Essay synopsis: Bekithemba Qebe

Between 2008 and 2017 South Africa's annual growth rate experienced a declining trend, with GDP growth below 5% during the period, writes Bekithemba Qeqe. Private investment showed a declining trend, while the net inflow of foreign direct investment (FDI) was also very low. Government revenue was lower than government expenditure, leading to a growth in government deficits. And over the same period the official unemployment rate of the country increased.

In an effort to recover the economy, encourage economic growth and reduce poverty and inequality, the government introduced three growth-enhancing interventions: a US$100-billion investment drive, an economic-stimulus package and recovery plan, and a job summit. These initiatives have the potential to affect three variables that have a huge impact on the health of the economy, writes Bekithemba: domestic investment, government expenditure and FDI inflows. This is likely to increase aggregate total spending, reduce the country's high unemployment rate and lead to an increase in South Africa's rate of growth over time.

However, all these initiatives can only reach their full potential if they're properly implemented and executed. If corruption and self-interest prevail, or the government resorts to borrowing to meet spending targets, this will further threaten the country's fiscal sustainability and affect investment decisions, consumption decisions, cost of borrowing, aggregate demand and employment.

Finally, notes Bekithemba, the country can't achieve its developmental goals if those responsible for corruption, mismanagement of funds and abuse of power continue to go unpunished.

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