The Promises and Perils of Development Finance in the 21st Century

Dr. Sharron L. McPherson
The Centre for Disruptive Technologies

Executive Summary

Most of the theories of economic development that we rely on within the development finance arena today emphasize the role of capital as a major factor for development[1]. In theory, economic development is not possible without capital investments. Yet, many of the challenges that we are facing today in Sub-Saharan Africa have, in large part, been created precisely because of our dogged adherence to economic theories that have been poorly understood and applied, as well as outdated notions of what capital really means that have led us to exclude some of the most important forms of capital (i.e. the investment in human capital) from our measurements of growth and therefore development.

This article traces the history of development in Sub-Saharan Africa back to the Bretton Woods Agreement of 1944 and seeks to make a case for a paradigm shift within the development finance arena in light of the challenges we face within the 4th Industrial Revolution. We begin with a discourse in financial capital as a basis for our addiction to growth. We then journey through a brief discussion delinking growth from development. The article goes by way of example to discuss both the promise and peril of amazing young Africans with very little financial capital who are impacting lives in ways in which development finance is failing.

It concludes with an urgent call to put the "Why" before the "How" in our pursuit of just, equitable and sustainable development that is desperately needed for real development in the 21st century.