic political structures (Jenkins & Scanlan, 2001). However, the theory does not rule out foreign influences. According to Shrum (2000), the growth of countries can be fast-tracked to modernisation by the importation of technology, forms of organisation and various other political and social changes that are expected as a result.

This links to the dependency theory – which refers to the economic development of a country in terms of foreign influences – political, economic and cultural (Sunkel, 1969). Although there have been many debates among dependency theorists on the dependency theory, they all agree on the following: firstly, the dominant countries are the advanced industrialised nations, whereas the dependent countries are those with low GDP per capital and rely heavily on single commodity

exports. Secondly, the external influences include multinational corporations, foreign assistance, communications and any other resources by which the dominant countries can represent their nations abroad. Thirdly, these relations between dominant and dependent nations are dynamic, since the interaction between them reinforces and intensifies unequal patterns (Sunkel, 1969 & Bodenheimer, 1971). Therefore, the dependency theory in summary holds that underdeveloped or developing countries can be accelerated along the path of development by means of investment, technology transfers and closer integration to world markets.

In 2013, FDI in South Africa reached a record high of R80.1 billion, it dropped to R22.6 billion in 2015, the lowest since 2006 (Jeffrey, 2016). The low commodity prices certainly had an influence on the performance of many African countries; however, the commodity-super cycle coming to an end tells only a part of the story. Resource rich, developing countries have in many instances failed to develop their downstream supply industries, as well as much-needed infrastructure. In addition, these countries are usually faced with high corruption and poor policy implementation. Unfortunately, South Africa is no exception. In particular, policy uncertainty created by the South African government and the resulting poor sector performance are negatively affecting the country's growth and investment prospects (Jeffrey, 2016).

1.2.2 Previous studies

According to Balasubrammanyam, Salisu and Sapford (1996), and De Mello (1999), FDI is the combination of knowledge, technology and capital, which has a positive impact on the growth and development of developing countries. They found that FDI could increase and improve skills development, training and organisational development within a country. A study by Borensztern, Gregio and Lee (1998) stated that the impact of FDI can vary, depending on the level of human capital in the host countries. Their research was based on the human capital density, which, in effect, determines the absorbing capacity of the foreign technology. As such, a high level of human capital prompted the level of FDI inflow. Driffield and Jones (2013) also investigated the contributions of FDI on the economic growth in developing countries. The authors examined the inherent endogeneities, together with the interactions between institutions and other sources of growth. They found that FDI has a positive and significant impact on economic growth. In addition, Lahdhiri and Hammas (2012) found the same results using panel data estimations. Durham (2004), however, found an insignificant relationship between FDI and economic growth in developing countries. According to Durham, it depends on the technology absorption capacity of the hosting country. In addition, Hermes and Lensink (2003) used panel data for 67 developing countries, including Asia, Africa and Latin America, and found that FDI has a less significant impact on countries with insufficiently developed financial systems. They argue that a sound financial system is important for the transmission of technological spill-overs associated with FDI.

Considering the relationship between FDI, domestic investment and economic growth, a study by Ghazali (2010) indicated that there is a long-run relationship between FDI, domestic capital stock and economic growth in Pakistan. The study found a unidirectional causality between FDI and economic growth. In addition, Bakari (2007) also found a positive relationship between domestic investment and economic growth in Malaysia. On the contrary, Falki (2009) found a negative and insignificant relationship between growth and FDI in Pakistan. The study used OLS, unit root and

cointegration techniques and included other variables that affect production, i.e. trade, domestic capital and labour. Khan (2007) also analysed this relationship in the case of Pakistan over the period 1972 to 2005 using an autoregressive distributed lag (ARDL), and found a negative relationship between FDI and domestic capital in the short run, while it became positive in the long run.

1.3 METHODOLOGY

1.3.1 Study design

The study makes use of a quantitative research method making use of annual data from 1994 to 2018. This period was primarily chosen to determine the impact of FDI and domestic investment on economic growth after the democratic election of 1994. The data was collected from the World Development Indicators (WDI) and the South African Reserve Bank (SARB). The variables used in the study incorporate real gross domestic product per capita (GDP), foreign direct investment net inflows as a percentage of GDP (FDI), inflation consumer price (CPI) and gross fixed capital formation, which is used as a proxy for domestic investment denoted by (DI), and budget deficit: trade balance, which is used as a proxy for the trade balance denoted by (TRADE) and real interest rate denoted by (RINT)

1.3.2 Model specification

In order to analyse the short- and long-run effects of domestic investment and foreign direct investment on economic growth in South Africa, the study makes use of the auto-regressive distributive lag model (ARDL) developed by Pesaran et al (2001). An advantage of using the ARDL models is that it allows variables to be integrated at either levels I(0) or first difference I(1) or jointly at I(0) and I(1), respectively (Jebran *et al.*, 2016). Furthermore, the ARDL technique also allows researchers to make use of a small sample size with respect to the analysis (Brini *et al*., 2015). The first step of the analysis requires that the variables be tested for stationarity, making use of the augmented Dickey Fuller (ADF) unit root test to validate that no variables are integrated at order I(2). If, however, the variables are integrated at I (2), the model will be invalid. The following model is employed for the empirical analysis of this study:

$$\Delta LGDP_t = \alpha_0 + \sum_{j=1}^{k} \beta_j \Delta LGDP_{t-j} + \sum_{j=1}^{k} \gamma_j \Delta LFDI_{t-j} + \sum_{j=1}^{k} \delta_j \Delta LDI_{t-j} + \sum_{j=1}^{k} \tau_j \Delta CPI_{t-j} + \sum_{j=1}^{k} \theta_j \Delta TRADE_{t-j}$$

$$+ \sum_{j=1}^{k} \omega_j \Delta LRINT + \phi_1 LGDP_{t-1} + \phi_{2.} LFDI_{t-1} + \phi_3 LDI_{t-1} + \phi_4 CPI_{t-1} + \phi_5 TRADE_{t-1} + \phi_6 RINT + \mu_t \quad (1)$$

Where $\Delta LGDP$ denotes the natural logarithm of real gross domestic product at a time t, followed by $\Delta LFDI$, which denotes the natural logarithm of foreign direct investment at a time t, followed by ΔLDI, which represents the natural logarithm of domestic investment at a time t, followed by ΔCPI, which denotes the natural logarithm of inflation at a time t, followed by $\Delta LRINT$.

Furthermore, α_0 signifies the intercept, μ_t denotes the error term and k denotes the number of lags. In addition, the short-run dynamics are indicated by $\beta_j, \gamma_j, \delta_j, \tau_j, \theta_j$ and ω_j, whereas $\phi_1, \phi_2, \phi_3, \phi_4, \phi_5$ and ϕ_6 denote the long-run coefficients. Using the Pesaran *et al.* (2001) approach for bounds testing, the following hypotheses to test for co-integration are used based on equation 1 above:

- The null hypothesis (H_0) for no cointegration: $\phi_1 = \phi_2 = \phi_3 = \phi_4 = \phi_5 = 0$
- The alternative hypothesis (H_1) for cointegration: $\phi_1 \neq \phi_2 \neq \phi_3 \neq \phi_4 \neq \phi_5 \neq 0$

By comparing the estimated Wald F-statistics to the upper- and lower-bound critical values obtained from the Pesaran *et al*. (2001) table, the ARDL bonds testing procedure was followed. If the F-statistic lies above the upper critical value, the null hypothesis of no cointegration is rejected, indicating that there exists a long-run relationship between the variables. Furthermore, if the F-statistic lies below the lower critical value, the null hypothesis is not rejected, implying that no long-run relationship exists between the variables. However, should the F-statistic lie between the upper and the lower critical values, the results obtained are inconclusive. When a long-run relationship is determined, the next step will be to estimate the error correction model (ECM). The ECM derived from equation 1 is presented in equation 2:

$$\Delta LGDP_t = \alpha_1 + \sum_{j=1}^{k} \beta_j \Delta LGDP_{t-j} + \sum_{j=1}^{k} \gamma_j \Delta LFDI_{t-j} + \sum_{j=1}^{k} \delta_j \Delta LDI_{t-j} + \sum_{j=1}^{k} \tau_j \Delta CPI_{t-j} + \sum_{j=1}^{k} \theta_j \Delta TRADE_{t-j}$$

$$+ \sum_{j=1}^{k} \omega_j \Delta RINT + \vartheta ECT_{t-1} + \mu_t \qquad (2)$$

Where $\vartheta ECCT$ denotes the ECT and its coefficient, which measures the speed of adjustment towards long-run equilibrium. Making use of Eview9 software, the final ARDL model was estimated using the Akaike information criterion (AIC) as the optimum lag selection. Furthermore, the study will also, based on the suggestive casual evidence found among the variables (Demirel & Artan, 2017), make use of the Toda-Yamamoto (T-Y) approach to test for causality. The advantage of using this approach as compared to the ordinary granger causality tests lies in its ability to provide accurate results when the variables utilised are integrated of different orders (Mavrotas & Kelly, 2001), as seen in the ARDL model. In order to test whether or not the lagged values of the independent variables for each of the dependent variables are zero, the T-Y model makes use of the modified Wald test (MWALD) and the unrestricted regression. The presence of granger causality will be detected if this null hypothesis is rejected. Finally, a number of diagnostics and stability tests such as heteroscedasticity, normality, serial correlation, Ramsey Reset test and CUSUM test will be conducted in order to determine the accuracy and reliability of the model and to also ensure that the basic econometric assumptions are met.

1.4 RESULTS AND DISCUSSION

1.4.1Correlation analysis

The first step conducted by the study is a correlation analysis where the level of association between the variables is identified. Table 1 below provides the results of the correlation analysis.

Table 1: Pearson's correlation coefficients

	LGDP	LDI	LFDI	LRINT	TRADE	CPI
LGDP	1.0000 --- ---					
LLDI	0.99249 [38.9142] 0.0000*	1.0000 --- ---				
LFDI	0.0062 [0.0298] 0.9765	0.0233 [0.1118] 0.9119	1.0000 --- ---			
LRINT	-0.6435 [-4.0318] 0.0005*	-0.5836 [-3.4468] 0.0022*	-0.0481 [-0.2310] 0.8193	1.0000 --- ---		
TRADE	-0.3171 [-1.6040] 0.1224	-0.3094 [-1.5608] 0.1322	-0.0374 [-0.1796] 0.8590	0.2233 [1.0988] 0.2832	1.0000 --- ---	
CPI	-0.2234 [-0.0996] 0.2829	-0.2475 [-1.2254] 0.2328	0.1980 [0.9691 0.3425	-0.0341 [-0.1640] 0.8711	0.0886 [0.4267] 0.6735	1.0000 --- ---
Note: * and ** denotes the level of significance at 5% and 10%, respectively						

Source: Own table based on results from Eviews 9

The results obtained reveal that at a 5% level of significance, a positive and very strong association exists between LGDP and LDI. Furthermore, a negative and strong association is observed between LGDP and RINT, followed by a negative and moderate association between RINT and LDI. This, therefore, suggests that there is a strong relationship between domestic investment and real interest rates on economic growth in South Africa. Furthermore, insignificant relations are observed for the rest of the variables utilised.

1.4.2 Unit root test results

The ADF unit root test was used in order to test the order of integration of the variables. The results are presented in Table 2.

Table 2: ADF unit root test

Level without trend			Level with trend		1st difference without trend		Order of integration
	t-statistic	p-value	t-statistic	p-value	t-statistic	p-value	
Variable							
LGDP	-1.0373	0.7020	-0.5271	0.9745	-2.3647	0.0204**	I(1)
LDI	-1.1983	0.6570	-1.4687	0.8108	-2.5334	0.0138**	I(1)
FDI	-4.7683	0.0009**	-4.6929	0.0052**	-6.0979	0.0001**	I(0)
RINT	-2.1103	0.2425	-3.4063	0.0741	-4.1859	0.0045**	I(1)
TRADE	-4.4371	0.0021**	-4.7208	0.0060**	-5.1933	0.0005**	I(0)
CPI	-3.7909	0.0092**	-3.7774	0.0369**	-4.9556	0.0009**	I(0)
Note: ** indicates the level of significance at 5%							

Source: Own table based on results obtained from Eviews 9

The results further show that LGDP, LDI and RINT are integrated at first difference I(1), while FDI, TRADE and CPI are integrated at level I(0). This, therefore, indicates that the ARDL method can be used as there are no variables integrated at I (2).

1.4.5 Bounds testing

Making use of equation 1, the model specification and lag length selection were selected based on the Akaike information criterion, where the best ARDL model was chosen from the best 20 possible models (1, 0, 0, 0, 0, 1). After the model selection, the next step requires making use of the ARDL bounds testing procedure in order to test the variables for co-integration. The bounds test procedure results are presented in Table 3.

Table 3: ARDL bounds testing results

Dependent variable: GDP		
F-statistics	6.236264	
K	5	
Critical value bounds	**I(0) Bound**	**I(1) Bound**
10%	2.08	3
5%	2.39	3.38
1%	3.06	4.15

Source: Own table based on results obtained from Eviews 9

The F-statistic is observed to be 6.236264, which is greater than the upper bound critical value at the 5% level of significance, implying that the null hypothesis of no cointegration is rejected, suggesting that there is a long-run relationship between the variables.

1.4.6 Long-run analysis

$$LGDP = 0.246LDI - 0.003FDI - 0.004CPI - 0.0000TRADE - 0.004RINT + 7.693041 \quad (3)$$

The results reveal a positive relationship between economic growth and domestic investment. In fact, a 1% increase in domestic investment will, on average, result in a 0.24 increase in economic growth. The findings of this study are similar to those of Bakari (2017), who analyses the impact of domestic investment on economic growth in Malaysia. The findings of this study support the idea that not only does investment benefit a country, but it also benefits the citizens of South Africa as this will lead to improved standards of living through job creation opportunities and improved infrastructure. Furthermore, as indicated in the National Treasury Budget Review (2018), the top three categories of government spending were directed towards education, healthcare and community development. This spending can be seen as investing in the future generations of South African citizens through free education, and reduced dependency of the South African community on social grants. This will also improve the skill levels of the population, consequently increasing the ability of people to acquire jobs, be it locally or internationally.

A negative relationship is observed between economic growth and FDI. A 1% increase in FDI will on average result in a 0.003% decline in economic growth. This supports the idea that South Africa has limited spill-over potential, including weak domestic absorption capacity, skill development and training. According to Borensztern, Gregio and Lee (1998), short-term spill-overs are often not realised in developing countries due to the lack of skilled labour.

The results further indicate that inflation negatively affects economic growth. In fact, a 1% increase in inflation will on average result in a 0.004 decline in economic growth. The negative relationship between economic growth and inflation can be attributed to inflation reducing the value of money. According to StatsSA (2019a), poverty levels are on the rise in South Africa. The 2014/15 Living Conditions Survey indicated that 49.2% of the adult population are living below the upper-bound poverty line, followed by the unemployment rate of 29% in the second quarter of 2019 (StatsSA, 2019b). This indicates that as inflation rises in South Africa, the unemployment and poverty issue will worsen as the purchasing power of money declines. This will make it more difficult for the citizens to be able to afford basic goods and services, which will ultimately lead to a further decline in living standards.

The results also indicate a negative relationship between the trade balance and economic growth. A one-unit increase in the trade balance will, on average, result in a 0% decline in economic growth. The results support the idea that, for the most part, a country's trade balance is merely a reflection of its international borrowing or lending profile over time. By itself, the trade balance (whether in deficit or surplus) is not a good enough indicator of economic growth.

Finally, a negative relationship between real interest rates and economic growth is observed. In fact, a 1 % increase in interest rates will on average result in a 0.004 decline in economic growth. The findings of this study support the notion that as interest rates decrease, consumers have more disposable income to spend, and therefore their money goes back into the circular flow of production, income and spending, which, in turn, increases economic activity and growth.

1.4.7 Short-run and ECM

In order to determine the short run dynamics, the ECM was estimated after establishing the long-run relationship between the variables. The results of the ECM are presented in Table 4 below.

Table 4: Short-run and error correction

Variable	Coefficient	Std. error	t-Statistic	P-value
LDI	0.1366	0.0283	4.8133	0.0002**
FDI	-0.0012	0.0009	-1.3361	0.2002
RINT	-0.0021	0.0007	-2.6952	0.0159**
TRADE	-0.0000	0.0000	-0.9434	0.3595
CPI	0.0003	0.0007	0.5258	0.6062
CointEq(-1)	-0.6200	0.1173	-5.2860	0.0001**
Note: **denotes 5% level of significance.				

Source: Own table based on results obtained from Eviews 9

Mukhtar and Rasheed (2010) confirm that the ECT must be negative and its corresponding p-value should be statistically significant in order to confirm the short-run adjustments back to equilibrium. The results obtained indicate a -0.6200 ECT, which implies that 62% of disequilibrium between the variables is corrected each year, implying that it takes approximately one year to restore long-run equilibrium in GDP when domestic investment, foreign direct investment, real interest rates, trade balance and inflation changes are considered. The results further indicate that domestic investment and inflation are stimulated by economic growth in the short run. These results highlight the advantage of domestic investment in job creation, infrastructure development, healthcare and education.

1.4.8 Causality results

In an effort to provide support for at least one causal relationship between the variables, due to evidence of a relationship with cointegration between the variables, the Y-Y causality test results are presented in Table 5.

Table 5: Toda-Yamamoto causality test results

Dependent variable: LGDP				**Dependent variable: LDI**			
Excluded	**Chi-sq**	**df**	**Prob**	**Excluded**	**Chi-sq**	**df**	**Prob**
LDI	4.5963	2	0.1004	LGDP	19.4375	2	0.0001*
FDI	0.8955	2	0.6391	FDI	0.0626	2	0.9692
RINT	2.2354	2	0.3270	RINT	8.1813	2	0.0167*
TRADE	0.0274	2	0.9864	TRADE	0.0705	2	0.9653
CPI	10.7478	2	0.0046*	CPI	2.3483	2	0.3091
All	15.6183	10	0.1111	All	30.4728	10	0.0007
Dependent variable: FDI				**Dependent variable: RINT**			
Excluded	**Chi-sq**	**df**	**Prob**	**Excluded**	**Chi-sq**	**df**	**Prob**

LDGP	4.4120	2	0.1101	LGDP	0.9110	2	0.6341
LDI	2.7097	2	0.2580	LDI	3.2036	2	0.2015
RINT	5.3593	2	0.0686	FDI	2.2202	2	0.3295
TRADE	0.4139	2	0.8116	TRADE	0.3926	2	0.8217
CPI	0.0285	2	0.3627	CPI	2.5693	2	0.2767
All	18.9396	10	0.0410	All	17.4387	10	0.0652
Dependent variable: TRADE				**Dependent variable: CPI**			
Excluded	Chi-sq	df	Prob	**Excluded**	**Chi-sq**	**df**	**Prob**
LGDP	0.1024	2	0.9501	LGDP	1.5127	2	0.4694
LDI	0.3545	2	0.8375	LDI	0.5478	2	0.7604
FDI	1.1513	2	0.5623	FDI	2.8480	2	0.2407
RINT	0.9829	2	0.6117	RINT	0.6630	2	0.7178
CPI	1.1984	2	0.5492	TRADE	0.2536	2	0.8809
All	7.6423	10	0.6637	All	14.1605	10	0.1658
Note: ** denotes 5% level of significance							

Source: Own table based on results obtained from Eviews 9

The results obtained from the study indicate a unidirectional causality that emanates from CPI to LGDP, followed by a unidirectional causality from LGDP to LDI, followed by a unidirectional causality from RINT to LDI, due to the lags of these independent variable that cannot be excluded from their respective equations. The results therefore show that short-run changes in inflation will granger cause changes in economic growth. The results further infer that short-run changes in economic growth and real interest rates will granger cause changes in domestic investment. This supports the idea that in order for domestic investments to increase, economic growth serves as an indicator to potential investors, which is a link to potential growth in investment opportunities.

1.5 DIAGNOSTICS AND STABILITY TEST

In order to determine the robustness of the results obtained by this study, residual diagnostics and stability tests were conducted. Table 6 provides a summary of the results obtained.

Table 6: Diagnostic test results

Diagnostics/Stability test	**Null hypothesis (H0)**	**P-values**	**Conclusion**
Breusch-Pegan Godfre Heteroscedasticity	No Heteroscedasticity	0.8911	Do not reject H0
Jaque-Bera test	Residuals are normal	0.413875	Do not reject H0
Breusch-Godfrey serial correlation LM test	No serial correlation	0.2682	Do not reject H0
Ramsey RESET	Model is correctly specified	0.1946	Do not reject h0
CUSUM	At 5% level of significance, the model is stable		
CUSUMSQ	At 5% level of significance, the model is stable		

Source: Own table based on results obtained from Eviews 9

The results indicate that the null hypothesis of no heteroscedasticity and no serial correlation is not rejected, implying that the residuals are not auto-correlated and also not homoscedastic. Furthermore, the results show that the residuals are normally distributed and the model is correctly specified. The CUSUM and CUSUMQ tests also reveal that the model is stable, indicating that the relationship between economic growth and its components was consistent throughout the sample period utilised by the study.

1.6 CONCLUSION AND RECOMMENDATIONS

Investments, both foreign and domestic, are crucial to the growth and development of a country. Therefore, to harness the potential of investment to promote economic growth, policymakers should focus on what can be done to make the two forms of investment work together to generate optimal benefits for the country.

The findings clearly identify domestic investment to have the most significant impact on economic growth. However, this does not eliminate the importance of FDI. As such, South Africa needs to create an environment that will foster the transfer of FDI benefits into the domestic economy. So often, the backward and forward linkages between foreign and domestic operations are lost as the foreign companies operate as an enclave within its host country. The results illustrate that this counter-productivity is enforced by the lack of skills, heavy restrictions and various performance requirements in the South African economy (Fruman & Forneris, 2016). As such, it is extremely important for government to implement sound investment policies and robust promotion strategies to achieve the backward and forward linkages that will ensure South Africa achieves the outcomes to which they aspire. Policy changes like these will not only hold potential for growth, but aspire to job creation, reindustrialisation, political and social prosperity and sustainability. It is, therefore, imperative that government finds ways to make the two forms of investment work together.

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