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DIVERSIFICATION OF EXTERNAL SOURCES OF FINANCING DEVELOPMENT IN AFRICA: IMPACT OF KENYA'S RELATION WITH INDIA AND CHINA

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

This project is a special dedication to the people of Kenya and the entire continent of Africa.

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ABSTRACT

African countries face varied complex issues that the western countries have failed to address since independence. However, after the end of the cold war, there was a high transformation in the aid architecture, with the emerging donors coming on board with favorable aid conditionality's that are more attractive to African countries. The diversified external sources of finance have proven to be more efficient in solving African issues directly, unlike traditional donors. To this end, this study evaluated the diversified external sources of financing development in Africa, assessed strategies that are employed by African countries in seeking external finance, and critically analyzed the impact of external sources of financing development from China and India on Kenya's growth.

Based on the nature of the study, it used a mixed methodology design in both data collection and analysis. Primary data was derived from interactive interviews and administration of questionnaires from officials in the Ministry of foreign affairs and international trade, China, and India officials in their Embassy in Kenya. Secondary data were sourced from a collection and review of published and unpublished material, journals, academic papers, and periodicals. These were taken through intensive and critical analysis. Qualitative data was analyzed using content analysis while quantitative data was analyzed by the use of SPSS software. Quantitative data were presented in tables and pie charts with interpretations done using percentages. Qualitative data was thematically presented based on the study objectives.

The study relied on the dependency theory and borrowed some tenets from the realism theory in explaining Africa countries' reliance on external sources of finance. The study established that Africa diversification of external sources of finance is a result of its changing needs and failure of traditional donors in addressing its complex issues. The study also revealed that the emerging donors in aid architectures provided loans with favorable conditionality's, respected recipient countries sovereign, and they were channeled where they are needed most. In addition, Findings indicated that Kenya benefited extensively from India in health sectors, technical areas, and infrastructure development loans. The study also revealed that the majority of China's financing means was done through infrastructural development. Findings showed that the Africa-Asia relationship has helped revamp the continents' economic growth. African governments have created promising avenues for Diasporas to remit money back home. Findings showed that one of the challenges overcame by external sources from India and China was health problems and eliminating transport congestion. Chinese companies' road expansion has solved most of the transportation challenges, such as traffic jams. Finally, findings established that infrastructural development was the main economic advancement from China. China was mainly involved in the construction of roads, railways, dams, and energy projects. The study recommends that African countries should come up with suitable projects that need funding. Donors should make it mandatory for public-private partnerships before they give out any forms of assistance. Public participation should be emphasized by the donors for the value of the money to be realized.

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BOT	-Build Operate Transfer
CRBC	-China Road and Bridge Corporation
DAC	-Development Assistance Committee
DFID	-Department for International Development
DTTs	-Double Taxation Treaties
EAC	-East African Community
ECOWAS	-Economic Community of West Africa
EU	-European Union
EPZs	-Export Processing Zones
FA	-Foreign Aid
FDI	-Foreign Direct Investment
GDP	-Gross Domestic Product
GDHS	-Ghana Diaspora Celebration and Home coming Summit
GDPP	-Global Development Partnership Programme
GNI	-Gross National Income
G-7	-Group of seven
HIPC	-Heavily Indebted Poor Countries
IFC	-International Financial Cooperation
IMF	-International Monetary Fund
ITPO	-Indian Trade Promotion Organization
IDS	-International Debt Statistics
IFIs	-International Financial Institutions

ITEC	-Indian Technical and Economic Cooperation
KARI	-Kenya Agricultural Research Institute
KIIs	-Key Informant Interviews
LDCs	-Least Developed countries
MIGA	-Multilateral Investment Guarantee Agency
MoU	-Memorandum of Understanding
ODA	-Official Development Assistance
OECD	-Organization of Economic Co-operation and Development
PIDA	-Programme for Infrastructure Development in Africa
PRC	-People's Republic of China
SADC	-Southern African Development community
SEZs	-Special Economic Zones
SGR	-Standard Gauge Railway
SMEs	-Small and Medium Enterprises
SADC	-Southern Africa Development Community
SPSS	-Statistical Package of Social Sciences
SSA	-Sub-Saharan Africa
UK	-United Kingdom
UN	-United Nations
UNCTAD	-United Nations Conference on Trade and Development
US	-United States
WB	-World Bank
WAIPA	-World Association of Investment Promotion Agency

CHAPTER ONE

1. Background to the study

Africa is known for the abundant poverty and hunger despite abundance in natural resources and favorable weather conditions. The African continent harbors majority of developing countries that report high rates of destitution.[1] The European and the western countries took upon themselves to act as donors though majority were generally keen on the natural resources from Africa.[2] This might have been brought about by the struggle that was occurring during that time among the European superpowers, which were attempting to turn into the most predominant power in the continent.[3] The struggle may have been what drove them to occupy land in Africa and to utilize the locals to harvest minerals. From 1950s, the majority of the colonized African countries got sovereignty from the European countries.[4]

Sources of funds to Africa have for a long time been under the Organization of Economic Co-operation and Development (OECD) countries.[5]After the Cold War was over, a majority of Africans shifted to the West.[6]Nonetheless, certain issues continued to be of concern in Africa. The efforts made in fighting problems such as poverty and food security moderately meant less development in Africa. The Official Development Assistance (ODA) was unable to meet the financial needs of most of African countries. This forced many African countries to seek for other alternative sources to finance their development.

[1]Atinmo, "Breaking the Poverty/Malnutrition Cycle in Africa and the Middle East."
[2]Humprey, "European Development Cooperation in a Changing World: Rising Powers and Global Challenges after the Financial Crisis."
[3]Ibid.
[4]Acharya, "The Emerging Regional Architecture of World Politics."
[5]Lundsgaarde, Breunig, and Prakash, "Instrumental Philanthropy: Trade and the Allocation of Foreign Aid."
[6]Amusa, Monkam, and Viegi, "The Political and Economic Dynamics of Foreign Aid: A Case Study of United States and Chinese Aid to Sub-Sahara Africa."

More, importantly, Africa changing needs is attributed to its diversified external sources of finance.[7]The West no longer dominates over Africa's imminent progression. Unexpectedly since the end of the Cold War, different countries are considering African governmental and financial matters.[8] However, from 1980s, non-conventional benefactors, for example, Brazil, China, Russia and India and several other various Middle East nations have started to arise as donor countries a move that is highly criticized by western countries.[9]

The emerging donors offer non-concessionary support with an emphasis on areas in beneficiary nations that are in desperate need of it.[10] The benefactors have started to set up another norm, one without policy strings attached and which centers around health, innovation, infrastructure and export. They have tried to dissociate from policy stings that are governance related.[11] Emerging powers such as India and China are gaining momentum globally.[12] China and India are big nations with large populaces and quick development rates. India's development hastened during the 1990s. The 1991 foreign exchange crisis signaled the start of external liberalization and quickening of transformations within the country.[13]China is a significant economic partner for a large number of countries whose exports, imports and investments have sufficiently large effects for relationships to be considered strategic.[14] The strategic interests of China and India encompass a broad range of economic and political linkages that go beyond their particular regions.

[7]Brautigam and Knack, “Foreign Aid, Institutions and Governance in Sub Saharan Africa.”
[8]Kragelund, “Knocking on a Wide-Open Door: Chinese Investments in Africa.”
[9]Chaponniere, *Chinese Aid to Africa, Origins, Forms and Issues in “the New Presence of China in Africa*.
[10]Brautigam, *The Dragon’s Gift. The Real Story of China in Africa*.
[11]Meyer, “Emerging Donors: Ushering in a New Aid Era?”
[12]Parisot, “Merican Power, East Asian Regionalism and Emerging Powers: In or against Empire?”
[13]Roy, “China and India, ‘Rising Powers’ and African Development: Challenges and Opportunities.”
[14]Humprey, op. cit

Amongst the group of emerging donors, China has become the largest contributor of aid to developing countries.[15] Chinese interests in the African continent have grown exponentially in the 21st century.[16] Between 2000 and 2012, China undertook over 1700 projects amounting to over seventy-five billion dollars in over 50 African countries.[17]According to the Chinese finance ministry, all 53 African countries are recipients of Chinese development assistance. China has carried out some 700-800 projects in 48 African countries, most of them in agriculture, fisheries, infrastructure, and training of skilled personnel. While the form in which this aid is provided varies from country to country, in most cases, preference is given to concessional loans and soft credits.[18]China's aid in SSA is varied and can be found in almost all sectors. The largest amount of aid funding goes towards the transport, storage, energy, and communications sectors.

India's presence in Africa is distinctively different from that of China. India's presence in Africa has been built on an active Diasporas community, particularly in East Africa, and the Indian Government has utilized this historical relationship to engage with Africa. On the other hand, it is only recently that India has begun to wake up to the impending shortage of many key minerals and to the energy that it requires for its sustained future economic progress. It is one of the few countries in our case studies that have a coherent, focused strategy for key States in Africa. Financial assistance is often coupled with (Foreign Direct Investment) FDI, trade agreements, accessing markets and securing energy supplies. In 2003, the Indian Government unveiled the Indian Development Assistance Scheme. In seeking engagement with other developing

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[15]Woods, "Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance."
[16]Guerin, "Chinese Assistance to Africa: Characterization and Position Regarding the Global Governance of Development Aid."
[17]Fasanya and Onakoya, "Does Foreign Aid Accelerate Economic Growth? An Empirical Analysis for Nigeria."
[18]Hofmann, "New Powers for Global Change? Challenges for International Development Cooperation: The Case of China."

companies, the promotion of Indian exports and strategic interests was given a priority. Development assistance would therefore be linked to the opening of new markets, and lines of credit would be extended where products from India are being used in the projects. India does still pursue "tied" aid, not tied to political or governance conditionality such as democracy or transparency, but tied to other FDI and trade vectors. It's important to note that Kenya is among one of the countries that have greatly benefited from India and China relationship although there are varying criticism concerning this relationship

1.1.1Case Study 1-Kenya's relation with China

The aim of this section is to illustrate the relevance of Chinas relation with Kenya in understanding its external source of finance impact on Kenya's growth.

Kenya's relation with China dates back to its independence in 1963, although the presence of Chinese was put under cold storage during Kenyatta and Moi regimes. However, when President Mwai Kibaki took power in 2002, the country quietly embarked on a "Look East policy" that emphasized improved relations with East Asia.[19] In the early years of the Narc rule, top officials openly declared they would go East if the UK and the US kept on lecturing the government on corruption.[20] The Uhuru government further gravitated the shift to China.[21] After President Uhuru took over, the Chinese presence in every aspect and facet of Kenya's social-political-economic and even academic was witnessed. China continued to wrap-up and engaged in substantial million-dollar infrastructure, mining, service, and technological contracts.[22] The Chinese have been awarded big contracts such as road construction, huge mining and resource concessions, massive

[19]"Kenya's 'Look East' Policy Takes an Islamic Hue."
[20]Kwayera, "Kenya Looks East as Changing Needs Call for Policy Shift."
[21]Cheeseman, "Kenya, Look East but Not to China."
[22]Kenya Yearbook, "Kenya's Shift to the East."

technological and service agreements.[23]In addition, China perceives Kenya to be its strategic partner, because of Kenya’s strategic location in Eastern Africa in terms of geographical location, economic and political influence in the region.

1.1.2 Case Study2-Kenya’s relation with India

Kenya and India are maritime neighbors with multi-faceted partnerships marked by increasing trade and investment, regular high-level visits, and extensive people connectivity. Importantly, both countries' bilateral trade relationship dates back in 1981, when both countries were accorded most Favored Nation status. This has seen India being ranked as the second-largest investor in Kenya by Kenya Investment Authority in 2017. Furthermore, this bilateral trade and political relations have seen India offering Kenya development aid in the form of credit and loans. For instance, in 1982, India awarded an investment of Rs. Fifty million to Government of Kenya and lines of credit by EXIM Bank to industrial development Bank Capital Ltd worth the $ 61.6 million. In 2016, India also offered Kenya $29.95 million based on an agreement credit line to upgrade Rift Valley Textiles Factory, and in 2017, a LOC agreement worth the$100 million was signed to improve the Agricultural mechanization project in Kenya. Studies also indicate that these lines of credit are tied to the use of Indian exports. In addition to financial assistance, India also provides technical support and training to African countries. Technical training in India has been submitted to 1,000 African citizens. An estimated 15,000 students of African origin are currently studying in India.[24].It's important to note that in 2016, India government offered 56 university-level scholarships to Kenya in its top universities. The awards ranged from undergraduate, post-graduate, and Ph.D. courses.

[23]Kenya Yearbook.
[24]Roy, op. cit

1.2 Statement of Research Problem

External financial flows have continued to drive more importance in comparison with the public ones in Africa. The external financial flows such as foreign direct Investment, remittances, Official development assistance, and portfolio flows have had positive effects in stimulating economic growth in many African countries, especially Sub-SaharanAfrica. However, much of the overreliance's on these external sources of financing development in Africa is as a result of countries not being innovative in generating domestic resources.[25] This has been proven to be expensive.[26]

The lack of innovative ways of raising domestic resources has increased Africa's dependence on borrowing to finance its development needs. This has overstretched the country debt ratio towards a pre-HIPC level.[27] The rising debt has seen African countries commit more than half of its taxes to repay loans. Besides, Africa countries economic stagnation is not lack of natural resources and human capacity, but lack of making wise decisions in terms of using resources. Most African nations have improved their relations with India and China. The two countries seem to offer favorable terms than those previously given by the European and western countries.

Several studies focus on the alternative innovation sources of financing development in Africa, but there is less literature on diversified external sources of financing Africa's development. Hence, this study is going to investigate the positive and negative impacts of diversified external sources of financing development in Africa. By doing so, the study seeks to bridge an existing

[25] IMF *Regional Economic Outlook, Sub-Saharan Africa: Domestic Resource Mobilization and Private Investment*. May. Washington DC: International Monetary Fund.
[26] Cordella, T., Ricci, L.A. and Ruiz-Arranz, *Debt Overhang or Debt Irrelevance? Revisiting the Debt-Growth Link*.
[27]Prizzon and Mustapha, . "a *new age of choice*", *taking stock of the debt relief initiatives and implications of the new development finance landscape for public debt sustainability.*

research gap by examining an emerging concept where African countries heavily rely on external sources to finance their development needs.

1.3 Research Questions

i. What are the diversified external sources of financing development in Africa?

ii. What are the strategies employed by African countries in seeking external finance?

iii. What is the impact of diversified external sources of financing development from China and India to Kenya's growth?

1.4 Objectives of the Study

1.4.1 Main objective

The study assessed the diversification of external sources of financing development in Africa and the impact to Kenya's relations with India and China.

1.4.2 Specific research objectives

The following specific objectives guided the study;

i. To evaluate the diversified external sources of financing development in Africa.

ii. To assess the strategies employed by Africa countries in seeking external finance.

iii. To critically analyze the impact of diversified external sources of financing development from China and India to Kenya's growth.

1.5 Literature Review

This part covers the theoretical literature review and the empirical literature review. The literature was guided by the study's objectives; to assess the strategies employed by Africa countries in seeking external finance, to evaluate the diversified external sources of financing development in

Africa and to critically analyze the impact of diversified external sources of financing development.

1.5.1 Theoretical literature review

1.5.1.1 African development aid in the 21st century

In the 21st century, Africa is experiencing free space with the emergence of many players in the international system, especially the emerging donors who are keen on controlling and taking the international stage. African countries can now access an increasing variety of sources of finance to address their needs. Even though ODA is still playing a catalytic role in financing African countries, it’s challenged by alternative sources of finance from emerging-donors. Continents efforts in reaching out to new friends in Asia are as a result of continued problems of poverty and other issues that have been unresolved by the western nations through foreign aid (FA). According to Jeffery Sachs and Peter singer, the ineffectiveness of development aid in the past decades was a result of lack of generosity from the donor countries especially the OECD[28]. They are supported by Dambisa Moyo and William Easterly who asserted that the detachment of aid by the recipient countries from citizens resulted to poor performance due to accountability issues[29]. All these proponents have good arguments, but it’s important to note that the 21st century developments in Africa have reshaped development aid architecture.

However, Africa's friendship with China, India, Brazil, and Russia, and among others, has had a positive impact on its economic growth. Studies indicate that Africa diversification to external finance is a result of discredited conditionality, minimal reforms in aid architecture, inability to deliver on better coordination and alignment, and false promise from the traditional donors or OECD. Besides, African countries have found the emerging donors more attractive because of

[28]Easterly, William. "Can foreign aid save Africa?." (2005).
[29]Easterly, William. "Review of Dambisa Moyo’s book Dead Aid."

their principles of respecting recipient countries' sovereign and channeling aid to where it's most needed[30]. Proponents of international relations view the role of emerging donors in Africa as a silent revolution against the west.

Innovation in terms of technology has reshaped Africa's development aid. Studies acknowledge that combining transfer of FA and knowledge is great transformative idea in the continent. In the 21st century, technology has revolutionized the delivery of foreign aid in Africa and other developing countries. African countries can call out for single-window approach in order to reduce aid flow inefficiency and confusion as well as aid regulations. This is critical approach that helps the recipient countries to predict aid flow, achieve low transaction cost and also scale up project profitability.

1.5.1.2 External sources of financing development in Africa

The International Financial Institutions (IFIs) recognize FDI, Remittance and ODA as major external sources of external finance in Africa.[31]FDIis a significant flow to third world nations, with the possibility to give a steady and long-haul source of venture capital.[32] FDI advancement in Africa has been moderate since the Monterrey Consensus, rose by 1.5% of GDP from 2002 to 2013. Generally focused on the extractive enterprises, FDI to Africa has been broadening.[33] Least Developed nations (LDCs) have seen more grounded development. FDI in developing countries has demonstrated critical increments from a low of 3.0% of GDP in 2005 to a pinnacle of 9.9% of GDP in 2011. As from 2010 onwards, developing nations got more FDI comparative with GDP. Those that saw solid development in that period included Mozambique, Equatorial Guinea,

[30]Panda, Jagannath. "The Asia-Africa Growth Corridor: An India-Japan Arch in the Making."
[31]Debass, Thomas, and Michael Ardovino. "Diaspora direct investment (DDI): The untapped resource for development."
[32]Griffith-Jones, "International Capital Flows to Latin America."
[33]UNCTAD, "World Investment Report."

Liberia, and Niger.[34] However, FDI have begun flowing into innovative work in Africa, since it adds to job creation, innovation dispersion, monetary development and sustainable growth.[35] On the other hand, Interregional FDI has advanced particularly from South Africa, Kenya, Nigeria and Angola.[36]

Remittances are another form of external source of financing. They are settlements from migrant laborers to family units in their origin countries.[37] Internationally, transmittals have indicated strong steady progress since 2002 to 2013 when they reached to $518 billion. They are a critical source of money related inflows for some third world nations. In Africa, despite the fact that the pace of development has been more quieted, transfers had outperformed FDI as the biggest source of outer account in 2010. In 2014, transfers were what might be compared to 4.5 percent of African GDP and extended to be 4.6 percent in 2015 or $71.8 billion in supreme terms. In comparison to the GDP level, remittances to LICs have remained constant. The LMICs have had their remittances increase while the upper MICs have been witnessing drop in remittances.

Egypt received the highest amount of $18 billion while Nigeria and morocco received $21.3 billion and $6.8 billion respectively. Notwithstanding, as an extent of GDP, transfers are generally critical to Senegal (11%), Liberia (19%), Gambia (20%), and Lesotho (24%). Remittances in Africa from immigrants within, particularly installments from metropolitan specialists to their rustic families, are likewise very significant. These transfer designs reflect work relocation examples and diaspora patterns. For instance, in Nigeria, which represents around 67% of all transfers outside North Africa, about portion of transfer investments began from the United States and the United

[34] Ibid
[35] Ibid
[36] Ibid
[37] International Monetary Fund, "International Transactions in Remittances: Guide for Compliers and Users."

Kingdom, with another 40% originating from chad, Benin, Cameroon, Italy, Germany, Spain, and Ireland.[38]

Another category of external financing is the ODA. It includes grants, loans, technical assistance to developing countries.[39] Globally, ODA is high, albeit still far shy of the responsibilities made by contributor nations and considerably beneath the totals assessed to be needed to accomplish the MDGs. China normally goes to an African nation with a total bundle that incorporates cash, political influence and technical assistance in global fora.[40] India, doesn't consider itself to be ready to offer awards in-help. India limits itself to non-financial support, for example, technical assistance, grants, specialized training.[41] A total of 45.7% of the total all FA was from China by 2009, amounting to $41 billion, had been given to Africa countries.[42]China tends to give small quantity of credit financing to a wide scope of LICs. A huge portion of Chinese assistance is outfitted towards infrastructure improvement as more than 70% of Chinese assistance is aimed at the infrastructure development.[43] China gives awards and credits for equipment, infrastructure, and plants.[44] Kenya has seen five-fold increases in ODA in the last ten years.[45]

Portfolio flows are another vital element in Africa's monetary turn of events, in spite of the fact that their possibly present moment and unstable nature pose risks.[46] Portfolio investments can be pulled in by open doors for hypothesis and have been related with resource bubbles, particularly

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[38]Bank, "Migration and Remittances Factbook."
[39]Prizzon, op. cit.
[40]McGreal, "' Chinese Aid to Africa May Do More Harm Than Good, Warns Benn."
[41]Roy, op. cit
[42]Bourguignon and Sundberg, "Aid Effectiveness: Opening the Black Box."
[43]Strange et al., "China's Development Finance to Africa: A Media – Based Approach to Data Collection."
[44]Brautigam, "Aid 'with Chinese Characteristics': Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime."
[45]Prizzon, , op. cit.
[46]Tyson, te Velde, and Griffiths-Jones, "Maximising International Finance for Development in the Poorest and Most Vulnerable Countries."

in land and securities exchanges, and with economic problems in third world countries. This affiliation is clarified mostly by the way that the size of such inflows has frequently stood out from the moderately little size of the beneficiary local business sectors.[47] In 2013 and 2014, there have been solid portfolio investments to Africa. These patterns reflected "push" factors in cutting edge economies as financial specialists tried to yield openings outside developed nations on the grounds that quantitative enablement had driven down rates on interest. Such investments have just observed intermittent inversion.[48] The post-2007 period has additionally been a pattern to more prominent risk among portfolio speculators with investments expanding into LMICs and LICs. Investments to upper MICs were lower and have stayed beneath their 2007 pinnacle. Investments have likewise been amassed into specific nations, for example South Africa, Mauritius and Nigeria – with numerous different nations having negligible or no portfolio investments.[49]

1.5.1.3 Debt relief and cancellation in Africa

Africa faces a looming debt crisis in every one in three Sub-Saharan Africa countries, which are categorized being at high-risk debt trouble. The yearly loan by Africa in 2011–2013, added up to $443 billion. The quick ascent in borrowing from other nations by African nations is portrayed by a change in concessional and changes in the debt composition.[50] The yearly development pace of Africa's outer loan stock surpassed 10% in eight HIPC and 13 non-highly indebted third world countries. Numerous African economies are entering a time of fixed loaning conditions in the

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[47] Ibid
[48] Ibid
[49] Organization, "World Trade Report 2014."
[50] United Nations, "Economic Development in Africa: Debt Dynamics and Development Finance in Africa."

midst of international alarms about arising business sector development possibilities and monetary volatility.[51] In Kenya, public loan levels have soared over the past decade.[52]

Debt cancellation in itself does not result in resolving internal causes of debt accumulation such as corruption, and poor governance or external causes[53]. However, it does relieve much of newly emerging economies spending in education, healthcare, and poverty reduction. However, most African countries will have the excuse of avoiding default by claiming that a lot of the resources were channeled in their healthcare systems with the current global coronavirus pandemic. However, the debt payment challenges most of the African countries face are a result of reluctances in reforming conditions of the IMF and WB loans[54]. For instance, these "international Financial institutions" Structural Adjustment Programmes of the 80s and 90s, is widely understood that the conditions that were laid out on the loans frustrated African growth. Most of the African countries' growth rolled back to several decades after gaining their independence.[55]The conditions prevented these countries from building necessary human and social capital, which could have helped them repay their debts. Studies indicate that western countries' dominance in governance and agenda-setting in the IMF and WB is as a result of policy failures guiding their Plans in African countries.[56]

Also, the reluctance of western countries in restructuring reforms in IMF and World Bank led many SSA countries to look for alternative sources of financing growth, in what is termed as "look east." For instance, many African countries have opted to get FA from China, India, Brazil, Russia, and others. Western countries have criticized their move because emerging donors are over

[51]International Monetary Fund, *Direction of Trade Yearbook*.
[52]Prizzon, op. cit.
[53]Parfitt, Trevor W., and Stephen P. Riley. *The African debt crisis*.
[54]Ferry et al. "Low Income Countries and External Public Financing: Does Debt Relief Change Anything?"
[55]Iwasokun, et al. "principal component analysis-based investigation into the causal factors of financial crime." *International Journal of Cyber-Security and Digital Forensics*
[56]Parfitt, op. cit.

indebtingAfrican countries. However, studies indicate that emerging donors like China have canceled many debts in many African countries.[57] According to the 2003 conservative report, it estimates that China wrote off the $2.13 billion in total debts for forty-four recipient countries, thirty-one of which are in SSA.

Additionally, more than the $1.28 billion was being negotiated, being written off. Importantly, the western report acknowledged that China is well in advancing G8 in debt cancellation in African countries. In 2003, china forgave the $750 million in debt in Africa, and in 2000, it exonerated the $1.2 billion. Studies indicate that debt relief in Africa is a critical public relations tool for Beijing. Contrary, other proponents observe that justifying China's debt cancellation is difficult because it doesn't report to OECD/DAC.

1.5.1.4 Impact of foreign aid on economic growth in Africa

The primary objective of ODA is to promote economic development and welfare of the least Developing countries.[58] From the economic viewpoint, Keynes proposed that development aid can promote economic growth.[59] Keynes argued that the government could stimulate growth through increasing investments; this brings out the concept of the two-gap model developed by Strout and Chenery in 1966. These gaps explain more on the constrain growth and foreign aid that exists in the developing countries. With development aid, developing countries can achieve high

[57]Tull, Denis M. "China's engagement in Africa: scope, significance and consequences." *The Journal of Modern African Studies*.
[58]Durbarry et al. *New evidence on the impact of foreign aid on economic growth*. No. 98/8. CREDIT Research paper, 1998
[59]Mallik, Girijasankar. "Foreign Aid and Economic Growth: A Cointegration Analysis of the Six Poorest African Countries.

development rates through raised investments, controlled by investment funds. Critically, the low-level balance can likewise be broken by the application of FA.[60]

According to the World Bank report, aid flow in Africa reduced the poverty level in Sub-Saharan Africa countries. However, the contentious subject is whether increased foreign aid means less poverty. World Poverty clock was formed in 2017 to measure and give accurate and up-to-date estimates that collect the country's national income figures based on real-time and easy to follow. In the 2018 report, based on the world clock shoed that poverty decline in Africa was not uneven.[61] However, it estimates that in 2030, the poverty level in Africa would reduce by 25.2%. Furthermore, FA benefits most of the African population through food aid.

Development aid also plays a crucial role in many developing countries, especially those that have experienced civil wars in Africa.[62] The international assistance helps the inhabitants in the war-torn countries to survive. Two operation policies provided by World Bank framework Intervention helps in assisting those countries involved in a conflict to get to their feet through promoting economic recovery, assist the vulnerable groups, and address the social sector needs. For instance, the $25 million grant s were provided by the post-conflict assistance fund and a trust fund to developing countries in difficulties such as Chad, Uganda, Nigeria, and Sudan. Without these interventions, maybe these countries could not have recovered.

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[60]Ndambendia, Houdou, and Moussa Njoupouognigni. "Foreign aid, foreign direct investment and economic growth in Sub-Saharan Africa: Evidence from pooled mean group estimator (PMG)." *International journal of economics and finance* 2, no. 3 (2010): 39-45

[61]Alemu, Aye Mengistu, and Jin-Sang Lee. "Foreign aid on economic growth in Africa: A comparison of low and middle-income countries.”.

[62]Tang, Kin-Boon, and Diya Bundhoo. "Foreign aid and economic growth in developing countries: Evidence from Sub-Saharan Africa." *Theoretical Economics Letters* 7, no. 05 (2017): 1473.

In the education sector, since the start of the 21st century, the number of school enrollment in primary schools has increased from 60 million to 150 million. School enrollment has also had a significant positive impact on both genders. Scientific work in the education sector in Sub-Saharan Africa indicates that primary education has a positive effect. Additionally, aid flow has also increased life expectancy. For instance, the life expectancy of the average people born in the 1950s was 37.5 years. However, between 2010 and 2015, it increased to 60-years.

However, other proponents such as white 1998, denote that aid flow in Africa has hurt Africa's growth. The ineptitude of aid in Africa is attributed to the vulnerability of climatic hazards and economic shocks such as floods, droughts, trade degradation, and others. Further, public debt has also remained a big challenge for most African countries. Studies indicate that the sustainability of public debts in most SSA is associated with a weak currency and rising interest related to changes in the composition of debt. For instance, between 2012 and 2017, the public debt in Sub-Saharan Africa countries increased by more than 20%. Importantly, the Debt to GDP ratio deteriorated because of various reasons: negative growth (Equatorial Guinea and Chad), exchange rate depreciation (Zambia), and reporting of undisclosed debt (Mozambique and Congo). Moreover, the increase to debt ratio changes the composition of the debt that has been made by many SSA states, which are vulnerable in financing conditions.

1.5.2 Gaps in the literature review

The current literature has a generalized view on external sources of financing development in Africa. It does not take into account that Africa countries circumstances vary greatly, with others being in need of large flow of external capital, while others self-finance their development. Importantly, there is lack of conclusive positive relation between aid flow and economic growth, this because different scholars hold different perceptions on the aid flow outcome in Africa. This study filled this gap by focusing on diversified external sources of finance in Africa and the impact on Kenya's relation with India and China.

1.6Study Justification

The findings of the study might be significant to the following groups of people and organizations.

1.6.1 Academic Justification

The findings of the study would further be of significance to future scholars in the field of business or other related disciplines. The research may form a basis for further research in this area of foreign policy and development aid among scholars. The research information contributes to the existing body of knowledge on development aid, thus being relevant to students in the field of management. The scholars would, therefore, use the findings as a foundation for further research.

1.6.2 Policy Justification

This study will be useful to Policymakers because they play a vital role in recommending the changes that need to be implemented in the country. The results from the study might help in formulating policies relating to external sources of finance that might be useful in determining economic growth of the country.

1.7 Theoretical Framework

The study relied on dependency theory and borrows some tenets from realism theory in explaining pattern of interactions between core nation and periphery. Both theories agree on the assumption that economic and political power are heavily concentrated and centralized in the developed or rather industrialized countries. Dependency theory was proposed by a Latin American writer Theotonio Dos Santos.[63] The theory stipulates that foreign aid increases overreliance on capital

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[63]Martins and Lagnado, *Dependency, Neoliberalism and Globalization in Latin America*.

inflows and this reduces self-reliance hence underdevelopment in developing countries especially in Africa. According to the theorists, development aid hasa form of capitalism in which the developed world conditions the development of other developing economies.[64] In a more optimistic approach about foreign aid, development aid is part of determinants to a country's economic growth.[65] This comes about as a result of the role of endogenous factors in economic growth as exhibited in endogenous models which include internal savings and investment as core variables in economic growth.[66]

Savings translates to investment whereby private investments are considered as drivers of economic growth while public investment provide infrastructure for economic development.[67] There is an inseparable link between public and private investment where any imbalance prompts entrance of other determinants to compensate for the imbalance in the economy. For instance, it is noted that public investment may develop infrastructure for private investments or not. This situation brings in more players to compensate for any loss of input from either public or private investments. This creates a situation for foreign aid to come as last resort thereby improving productivity of either public or private investment.[68]

However, in most cases failure of public investment has led to injection of foreign aid into the economy to support private investment. In this regard, this theory has been found to be effective in explaining the root cause for entrance of development aid in Africa where internal savings are insufficient to promote economic growth through infrastructure development.[69] Many critics argue

[64]Chilcote, *Development in Theory and Practice: Latin American Perspectives*.
[65]Jensen and Payne, "Audit Procurement: Managing Audit Quality and Audit Fees in Response to Agency Costs."
[66]Smętkowski, "The Role of Exogenous and Endogenous Factors in the Growth of Regions in Central and Eastern Europe: The Metropolitan/Non-Metropolitan Divide in the Pre- and Post-Crisis Era."
[67]Ekanayake and Chatrna, "The Effect of Foreign Aid on Economic Growth in Developing Countries."
[68]Mallik, op. cit.
[69]Martins, op. cit.

that in as much as African countries require foreign aid to boost their economic growth; knowledge gap is to blame for overreliance. African countries should take technical assistance as development aid rather than rely on foreign capital injections such as monetary assistance and other capital goods.[70]

The realist theory complements the study by exploring the strategic and motivation functions of aid flow from developed to underdeveloped countries. The realist theory was developed largely by European émigrés at the end of World War II. The theory is based on four propositions: States are the main actors, international system is anarchic, states are rational and lastly, the primary concerns of states are survival.[71]However, the realist approach on foreign aid is that the FA policies are much driven by the strategic interest of the nation states anchored from their altruistic foreign policy.[72] Thus, Foreign Assistance (FA) as source of boosting recipient states development is largely downplayed.[73]Studies affirm that aid flow allocation, especially by the ODA is used by donors for the displacement of working force from LDCs to developed countries.[74]

Importantly, earlier scholars work on the realist view of aid flow as propelled by Morgenthau article where he defined foreign aid as "the transfer of money, goods and services from one nation to another."[75]He suggested six types of FA namely, subsistence, humanitarian, military, prestige, bribery, and FA for economic growth. Morgenthau opined that, much of FA that is seen today is in the nature of bribery. He acknowledged that, giving out bribes in return for political favor is not a new concept in diplomacy. It's important to note that after World War II, bribery in the form of

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[70]Márquez, *Contemporary Latin American Social and Political Thought: An Anthology*.
[71]Donnelly, *Realism, and International Relations*.
[72]Schraeder, Hook and Taylor. Clarifying the Foreign Aid Puzzle: A comparison of American, Japanese, French, and Swedish Aid Flow
[73]Morgenthau and Kenneth, *Politics among Nations: The Struggle for Power and Peace*.
[74]Zimmerman, Determinant of Foreign Aid.
[75]Donnelly, *op. cit.*

FA is justified as supporting economic development of the recipient states. In addition, earlier research from several studies on the causes of development aid flow, finds a lot of support to the realist view of Morgenthau.

The realist also views aid flow to the developing countries as being characterized by self-motivation. Robert Gilpin observed that, the primary motives for official aid by individual government are commercial, political, and military. His work is supported by Steven Hook, who defined external source finance as money transferred on concessional terms by the governments from developed countries to LDCs. He further supported the view that foreign aid practices by developed countries is motivated by the national interest, this explain the underdevelopment of the Least Developing Countries, especially in the Sub-Saharan Africa.

1.8 Hypotheses

i. Africa has a diversified external source of finance for development
ii. Strategies employed by African countries in seeking external finance have a positive impact in Africa development.
iii. Diversified external sources of finance from China and India have a positive impact on Kenya`s growth

1.9 Research Methodology

Information was obtained from primary and secondary sources of information. Primary data was derived from KIIs and questionnaires from officials in the Ministry of foreign affairs and international trade, China and India officials in their Embassy in Kenya. Secondary data was from journals, websites, magazines, newspaper articles and books.

1.9.1 Research design

The study used a mixed methodology design in both data collection and analysis. A case study approach focusing responses on foreign aid from emerging powers in the East was used. The study thus employed both qualitative and quantitative methods. Qualitative data was obtained from the use of KIIs.

1.9.2 Research site

The study was carried out in Kenya. It mainly targeted the ministry of foreign affairs and international trade. It also included the embassies of China and India. The study focused on two emerging powers that are China and India.

1.9.3Target population

Target population refers to individuals or items to which the study obtains its data. A population is a well-defined set of people, services, elements, events, groups of things, or households that are being investigated. The target population was officials working at the Ministry of foreign affairs and international trade and staff at the China and India embassy in Kenya.

1.9.4 Research sample size

The study employed purposive sampling to identify respondents to participate in the study.

Table 1.1: Sample size

Category	Sample size
Ministry of foreign affairs and international trade	70
China embassy	15
India embassy	15
Total	100

1.9.5 Data collection

The study used both primary and secondary data. To gather primary data, the study utilized key informant interviews (KIIs). The researcher engaged staff at the Ministry of trade and foreign affairs through the use of questionnaires. The questionnaires were structured in both open-ended and close-ended format. Key informant interviews, on the other hand, targeted officials at the China and India embassy in Kenya. The KIIs helped in providing in-depth information on the impact of foreign aid on the growth of Kenya. Secondary data was collected through a review of existing journals, books, periodicals, newspapers, policy documents, and TV documentaries.

1.9.6 Data analysis

Data obtained was in the form of a qualitative and quantitative format. Qualitative data was analyzed using content analysis. The content analysis helps to determine the presence of keywords or concepts within the text. This tool helps researchers quantify and analyze the presence, meaning, and relationships of such words and concepts and make inferences about messages. Quantitative data was analyzed by the use of SPSS software.

1.9.7 Data presentation

Quantitative data was presented in tables and graphs with interpretations done using percentages, frequencies and standard deviations. Qualitative data was thematically presented based on the study objectives.

1.9.8 Research Ethics

The researcher observed confidentiality and obtain consent of the respondents prior to conducting the study. Some respondents feared to disclose information as the questions asked may appear sensitive. The researcher assured them that the response was used for academic purposes only. The researcher experience difficulties accessing the interviewees due to their demanding schedules. To counter this, the researcher made prior appointments with the officers by setting appointments two week before the interview can take place.

1.10 Scope and Limitations of the research

The research targeted staff at the ministry of foreign affairs and international trade in Kenya. The officials at the Indian and Chinese embassy also formed part of the study population. The researcher foresaw a number of challenges when undertaking the study. One of the limitations was closure of the embassies and other offices due to Covid-19. To counter this challenge, the researcher collected email addresses of staff from the headquarters and sent questionnaires via email. The researcher also conducted a phone interview with respective respondents.

It was probable that the respondents would be unwilling to respond to the survey or give honest opinions. The researcher informed the respective managers of his intention to conduct the study. He further provided an introduction letter detailing the purpose of the study. The respondents were also provided with appropriate approval permits in an effort to boast their confidence.

1.11 Chapter Outline

This document is divided into six chapters.

Chapter one: This chapter covers the background to the study, statement of the problem, research questions, objectives, hypotheses, justification, literature review, theoretical framework, research methodology, and chapter outline are discussed.

Chapter Two: This chapter covers the diversified external sources of financing development in Africa

Chapter Three: This chapter focuses on the strategies Africa countries employ when seeking development aid, Africa development Finance needs, Challenges facing African countries in seeking external sources financing development, and policy options and recommendation**.**

Chapter four: This chapter entails a critical analysis of the impact Kenya's relation with India and china

Chapter five: This chapter covers a critical analysis of the of presentation of data gathered

Chapter six: This chapter covers overall conclusion and also offer recommendations targeting policy actors as well as the academicians.

CHAPTER TWO

TRENDS IN EXTERNAL SOURCES OF FINANCING DEVELOPMENT IN AFRICA

2. Introduction

Financing of development from outside sources is imperative to growth given that most African nations have a more extensive gap among investments and reserve funds. Albeit some third world nations have reserve funds well over their venture needs. These nations are not homogeneous with Africa nations having a better financing need. Also, while other third world countries government incomes are adequate to offer essential public types of assistance, for example, health and education, the equivalent can't be proved to that all areas are obstinately under massive public arena deficiencies and thus the necessity for direct financing from outside.

It’s important to note that developing finance in Africa has undergone a series of transformation from the new millennium, with significant move lately from concessional financing particularly in MICs to non-concessional financing plus other new techniques for financing development. Scholars see that since Doha meeting in 2008, financing for development in Africa has undoubtedly changed. For instance, private capital investments especially in the form of remittance and FDI overtook ODA, while the emerging donors have increased their presence in the continent.

This section examined development financing in Africa, domestic resource mobilization, and evaluate diversified external sources of financing development in Africa by looking at remittance, FDI, sovereign bonds, and ODA.

2.1 Development Financing in Africa

The necessity for outer support with Africa goes back to the 1950s when in UN General Assembly (GA) Resolution 400(v) of November 1950 observed that the least developed countries domestic resources when combined with FDI were insufficient to stimulate the needed economic growth[76]. Similarly, in 1952 the GA approached the Economic and social to set up a Capital Fund which intended to give long-haul low interest obligations and awards to south nations and further directed WB to launch International Financial Cooperation (IFC) in 1954 in order to promote private investment in Africa. IFC in the past six decades has invested more than $25 billion in Africans financial institutions and businesses, with the current portfolio exceeding $5billion[77].

In 1958, the World Council of Churches asserted that developed countries should commit 1% of GDPto assist developing nations. Their argument was adopted by the UN and UNCTAD in 1964 though the rate was lessened to 0.7 per cent of GNI with a hypothetical view that the 0.3 per cent will come from foreign investment flows. Some DAC countries such as UK, Sweden, US, France, Denmark, Japan, Norway and Netherlands have continued to exceed the UN ODA target of 0.7 per cent of Gross National Income[78]. However, other OECD members failed to meet the target, hence resulting to a financial gap in most of developing countries.

2.2 Domestic Resource Mobilization

Africa also faces a challenge in terms of innovation of domestic resources mobilization.[79] Some studies observe that the lack of innovation in domestic resources has led to limited resources mobilization in domestic taxes and other potential income sources.[80] This has led many Africa countries to rely on external finance which varies from concessional finance to debt relief and poverty reduction goals.[81] The continents tax revenues have been low averaging 15% while

[76]Quartey, Peter. "Development Financing in Africa: Is Ghana on the Path to HIPC?."
[77]Wang, Jian-Ye. *What drives China's growing role in Africa?*.
[78]Beck, Thorsten, Samuel Munzele Maimbo, Issa Faye, and Thouraya Triki. *Financing Africa: Through the crisis and beyond*.
[79]Mavrotas, George, and Anthony F. Shorrocks, eds. *Domestic resource mobilization and financial development*.
[80]Bhushan, Aniket. "Domestic resource mobilization and the Post-2015 Agenda.
[81]Morrissey, Oliver. "Aid and domestic resource mobilization with a focus on Sub-Saharan Africa."

revenue exclusive of grants averages about 22 per cent from 2000 to 2005. African Development Bank 2012 report indicated that the saving rates in Africa kept declining since 2002, thus revealing that Africa has not been innovative in mobilizing enough resources to finance its critical investment.[82] The increasing gap is connected to failure of African countries in mobilizing their domestic resources and decline of ODA in Africa.[83]

2.3 External Sources of Financing Development in Africa

2.3.1 Remittance

Remittances are major component of economic growth in Africa.[84] According to Pew Research Center, Africa has the fastest growing expat populations. World Bank report estimated that Africa experienced a dramatic rise of remittances between 1970-2000 from USD 93.11 million to USD 5.2 billion. Remittances have gradually rose to USD 19.02 billion in 2010, approximately 2% of regional Gross Domestic Product. In addition, Africa received more than USD 46 billion in 2018. According, to World Bank Group 2020 report, remittance growth in Africa is likely to decline due to global corona virus pandemic. However, it’s important to note that much of the remittances are not captured in the official report. Informal remittances to Africa especially in SSA are moderately high at 45-65% of the total formal remittances.[85] Relative to GDP, remittances were approximately 34% of GDP in Lesotho, roughly 5% in the Senegal, Gambia, Uganda, Guinea-Bissau, Kenya, Cape Verde, Nigeria, Mali and Togo.[86]

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[82]Ndikumana, Léonce, and E. D. R. E. Director. "Domestic Resource Mobilization across Africa: Trends, Challenges and Policy Options."
[83]Oyinlola, Mutiu A., Abdulfatai A. Adedeji, Modupe O. Bolarinwa, and Nafisat Olabisi. "Governance, domestic resource mobilization, and inclusive growth in sub-Saharan Africa."
[84]Rapoport, Hillel, and Frédéric Docquier. "The economics of migrants' remittances."
[85]Sander, Cerstin, and Samuel Munzele Maimbo. "Migrant remittances in Africa: A regional perspective."
[86]Usman, Nuruddeen. "Growth of Financial Development in Sub Saharan African (SSA) Region Through Migrant Remittances."

Remittances have also received a lot of attention in Africa because they are seen as more stable than other foreign currency flows across the continent and among other emerging economies. This is especially in Africa where ODA aid flows have fluctuated considerably over a period of years. Remittances to Africa are not just consistently less volatile than ODA; they are also less volatile than FDI which is often seen as the most stable private flow.[87] However, in the year 1990-2004, export earnings were more stable than remittance. Remittances are also perceived to be countercyclical because they are inspired by the selflessness of expat laborers and expansion in the midst of monetary crisis back home. Transfers to Africa are counter-recurrent just during the 1980s. Since 1990 transfers have been procyclical, however less so than either ODA. Studies also indicate that remittances have positive correlation coefficient in terms of stability over the last decades than any strong relationship to growth cycle.[88]

Importantly, remittances flows in Africa have also continued to attract criticisms because of, skilled migration which is associated with brain drain. Africa face a detailed human resource crisis especially in the health sector as a result of brain drain.[89] He affirmed that many skilled health care professionals in the continent find employment in the developed countries. Almost quarter of the new overseas trained doctors that are trained with UK National Health Services between 2002 and 2003 came from Africa.[90]The high job vacancy in the public health systems of countries like Ghana was due to increased rate of migration. In Zimbabwe and Zambia, the annual rate of attrition in the public health employment range from 15 % to 40%. In addition, studies indicate that an average of 20% of the Africa graduate older than 15-years work in developed countries especially Europe.

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[87]Kapur, Devesh. "Remittances: the new development mantra?."
[88]Gupta, Sanjeev, Catherine A. Pattillo, and Smita Wagh. "Effect of remittances on poverty and financial development in Sub-Saharan Africa."
[89]Quamruzzaman, Amm. "Exploring the Impact of Medical Brain Drain on Child Health in 188 Countries over 2000–2015."
[90] Ibid

Less than 10% of the expat works in South Asia. For some countries such Guinea-Bissau, Angola, and Mozambique expatriation rates are in excess of 50% of the educated population.[91]

Furthermore, remittances have positive impact in financing investment in human capital such as education, health and better nutrition.[92] In Zimbabwe for example household with migrants have less cultivated land but tend to be slightly educated.[93]In Ghana, Quartey and Blankson indicates that migrants' remittances are countercyclical and are powerful in supporting smooth family utilization and government assistance over a duration particularly for food crop ranchers, who are commonly the helpless group. Remittance plays a big role in poverty reduction among the most vulnerable families.[94]Ramcharran, opined that remittances elevate the consumption level of rural households, because much of it is spent on domestically produced goods.[95]

Olayungbo and Quadri investigated the relationship between remittances, economic growth and financial development in a panel of twenty SSA countries throughout the period 2000-2015. Results indicated that remittance and financial development had positive impact on economic growth.[96] However, the interactive term revealed that financial development acted as a substitute in the remittances-growth relationship. The study also showed that there were unidirectional causal relationships that exist from GDP to remittances and from financial development to GDP. However, there was no causality existed between remittances and economic growth in the Sub-Saharan Africa Countries. Similar study by Ellyne and Mahlalela, while analyzing the impact of

[91]Quartey, op. cit

[92]Yang, Dean. "Migrant remittances."

[93]Damiyano, David, and Nirmala Dorasamy. "The diaspora effect to poverty alleviation in Zimbabwe."

[94]Askarov, Zohid, and Hristos Doucouliagos. "A meta-analysis of the effects of remittances on household education expenditure."

[95]Ramcharran, Harri. "Analyzing the impact of workers' remittances on household consumption in Latin American and Caribbean Countries."

[96]Olayungbo and Quadri, "Remittances, Financial Development and Economic Growth in Sub-Saharan African Countries: Evidence from a PMG-ARDL Approach."

remittances on poverty in a selective of thirty-two SAA countries. Indicated that remittance reduces poverty[97]. They also found out that export and ODA had insignificant effect on poverty. They further observed that the gains from exports and ODA did not have trickle-down effect in most of African newly emerging economies.

2.3.2 Foreign Direct Investment (FDI)

FDI in Africa has always been received by a lot of controversy. The International media and articles from the west especially The Economist Magazine have always portrayed Africa with a bad image. For instance, many of them associate Africa with pictures of civil unrest, deadly disease, starvation, and economic disorders. These negative attributes have given many investors a bad picture.[98] UNCTAD 1997 report indicated that, Africa in the past two decades received a lower percentage of FDI as compared with other developing countries. However, some studies indicate that FDI in Africa has remained generally steady thus contributing towards the continent's economic growth. For instance, between 1980 and 2000, the stock of FDI in Africa increased significantly thereby positively impacting on many African countries.[99]The significant increase of FDI flow to the continent was estimated at US$ 3 billion per annum at the beginning of 21st century. Notwithstanding the fact that about 70% of the total was concentrated in few countries such South Africa, Nigeria, and Angola, a number of small countries included Namibia, Uganda and Lesotho which have continued to receive a better proportion of FDI.

[97]Ellyne and Mahlalela, "The Impact Of Remittances On Poverty In Africa: A Cross-Country Empirical Analysis."
[98]Ibrahim, Muazu, Ibrahim Osman Adam, and Yakubu Awudu Sare. "Networking for foreign direct investment in Africa."
[99]Reinhart, Ms Carmen, and Mr Kenneth Rogoff. *FDI to Africa: the role of price stability and currency instability*. No. 3-10.

However, Africa stake of global stock of FDI deteriorated from around 5.3% in 1980 to around 2.3% in 2000.[100]Thus, while an increased flow of FDI in Africa is apparent, the continent has failed to keep the pace with other developing countries. For example, Africa used to receive an average of about 2% of annual global FDI flows between 1989 and 1994, although, the FDI flow gradually declined to about 0.7% in 2000. However, according to a joint survey carried out by UNCTD and the International Chamber of Commerce in 1999 and 2000 in 296 countries revealed that Africa still had the potential of increasing FDI flows in the continent. In this study South Africa, Mozambique, Uganda, and Tanzania were viewed as being more attractive destination of FDI flow. Similar study by Investment Promotion Agency conducted by UNCTAD for the world investment report 1999, observed that there was a sense of optimism regarding the flow of FDI in the continent. The IPA optimism on Africa increased FDI flow is attributed to macroeconomic stability and creation of a business-friendly environment.[101]

It's also important to note that the total FDI inflow in Africa show a dissimilar image. For instance, they conceal a number of countries that have been effective particularly when the recent growth rates are taken into account or the size of their economies. Countries such as Nigeria and Egypt were a biggest beneficiary of attracting more FDI flow in the continent because of their huge and diversified economies.[102] However, recently, they have started experiencing a fluctuation of FDI inflow yearly. These countries accounted for a high share of total inflow in Africa, although their share relatively declined for more than 67% in 1983 and 1987. For instance, in 1997, Nigeria

[100]Sunde, Tafirenyika. "Foreign direct investment, exports and economic growth: ADRL and causality analysis for South Africa." .
[101]Bokpin, Godfred A., Lord Mensah, and Michael E. Asamoah. "Legal source, institutional quality and FDI flows in Africa."
[102]Ajibola, Akinyemi, Muideen Isiaka, Olusogo Ogunleye, and Oluwaseun Adeyemi. "Foreign direct investment and economic growth in nigeria revisited: A Sector Level Analysis."

topped the list of the largest FDI flow in Africa with estimated inflow of $ 1.5 billion.[103] It was closely followed Egypt with nearly $891 million. On other hand, UNCTAD 1995 report indicated that small countries in Africa with small economic sizes received small figure of FDI inflows.

Furthermore, African countries are classified as either frontrunners or lagging for FDI inflow.[104] The frontrunners of FDI flows in Africa have diverse levels of advancement. Countries such as Mozambique, Equatorial Guinea, and Uganda are less developed as compared with Tunisia and Botswana which are perceived to be middle-income economies. Also, the location of these countries in the continent matters. In terms of economic structure Equatorial Guinea is endowed with oil field, while frontrunners such as Ghana and Tunisia have diversified economies. Some studies indicate that the performance FDI in Africa countries differs. For instance, Equatorial Guinea mainly focused on rich reserves of oil and gas. However, these natural resources played a critical role in Namibia, Ghana, Mozambique, and Botswana. It's important to note these countries also received some market-seeking FDI due to their strong growth in the recent years. Privatization attracted more of FDI flow in Ghana, Mozambique, and Uganda.[105]Significantly, Tunisia also increased market-seeking opportunity of FDI in textile and apparel industry.[106]

Woraewaa examined the impact of FDI on domestic investment for thirty-six SSA countries on subsequent periods.[107] It investigated whether increased efforts in SSA countries to attract more FDI influenced domestic investment. Results indicated that FDI inflows increased in the second sub-period. Importantly, a study conducted by Awolusi et al. investigating the effect of FDI on

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[103]Abubakar, S. U. L. E. "External Financing and Industrialization in Nigeria (1985-2016)."
[104]Iheanacho, Eugene. "The Impact of Sectorial Contribution of Foreign Direct Investment on Growth in Nigeria."
[105]Rodríguez‐ Pose, Andrés, and Gilles Cols. "The determinants of foreign direct investment in sub‐ Saharan Africa: What role for governance?."
[106]Ayouni, Saif Eddine, and Wajdi Bardi. "Financial Development and FDI in Tunisia: NonLinear Relationship."
[107]Woraewaa, "Impact of Foreign Direct Investment on Domestic Investment: Evidence from Sub-Saharan Africa."

economic growth in selected SSA economies from 1980 to 2014, by using a modified growth model, showed that the impact of FDI on economic growth in SSA countries is limited.[108] The findings also indicated that South Africa's growth was much propelled by FDI, unlike the cases in Egypt, Nigeria, Kenya, and the Central African Republic. More findings indicated that government policies on FDI in SSA play significant roles in enabling improved economic growth.

2.3.3 Official Development Assistance (ODA)

ODA is still a crucial external source of finance in Africa because it still finances a major part of government expenditures.[109] However other scholars have continued to raise their concerns over the effectiveness of aid and sustainability in the continent since aid flow has declined. For Example, the Net ODA to SSA declined from $41.6 billion to $42.8 billion in 2015. In 2013, aid per capita was $50.4 billion but declined to $46.9 billion in 2014, with no signs of improvement in 2016. These declining trends raise the concerns over the effectiveness has been emphasized by optimists and pessimists. For instance, scholars such as Quartey and Afful-Mensah observed that Africa needs better aid.[110] Others scholars such as Easterly in his book "White Man's Burden" and Dambisa Moyo in her book "Dead Aid" asserted that foreign aid worked perfectly in a good policy environment. Africa received a significant proportion of the total bilateral aid.[111] It's important to note that the European Union Institution disbursement of Aid in Africa overtook Briton Woods since 2008. Some studies indicate that the European Union Institutions accounted for more than 32% of all multilateral disbursement.[112]

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[108]Awolusi, Adeyeye, and Pelser, "Foreign Direct Investment and Economic Growth in Africa: A Comparative Analysis."
[109]Birdsall, Nancy, Homi J. Kharas, Ayah Mahgoub, and Rita Perakis. *Quality of official development assistance assessment*.
[110]Yasin, Mesghena. "Official development assistance and foreign direct investment flows to Sub- Saharan Africa."
[111] OECD 2016 report
[112] Ibid

The declining of ODA in Africa can be perceived with regards to the changing political and financial circumstances in Africa and globally that have fundamentally encroached on the benefactors' dynamic cycle of FA assistance dispensing to Africa. It's contended that full commitment of African nations in a market economy would encourage the retention and powerful utility of FA.[113] Accordingly, in excess of 37 African nations actualized SAP from Briton woods institutions, with aim of reviving Africa economies but it backfired due to political instability in the Horn of Africa, West Africa and Southern part of Africa. Some scholars observed that the civil wars scared the potential donors who were determined in changing the face of Africa and also it was an imposed programme.[114]

Importantly, the fall of bilateral aid to Africa has been as a result of rigidity among donor governments to lessen budgetary shortages at home. More rigid budgetary control has been inspired by the aggregation of loan from enormous shortfalls during 1980s, worries over the effect of significant level of consumption and expenses on financial movement, and consent to diminish monetary shortages as a condition for fulfillment of money related mix in the EU. In addition, aid fatigue experienced by the donor countries seems to have undermined bilateral aid in Africa. This is because; despite of several decades of aid flow in Africa, there has been low or no results. However, studies indicate that the poor performance of aid is as a result of weak economic policies, corruption, mismanagement, and poor coordination of aid.[115]

[113]Ali, A. Malwanda, C. and Y. Suliman. "Official development assistance to Africa: An overview."
[114]Hynes, William, and Simon Scott. "The evolution of Official Development Assistance: achievements, criticisms and a way forward."
[115]Watson, Iain. *Foreign aid and emerging powers: Asian perspectives on Official Development Assistance*.

Gbambie and Mongbet's study assessed the impact of ODA on economic growth in Sub-Saran Africa and its effect on the economic policy conditions on growth.[116] The estimates were conducted on a dynamic panel of 23 African countries running from 1985 to 2014. The results revealed that there was a negative correlation between the ODA and economic growth. However, they acknowledged the fact that there is a need to have A considerable amount of assistance to SSA countries in order to foster economic growth. Although, the kind of assistance to these economies should not exceeds required threshold, because it can harm their economic growth. They also observed that the ODA economic policy conditionality was not favorable for Sub-Saharan Africa Countries, hence they have negative impact. Importantly, similar study conducted by Gray that focused on the impacts of FA on growth. He examined in 45 countries over 14- years, from 1995 to 2009, indicated that aid flow is ineffective at promoting economic growth in SSA.[117] The study results also indicated that aid flow hurts growth.

Further, a comparable report by Fayissa and Nsiah indicated a positive effect of transfers on economic development.[118]findings indicated that transfers inflows raised economic development. It likewise gave an alternate method of financing speculations and conquering liquidity issues. In a research on how transfers and ODA influence growth in third world countries, Stojanov and Strielkowski employed information from the World Bank. They found out that transfers have higher advancement potential in third world nations than in ODA.[119] They contended that transfer had a considerable net impact on financial development. Further, as study by Dereje and Ejigayehu

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[116]Gbambie and Mongbet, "Conditional Efficiency of Official Development Assistance (ODA) on Economic Growth in Sub-Saharan Africa."
[117]Gray, "Does Foreign Aid Promote Development? A Study Of The Effects Of Foreign Aid On Development In Sub-Saharan Africa."
[118]Fayissa and Nsiah, "The Impact of Governance on Economic Growth in Africa."
[119]Stojanov and Strielkowski, "The Role of Remittances as More Efficient Tool of Development Aid in Developing Countries."

looking at whether outside loan had consequences for the financial development of chosen HIPC in Africa, uncovered that outer loans had a staggering negative impact on monetary development of numerous SSA nations.[120] Notably, they additionally discovered chosen nations are not paying over 95% of their total debt.

2.3.4 Government bond

Government bond also known as sovereign bond is a loan security or bond that the government issues.[121] The risk of default of the bond is surveyed by global loan markets and signified by the profit it gives. The profit is the interest awarded. It's important to note that sovereign bonds are offered at a discount because of default risk. An increase in the issuance of sovereign bond in Africa especially among SSA countries. For instance, Sub-Saharan Africa issued $ 4.6 billion in 2013 in sovereign bond which make 5% of developing countries sovereign bond issues.[122] Most of these countries benefited from Multilateral Debt Relief Initiative and HIPC programs. The IDS further observed that the increase of sovereign bond in Sub-Saharan Africa from aggregate of $1.5 billion out of 2011 to $6.2 billion of every 2014. From 2013 and 2014, a sum of 11 nations in Africa got to the security markets. The biggest sovereign bond issuance shares in 2013 were made by Gabon, Ghana and Mozambique with each getting $1.5 billion, $1 billion and $0.9 billion in that order.[123] In 2014, the largest issuances of bond were made by Kenya ($2 billion). Zambia, Ethiopia, and Ghana received $ 1 billion each[124].

[120]Abera and Ejigayehu, "The Effect of External Debt On Economic Growth."
[121]Sy, Amadou. "Trends and developments in African frontier bond markets."
[122]Olabisi, Michael, and Howard Stein. "Sovereign bond issues: Do African countries pay more to borrow?."
[123]Gevorkyan, Aleksandr V., and Ingrid Harvold Kvangraven. "Assessing recent determinants of borrowing costs in sub- Saharan Africa."
[124]Calderón, César, and Albert G. Zeufack. "Borrow with Sorrow? The Changing Risk Profile of Sub-Saharan Africa's Debt."

The issuance of sovereign bonds as a percentage of GNI Income was somehow low, below 5% for most of these countries with the exception of Gabon where is represented 10 percent.[125] Furthermore, the reason to why several African nations gave bonds to oversee loan and investments in much required framework to support development. Studies demonstrates that a few nations, for example, Ghana utilized a time of low-level rates of interest to get to global capital business sectors as opposed to utilizing the higher rates of interest expected to activate local capital. Various nations such as Rwanda issued bonds, in order to be less dependent on traditional donors and be able to finance projects that the donors were unable to fund.[126]

Additionally, countries use maiden bonds to give a benchmark to different elements to get to the market. It has driven monetary area advancement and greater liquidity on the corporate security market. Eurobond notes were registered at the Ghana stock Exchange market and encouraged the entrance of domestic speculators, with investors from Ghanaian institutional financial partaking in the Eurobond offer. In Kenya which considered a $2 billion Euro bond, the debt was expected to serve as a bench mark for domestic corporate to access foreign capital. Companies such as ARM cement Ltd, Kenya Power Ltd and Kenya Electricity Co. which is the East Africa biggest power producer were all considering the government led by selling Eurobonds.[127]

However, some studies indicate that there are also some major risks for African countries access Eurobond. For instance, there is carrying cost for not using proceeds whereby these are greatest when there are delays in project implementation.[128]A more grievous risk is when nations can't manage loan, spend the resources incautiously and don't have money to reimburse the bond when

[125]Olabisi, Op Cit. 87-109.
[126]Ibid
[127]Mbewa, Martin, Rose Ngugi, and Angela Kithinji. *Development of Bonds Market: Kenya's Experience*.
[128]Sy, Amadou. "Trends and developments in African frontier bond markets."

it develops. Nations are liable to turn over risks, when there is little profundity and liquidity in the security market. There is extra issue when bond matures earlier than the projects that are to be sponsored.

Exchange rate risk is yet another risk in bonds. More prominent capital inflow should prompt appreciation of exchange rates though this isn't given comparable to giving of securities. When monetary standards degrade interest rates on the Eurobond dollar turns out to be higher than reimbursing local loan. Currency that are half the worth typically prompts a twofold financing cost installments and bond reimbursements. The risks thus provide in the mismatch in currency which could be decreased by increasing exports. Threats with China makes it impossible to use foreign income currency in bond repayment.[129]

Scholars also noted that there is sharp revaluation when the bond is due. For example, this happened earlier in 2014 in Turkey and Argentina and also in 1980s during debt crisis. In addition, there is macroeconomic risk. Large scale capital inflows could lead to volatility, credit booms and inflation which need to be managed and sterilized. Scholars also observed that sovereign bonds are highly characterized with risks of capital flights in Africa.

2.4 Conclusion

Africa diversification of external sources of financing is as result of its complex issues that have been unable to be addressed by the traditional donors. Importantly, remittances have increased due to high migration of individuals from Africa to developed countries. However, there is aneed for African governments to enact policies that can attract more funds that are channeled into their countries in informal channels in form of remittances. Studies also acknowledge that in the recent

[129]Olabisi, Op Cit. 87-109.

decades, remittances have surpassed FDI. However, the decline of FDI is characterized by increased illicit financial flows, civil wars, and poor governance in the continent. Additionally, sovereign bonds in Africa need to be relooked upon by all African governments based on their vulnerability. Moreover, Africa countries need to utilize their domestic resources in order to realize their potential to development and also reduce overdependence on the external financial assistance. This is because, scholars hold different views regarding the impact of external sources of financing development in Africa.

CHAPTER THREE

STRATEGIES USED BY AFRICAN COUNTRIES IN SEEKING EXTERNAL FINANCE

3. Introduction

According to the United Nations over the past 7-years, Africa's growth rate has remained to be consistent above the global rate. Africa's growth story is likely to continue even past 2023, with studies indicating that eight of the fastest-growing economies will be from the continent. However, for these projections to turn into reality, Africa requires greater industrialization which its self needs a significant infrastructural development such as distribution networks, power plants, roads, rail, seaports, better health care facilities, better education systems, and agricultural mechanization. According to the World Bank, Africa requires $ 93 billion to fill its investment gap. It further observed that the continent requires being more aggressive to close the infrastructural gap to catch up with the rest of the world. Importantly, the crucial players in Africa's development infrastructure include government, multilateral agencies, parastatals, development financial institutions, and a limited number of private sector companies.

Significantly, governments all over the world especially from developed countries can finance their development and infrastructure budgets through taxes and other revenues such as borrowing from capital markets through the issuance of different financial papers which is a nightmare to many of Sub-Saharan Africa countries. Studies indicate that the current continuing commodity prices are affecting many African countries especially in extractive industries. African governments are receiving less income from their traditional base natural resources. As a result, many countries in the continent have opted to diversify their external sources of finance to fund these projects and also to drive their economic growth. The emerging donors, especially China and India have been able to push economic growth in Africa through the provision of concessional loans, grants, and even debt cancellations. Studies indicate that in the past, Africa governments relied heavily on traditional financers such as development institutions, and multilateral agencies to cover their infrastructure costs, however, these traditional sources have proven to be incapacity in filling the financial gaps. As a result, several African countries have looked to the Euro bond market for infrastructure development. According to Standard Bank, Sub-Saharan Africa recorded a $ 15 billion bond issuance in 2014, of which $ 10.6 billion was sovereign issuance. Also, with growing Muslim recognition, many African countries have prepared a legal framework for issuing Sukuk and other shariah-compliant instrument in order to attract financial flow from Middle East Countries such as Saudi Arabia and others from Asia.

This section examined Africa's development needs, assess strategies employed by African countries when seeking external finances, and challenge that Africa countries face while seeking external finances for their development.

3.1 Africa's development Finance Needs

In 2015, the international community adopted the sustainable development goals. Africa member's states agreed to implement national and regional development programs in the next 15-years, that aim at achieving the 17 goals and targets 169.[130]This is in comparison with the eight millennium development goals. This international engagement is more ambitious development strategy that will require substantial financial resources. Studies indicate that there is a huge financial gap that Africa is facing.[131] According to Schmidt-Traub, Africa needs more than $1.2 trillion per year in

[130]Shafik, Nemat. "The future of development finance."
[131]Qobo, Mzukisi, and Dimpho Motsamai. "Developmental state construction and strategic regionalism: The continental reach of South Africa's development finance institutions."

order to achieve the sustainable development goals.[132] Africa investment in infrastructure alone required more than $ 98 billion per year.[133]SSA lags behind among other developing regions in the world.[134]Meeting the first goal of SDGs (end poverty), Africa will require an increased Savings, FDI, and ODA in order to achieve a GDP growth rate of 16.6% per year ($ 1.7 trillion) and a financing gap-GDP ratio of 66.6% per year.[135]

In addition, Africa`s development challenges are complex and vary, this scales up its development finance needs and severity of its capacity constraints that it cannot solve these challenges by its own.[136]Africa also faces varying international development key issues such as debts reliefs, debt cancellations, trade liberalization and aid for trade, peace and security. It’s clear that Africa countries have alternative external sources of finance. Traditionally, The ODA played a critical role in provision of financing development in Africa, but it was unable to solve all the challenges facing many of African Countries. ODA in Africa has reduced its external flow from 39.4 % in 2000 to 27.6% in 2013.[137] Importantly, the western countries in the ODA have scaled back in assisting developing countries.

Furthermore, the terms set by the ODA proves to be expensive to most of the developing countries in Africa.[138] Studies indicate Africa cannot build its future by relying on ODA, but it can access financial assistance from emerging economies such as China, Brazil and India who have increased their presence in the continent. Africa countries have the capacity of attracting FDI, and also have

[132] Ibid
[133]Addison, Tony, and George Mavrotas. "Development finance in the global economy: The road ahead."
[134]Programme for Infrastructure Development in Africa (PIDA),
[135]Mu, Yibin, Peter Phelps, and Janet G. Stotsky. "Bond markets in Africa."
[136]Dollar, David. "Is China’s development finance a challenge to the international order?."
[137] UNCTAD 2015 report
[138]Sachs, Jeffrey, John W. McArthur, Guido Schmidt-Traub, Margaret Kruk, Chandrika Bahadur, Michael Faye, and Gordon McCord, 2004, “Ending Africa’s Poverty Trap,”

potentiality of increasing remittance flow. SSA countries need a huge financing aid to eliminate the infrastructure gap.

3.2 Strategies Used by African Countries to Seek External sources of finance

First strategy is by macroeconomic policy reforms. Africa countries have moved to liberalize their external markets by reducing trade tariffs, adopting floating exchange rates, and deregulating cross-border capital flow.[139] This has deepened economic integration in the region as well as attracting FDI, Sovereign bonds, ODA and private philanthropies.[140]Macroeconomic reforms in Africa has really helped many countries to realize their economic growth, for instance small economies such as Uganda and Ghana, as well as larger economies like Ethiopia and Nigeria have benefited through attracting aid flow.[141]In addition, fragile countries like Angola have been able to see an increase in aid flow. For instance, according to UNCTAD`s World Investment Report 2020, FDI in Angola increased in 2019, with a negative inflow of $ -4 billion, compared to $ -6.5 billion in 2018.The report also indicated that most of FDI in Angola comes from OECD, and others from China. In 2019, a trading company Toyota Tsusho and export credit agency signed a deal to invest $ 650 million in the Namibe Bay project in Angola.

Second strategy is through galvanizing Africans in diasporas, by encouraging them to bring their financial and human resources locked up throughout the world to accelerate nation building. It is important to note that Africa has experienced dark moments throughout 17th and 18th century during Human slavery period. As a result, many Africans descendants have grown to be prominent businessmen and politicians who have global influence. African countries, such as Ghana have

[139]Kumar, Raj. "Policy reform to expand mining investment in sub-Saharan Africa."
[140]Ndikumana, op. cit.
[141]Mwilima, Ntwala. "Foreign direct investment in Africa."

realized this potential group contribution to its economy. For Instance, Ghana held “The Ghana Diaspora Celebration and Home coming Summit 2019 (GDHS`19)”, to recognize those citizens who stay abroad. Studies, indicates that in 2010, migrant remittance to Africa exceeded $40 billion. It’s also estimated that African diaspora save more than $53 billion annually. East African countries received $17.38 billion from their citizens living abroad between 2013 and 2018.[142] Similar report, indicated that Kenya had the highest beneficiary of remittances, receiving $ 10.74 billion, Tanzania $ 2.39, Uganda $6.28 billion, Rwanda $1.13 billion, South Sudan $2.85 billion, and Burundi $257 million. In addition, similar report indicated that foreign remittance outpaced FDI.[143]

Third strategy is by International cooperation which African countries use to seek aid flow mostly from Asia countries.[144]The high-level official visit has a significant impact towards mutual understanding and promotion of cooperation between African countries and Asia.[145] Several summit meetings have continuously been held between Africa and China which has seen Africa countries benefiting from them.[146]Studies indicates that through these summits, principles Chinese-African technical and economic cooperation, several projects have been identified among them the establishment of China and Africa cooperation Forum in 2000.[147]Importantly, in 2005, China announced a series of aid flow initiatives in Africa, especially Sub-Saharan Africa countries which included$10 billion concessional loans, debt relief, zero-tariff treatment and job trainings.[148]In addition, a number of African companies have been set up in China, to conduct

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[142]Calderón, op. cit.
[143]Inoue, Takeshi. "Financial development, remittances, and poverty reduction: Empirical evidence from a macroeconomic viewpoint."
[144]Taylor, Ian. *The Forum on China-Africa Cooperation (FOCAC)*.
[145]Alden, Chris. "China in Africa."
[146]Sanfilippo, Marco. "Chinese FDI to Africa: what is the nexus with foreign economic cooperation?"
[147]Brookes, Peter, and Ji Hye Shin. "China’s influence in Africa: Implications for the United States."
[148]Campos, Indira, and Alex Vines. "Angola and China." *Center for Strategic and International Studies.*

investment promotion activities by providing consultancy services to a number of Chinese enterprises[149]. Such as consulting companies are from Nigeria and South Africa. To further promote trade and investment in Africa, china established 11 investment promotion service centers in Africa. China`s FDI in Africa is growing rapidly unlike previous two decades.

Fourth, strategy is by establishing of investment promotion agencies by African countries that help them to seek external sources finance.[150] For instance, SADC has its 14-member countries which have established such agencies. Seven of the agencies were established in 1990`s. Since 1995, 25-African countries have joined World Association of Investment Promotion Agency (WAIPA), in order to benefit from an exchange of information on best practices in investment promotion among the member agencies.[151] Some agencies, for instance Uganda Investment Authority have been termed to be one of successful agency that has adopted state of the Art practices in all areas of promotion.[152]

Lastly, many African countries have improved their regulatory framework for FDI, resulting to a more open FDI. Provide tax and other incentives in order to attract investment, and permit profit repatriation.[153] Studies indicate that 72-of 32 Sub-Saharan Africa countries covered by 1997 survey by UNCTAD, had liberal regime for capital and repatriation of dividends.[154] Importantly, other areas that are critical to attract external finance include trade liberalization, strengthening of governance and institutions as well as telecommunication and improved infrastructure. In addition,

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[149]Chahoud, Tatjana. *South-south cooperation-opportunities and challenges for international cooperation*.
[150]Wells, Louis T. "Revisiting marketing a country: Promotion as a tool for attracting foreign investment."
[151]Ratha, Dilip, Sanket Mohapatra, and Sonia Plaza. *Beyond aid: New sources and innovative mechanisms for financing development in Sub-Saharan Africa*.
[152]Morisset, Jacques, and Kelly Andrews-Johnson. *The effectiveness of promotion agencies at attracting foreign direct investment*.
[153]https://unctad.org/en/Docs/poitem5.en.pdf
[154]Morisset, Jacques. *Foreign direct investment in Africa: policies also matter*.

African countries have made a major step in in regard to double taxation treaties (DTTs), which has accelerated aid flow. However, African double taxation treaties are still concentrated in countries such as Tunisia, Mauritius and Egypt most of which have recorded a high number of ODA, remittance and FDI flow[155].Importantly, other countries such as Tanzania, Uganda, South Africa, and Kenya have developed a dynamism approaches in regards to DTTs, which has enabled them to attract more of the FDI flow. Studies also indicates that many African countries have signed multilateral agreements which deals with the protection of FDI.[156] With this kind of improvement within policy framework for FDI, African countries continue to appeal for more aid flow.

3.3. Challenges facing African countries in seeking external sources financing development

African countries, especially sub-Saharan Africa experience difficulty in attracting remittance, FDI, and ODA is attributed on the notion that investing in Africa is the highest risk activity.[157] This notion is based on a number of factors that are interrelated, which has given Africa a negative image such as fear of policy reversal, inadequate legal framework, poor human social and economic infrastructure and civil conflicts. Small markets, weak domestic private sectors, low levels of income, poor international competitiveness, undeveloped domestic financial sectors markets are major factors that negatively affect many African countries from accessing external sources of finances.[158] Studies indicates most of FDI and other alternative sources of financing development normally goes to countries that have stable economic and political environment, good

[155]Mwilima, Ntwala. "Foreign direct investment in Africa."
[156]Calderón, op. cit.
[157]Morisset, Jacques. *Foreign direct investment in Africa: policies also matter*.
[158]Asiedu, Elizabeth. "Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability."

infrastructure facilities, low production and transportation cost, transparent and minimal regulation. Scholars observes that these features are lacking in many countries in Africa.[159]

Illicit financial flows are major problem that faces many African countries.[160] Sub-Saharan Africa countries lose more in capital flights than they receive from ODA and FDI.[161] Studies affirm that Africa is worse affected by this kind of devastating nature, which is perceived to be systematic and aggressive. According to OECD, Africa loses more than $ 50 billion annually through money offshore investment, tax evasion, diverted revenues and other forms of capital flights.[162] Further studies showed that illicit capital flight from ECOWAS, grew by twenty three percent in the first decades of 21st century reaching a total of $ 11 billion in 2011.[163] This group observed that, Africa was likely to lose more than $ 14 billion in a year by 2018 if nothing was not to be done. In addition, GNI observed that with high capital flight in the continent, African countries cannot meet the sustainable development goals and even attract alternative sources of financing development.[164] According to Ajayi, 18 African countries have average capital flight which is equivalent to debt ratio of 40% and even higher in some countries such as 94.5% for Nigeria, 74.4% for Kenya, 94.3 % for Rwanda, and 60.5% for Sudan.[165] In relation to GDP, capital flight was approximated to be as high as 133% for Nigeria, 102% for Sudan and 58% for Kenya.

Open trade is also part of the challenges that face many African countries in attracting alternative sources of external finance.[166] Africa countries are part of increasing integrated world economy.

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[159]Onyeiwu, Steve, and Hemanta Shrestha. "Determinants of foreign direct investment in Africa."
[160]Fofack, Hippolyte, and Leonce Ndikumana. "Capital flight repatriation: Investigation of its potential gains for sub-Saharan African countries."
[161]Ajayi, S. Ibi, and Léonce Ndikumana, eds. *Capital flight from Africa: Causes, effects, and policy issues*.
[162]Kar, Dev, and Devon Cartwright-Smith. "Illicit financial flows from developing countries: 2002-2006."
[163]https://www.uneca.org/cfm1999/pages/challenges-financing-development-africa-theme-paper#capital
[164]https://www.theafricareport.com/10439/how-can-africa-solve-its-capital-flight-problem/
[165]Ajayi, op. cit.
[166]Renard, Mary-Françoise. "China’s Trade and FDI in Africa."

However, it's faced with new challenges that are brought by liberalization of trade and the removal of subsidies. This has created threats to African countries economies by exposing them to external shocks. However, it also creates opportunities for many countries in the continent through foreign investment flow that can be channeled towards economic growth. Moreover, the major challenge is how to effectively manage the process. Significantly, the economic integration of Africa has created better investment opportunity both in the continent and the rest of the world especially in Asia, South America, East Asia, and Middle East.[167]

Another challenge is Africa external debt which is affecting many countries in the continent. SSA countries debt is essentially non-payable and at same time unsustainable under any macroeconomic scenario.[168] Studies indicates that Africa countries need to release more resources from servicing their debts to financial development and creating better conditions for private foreign investment.[169]Importantly, there is need to have a credible solution to Africa external debt rather than the current HIPC initiative which has proven to be restrictive based on its eligibility criteria and its technicality. Africa requires a substantial debt cancellation solution in order to come out from debt trap which has scared international financial flow. However, the multilateral institutions are more sensitive about cancelling Africa debts, a move that is termed as political and not a technical issue.[170] Moreover, there is political will for some ODA members such as United Kingdom, which has unilaterally cancelled a number of debts owned by Some African countries.[171]G-7 new initiative which involves cancelling of Africa debts is also important move

[167] Ibid
[168]Krumm, Kathie L. *The external debt of Sub-Saharan Africa: Origins, magnitude and implications for action*.
[169]Ayadi, Folorunso S., and Felix O. Ayadi. "The impact of external debt on economic growth: A comparative study of Nigeria and South Africa."
[170]Cassimon, Danny, Bjorn Van Campenhout, Marin Ferry, and Marc Raffinot. "Africa: Out of debt, into fiscal space? Dynamic fiscal impact of the debt relief initiatives on African Heavily Indebted Poor Countries (HIPCs)."
[171]Leonard, David K., and Scott Straus. *Africa's stalled development: international causes and cures*.

that will give Africa countries enough space to foster economic growth.[172]In addition, studies indicate that relieving debt overhang in a number of African countries is a strategic move that can stem and reverse capital flight and attract foreign investors and other potential alternative source of financing development in Africa.

In addition, the human resource development and entrepreneurship also poses a major challenge to African countries. Shultz argued that the level of human capital is extremely low in the continent especially in SSA. Hence the development of human resources is a critical area of concern in the continent. Studies indicate that it's one of the major obstacles that affects many African countries growth potential in terms of productivity and competitiveness in the global market place. Low human capital in Africa is attributed with a high increase of HIV/AIDs mortality rate and infections which normally affects youths, adults, and even those that are well educated. It's also important to note that African countries are also affected with brain drain, as result many of its brightest and skilled population has become part of Diaspora in Europe, and the United States. There are three reasons to be optimistic that the challenge of human resources is improving: High school enrollment both in primary, secondary and tertiary level, level of foreign aid flow towards human resource has increased and the depreciation of numerous currencies has also made it easier to invest in education because of its high labor component.[173]

3.4. Policy options and recommendations

The major role of finance in development is well articulated in a volume of development literature. So too are challenges facing Africa countries in mobilizing external resources to transform its economies by creating jobs, leveling a sustainable economic growth, and achieving its

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[172]Acker, Kevin, Deborah Brautigam, and Yufan Huang. "Debt Relief with Chinese Characteristics."
[173] Ibid

development priorities.[174] Mobilizing external resources is key to the continent's investment, especially Sub-Saharan Africa. Thus, there is a need for African countries to come up with clear policy reforms to counter the global crisis that aims at reversing its earlier achievements because of its composition of countries with lower investment, weak export revenues, low growth rates, and shrinking ODA, FDI, and Remittances flow. The volatility of FDI, ODA, and remittances in Africa, calls for a major shake on the continent's policies.[175]

First is that there is a need for African countries to open up their markets. Free trade countries always attract more FDI. There is a positive correlation between trade volumes and FDI.[176] Although he was criticized by Rodriguez and Rodrik who argued that, the openness to foreign investment policy does not directly control the volume of trade. However, three measures of openness can encourage FDI flow in Africa which includes capital control measures that focus on the restrictions of capital market transactions, host country’s investment climate that focuses on the country’s attitude towards investment and restriction on trade and investment which focus on the composite measures of variables that limits investments and trade. It includes taxes on international trade, exchange controls, and regulatory trade barriers. Also, there is a need for African countries to improve their infrastructure; this is because it reduces operating costs thus promoting FDI and other sources of external sources of finance.[177]

Secondly, the Monterrey Consensus found African countries need to improve the quality of their institutions to have a substantial increase in ODA and from other external sources. This is because

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[174]Smętkowski, op. cit.
[175] Ibid
[176]Woraewaa, Acquah. “Impact of Foreign Direct Investment on Domestic Investment: Evidence from Sub-Saharan Africa.”
[177]Alemu, op. cit

issues such as corruption, weak enforcement of contracts, and large bureaucracy often deter foreign investment and also aid flow. Studies on donor agencies in Africa revealed that most donors preferred to channels their financial assistance in countries that have improved financial services, developed human capital and entrepreneurship, able to provide incentives for private investment, guarantee, and risk mitigation, governance, and improved policy, legal and regulatory framework for investment and growth.[178] Africa continent presents many challenges for donors and African governments that are committed to foreign investment for better development. Studies indicate that Africa is the only continent that has grown poor in the past twenty-five years that has had its share of world trade halved in a generation and that received less than 1% of the world's FDI.[179]

Thirdly, for African countries to attract remittance, they need to improve three critical policy areas. Firstly, they need to establish sound migration policies domestically for instance issuing of passports and also keep close ties with immigrants-recipient nations to guarantee the best possible section and treatment of their counterparts overseas. The current issues of migrants in Saudi Arabia, Lebanon, and Europe has demonstrated the appearing vulnerability of African leaders notwithstanding enormous immigrants' movements investments including human trafficking which has raised eyebrows on severe lack of collaboration between African countries and the migrant recipient countries in migration management efforts.[180] Secondly, African countries need to work closely with Africans in Diasporas especially those living in developed countries that are in the position of sending income back to their country of origin and also facing challenges because

[178]Asiedu, Op. cit.
[179] Ibid
[180]Chaponniere, Op. cit.

of financial risks or underdeveloped banking systems. Importantly, African governments' appeals to diasporas should genuine through market reforms and direct information campaigns abroad.[181]

Fourth, African countries need to lessen transfers expenses which are frequently unregulated by central administrations. Improved service policies should include more service point outlets in home countries, less arduous documentation of senders, and a maximum service fee.[182]

Lastly, in order to attract more bonds inflows, Africa countries need to develop a reasonable idea to utilize the returns to plug monetary and social framework holes by improving financial development potential, reducing inflation, creating more noteworthy product incomes, lessening shortages on current account and government equilibrium and promoting capital record convertibility and monetary market improvement. In terms of policy framework, there is a need for African countries to create monetary strategies to oversee, control and increase the capability of private bond and short-term equity. Endorsing greater liquidity in security markets decreases turn over risks. In addition, monitoring global monetary conditions to determine the right timing for bonds issuance is important; this because, the international context for issuance bond has been more negative. For instance, Ghana had to postpone a third Eurobond of up to $1.5 billion due to market prospects of high profit.

[181] Ibid
[182]Dereje, and Joakim Ejigayehu. "The Effect of External Debt On Economic Growth,"

CHAPTER FOUR

KENYA’S EXTERNAL SOURCES OF FINANCE FROM INDIA AND CHINA

4. Introduction

The fourth chapter focuses on Kenya's relation with India and China. It starts by looking at the Kenya has with India in terms of diplomacy, trade, investment, tourism, development cooperation, and technical and training. The relations between Kenya and China are also considered through infrastructure development, diplomacy, investment, and tourism.

4.1Kenya’s External Sources of Finance from India

Ties between Kenya and India started when Indians were brought to Kenya in 1896 as contracted work by the British to develop the Kenya-Uganda railroad. Afterward, the Indians joined Kenya's thriving business on the coast trade.[183] So, by 1921, nearly 25,000 Indians had established lives in Kenya. Nevertheless, the expanding Indian existence made racial strife with the neighborhood community. As they delighted in more prominent economic might, they asked for representation in the local administrative posts. The strains proceeded till 1927 when at long last, the Indians won the privilege to five seats in the assembly. However, segregation ensued after Kenya became autonomous. India has assumed a fundamental role in the decolonization of Africa. It has upheld Kenya's battle for freedom, which later established the frameworks of a close and collaborative connection between them.[184]

Topographical access through the Indian Ocean brings India and Kenya closer. It gives India a primary preferred position over other nations. India is the leading source of merchandise and

[183]Taylor, “Unpacking China’s Resource Diplomacy in Africa.”
[184]Kragelund, op. cit

innovation for Kenya.[185]Several areas for cooperation, as declared by the Delhi Declaration and Framework for Cooperation Forum, included monetary participation, political collaboration, science, research and innovation, and regional integration. Others are infrastructure, energy, social development, and tourism, peace, and security. The areas of focus also included trade, ICT, environment, and agriculture. Kenyans of Indian origin also play a crucial role in nurturing and developing these relations. In strengthening its ties with Kenya, India has focused on three main initiatives. They include; diplomacy, trade, and FDI and development assistance.[186]

4.1.1 Diplomacy

India designated Appa Saheb Pant as its minister to East Africa, positioned in Nairobi, whose proximity gave a fundamental catalyst to Kenya's opportunity struggle. India's choice to open its first diplomatic strategic Nairobi and manage its relations with the remainder of the area accentuated its longing to create connections with Kenya. The way toward building close binds with Kenya proceeded significantly after the freedom was gained in 1963.[187]In 1968, Kenya passed the first of its numerous laws stopping Indians with British travel papers from holding profitable business. Simultaneously, the Labor government in Britain, anticipating a convergence of its hued residents from East African nations, constrained the number of Indian families with British international identity cards, to just 1,500. Since then, relations have improved gradually. There are around 100,000 individuals of Indian cause in Kenya - for the most part, packed in Nairobi and Mombasa.[188]

[185]Kragelund. op. cit
[186]Cheru and Obi, "The Rise of China and India in Africa: Challenges, Opportunities, and Critical Interventions (Africa Now)."
[187]Chakrabarty, “Understanding India’s Engagement with Africa.”
[188]Zarwan, “Indian Businessmen in Kenya during the Twentieth Century: Acase Study.”

The two nations appreciate a mutual viewpoint on worldwide relations, particularly with regards to South-South collaboration. This standard obligation of a shared vision for a free and reasonable new world has helped both the nations to come nearer. The political authority of the two countries has additionally shown deep empathy and understanding. The states are individuals from Commonwealth, Group of 77, IOR-ARC, and G-15. They typically organize their procedures to impact thoughts to put over the building up countries' perspective. India has created monetary, social, political, and social relations with Kenya.[189]

4.1.2 Trade

After 1963, commerce between the two nations developed consistently and substantially expanded during the 1980s. India is Kenya's 6th biggest exchanging accomplice, which underscores close financial and social bonds. A contract empowered the two India and Kenya to accord each other the most preferred country status. Also, both have energized direct exchange, considering shared advantages accumulating to them. Following monetary advancement in both the nations in the mid-1990s, the volume of business expanded, making them significant exchanging accomplices. In the years 2008-2014, Indian commodities exported to Kenya were worth USD 19.1 billion.[190] Over the period from 2000 to 2014, India export to Kenya, with the most considerable amount being 14.1% of its total imports.[191]

From 2000 to 2014, India imported more merchandise than China from 21 African nations Kenya being among them.[192] The fundamental import things include hardware and instruments, elastic items, metals, agrochemicals and glassware.[193] The exchange between the two nations has been

[189]Mawdsley and McCann, *India in Africa*.
[190]Nowak, "China-Africa and India-Africa Trade in the Years 2000-2014."
[191]Ferdowsi, "UNCTAD – United Nations Conference on Trade and Development."
[192]Nowak, "China-Africa and India-Africa Trade in the Years 2000-2014."
[193]Zarwan, op. cit.

guided by the India-Kenya Joint Trade Committee, which meets now and then to audit progress. India has offered advancements for the improvement of small businesses in Kenya and has vowed to stretch out assistance to upgrade agricultural yield. India has additionally added to set up EPZs, started joint endeavors in materials, extend collaboration in coffee, tea, and the travel industry segments and create a foundation with an emphasis on BOT model.[194]

In 2002, India started the Focus Africa Program to improve exchange with Kenya and other African Countries. This was alongside an EXIM Policy for the years 2002-07. India, through the program, stretched out help to exporters and Export Promotion Councils to visit African nations, including Kenya, and sort out exchange fairs. India also has extended collaboration with their exchange and industry chamber partners and hold gatherings of the joint businesses.[195] India's Trade Missions have made important mindfulness in their areas about monetary changes in India, the quality of the Indian Industry, and its fare capacities. Indian Trade Promotion Organization (ITPO) embraces different trade advancement measures. It takes an interest in particular and product explicit fairs and displays in African nations. It likewise makes exposure and advancement of Indian goods.[196]

4.1.3 Investments

India began its interests in East Africa and significantly in Kenya, where the more significant part was settled. Indian interest as of late has developed in size and has spread to different areas of Africa.[197]Around 80 Indian organizations have put $2.3 billion in Kenya and various nations around Africa. Indian entrepreneurs have additionally explained their arrangements to spend $ 2.5

[194]Mawdsley and McCann, *India in Africa*.
[195]Kragelund, op. cit
[196]Cheru, op. cit
[197]Chakrabarty, op. cit

billion on a vast number of hectares of land in East Africa, to develop items, for example, maize, palm oil, and rice for export to India.[198]Indian seed firms explore different avenues for crossover seeds in sorghum, millet, rice, maize, and vegetables in Africa.[199]

Of the capital speculation from other nations, 17% originate from India, making it the second-largest financial specialist in the country after Britain. As the advancement spread worldwide, numerous Indian organizations made a beeline for East Africa for worthwhile speculation openings. In November 2008, India's Essar worldwide preferred to contribute $500 million, more than two years, in Kenya's cell phone administration administrator Econet Wireless Kenya Limited. Plus, the organization bought a 50 percent stake in Kenya Petroleum Refineries Limited at $ 11 million.[200] Bharat Petroleum Corporation has put $70 million out of a joint endeavor with Kenya Pipeline Company Ltd for building an LPG plant in Nairobi. India's Sanghi Group put over $80 million in concrete plant in Pokot.

The India-based combination, Mehta Group, declared a plan to assemble a concrete plant of 1.2 million metric ton limit in West Pokot, at the expense of about $200 million.[201]India also has a collaborative action-research venture that aims to increase awareness and create a demand for clean-energy products. The project focuses on Kenya and Ethiopia.[202] From 2011 to 2015, it has received a total funding of up to £9 Million: £8 m from DFID India and £1 m from the Global Development Partnership Programme (GDPP) for activities in Africa. The project aimed to reach

[198]Chakrabarty. Op. cit
[199]Ibid
[200]Kragelund, op. cit
[201]Anyieni, "Evaluating the Impact of Foreign Aid on Growth: ACase of Kenya."
[202]Mccarthy, "Assessing China and India's New Role in Africa."

200,000 people by 2015 by installing solar power. By 2015, it has reached over 300,000 people in Africa, with 33,000 improved cooking stoves and 23,000 lighting solutions.[203]

In 1991, India had 10 Joint endeavors in Kenya. By 2007, Bharti Airtel Ltd, Tata Group, Reliance Communications Ltd contributed 51% stake in state-possessed Telkom Kenya.[204] Kenindia Assurance was also set by an Indian company known as Life Insurance of India. The Endeavor Group, managing in assembling and exchanging Industrial Electronic Weighing Systems, has set up business workplaces in Kenya. Although it appears that Indians have entered Kenyan market in a significant manner, truly Kenya represents just 0.03 percent of the complete Indian venture abroad, positioning it in the nineteenth position.[205] Bank of Baroda, Bank of India, among others have opened their delegate workplaces in Kenya. The State Bank of India likewise went further and put resources into Kenya's financial sector.[206]

4.1.4 Technical Projects and Training

Through December 2008 agreement, India's National Research and Development Corporation offered to help Kenya in esteem expansion, bundling, and innovative mediations to support farming yield.[207]Additionally arrangement with KIE was made in May 2009 by India's National Small Industries Corporation to move innovation and create SMEs.[208] Under the association, little merchants in Kenya would get specialized help and specialized aptitudes from India. India guaranteed Kenya to help do mechanical possible studies and plausibility studies to distinguish primary regions and open doors for the improvement of little initiatives.

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[203]Wambui, "Effect of Multinational Chinese Firms in Competition with the Local Firms in Kenya."
[204]Cheru, op. cit
[205]Chakrabarty, op. cit
[206]Kragelund, op. cit
[207]Mwega, "China, India, and Africa: Prospects and Challenges."
[208]Vines and Oruitemeka, "India's Engagement with the African Indian Ocean Rim States."

Since the 1950s, numerous Kenyans went to India to seek advanced education.[209] Likewise, more than 50 students profit by the Indian Technical and Economic Cooperation, and the Indian Council for Cultural Relations Scholarship conspires each year. Kenya's protection workforce has likewise been going to senior-level preparing programs in India. In 2003 Educational Consultants India Limited composed an Indian Education Fair in Kenya. In 2006, Guru Nanak Dev University and 13 secondary schools held an Education Fair in Nairobi. More than 7000 Kenyan learners seek after higher examinations in around 50 Indian colleges and advanced education establishments.[210]

In 2018, Indian Government offered 43 Scholarships to Kenyans in both undergrad and postgraduate examinations. India additionally provides grants to abroad learners through several grant schemes.[211]Most of the spaces offered with this plan go to neighboring nations; however, during the 2009-10 scholarly year, some 15% of the openings went to African countries. Kenya has apportioned 20 grants during that academic year. A considerable lot of the Kenyan military commanders, including resigned ones, have gone to different courses in India. This participation has been stretched out to include military workforce in common activities in wellbeing and training, particularly in Kenya.[212]

4.2Kenya's External Sources of Finance from China

Before independence, China had limited diplomatic and political interaction with Kenya.[213] The little interaction it had included an invite to Oginga Odinga in 1958.[214] During his visit to China,

[209]Cheru, op. cit
[210]Chakrabarty, op. cit.
[211]Anyieni, "Evaluating the Impact of Foreign Aid on Growth: ACase of Kenya."
[212]Vines, op. cit.
[213]Mogire and Nairobi, "From Conflictive to Cooperative Interaction: A Study in Kenya-China Relations, 1963-1991."
[214]Nandaa, "An Analysis of China's Relations with Sub-Saharan Africa: A Case Study on Kenya-China Bilateral Relations (1963-2009)."

he was given money to support the Mau Mau Movement.[215] Other contacts were also made in the front organizations that had been established by China. In 1957, delegates from Kenya and China joined representatives from Asia and Africa in the Afro-Asian Peoples Solidarity Conference. Kenyan delegates also attended the World Federation for Democratic Youth festival in 1959 in Peking. By 1961, Kenyan students were among the students from the Third World who were studying in China. Therefore, Kenya's contact with China was founded on a longstanding relationship that involved both cultural and commercial interaction that was established between China and East Africa. China identified with Kenya during its struggle for independence by supporting the famous Mau Mau Movement.[216]

The Kenya-China bilateral relations are multi-faceted. Their interaction involves foreign policies that both countries utilize and the "brother's keeper" policy in international relations that includes mutual support.[217] China promotes an approach to development that has three components. The first approach of china's development aid to Kenya encourages trade. Accordingly, china's business with Kenya has grown substantially over the last decade. In 2000, the bilateral trade between the two countries was $95 million. It rose to $1.5billion in 2010 and continues to grow in subsequent years.[218] Chinas aid approach also encourages direct investment of Chinese companies through loans they receive from their government. China also gives development aid that has minimal or no conditions attached to it. The assistance is usually meant for the development of infrastructure, hospitals, sports arenas, among others.[219]

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[215]Mogire, op. cit.
[216]Adhiambo, "China-Kenya Relations Effect on Kenya's Economic, Social and Political Issues."
[217]Nandaa, op. cit.
[218]Andrews, *Africa Yesterday, Today and Tomorrow*.
[219]Ibid

4.2.1 Diplomacy

China was among the first countries that recognized Kenya at the independence time. During Kenya's independence, cooperation was cemented through the exchange of delegations and the accompanying statements of support during such visits.[220] The high-level delegations between Kenya and China included visits by the heads of States, ministers, senior government officials, and business delegations that functioned to strengthen relations between them. According to the historical facts, Kenya's first high profile delegation to China took place in 1964. It was led by the then vice president Jaramogi Oginga Odinga.[221] The Chinese Premier met this delegation, Chou En-Lai. During the visit, Mr. Odinga affirmed the Kenya-China common interests of fighting colonialism and imperialism. [222]

In 1964, Kenya supported the conference of Heads of State and Government on non-aligned States in Cairo that requested the UN to restore all rights to the PRC and recognize the representative of her government as the lawful representative of China in the UN. This meant that Kenya-China bi-lateral relations had been quite cordial and cooperative since the establishment of diplomatic ties. Although the Kenya-China political relations were progressive since their establishment, they also experienced a dormant moment. This was attributed to the world's recession period of the 1970s.[223] Kenyan mission in Peking remained technically closed until 1978 when president Moi re-opened it. After that, the re-establishment of diplomatic ties involved the re-assignment of Kenya's High Commissioner to Delphi and, consequently, full restoration of diplomatic relations between the two States.[224]

[220]Mwega, op. cit.
[221]Mogire, op. cit.
[222]Mwega, op. cit.
[223]Woods, op. cit
[224]Nandaa, op. cit.

Upon the death of Chinese president, Mao Tung, Kenya sent their condolences. In effect, all flags in Kenya were flown half-mast to mark the mourning. In 1978, china also sent it condolences upon the death of Kenya's first president, Jomo Kenyatta.[225] Since then, a precedent was set whereby the heads of State in Kenya are known to be sending messages of goodwill to the Chinese people during various anniversaries of the founding of the PRC. In essence, these depict a real picture of continued cooperation in diplomatic and political relations between the two States. The period of the 1980s onwards indicates improved diplomatic relations between Kenya and China. This was demonstrated through the increased number of high-level delegation visits between them. Also, through the statements of support made by the heads of State of the two countries.[226]

4.2.2 Trade

Trade among China and Africa has quadrupled since the start of this decade.[227] Nonetheless, China turned into Kenya's biggest trade accomplice 2014, and Kenya has set up itself as China's 6th biggest trading accomplice Africa. In 2017, Kenya's imports from China came to $3,778 billion, representing roughly 23% of Kenya's all out imports. Nonetheless, Kenya's fares to China in 2017 were worth just $96.7 million, representative of 1.68% of Kenya's aggregate exports. More than 90% of China's fundamental fares to Kenya is comprised of high-worth finished items, transportation gear and machinery. Consequently, Kenyan exports to China are low-worth natural resources and farm products. Kenya's persistent balance of payments deficit is a critical

[225] Adhiambo, "China-Kenya Relations Effect on Kenya's Economic, Social and Political Issues."
[226] Mogire, op. cit.
[227] Kaplinsky and Morris, "Chinese FDI in Sub-Saharan Africa."

issue.[228]From the year 2000 to the year 2014, Kenya was among essential China's trading partners were at 4.8%.[229] During the years 2008-2014, China export to Kenya was valued $17.6 billion.[230]

Overcoming the trade deficit will require negotiation between Kenya and China to find opportunities for mutual benefit. In Kenya's third medium-term plan, the government aims to address the balance of trade deficits by promoting agricultural exports through value addition, accelerating industrialization, and implementing legal and institutional reforms.[231] The MoU on SPS supports this aim. Oil and titanium exports offer Kenya a potential for future higher-value exports to China or to invest in titanium manufacturing, e.g., in the jewelry industry, which could attract the Chinese market. China is an important export market for Kenya's titanium.

In 2017, Kenya's titanium exports totaled $133 million.[232] A recent agreement on the export of Kenyan avocados to China provides prospects for exports of further agricultural goods to China and an increase in revenue generation. China agreed on negotiations with Kenya and the EAC to address the trade deficit and emphasized free trade agreements. However, the Kenyan government stated that it is not yet ready for a free trade agreement with China as the two countries are at different development stages.[233]

4.2.3 Investment

According to Chinese Government statistics, the stock of China's FDI in Africa reached $43.3 billion in 2017, representing 2.4% of China's total global FDI stock.[234] China is also an

[228]Nowak, "China-Africa and India-Africa Trade in the Years 2000-2014."
[229]Ibid
[230]Ibid
[231]Fiott, "The EU and China in Africa: The Case of Kenya."
[232]Ali, Filardi, and Abdulaziz, "China-Kenya Economic Engagement: A Win-Win."
[233]Gu and Trebs, "Kenya Case Study: Investigating Potential for Kenya-China-UK Trilateral Cooperation: From Rhetoric to Practice in Development Cooperation."
[234]Mwega, op. cit.

increasingly important investor and financier to Kenya. Kenya received $410 million in FDI in 2017 from China, compared to $78.7 million in 2012.[235] China's non-financial direct investment in Kenya in 2018 had doubled over that of the previous year to about $520 million.[236] China has quickly established itself as one of the most high-profile single-country providers of finance for and constructing African infrastructure projects. In 2011, Kenya and China signed a MoU to augment collaboration in the agricultural industry. The cooperation was in areas such as wastewater management, agricultural mechanization, and agro-processing and machinery. The MoU also allowed China to work together with KARI in remote sensing areas and harvesting of water.[237]

This FDI is primarily directed into construction, but also industrial engineering, the creative industry, transportation equipment, food and beverage, and information and communication technology.[238] The FDI from China is made by Chinese firms that are partly owned by the Kenyan government. The biggest beneficiaries of FDI inflows are the manufacturing, infrastructure, banking, tourism, and agriculture. Chinese firms that have been in Kenya from around 2000 have delivered and traded items such as solar energy panels, processing equipment, agricultural products, animal products among others.[239] As of 2004, 60 Chinese firms with eight more firms being established in 2006 were operating in the manufacturing sector.[240]

The China-funded solar power plant in the Northeast Kenyan town of Garissa through a concessional loan from the China EXIM Bank.[241] The project is expected to generate 76,470

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[235]ibid
[236]Gu, op. cit.
[237]Andrews, *op. cit.*
[238]Ali, Filardi, and Abdulaziz, "China-Kenya Economic Engagement: A Win-Win."
[239]Gu, op. cit.
[240]Kipkorir, "Agricultural Trade Liberalization in Kenya and Implications for Kenya China Trade Relations."
[241]Gu, op. cit.

annual megawatt-hours that will feed into Kenya's national grid and provide the capacity to power 625,000 homes.[242] Additionally, China invests in industrial parks and SEZs as a practical means of achieving its development objectives. After the Kenyan Government announced its commitment to establishing industrial parks and SEZs in September 2015 to attract investments, with an initial three zones designated for Kisumu, Mombasa, and Lamu. Currently, Kenya has the most SEZs in Africa: 61 out of 237 African SEZs are Kenyan. SEZs offer a global policy environment that contributes to cross-border investments and possibly inclusive sustainable development.[243] In Kenya, SEZs account for nearly 10 percent of exports.[244]

4.2.4 Infrastructure development

China has invested in several roads, communication, and power-supply projects in Kenya. China agreed to improve the infrastructure within Kenya, including the rehabilitation of old roads and rails, building new ones, and financing the expansion of seaport and airports. From 2000 to 2011, economic infrastructure-based projects totaled $1.19 billion. Projects include road constructions and loans, power grid upgrades, and a wireless communication contract.[245] China helped construct the third section of the highway, which also connects Kenya, Ethiopia, and Tanzania.[246] Another infrastructure project China is helping to construct is a significant railway aiming to link Mombasa with Nairobi.[247]The project costs a total estimate of $13.8 billion. Like most Chinese aid being "tied," the China Road and Bridge Corporation (CRBC) built the rail line connecting Mombasa to the capital. The Chinese government funded the part linking the two Kenyan cities. This specific section costs about $4 billion, in which ten percent was paid for by the Kenyan government. The

[242]ibid
[243]Fiott, op. cit.
[244]Gu, op. cit.
[245]Fiott, op. cit.
[246] Ibid
[247]Marcel, “The Impact of China’s One Belt One Road Initiative in Africa.”

railway has high hopes in significantly boosting trade and transforming East Africa into a more competitive investment region.[248]

China has also helped Kenya's energy and power supply by providing a concessional loan to upgrade its power grids. In 2005, the Chinese Import-Export bank provided $1.4 billion in loans to finance the Kenya Power Distribution System Modernization and Strengthening Project. China CAMC Engineering Co. Ltd led the project under two phases in which both steps have been completed. According to the Chinese company's website, the work included designing, supplies, installing, testing, and civil construction. The project aimed at guaranteeing power supply industries such as water treatment facilities, agricultural irrigation, sugar growing, local tourism etc.[249]In 2010, China constructed two schools in Kenya worth $120,000.

China has also provided foreign assistance to Kenya's health sector. Projects include the construction of health-related facilities, medical training, donations of anti-malaria medicine, and medical equipment. From 2000 to 2012, Kenya provided $274.4 million, with most of the funds going to a cooperation agreement between China Sinopharm International Corporation and Kenya's international hospital in 2012. It also made a $6 million hospital in the Nairobi outskirts with a 112-bed capacity.[250]Many health-related projects between the two countries involved malaria prevention and treatment. Out of the ten projects listed from 2000 to 2012 on Aid Data, five were malaria-related. In 2008, the two countries in association with the Kenyan Ministry of Health and the Chinese Ministry of Science and Technology held a workshop on malaria

[248]Baah and Jauch, "Chinese Investments in Africa:"
[249] Ibid
[250]Andrews, op. cit.

prevention and control in Kenya. In 2009, China also donated over $900 thousand in anti-malaria medicine to Kenya, the third such donation in six years.[251]

4.2.5 Tourism

Kenya profits from the ascent of Chinese vacationers to Kenya. By 2011, the income produced was $1.5 billion. It is evaluated that the number of travelers from China had developed to 37,000 in 2010 from 11,000 in 2005. The expansion came because of Kenya being given the approved destinations status by China in 2005. The Chinese visit administrators in Kenya have additionally ascended throughout the years.[252] The quantity of territory Chinese sightseers to Kenya in 2006 was irrelevant contrasted with the number of worldwide guests showing up from the UK, Germany, Italy, France, and the US.[253] The control of lodging bed-evenings by guests from China to Kenya was just 25,000 of every 2006, an insignificant 0.4 percent of the aggregate. Kenya Airways earned various universal honors, including "Carrier of the Year" in 2006.

In its 2005–2006 fiscal year, it announced a record after-charge benefit of $54 million, up from $50 million the earlier year.[254] Nevertheless, it encountered a drop of 19 percent in profit in 2007 without precedent for years. A huge piece of this striking execution is clarified by a procedure of changing over Nairobi into an African travel center. This system targets associating worldwide explorers showing up in Nairobi to African destinations and afterward bringing to Nairobi African travelers who wish to connect to flights going to Europe, Asia, the Middle East, or different pieces of the world.[255] In May 2005, Kenya Airways introduced Shanghai and Guangzhou flights. The previous year it had introduced non-stop trips to Beijing. In November 2007, in any case, the issue

[251]Fiott, op. cit.
[252]Andrews, op. cit.
[253]Kaminsky, “The Chinese Safari: A New Tourist Gaze in Kenya’s Tourism Industry.”
[254]Argut and Nairobi, “The Environmental Impact of China’s Activities in Africa: The Case of Kenya.”
[255]Warui and Nzomo, “The Effect of China-Kenya Economic Ties on Social and Economic Development in Kenya.”

was settled for giving a day by day excursion to Guangzhou and afterward going into participation with South China Airlines to associate its travelers to different destinations inside China.[256]

None of the Kenya Airlines courses to Asia runs at a misfortune, the nonappearance of enormous quantities of Chinese vacationers in any case.[257] The aircraft brings African business explorers—from the west, eastern, and focal Africa—to Nairobi for its associations with China, especially to Guangzhou, which is effectively one of the most mainstream advertise hotspots for China's made merchandise and textures looked for by African providers.[258] It, at that point, carries them to Nairobi for associations with the remainder of Africa. For African business voyagers, this directing empowers them to maintain a strategic distance from the bulky and once in a while mortifying application for travel visas in Europe, the elective course to the Far East. A long way from being exploitative, this is a success win circumstance: Kenya Airways makes a benefit on its air trips to China, while Chinese firms gain admittance to African markets.[259]

4.2.6 Technical Assistance and Training

Chinese enterprises overwhelmingly employ and train local workers. By 2018, Chinese firms operating in Kenya had created over 50,000 local jobs with the proportion of all employment positions filled by local employees reaching 96%.[260]In 2018, Chinese firms in Kenya offered about 67,000 workers with professional training.[261]Some Kenyan Universities have developed Chinese language programs to promote socio-cultural relations between the two States. For example, the

[256]Kaminsky, op. cit.
[257]Mccarthy, "Assessing China and India's New Role in Africa."
[258]Ali, Filardi, and Abdulaziz, "China-Kenya Economic Engagement: A Win-Win."
[259]Ibid
[260]Mwega, op. cit.
[261]Gu, op. cit.

University of Nairobi has established the Confucius Institute to teach the Chinese language to Kenyan and any other students.[262]

Kenya was the number one African nation to get Chinese financing of education and cultural sharing programs through the Confucius Chinese and Language Center an initiative of Tia Jin Normal University and the University of Nairobi in Kenya.[263] In collaboration with various universities in China, Kenya trains its people in some disciplines. At Egerton University, one of the Kenyan Universities, China has supported engagements in scientific research. At the same time, China has allowed some of the Ministry of Information officials to attend Exchange Schemes in China to promote understanding of the Chinese culture to have better cooperative relations between the two States.[264]

In 2007, students from Kenya received a scholarship to attend various universities in China. In 2010, Lanzhou University was involved in training personnel in Kenya's agricultural departments on water conservation and saving. The students also benefited from programs to help them cope up with drought situations in the country.[265] This kind of engagement between Kenya and China enhances interactions among scholars and promotes cultural exchanges that improve understanding among people from different nations and backgrounds.[266]

4.3 Summary

The findings show that the relations with India and China have progressed over the years. The links between Kenya and India started way earlier that that between Kenya and China. India has

[262]Nandaa, op. cit.
[263]ibid
[264]Mogire, op. cit.
[265]Andrews, op. cit.
[266]Mwega, op. cit.

had its engagement with Kenya dating back to the pre-colonial and the colonial period when their links was through the British administration. India ties have mainly been through trade and diplomacy. Though technical programs have been created and investments made, they do not play a big part of relations between these countries. The Kenya-China engagement though started later have swiftly progressed over time.

CHAPTER FIVE

DATA ANALYSIS AND PRESENTATION

5. Introduction

The study aimed at assessing the diversification of external sources of financing development in Africa and the impact on Kenya's relations with India and China. This chapter focuses on the data analysis, presentation, and discussion of the study findings.

5.1 Response Rate

Most of the respondents targeted were in the ministry of foreign affairs and international trade in Kenya. The response rate is shown in Table 4.1.

Table 4.2: Response Rate

Respondents	Frequency	Percent
Responses	50	71.4
No responses	20	28.6
Total	**70**	**100.0**

Source: Research Data 2020

The study targeted 70 respondents working from the ministry of foreign affairs and international trade in Kenya by using questionnaires. The response rate was 71.4%, which was considered fit for data analysis since it exceeded the 70% mark recommended by Kothari (2012).

5.2 Demographic Information

The study collected data regarding gender, the respondents' age, and their duration in the organization.

5.2.1 Gender of the respondents

The gender of the respondents helps in determining whether there was a fair inclusion of both genders in the study. The response is summarized in Table 4.2.

Table 4.3: Gender of the respondents

Gender of the respondents	Frequency	Percent
Male	44	88
Female	6	12
Total	**50**	**100.0**

Source: Research data, 2020

The findings in Table 4.1 show that the female (58.6%) exceeded the male who was 41.4%. The findings show that more males than females participated in the study. This may imply that the organization has more male employees.

5.2.2 Age category of the respondents

The respondents were asked to indicate their age category, and they responded, as shown in Table 4.3.

Table 4.4: Age of the respondents

Age of the Respondents	Frequency	Percent
Below 30 years	31	62%
31-40 years	16	32%
41-50 years	3	6%
Above 50 years	0	0
Total	**50**	**100.0**

Source: Research data, 2020

The majority of the respondents (62%) were below 30 years, followed by 38% between 31-40 years. Findings show that majority of employees at the ministry of foreign affairs and international trade are young people.

5.2.3 Level of education

The respondents were asked to indicate their education level, and they responded, as shown in Table 4.4.

Table 5: Level of education

Age of the Respondents	Frequency	Percent
Primary	0	0%
Secondary	0	0%
College	13	26%
University	37	74%
Total	**50**	**100.0**

The respondents indicated having college and university education levels. Those with college-level were 26%, while university-level respondents were 74%.

5.2.4 Duration in the organization

The study required the respondents to indicate the duration of working at the ministry of foreign affairs and international trade. The results are displayed in Table 4.5.

Table 4.6: Duration in the organization

Duration in the organization	Frequency	Percent
Less than five years	36	72%
5-10 years	9	18%
11-20 years	5	10%
More than 20 years	0	0
Total	**50**	**100.0**

Source: Research data, 2020

As shown in Table 4.5, a total of 72% of the respondents had worked at the ministry of foreign affairs and international trade for less than five years, 18% for between 5-10 years. The remaining 10% had worked at the ministry for between 11-20 years. The findings show the employees had worked at the ministry of foreign affairs and international trade for not more than 20 years.

5.3 Analysis of Study Variables

The study aimed at determining the strategies employed by African countries in seeking external finance, the diversified external sources of financing development in Africa, and the impact of diversified external sources from China and India on Kenya's growth.

5.3.1Diversified external sources of financing development in Africa

Which are the common external sources of financing development in your country from India?

A higher percentage of respondents also said that Kenya benefited from cancer machines from India. Other means from India that was highlighted in the study was equipment for manufacturing industries. India has offered advancements to improve small businesses in Kenya and has vowed to stretch out assistance to upgrade agricultural yield. India has also added to set up EPZs, started joint endeavors in materials, extended collaboration in coffee, tea, and travel industry segments, and created a foundation with an accentuation on the BOT model.[267]

The majority of the respondents indicated that one of the sources that the country got from India was loans. A number also indicated that India's country assistance was secretly done, and few got to know about the dealings. On the amount received from 2015-2019, most of the respondents indicated that the country received billions of monies from India. Others said millions of Kenya shillings while others equated the sources in the trillions of Kenya shillings. There was quite a number who did not know or were unsure about Kenya's amount from India.

Around 80 Indian organizations have put $2.3 billion in Kenya and various nations around Africa. Indian entrepreneurs have additionally explained their arrangements to spend $2.5 billion on a vast number of hectares of land in East Africa to develop items, for example, maize, palm oil, and rice for export to India.[268]

Which are the common external sources of financing development in your country from China?

One way of external sources of financing development that was highlighted by the respondents was development initiatives. They noted that the majority of China's financing means was done through infrastructural development. One key area is the SGR and the major roads in the country.

[267] Mawdsley and McCann, *India in Africa*.
[268]Chakrabarty. Op. cit.

Loans from China were also mentioned as an external source used in the development of the country. When asked to estimate the amount of money in shillings the country could have received from 2015 to 2019, some said billions of monies while others were not sure.

According to Chinese Government statistics, the stock of China's outward FDI in Africa reached US$43.3 billion in 2017, representing 2.4 percent of China's total global FDI stock.[269] China is also an increasingly important investor and financier to Kenya. Kenya received $410 million in FDI in 2017 from China, compared to $78.7 million in 2012.[270] China's non-financial direct investment in Kenya in 2018 had doubled over that of the previous year to about $520 million.[271]

5.3.2Strategies employed by Africa countries in seeking external finance

The study required the respondents to indicate the specific strategies that have been employed by African nations in lobbying for external finance. The findings highlighted several strategies, such as enhancing relationships, establishing public-private partnerships, working with diasporas, and promoting key resources.

Enhanced relationships

Most African countries have sought solace in the East as the west seems to be overwhelmed by African countries' needs. One of the respondents indicated that the relationship between China and many African countries had improved tremendously. According to Taylor, the international cooperation between Africa and Asian countries has acted as a key strategy to source funds.[272] The number of Asian people who are settling in Africa has increased. Several Africans have also moved to Asian countries, particularly in urban areas. The high-level official visit significantly

[269]Mwega, op. cit.
[270]ibid
[271] Gu, op. cit.
[272]Taylor, Ian. *The Forum on China-Africa Cooperation (FOCAC)*. Routledge, 2010.

impacts mutual understanding and promotion of cooperation between African countries and Asia.[273]

Meeting between the African unions and the Asian unions have also helped revamp the relationships between the continents. Several summit meetings have continuously been held between Africa and China, which have seen African countries benefit. [274] Through these summits, Chinese-African technical and economic cooperation have been identified to establish China and Africa cooperation Forum in 2000.[275]

One respondent indicated that;

> "The good relationship between African countries and Asian nations has helped tackle debt crises that would have now overwhelmed them. Most African countries have had their loans reduced or abolished depending on the challenges the country is facing. The latest is the reduction in debts due to economic challenges caused by Covid-19."

In 2005, China proclaimed a series of aid flow initiatives in Africa, especially SSA countries, including 10 billion dollars concessional loans, debt relief, and zero-tariff treatment.[276] There are several areas for cooperation between African countries and India, as declared by the Delhi Declaration and Framework for Cooperation Forum. They include monetary participation, political collaboration, science, research and innovation, and regional integration. Others are infrastructure,

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[273] Alden, Chris. "China in Africa." *Survival* 47, no. 3 (2005): 147-164.
[274]Sanfilippo, Marco. "Chinese FDI to Africa: what is the nexus with foreign economic cooperation?" *African Development Review* 22 (2010): 599-614.
[275] Brookes, Peter, and Ji Hye Shin. "China's influence in Africa: Implications for the United States." *Backgrounder* 1916 (2006): 1-9.
[276] Campos, Indira, and Alex Vines. "Angola and China." *Center for Strategic and International Studies. http://csis. Org/files/media/csis/pubs/080306_angolachina. pdf (accessed February 12, 2013)* (2008).

energy, social development, and tourism, peace, and security. The areas of focus also included trade, ICT, environment, and agriculture.

Working with Diasporas

The movement of Africans to other countries in search of greener pastures is not a new thing. The respondents indicated that many African governments had created good avenues for diasporas to remit money back home. One respondent said;

> "The diasporas continue to contribute a huge amount of money that helps the economic development of a country. They have to be encouraged to do investment programs so that their money comes back home. Banks and telecommunication companies have particularly enhanced ways of sending money by the diaspora. The fact that they can remit money by use of Mpesa has helped boost Kenya's economy.'

Many African descendants have grown to be prominent businessmen and politicians who have global influence. African countries, such as Ghana, have realized this potential group contribution to its economy. In 2019. Ghana held GDHS to recognize those citizens who stay abroad.[277] African diaspora saves more than the $53 billion annually. For instance, east African countries received $ 17.38 billion from their citizens living abroad between 2013 and 2017.[278] In the same period, Kenya had the highest beneficiary of remittances, $10.74 billion. Tanzania and Uganda received $ 2.39 and $ 6.28 billion, respectively. South Sudan, Rwanda, and Burundi received $ 2.85 billion, $1.13 billion, and $257 million in that order.

[277] Adams, Richard H. Jr. *Remittances and poverty in Ghana*. The World Bank, 2006.
[278] World Bank. 2017b. Mobilization of Private Finance by Multilateral Development Banks: 2016 Joint Report. Washington, DC. Available at: www.worldbank.org/mdbmob.

Establishing public-private partnerships

Most financiers have trust issues when it comes to funding governments. The trust problems have particularly increased due to the corruption cases reported in developing nations. To counter this challenge, the governments have established public-private associations as one of the strategies to lure the financiers. Private participation in infrastructure (PPI) is widely seen as a strategy to lift efficiency in operations, maintenance, and long-term asset lifecycle management. One of the respondents indicated that several projects that have been a success in the continent were due to their involvement.

In November 2013, the US energy company AES purchased a majority stake in Cameroon's power utility, Société Nationale d'Électricité.[279] Other partnerships between global and national companies are becoming more common: During Nigeria's $2.5 billion privatization in 2013, local companies formed consortia with foreign players—including Siemens, Manila Electric, Symbion Power, and KEPCO emerged as winners of most projects.[280]

In 2015, Meridiam launched the €300 million Meridiam Infrastructure Africa Fund to invest for the long term in African infrastructure. This approach, and the ability to act as a value-added partner for public authorities, is particularly appropriate for the African marketplace. The fund focuses on greenfield infrastructure, leveraging Meridiam's expertise in developing and managing such projects.[281]

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[279] Dethier, Jean Jacques. 2015. "Infrastructure in Africa." In the Oxford Handbook of Africa and Economics, Vol. 2: Policies and Practices, ed. Celestin Monga and Justin Yifu Lin. Oxford, UK: Oxford University Press.
[280] Iweriebor, E., 2018. "The Theme of Lack: Redefining the Narrative on Infrastructure in Africa." African Prospects, 2018. Abidjan, Côte d'Ivoire: African Development Bank.
[281] Ibid

Reports indicate that the PPP has helped several complete projects across the continent. In 2016, there were two projects in the transport sector and nine in the energy sector.[282] The majority were in Uganda and totaled $64 million, while two in Ghana were estimated at around $1.5billion. However, the projects have varied over the years and in different countries such as Kenya, Tanzania, Rwanda, and Nigeria.

What are the terms and conditions put by the donors?

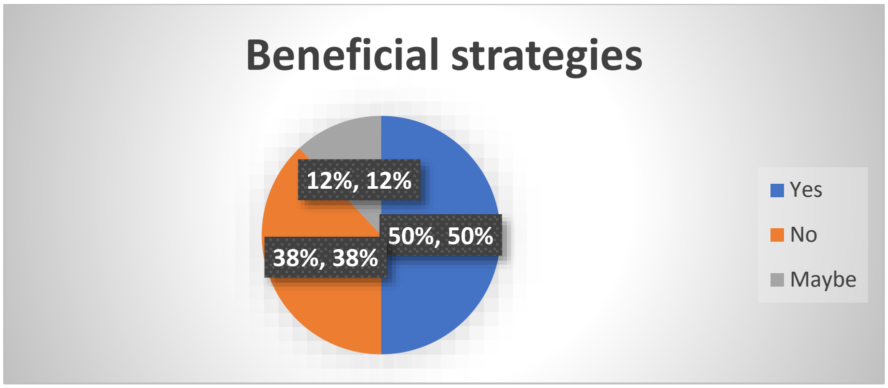
The respondents were asked to indicate the conditions put by the donors. Some of the terms outlined were honoring timelines, providing foreign experts, honoring the presented budget, and acquiring resources in case of default. India still pursues "tied" aid, not tied to political or governance conditionality such as democracy or transparency, but tied to other FDI and trade vectors. China also gives development aid that has minimal or no conditions attached to it. The assistance is usually meant for the development of infrastructure, hospitals, sports arenas, among others.[283]

The respondents were asked whether they believed the current strategies used to seek external resources were working to answer the second objective. They responded, as shown in Figure 4.1.

[282] Arezki, Rabah, Patrick Bolton, Sanjay Peters, Frederic Panama, and Joseph Stiglitz. 2017. "From Global Savings Glut to Financing Infrastructure." Economic Policy 32: 221–261.

[283] ibid

Figure 1: Whether current strategies are working



Source: Research data, 2020

Half of the respondents indicated that they were optimistic that the current strategies were working. The remaining 38% and 12% indicated no and maybe the effectiveness of current strategies in seeking external sources.

The respondents who okayed the current strategies gave reasons such as completed and improved development projects and continuous loans. Respondents who were of the contrary opinion said that corruption cases had increased, and the general public received no benefits.

5.3.3 Impact of diversified external sources from China and India on Kenya's growth

The respondents were asked to indicate how aid from India had helped eliminate challenges hampering Kenyan growth. The majority indicated that the external sources had helped to a little extent. When asked how china sources had helped eliminate challenges in Kenya, they indicated to a great extent.

Explain the kind of challenges that aid from India and China has helped overcome

The respondents were asked to indicate the kind of challenges the aid from India had helped overcome. One of the challenges was overcoming health problems and eliminating transport congestion. On health, it was noted that India had played a great role in cancer screening and treatment.

The respondents noted that aid from china had a significant impact on the transport sector. "Road expansion done by Chinese companies has solved most transportation challenges such as traffic jams," noted one of the respondents. "In major cities such as Nairobi, the massive congestion that uses to be witnessed before the roads were improved has reduced. People used to spend a lot of time in jams, which is not the case nowadays," noted another.

China has invested in several roads, communication, and power-supply projects in Kenya. China agreed to improve Kenya's infrastructure, including the rehabilitation of old roads and rails, building new ones, and financing seaport and airport expansion. From 2000 to 2011, economic infrastructure-based projects totaled $1.19 billion. Projects include road constructions and loans, power grid upgrades, and a wireless communication contract.[284] China helped construct the third section of the highway, which also connects Kenya, Ethiopia, and Tanzania.[285] Another infrastructure project China is helping to construct is a significant railway aiming to link Mombasa with Nairobi.[286]

China has also provided foreign assistance to Kenya's health sector. Projects include constructing health-related facilities, medical training, donations of anti-malaria medicine, and medical equipment. From 2000 to 2012, Kenya provided $274.4 million, with most of the funds going to a cooperation agreement between China Sinopharm International Corporation and Kenya's international hospital in 2012. It also made a $6 million hospital in the Nairobi outskirts with a

[284] Fiott, op. cit.
[285]Ibid.
[286] Marcel, op. cit.

112-bed capacity.[287] Many health-related projects between the two countries involved malaria prevention and treatment. Out of the ten projects listed from 2000 to 2012 on Aid Data, five were malaria-related. In 2008, the two countries associated with the Kenyan Ministry of Health and the Chinese Ministry of Science and Technology held a workshop on malaria prevention and Kenya control. In 2009, China also donated over $900 thousand in anti-malaria medicine to Kenya, the third such donation in six years.[288]

What economic advancements have been realized from assistance from India?

The assistance from India to Kenya was said to have made several economic advancements. The respondents noted that health advancement was the key area that had tremendously improved. One respondent explained that;

> "India continues to be one of the countries that have helped Kenya deal with cancer cases. The majority of Kenyans with cancer problems resort to visiting hospitals in India. Additionally, several hospitals in Kenya, such as the Agha Khan, have partnered with physicians and other hospitals from India in treating cancer among other ailments".

Other participants indicated that Kenya had benefited from technological advancements from India. One said;

> "It is cheaper to hire technicians from India than from other developed countries. India has a huge labor force that is well advanced in the technological world. Many private companies, as well as individuals, hire such personnel to carry out tasks."

[287] Andrews, op. cit.
[288] Fiott, op. cit.

In November 2008, India's Essar worldwide preferred to contribute $500 million, more than two years, in Kenya's cell phone administration administrator Econet Wireless Kenya Limited. India also has a collaborative action-research venture that aims to increase awareness and create a demand for clean-energy products and services, promoting clean cooking and lighting solutions to poor households. The project focuses on Kenya and Ethiopia.[289] From 2011 to 2015, it has received total funding of up to £9 Million. As of 2015, it has reached over 300,000 people in Africa, with 33,000 improved cooking stoves and 23,000 lighting solutions. Further, ten new technologies and delivery models for clean lighting solutions have already been developed and tested.[290]

India was noted to be at the forefront in training and issuance of educational scholarships. The respondents pointed out that several Kenyan students had gone for higher education in India through winning scholarships. Collaboration between Kenya and India in training health personnel was also a crucial area that was highlighted.

There were 43 Scholarships to Kenyans in both undergrad and postgraduate examinations in 2018. India additionally provides grants to abroad learners through the ICCR grant scheme.[291] Like the ITEC and the SCAAP, India utilizes this plan geopolitically. Kenya has apportioned 20 grants during that academic year. Many Kenyan military Commanders, including resigned ones, have gone to different courses in India. This participation has been stretched out to include the military workforce in common well-being and training, particularly in Kenya.[292]

What economic advancements have been realized from assistance from China?

[289] Mccarthy, "Assessing China and India's New Role in Africa."
[290] Wambui, "Effect of Multinational Chinese Firms in Competition with the Local Firms in Kenya."
[291] Anyieni, "Evaluating the Impact of Foreign Aid on Growth: a case of Kenya."
[292] Vines, op. cit.

The respondents were further asked to indicate the economic advancements experienced in Kenya from China's assistance. Infrastructural development was the main economic advancement that was noted. According to the respondents, china was mainly involved in the construction of roads, railways, dams, and energy projects. One respondent said;

> "The number of infrastructural projects in Kenya increased immediately after president Kibaki took power. During his reign, more infrastructural projects such as the construction of the Thika superhighway started. Since then, it has been project after another, majority been done or associated with the Chinese government."

Another respondent in support of the first said, "We have had some dams earmarked for Kenya's construction. All these are funded or jointly funded by China."

It was also evident that the construction of the SGR was among China's outstanding projects as per the respondents. One explained that;

> "The railway transport in Kenya has, for the longest time, been utilizing the rails developed during the colonial period. The construction of the SGR brought in a new era that brought pride among Kenyans. The project has been important since it not only targeted the movement of passengers but also goods from the port of Mombasa."

China helped to construct a railway to link Mombasa with Nairobi.[293] The project costs a total estimate of $13.8 billion. Like most Chinese aid being "tied," the CRBC built the rail line connecting Mombasa to the capital. The Chinese government-funded the part that links the two Kenyan cities. This specific section costs about $4 billion, with 10% paid for by the Kenyan

[293] Marcel, op. cit.

government. The railway is expected to boost trade and transforming East Africa into a more competitive investment region.[294]

[294] Baah and Jauch, "Chinese Investments in Africa:"

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6. Summary of Findings

6.1 Diversified external sources of financing development in Africa

It was established that the current strategies on financing development were found to be working due to completed and improved development projects and continuous loans to the country. Kenya benefited from cancer machines from India. Other means from India that was highlighted in the study was equipment for manufacturing industries. India has offered advancements to improve small businesses in Kenya and has vowed to stretch out assistance to upgrade agricultural yield. India has also added to set up EPZs, started joint endeavors in materials, extended collaboration in coffee, tea, and travel industry segments, and created a foundation with an accentuation on the BOT model.

Findings indicated that Kenya also got loans from India. On the amount received from 2015-2019, the country received billions of monies from India. Others said millions of Kenya shillings while others equated the sources in the trillions of Kenya shillings. There was quite a number who did not know or were unsure about Kenya's amount from India. Around 80 Indian organizations have put $2.3 billion in Kenya and various nations around Africa.

Findings showed that one way of external sources of financing development that was highlighted was development initiatives. They noted that the majority of China's financing means was done through infrastructural development. One key area is the SGR and the major roads in the country.

Loans from China were also mentioned as an external source used in the development of the country. When asked to estimate the amount of money in shillings the country could have received from 2015 to 2019, some said billions of monies while others were not sure. In 2017, China FDI in Africa reached US$43.3 billion, representing 2.4 percent of China's total global FDI stock. Kenya received $410 million in FDI in 2017 from China, compared to $78.7 million in 2012.[295]

6.1Strategies employed by Africa countries in seeking external finance

The findings highlighted several strategies, such as enhancing relationships, establishing public-private partnerships, working with diasporas, and promoting key resources. Most African countries have sought solace in the East as the west seems to be overwhelmed by African countries' needs. The relationship between China and many African countries have improved tremendously. The international cooperation between Africa and Asian countries has acted as a critical strategy to source funds. The number of Asian people who are settling in Africa has increased. Several Africans have also moved to Asian countries, particularly in urban areas. The high-level official visit significantly impacts mutual understanding and promotion of cooperation between African countries and Asia.

Findings showed that meeting between the African unions and the Asian unions has also helped revamp the continents' relationships. Several summit meetings have continuously been held between Africa and China, which have seen African countries benefit. Through these summits, Chinese-African technical and economic cooperation have been identified to establish China and

[295]Mwega, op. cit.

Africa cooperation Forum in 2000. The good relationship between African countries and Asian nations has helped tackle debt crises that would have overwhelmed them. There are several areas for cooperation between African countries and India. They include monetary participation, political collaboration, science, research and innovation, and regional integration.

It was established that Africans' movement to other countries searching for greener pastures is not new. African governments have created promising avenues for diasporas to remit money back home. Diasporas continue to contribute a tremendous amount of money that is helpful in economic development. They have to be encouraged to do investment programs so that their money comes back home. Banks and telecommunication companies have particularly enhanced ways of sending money by the diaspora. African diaspora saves more than the $53 billion annually. Several projects that have been a success in the continent were due to the private sector's involvement. Findings show that some of the terms outlined were honoring timelines, providing foreign experts, honoring the presented budget, and acquiring resources in case of default. China also gives development aid that has minimal or no conditions attached to it. The assistance is usually meant for the development of infrastructure, hospitals, sports arenas, among others.

6.2 Impact of diversified external sources from China and India on Kenya’s growth

Findings showed that one of the challenges overcame by external sources from India and China was health problems and eliminating transport congestion. On health, it was noted that India had played a significant role in cancer screening and treatment. Aid from China had a significant impact on the transport sector. Chinese companies' road expansion has solved most of the transportation challenges, such as traffic jams. In major cities such as Nairobi, the massive congestion that uses to be witnessed before the roads were improved has reduced.

It was established that China has invested in several roads, communication, and power-supply projects in Kenya. China agreed to improve Kenya's infrastructure, including the rehabilitation of old roads and rails, building new ones, and financing seaport and airport expansion. From 2000 to 2011, economic infrastructure-based projects totaled $1.19 billion. Projects include road constructions and loans, power grid upgrades, and a wireless communication contract. China helped construct the third section of the highway, which also connects Kenya, Ethiopia, and Tanzania. Another infrastructure project China is helping to construct is a significant railway aiming to link Mombasa with Nairobi.

China has also provided foreign assistance to Kenya's health sector. Projects include constructing health-related facilities, medical training, donations of anti-malaria medicine, and medical equipment. From 2000 to 2012, Kenya provided $274.4 million, with most of the funds going to a cooperation agreement between China Sinopharm International Corporation and Kenya's international hospital in 2012. It also made a $6 million hospital in the Nairobi outskirts with a 112-bed capacity. Many health-related projects between the two countries involved malaria prevention and treatment. Out of the ten projects listed from 2000 to 2012 on Aid Data, five were malaria-related. In 2008, the two countries associated with the Kenyan Ministry of Health and the Chinese Ministry of Science and Technology held a workshop on malaria prevention and Kenya control. In 2009, China also donated over $900 thousand in anti-malaria medicine to Kenya, the third such donation in six years.

Further findings indicate that India continues to be one of the countries that have helped Kenya deal with cancer cases. The majority of Kenyans with cancer problems resort to visiting hospitals in India. Additionally, several hospitals in Kenya, such as the Agha Khan, have partnered with physicians and other hospitals from India in treating cancer, among other ailments. It is cheaper to hire technicians from India than from other developed countries. India has a huge labor force that is well advanced in the technological world. Many private companies, as well as individuals, hire such personnel to carry out tasks.

India also has a collaborative action-research venture that aims. From 2011 to 2015, it has received total funding of up to £9 Million: £8 m from DFID India and £1 m from the GDPP for activities in Africa. The project aimed to reach 200,000 people by 2015 by installing solar energy and by 2015, it has reached over 300,000 people in Africa, with 33,000 improved cooking stoves and 23,000 lighting solutions. India was noted to be at the forefront in training and issuance of educational scholarships. Several Kenyan students had gone for higher education in India through winning scholarships. Collaboration between Kenya and India in training health personnel was also a crucial area that was highlighted. There were 43 Scholarships to Kenyans in both undergrad and postgraduate examinations in 2018. India additionally provides grants to abroad learners using the ICCR grant scheme.

Finally, findings established that infrastructural development was the main economic advancement from China. China was mainly involved in the construction of roads, railways, dams, and energy projects. The number of infrastructural projects in Kenya immediately increased president Kibaki took power. During his reign, more infrastructural projects such as the construction of the Thika superhighway started. Since then, it has been project after another, majority been done or associated with the Chinese government. It was also evident that the SGR was among China's outstanding projects. For the longest time, railway transport in Kenya has been utilizing the rails developed during the colonial period. The construction of the SGR brought in a new era that brought pride among them Kenya's. The project has been vital since it targeted passengers and goods' movement from the port of Mombasa.

6.2 Conclusions

Most African countries have moved to the East in search for more funding. Unlike the Western countries, which have always imposed conditions on the assistance provided, India and China do not impose conditionalities. Some of India's assistance comes directly to the private sectors such as hospitals, agricultural sectors, and manufacturing industries. India has also collaborated with the financial sector and the telecommunication sector. Through the health sector, India has played a vital role in partnering with doctors and offering hospital equipment. It is quite apparent that India has been at the centermost of cancer treatment in the country. China has been at the forefront when it comes to malaria elimination in the country. The associations between the two countries have also seen the number of investors in Kenya from China increase. The infrastructural developments such as roads construction of railway, roads, dams etc. are undertaken by Chinese companies in many African countries. Additionally, china issues grant, technical training, scholarship to African nations. It is evident that the sources of external finance by African countries have diversified. The study therefore supports the hypothesis that Africa has a diversified source of finance for development.

Developing good relations is one of the strategies that African countries have used in seeking external finances. India has partnered with small scale farmers in the country by providing seeds and other agricultural products such as fertilizers. In the manufacturing sector, there have been several Indians partnering with local investors to improve the industry. India has undertaken several investments programs in the financial, telecommunication, insurance, agricultural and manufacturing industries. The relations between Kenya and China have also improved tremendously over the last few decades. Though Kenya and China's interactions were somehow dormant during the Moi era, they improved significantly during the Kibaki's reign. They continue to soar even higher during the Uhuru era. The relations have improved as a result of economic development realized from the relationships. The study supports the hypothesis that strategies employed by African countries in seeking finance have had a positive impact on development.

Kenya's debt to China has tripled during the president Uhuru era. The obligation to India also continues to increase owing to the favours the country gets. However, the notable developments during Uhuru's period have also soared. In the president Kibaki era, the notable developments were the Thika superhighway expansion. In the Uhuru Kenyatta era, the developments made include SGR, continuing Nairobi-Mombasa expansion, Lamu port, and several dams. The sources received from China have also helped improve the health sector. Kenyans venturing in China have also gone up with a number seeking job opportunities while others have started businesses in China. Students seeking scholarships in China, especially in the health and agricultural sectors, have also gone up. It is, therefore, clear that Kenya has reaped significant benefits from its association with China. The study therefore supports the hypothesis that diversified sources of finance from India and China have a positive impact on Kenya’s growth.

According to dependency theory, foreign aid increases overreliance of recipient countries on donor countries. Though some developments are evident, the receiver countries continue to seek for more funds from the benefactors. The projects implemented have not become satisfactory to sustain the economies of most African countries. The donors ensure that the recipients come asking for more funds since they seem to benefit more than the receivers do. The fact that China and India offer little offer no conditionalities to the loan issued give the receivers the freedom to embezzle funds. The cycle of dependency continues whether or not growth is experienced. It is thus clear that the study supports is in line with dependency theory.

6.4 Recommendations

From the study findings, the study makes the following recommendations;

Developing countries should come up with suitable projects that need funding. It is inevitable for third world countries to do away with aid as it has become a norm. However, these countries should develop investment programs that will self-sustain them after the assistance is gone. Even developed countries still owe money, but the difference between them and the developing countries is the utilization of the funds received.

Donors should make it mandatory for public-private partnerships before they give out any forms of assistance. Funds that are directed to government institutions are prone to embezzlement than those given to private organizations. However, private companies are profit-driven and may not do a thorough job to maximize their profits. The partnership between the two will help reduce corruption cases, which has been a significant hindrance to development.

Public participation should be emphasized by the donors for the value of the money to be realized. Projects that involve the people are likely to be beneficial to the community than those that are done secretly. Therefore, the donors should ensure that before projects are undertaken, the majority's opinion is sought.

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APPENDICES

Appendix 1: Questionnaire

Section I: Demographic Information

i. Please indicate your gender

Male [ ]

Female [ ]

ii. Age category

Below 30 years [ ]

31-40 years [ ]

41-50 years [ ]

Above 50 years [ ]

iii. Level of education

Primary [ ]

Secondary [ ]

College [ ]

University [ ]

iv. How long have you been working in your respective sector?

Less than 5 years [ ]

5-10 years [ ]

11-20 years [ ]

More than 20 years [ ]

Section II: Strategies employed by Africa countries

v. Which specific strategies are used by your country to get aid from China and India?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

vi. What are the terms and conditions put by the donors?

………………………………………………………………………………………

………………………………………………………………………………………

vii. Do you believe the current strategies implemented for external sources of financing development are working?

If yes, how

………………………………………………………………………………………………

………………………………………………………………………………………………

If No, Why

………………………………………………………………………………………………

………………………………………………………………………………………………

Section II: Diversified external sources of financing development in Africa

viii. Which are the common external sources of financing development in your country from India?

………………………………………………………………………………………………

………………………………………………………………………………………………

ix. Which are the common external sources of financing development in your country from China?

………………………………………………………………………………………………

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x. How much did your country receive from India between 2015-2019 from the following?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

xi. How much did your country receive from China between 2015-2019 from the following?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Section II: Impact of diversified external sources of financing development

xii. To what extent has the following aid from china played in eliminating the following challenges hampering Kenyan growth?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

xiii. To what extent has the following aid from china played in eliminating the following challenges hampering Kenyan growth?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

xiv. What economic advancements have been realized from assistance from India?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

xv. What economic advancements have been realized from assistance from China?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Appendix II: Key Informant Interview

Section I: Diversified external sources of financing development in Africa

i. Which are the common external sources of financing development in your country from India?

ii. Which are the common external sources of financing development in your country from China?

iii. How much did your country receive from India between 2015-2019 from the following?

iv. How much did your country receive from China between 2015-2019 from the following?

Section II: Strategies employed by Africa countries

v. Which specific strategies are used by your country to get aid from China and India?

vi. What are the terms and conditions put by the donors?

vii. Do you believe the current strategies implemented for external sources of financing development are working?

If yes, how

If No, Why

Section III: Impact of diversified external sources of financing development

viii. To what extent has the following aid from china played in eliminating the following challenges hampering Kenyan growth?

ix. To what extent has the following aid from china played in eliminating the following challenges hampering Kenyan growth?

x. What economic advancements have been realized from assistance from India?

xi. What economic advancements have been realized from assistance from China?

Appendix III: Authorization Letter

UNIVERSITY OF NAIROBI

College of Humanities and Social Sciences

Institute of Diplomacy and International Studies

Tel : (02) 318262
Telefax : 254-2-245566
Fax : 254-2-245566
Website : www.uonbi.ac.ke
Telex : 22095 Varsity Ke Nairobi, Kenya
E-mail : director-idis@uonbi.ac.ke

P.O. Box 30197
Nairobi
Kenya

November 10, 2020

TO WHOM IT MAY CONCERN

RE: CALEB JOAB OKINDA – R50/12808/2018

This is to confirm that the above-mentioned person is a bona fide student at the Institute of Diplomacy and International Studies (IDIS), University of Nairobi pursuing a **Master of Arts Degree in International Studies**. He is working on a research project titled, **"DIVERSIFICATION OF EXTERNAL SOURCES OF FINANCING DEVELOPMENT IN AFRICA. IMPACT OF KENYAS RELATION WITH INDIA AND CHINA".**

The research project is a requirement for students undertaking Masters programme at the University of Nairobi, whose results will inform policy and learning.

Any assistance given to him to facilitate data collection for his research project will be highly appreciated.

Thank you in advance for your consideration.

UNIVERSITY OF NAIROBI
APPROVED
DATE
SIGN:
INSTITUTE OF DIPLOMACY & INTERNATIONAL STUDIES

Professor Maria Nzomo,
Director, IDIS
&
Professor of International Relations and Governance

Appendix IV: Authorization Certificate

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 260196

Date of Issue: 17/November/2020

RESEARCH LICENSE

This is to Certify that Mr.. Caleb Joab Okinda of University of Nairobi, has been licensed to conduct research in Nairobi on the topic: Diversification of External sources of financing development in Africa:Impact of Kenyas Relation with India and China for the period ending : 17/November/2021.

License No: **BAHAMAS ABS/P/20/7712**

260196

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

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Appendix V: Budget

Diversification of External Sources of Financing Development in Africa: Impact of Kenya Relation with India and China

BUDGET (KES)

Item	Quantity	Unit Cost	Rate (Kes)	Total
Personal Cost				
Books • Financing Africa Development	1	4,500	4,500	
• Beyond Aid: New sources and innovative mechanism for financing Development in Sub-Saharan Africa	1	3,000	3,000	
• Financing Development in Africa: Trends, Issues and Challenges	1	5,000	5,000	
• Impact of the Financial Crisis on Africa: Unpredictable flows: Remittances and aid.	1	2,500	2,500	
• The rise of China and India in Africa: Challenges, opportunities and critical intervention	1	3,800	3,800	**18,800**
Printing of the Thesis	1	450	450	450
Binding	1	550	550	550
Travel				
Local Travel				
a) Local Travel	1	1	10000	10,000
TOTAL				**29,800**

Appendix VI: Plagiarism Report

DIVERSIFICATION OF EXTERNAL SOURCES OF FINANCING DEVELOPMENT IN AFRICA

ORIGINALITY REPORT

14%	21%	11%	12%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.scribd.com Internet Source	1%
2	www.un.org Internet Source	1%
3	pdfs.semanticscholar.org Internet Source	1%
4	erepository.uonbi.ac.ke Internet Source	1%
5	unctad.org Internet Source	1%
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17	www.econrsa.org Internet Source	<1%
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