The Healthy Turn From Aid to Investment: Can Investment Act as Plan B for Aid?

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Abstract
In spite of the best of intentions, trillions of dollars in Western overseas aid have failed to pull Africa out of poverty — much less put the continent on a development trajectory similar to the one several Asian and Latin American nations have successfully followed for decades. This paper examines the current issues that distract the impact of development assistance in the recipient countries. Previous studies on aid conclude that aid should come to a halt and therefore, we explore current aid administration models and then propose new conversion models which may turn development assistance to pure investment. After highlighting current key impediments to aid effectiveness, we bring to light and propose new conversion framework. Through the descriptive analysis of current trends by major donors, we come up with the propositions about this phenomenon hence putting forth the argument that investment can replace the role of aid and open a leeway for development researchers to make scientific models of operation.

Keywords: Aid, Aid conversion, Finance, Investment, Social Equity Funds

1. Introduction
Africa received $42 billion in development assistance in 2013, well behind foreign direct investment: $57 billion. For decades now, Development assistance has been ineffective to all its recipients hence calling for or proposing investment as plan B. Official Development Assistance (ODA) plays an essential role as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment. We recognize that a substantial increase in ODA and other resources will be required if developing countries are to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration” (UNDESA 2002). On taking a U-turn from Aid to investment, the major goal is to propose bespoke strategies of converting current development assistance into an investment which can help the poorest countries escape the dependency trap of aid. We argue that investment will help reduce poverty and increase economic growth in the developing countries as evidenced by Ethiopia and Kenya growth patterns (The Economist 2016).

Africa’s strength is in its human capacity, the labour force. The same human resource capacity or labour force is large; over 50 percent young people between the ages of 18 and 24 and half of those are women. (prb.org 2013) 1.3 billion People live on less than $1 per day, which make up half of the world’s population, less than $2 per day U.S. average, $90 day. Donors are inadvertently encouraging developing countries to be dependent by giving them the fish rather than teaching them how to fish. This is a great setback to recipient countries because it drags down development in these countries. “We do not look to Africa simply for its natural resources, we recognize Africa for its greatest resource, which is its people, their talents and their potential” (The Canadian Press 2014).

Significant resource constraints have meant increased reliance on external sources of funding such as foreign direct investment (FDI) and foreign aid (ODA) for many Sub-Saharan Africa (SSA) countries. Before the 1970s only 10 percent of Africans were living in poverty but between 1970 and 1998 when foreign aid was at its peak, the poverty rate in Africa skyrocketed to 70 percent. Since 1970, SSA has received over 0.43 trillion and 1.071 trillion USD in FDI and ODA respectively. FDI provides countries with an important source of funding for development purposes and is stated to transfer superior technology and management skills, stimulate investment and growth, generate efficiency spillovers, enhance job creation and assist in infrastructure development. Foreign aid, especially development assistance has provided funding for socio-economic development in the region, with varied success. According to Kingsley Ighobor (2013), the author asserts that lack of employment opportunities can undermine social cohesion and political stability. Also, according to African Economic Outlook report (2012), the report states that there are 200 million people aged between the age of 15 and 24 (the youth bracket) and the figure is set to double by 2045 harnessing this demographic dividend will require more investment in the sectors that can create jobs for this youth rather than giving “hand-out” which will turn out to be unproductive. Although Africa has enjoyed over a decade of
sustained economic growth, with per capita income for the region as a whole soaring steadily, and regional growth exceeds the global average. Yet, there are worrying signs that this growth has not resulted in strong growth of ‘employment generation’ – those providing higher wages and better working conditions – particularly for the young Africans.

In order to achieve the set goals, radical policy changes must be implemented in order to meet the new continental and global sustainable development goals: African Agenda 2063, the ‘Africa we want’ and the 2030 agenda for Sustainable Development Goals (SDGs); they can be achieved by moving from aid to investment. Moving from aid to investment does not mean aid is completely bad, but aid should provide the platform that will help facilitate or act as a catalyst to provide needed, comprehensive resources and financial Instruments that will assist in bolstering the economic expansion of the recipient nations. On the other hand, if strict measures are taken by the donors or strict governance policies implemented it will help to fulfill the ‘purpose’ of strengthening independence from aid in the future, then Aid can be a better instrument in promoting growth in recipient nations.

There are already numerous identical models which are being proposed by African Leaders in an effort to respond to a damning pandemic facing their countries today. African leaders have shown their efforts to turn their focus on mitigating the roots of the problems. African governments have made some efforts to match words with action. Let’s look at the following instances: (i) Ghana created national youth service and empowerment programmes to equip college graduates with requisite skills and help them find jobs; (ii) Mauritius developed a plan to encourage technical and vocational education for young people; (iii) Zambia introduced a national youth policy and youth enterprise fund to stimulate job creation; (iii) The Nigerian government introduced a skills acquisition and enterprise development programme as a component of the existing national youth service corps; it also introduced a business plan competition, dubbed YouWin, which grants winners get start-up financing.

The jury is still out as to how much of an impact such national initiatives have had on youth unemployment. Although these initiatives are good, there is the need for stronger job creation mechanisms. Singing the same tune, the World Bank proposes a jobs strategy that pays more attention to rural development, invests in agriculture, is sensitive to the migration of youth to urban areas and prepares them for the contemporary labour market. (Ighobor 2013). These are the initiatives which the paper suggests would provide the long-term solution for Africa, if structured with a better policy framework and supported with better facilitating financial instruments. When programs that target the largest group is contributing to the need of Foreign Aid, they are deliberately prioritized in all aspects of their operations and use, the ‘learning-to-execute’ approach which is likely to be highly productive and predictable. Virtually cause for additional Development Aid or Development Finance, which arguably in most cases can be the result of the national budgets getting swamped in financing social hurdles. The structure of the paper is as follows: Chapter 2 examines the published information of official development assistance review as well as the effectiveness of aid in sub-Saharan Africa. Chapter 3 examines what we have already spent on aid and shows the mismatch issues. The introduction of FDI in sub-Saharan Africa enables us to realize the plan B in order to help African countries step forward healthier and in a sustainable manner. Chapter 4 introduces three instruments concerned with the investment in order to know when we want to turn aid to investment and some challenge. Chapter 5 concludes our paper.

2. Effectiveness of Aid in Sub Saharan Africa: Analysis at the sectoral level

2.1 Why the Need for Sectoral Analysis?

The preceding review of the literature on aid effectiveness in Africa makes two important points. The first is that empirical evaluations of aid effectiveness have focused primarily on the impact of aid on national level indicators, such as economic growth and its aggregate correlates (such as investment and saving). Second, the results of such macro-level analyses are mixed: while some studies conclude that aid works, others conclude that it does not work, while yet others argue that aid works, but only under certain conditions. This lack of consensus in the aid effectiveness literature, we have argued, is the result of conceptual and empirical problems in establishing the chain of causality between aid interventions and macro-level outcomes. Furthermore, the complexity of this chain of causality itself provides an important reason for the failure of evaluations of aid effectiveness to achieve consensus. As Ndikumana (2012) argues, aid is merely an instrument for achieving a final outcome. However, whether or not this outcome is attained depends on a range of factors, many of which may be unrelated to the initial aid intervention. For example, in order for aid to education to result in economic growth, not only must schools be built, but there must a corresponding increase in enrolment, attendance and literacy, improvements in learning outcomes, changes in household and individual decision making (e.g., sending or keeping girls in school), increased availability of employment opportunities, and increased productivity (Ndikumana, 2012). If any of these intermediate outcomes does not materialize, the impact of aid to education on economic growth may be compromised. Furthermore, the assumption that aid effectiveness can be
measured by the impact of aid on economic growth is difficult to justify on theoretical grounds. Donors and recipients negotiate aid allocation for specific purposes, programs, and projects, many of which are unrelated to achieving economic growth, or only tangentially so. Moreover, donors differ in their preferences and practices regarding the sectoral allocation of aid, which has implications for the impact of aid on development outcomes (Dreher et al., 2007). As Dreher et al. (2008) point out, studies that use aggregate aid, overlook the fact that different types of aid interventions are unlikely to have the same economic effects in all countries. The foregoing discussion suggests that analyses of the effectiveness of aid would be more informative if they focused on a narrower set of outcomes. In other words, instead of focusing on remote national level indicators, it would be better to evaluate the impact of aid interventions on more immediate goals, where the causal chains are more obvious and there are fewer confounding factors. For example, the impact of an increase in aid to education should focus on intermediate goals such as access to education, enrollment, attendance, completion rates and literacy, rather than on economic growth. Such an analysis requires disaggregating total aid by sector to focus on aid going to specific sectors of the economy and to assess the effectiveness of sectoral aid interventions against sector-specific objectives. Although this was not possible in the past, greater disaggregation of aid data at the project level in aid reporting by donors has motivated sector-focused studies in the aid effectiveness literature – although, in comparison to the aid-growth literature, this work is still in its infancy. The majority of this new generation of sectoral studies has used data from developing countries as a whole, to explore the effects of aid targeted to particular sectors such as education, infrastructure, and agriculture, on outcomes in these sectors.

(i) Aid to Education and Education Outcomes

The literature on the impact of aid to education on educational outcomes is scant, and to the best of our knowledge, there does not appear to be any work on sub-Saharan Africa. In comparison with the literature on aid and health outcomes, these studies find evidence of a positive impact of aid on education outcomes, although they differ with regard to the economic importance and magnitude of these effects. Michaelowa (2004) and Michaelowa and Weber (2006) find evidence of a positive effect of total aid commitments to the education sector on primary school enrolment and completion. Their results suggest that, on average, a one percent increase in education aid (relative to the recipient country’s GDP) increases primary school completion rates by 1.6 percentage points per year – an effect which they argue is too small to have significant economic importance. Michaelowa and Weber (2008) differentiate between aid to primary, secondary and tertiary education, and find a positive effect of aid on all three levels. Again, however, the effect is low, with a one percent increase in education aid (as a share of GDP) improving completion rates by at most 2.5 percentage points. Their findings also suggest that the effectiveness of education aid depends on the political and institutional context in the recipient country, with aid to education having a negative effect on educational outcomes in countries with very low levels of political freedom. Other studies are more optimistic in their findings. Using data from 100 developing countries between 1970 and 2004, Dreher et al. (2008), find that a one percent increase in aid to education (as a share of the recipient country’s GDP) increases primary enrollment by 2.5-5 percentage points. In a subsequent paper in which they use education aid per capita as an explanatory variable, Dreher et al. (2008) show that a one dollar increases in education aid per capita can increase primary school enrollment by 0.3 percent, suggesting that if donors were to double education aid from current levels, enrollment would increase by 1.5 percent. Their results are corroborated by Gyiimah-Brempong and Asiedu (2008), who find that aid to primary education has a positive effect on primary school completion rates – although the effect is smaller in sub-Saharan Africa than in other parts of the developing world. In contrast to Dreher et al. (2008), who find no evidence that institutional quality matters for educational outcomes or aid effectiveness, Gyiimah-Brempong and Asiedu (2008) find that policy environment does matter for the effectiveness of aid to education.

(ii) Aid and Social Infrastructure

The literature on the effectiveness of aid targeted to social infrastructure in developing countries is just as sparse as that on aid to health and education. Here too, the results are conflicting. Using data on the share of total aid going to the water and sanitation sector in 110 developing countries in the year 2000, Wolf (2007) finds no impact of aid on access to improved sanitation, and a negative impact on access to improved water sources two years later. Bain et al. (2013) also fail to find any significant effect of aid disbursements to water and sanitation on improved access to these services in a sample of 114 countries over the period 2000-2010. In contrast, Botting et al. (2010) and Wayland (2013) find that increased aid to the water and sanitation sector is associated with increased access to improved water sources in developing countries. Wayland (2013) also finds that aid to water and sanitation helps to improve health outcomes in a large sample of low, upper-middle and lower-middle-income countries, over a 50-year period from 1960 to 2009. Specifically, he finds that aid to these sectors is associated with a reduction in infant and child mortality rates and an increase in life expectancy. Interestingly, aid appears to be less effective in achieving these outcomes in low-income countries, and more effective in autocratic countries. This is in direct contrast with Wilson (2011), who finds no impact of aid to the water and sanitation sector on health outcomes. The evidence for sub-Saharan Africa is encouraging, if limited. Using household and community level data for Malawi, Wayland (2013) finds that households living in areas that
received higher levels of aid were more likely to report using improved sources of water and improved sanitation facilities. Ndikumana and Pickbourn (2016) also find evidence that aid to water and sanitation in a broader sample of sub-Saharan African countries increases rural access to sources of clean drinking water and improved sanitation facilities, and that aid reduces rural-urban disparities in access to these facilities.

(iii) Aid to Agriculture and Food Security

In comparison with studies of the impact of targeted aid on socio-economic indicators of development, studies of the impact of agricultural aid on agricultural output are relatively more abundant. While there is some disagreement among researchers on whether or not food aid acts as a disincentive to food production, there is general agreement that food aid does not lead to sustained increases in agricultural output in the medium or long run (Abdulai et al., 2005; Awokuse, 2011; Tusiime et al., 2013; Yamano et al., 2005). However, there seems to be little dispute over the positive impact of aid on the agricultural sector on agricultural productivity in developing countries (Chimhowu, 2013; von Braun, 2013). The research on agricultural aid to sub-Saharan Africa has also produced consistent evidence of a positive impact of agricultural aid on particular indicators of agricultural productivity (Alabi, 2014; Fuglie and Rada, 2013). Because aid to agriculture supports many different types of agricultural activities, knowing which kinds of agricultural aid have the greatest impact is crucial to enhancing the overall effectiveness of aid to the sector. Using data on aid disbursements to African countries over the 1990-2012 period, Gyimah-Brempong and Gentry (2016) analyze the separate impacts of aid for agricultural research, aid for agricultural education and training, aid for livestock development, aid for agricultural land development, and aid for the provision of agricultural inputs such as seeds, fertilizers and machinery. They find that, overall, non-food aid to the agricultural sector significantly increases agricultural output in African countries. However, while aid for research, education, and training contribute to higher agricultural output, aid to support input and land development has no impact on agricultural output. The evidence, therefore, suggests that it is important to target agricultural aid to specific activities where it is most productive.

2.2. Stylized Facts about Sectoral Allocation of Aid in Sub-Saharan Africa

In the analysis presented below, we focus only on aid disbursements to 49 sub-Saharan African countries over the period 1973-2013. To facilitate comparison over time, we use real figures measured in constant 2013 US dollars. A sectoral analysis of aid flows to sub-Saharan Africa reveals some interesting patterns in terms of the overall volume and distribution of aid among countries. Depending on whether the analysis is in per capita terms or in terms of sectoral shares of total aid, these patterns can be quite different. Moreover, the sectoral analysis of aid presented here also strengthens the case for shifting the focus from macroeconomic evaluations of aid effectiveness to microeconomic evaluations. Between 1973 and 2013, infrastructure has received the greatest share of total aid to sub-Saharan Africa, while the industry has received the least (Figure 1). When viewed in per capita terms, aid to all sectors appears to have kept pace with population increases over the three decades from 1981-2010; although the amount of aid per capita going to all sectors is actually quite small (Figures 2 and 3).

![Figure 1: Sectoral Allocation of Aid (percentage of total aid), 1973-2013](source: Ndikumana et al., 2016)
In analyzing patterns of aid distribution to different sectors of the economy, the paper noted that while it is still in its infancy, the burgeoning research that focuses on the sectoral allocation of aid and its impact on specific disaggregated development outcomes has already provided insightful results on aid effectiveness in African countries. The few existing studies in this strand of the literature reveal that aid that is explicitly targeted to sectors such as education and health yields positive outcomes and has positive externalities, especially in terms of gender equity. These effects seem to be stronger when foreign aid allocation to social sectors is accompanied by increased government spending in these sectors. The analysis at the sectoral level suggests that the failure to find consensus in the literature on aid effectiveness may be due to the fact that the conventional analytical frameworks used are unable to translate positive macro and sectoral level outcomes into macroeconomic outcomes. Thus, claims that aid has no, or limited, positive effects on economic development, drawn from studies based on the conventional macro-level analyses, are fundamentally misguided. The evidence suggests that future research on aid effectiveness should be anchored on sectoral and country-level analysis. This requires substantial and sustained investment in collecting and analyzing disaggregated data on aid, institutions, policy regimes, and qualitative as well as quantitative measures of development outcomes.

Source: Ndikumana et al., 2016
3. A need to drive towards Investment

3.1 Cost of Aid in Africa

If the reviews in relation to the average cost of Aid in Africa are to stand, African countries are more likely to get further indebted than any other country in the entire world. Taking the DAC report (2016) into context, Africa received net annual ODA of 54, 193 for a total of 1, 155 billion population. This is in comparison to Asia’s USD53, 785 for a population of 3, 993 billion. Actually, in cost review, every African person owes ODA donors a combined total of USD46.92 which has to be paid back 8:1. This suggests an annual debt of around USD375.36 per person annually. This means that the slower the economy grows and the more dependent it remains, may result in even higher indebtedness without any setoff.

3.2 Countries with High Economic Growth

There seems to be a mismatch of the fastest growing economies in Africa when matched with those which receive Aid. Tijani (2016) reports that Ethiopia, Cote d’Ivoire, Tanzania, Senegal Djibouti Rwanda, Kenya, Mozambique, Central African Republic, Sierra Leone and Uganda as some of the fastest growing economies in Africa with a growth rate above 5 percent. “In 2015 Sub-Saharan Africa’s GDP is expected to grow at 4.5 percent making it the fastest-growing economic zone in the world, outpacing Asia’s regional average of 4.3 percent annual growth (Murori 2017).

It is however intriguing that amongst the list of fastest growing economies in Africa, only three countries seem to manage ODA efficiently as they are in the top 10 ODA recipients in the world (OECD 2016). These are Ethiopia and Kenya which puts into question the impact of ODA in the other 9 countries listed as fast growing. Actually, the number one growing economy, Cote D’Ivoire is boosted by government policies and structural reforms this strong growth is credited to aggregate demand and increase in investment (Myers 2017). Some reports record Ethiopia as number one growing economy in contrast to Cote D’Ivoire.

Though this is not an issue of contest, what is important to note is the policy structural changes which the World Bank proposes to the country: All the five areas are targeted at creating new firms, investing in further job and technical training, investing in low-skilled employees and enhancing the use of Information Communication Technology (World Bank 2017). This is once again a full proof of the need to shift towards Investment, in making a case for a faster growing economy. The contention of this paper is that these five areas can be addressed by aid that comes in form of investment that is expected to yield returns and reduce dependence is further justified. Growth in some of these Sub-Saharan African Countries is actually propelled largely by resource intensive projects, but relative to percentage growth it seems some of the fastest growing economies like Ethiopia and Kenya are not actually utilizing resource-intensive projects (The Economist 2016). This makes a strong case for inclusivity of growth model for countries which do not possess high levels of resources.

3.3 Importance of FDI in Sub Saharan Africa

FDI plays quite a pivotal role in development in Africa’s Development. Ethiopia is one of the countries together with Kenya which seems to have harnessed the lifeblood provided by the Foreign Direct Investment (OECD 2016). They are one of the highest recipients of FDI in Africa and has complemented that with a fast-growing economy. There are strong arguments that FDI actually crowds domestic investment and that private investment is the main driver of FDI. “First, FDI crowds in domestic investment and, secondly, that private investment is a driver of FDI, implying that African countries will gain much from improving the domestic climate” (Ndikumana and Verick 2008, 713-726). There are other acute arguments which positively correlate economic growth to Domestic Investment and FDI net crowding out effect but later shows a positive effect on a later stage (Adams 2009). The argument of these authors, especially Ndikumana and Verick, (2008) also make it clear that resource endowments are not the only means to secure FDI in developing countries which are not resource rich, they propose a myriad of alternatives for countries with poorer resource base. But their most important contribution to our study is the positive linkage of FDI to domestic investment which drives the case further that, realigning Aid and substituting Development Assistance with Investment with a calculated return and a structure to become independent of aid is necessary.

It must, however, be noted that although there is an increase in FDI flows into Africa generally (Bartels, Alladina and Lederer 2009) this represents only about 1 percent of total global FDI while in contrast, Africa receives the largest portion of ODA. One of the most intriguing information regarding FDI and foreign investors’ motivations to invest are political economy considerations and cost reducing information on industries, markets and utility services. Surprisingly, Bartels, et al. (2009) factor analysis of investment motivations of about 758 foreign investors in SSA show less influence of labour and production input variables. This may, however, be a result of the expected low labour cost shifting focus to other factors.

What the study reaps out of these authors work is the link between FDI inflows to political economy considerations. We have earlier reviewed the literature regarding the effectiveness of ODA in SSA and its
promising leaders in Africa hosted by United States President, Barrack Obama (Yali 2014); one thing became
easy enough to sign over their organization’s cheque to finance a project administered by them.

been concluded but when the transaction of funds transfer serving as guarantees are in possession of
provide ODA have in the argued case a moral obligation to restructure aid to provide:

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cated a way of conversion from pure Development Assistance to Aid.

4. Achieving the course: Investment Conversion Instruments
The overarching argument for this review is that most of the propositions point at the direction of Investment
feature development assistance. We make further concessions that a complete or substantial substitution of
current Development Assistance into Investment would yield much higher results. The contention is on the basis
that Investment is approved in development projects whose investment returns can be measured and allocated a
rule to say a similar investment on the same project will not be required in the following fiscal year or a given
term of the recipient country. Below we provide specific instruments which from review may open a structural
way of conversion from pure Development Assistance to Aid.

4.1 Proposed Financing Models to drive conversion to Investment
Credit Guarantees
Whether, a development partner is engaged in improving access to primary healthcare, in subsistence farming or
in food security in general, or even financing education enhancement projects; all of them should work towards
instilling a sense of independence gradually. The ruling principle being, it is quite unlikely to happen if they
keep ignoring the largest sector of the society which includes the Not in Education, Employment or Training
(NEETs) as described by Population Reference Bureau (2012). Given the situation, and the proposition that aid
directed to these developing countries should be focused on addressing the cause of aid in the first place, and
embrace in all accord the spirit of social entrepreneurship; the paper suggests that donors especially those who
provide ODA have in the argued case a moral obligation to restructure aid to provide:

i) Reliable Credit Guarantees to close the “Partial” part in the existing schemes to accommodate millions
of brilliant young folks in Africa and ensure the execution of the schemes commence not after the agreement has
been concluded but when the transaction of funds transfer serving as guarantees are in possession of
participating lending institutions. Failure to do so may result in slow and even unresponsive initiations to provide
landing to the target group, this is still owing to the banks’ conservatism as studied by Hansen, et al. (2012).

ii) In countries where neither partial credit guarantees nor any other form of access to credit for innovative
and creative entrepreneurs exist, the development partners again have an obligation to first prioritize their Aid in
capital initiatives by first creating such institutions and partnering with local institutions for implementation, the
objective again is to instil a sense of independence in those communities.

iii) In line with their work, the development partners and other aid donors also have to tap into the most
likely existing capacity building initiatives or establish such, to train proactive social entrepreneurs in areas
which they are in the country to serve. This can be prescribed as a prerequisite or channel to access funds created
even if the entrepreneurs’ projects are not ‘directly’ related to a specific project but are still in a similar cause as
the donor agency. The focus should also be made to minimize import of goods and services into the country
financed by foreign aid, as pressures to that particular country may also be as a result of the imbalance of trade
with other countries, therefore, constraining liquidity. That cannot be too hard to implement.

4.2 Specialised Equity Funds and Bridging Finance
This is perhaps the most challenging part in relation to extending finance to the most fragmented part of the
society. But as illustrated earlier, very few organizations usually come through for young people regardless of
the magnitude of their ideas and projects. In countries where there are certain means of access to finance, there,
may also be quite a few other mechanisms created to extend equity into projects initiated by young people.
Regardless of how much the buzz word, ‘youth’ an organization uses, very few of them arguably trust young
people enough to sign over their organization’s cheque to finance a project administered by them.

Looking through the Young African Leaders Initiative, at the Presidential Summit of 500 of the most
promising leaders in Africa hosted by United States President, Barrack Obama (Yali 2014); one thing became
vividly clear. Young African leaders are not short of ideas in tackling the social problems facing their
countries, especially when they are the ones closest to the distress part of the society. Trust from organizations
is the main issue. Without that element of trust all forms of constraints befall their visions, and as most of the
young leaders reiterated in their applications to the program held by IREX, an organisation engaged by US
department of state to collect the participants’ biographies. Not surprisingly, access to finance and availability
of equity emerge as the major hurdle particularly in the Business and Entrepreneurship track of the program
(Irex 2014). Therefore, the proposition to create access to equity finance is a key complementary mechanism
to proposed credit guarantees above. Then, the development partners can strategically and with a ‘deliberate’
effort establish:
i. Specialised equity funds held by their organisations to finance either profitable or non-profitable social entrepreneurship organizations, solving social problems in their communities. Whether the entrepreneurs and their organisations are advancing access to healthcare or improving service delivery of such; or whether they are carrying out an educational project aimed at innovating education delivery systems or introducing new technologies into the classroom in a broader bit to transform education to respond to the national objectives; or whether they have started an agricultural project to reinvent their nation’s competitiveness in providing affordable food supplies to their communities, to improve nutrition and minimise diseases related to such and many other direct impact projects; such a specialised kind of financing created solemnly to target folks who would not ordinarily appear profitable as people in the eyes of existing financiers can be truly revolutionary.

ii. Another solution is to extend to the existing schemes, bridging finance where the organisations mentioned above already have access to limited finance. The bridging finance can be regulated as other means of access are, but this should be a less precarious form of providing finance to the social entrepreneurs as existing evidence of work may already be in place. Again, this kind of finance may also be more responsive when it is managed and implemented by the providing development partner as opposed to dipping it into the government coffers, because doing that may bring another aspect into question ‘corruption’ which may still arguably be absent even in the resident offices of the development partners.

One last and perhaps a crucial addition to the solutions proposed above, is to restructure ways of communication between the donor agencies and citizens with regard to executing and disbursing their development funds. Most of the organisations including the United Nations Development Programme (UNDP) and the European Union Delegation missions have structured funds which are only accessible through their own ‘call for proposals’ (UNDP 2014) (which is not exactly a bad practice, in fact a fair one) for specific projects precisely. The devil again arises in the criterion which is normally attached to the calls; again, they heavily discriminate young folks in ways that are quite similar to the ones described by African Economic Outlook, (2013).

It is also and arguably so, a very backhanded way of communicating to the target group, it could become a case of, apply but you know you are already out, ‘technically’. Some organisations go even further; much further to dip most of what they provide as development aid into government coffers (Delegation of the European Union Lesotho 2012), the question remains, is it impossible to collaborate with the government and understand their development needs such that as they are outlined in their budgets, the donors disburse funds directly into the projects? It is an arguable fact that in most cases it is the last time that such funds see the light of day in government purse. All these are vividly clear when one studies certain transparency international reports on corruption watch over time (Transparency International 2013).

5. Conclusion

This study examined the transformation of the Development Assistance into direct Investment. There has been remarked that since many decades, the big push is being given to the developing countries for various reasons. But this help is still not effective because the main goal is not reached. This is the ultimate reason why we carried out a research to show another option that can help the fulfilment of the goal. Firstly, we have shown the effectiveness of the foreign aid and the way it can be turned into Investment. Secondly, we have examined some previous papers about the official development assistance as well as the effectiveness of aid particularly in Sub-Saharan Africa. Thirdly, we have examined what has been spent on foreign assistance and have shown the mismatch issues such as the introduction of FDI in Sub-Saharan Africa and its effects on domestic investment mobilization; this enabled us to make a stronger case for a shift particularly to the proposed Plan B (Investment) which will help Africa to access healthy growth; independence from aid and sustainability. Finally, we have introduced three instruments that can permit us to turn foreign aid into Investment. This study builds on an already raging momentum from major donors like the EU who have begun a drive towards disbursing aid in a direct investment manner: Our study’s unique contribution is the proposition of instruments which are adjusted to suit the third sector investment objectives which is the pinnacle of the investment disparity between the third sector and capitalist motivations of investment hence the key role played by the word social.

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