



## White Paper: The Orphanage Dilemma

### *Guided by Heart or Mind or Both?*

Cheetah Development is taking a completely different approach to aid: stop giving handouts and start investing in people. There are a lot of good reasons for this but it is an unfamiliar model for many people. Although we tend to say to each other that it is better to teach fishing than to give fish, when it comes right down to it, the vast majority of aid is built on the hand out model. Frankly, people are often uncomfortable with teaching fishing. They feel better giving a fish. And it takes a lot less effort.

To create focus, we sometimes challenge people with the painful, in-your-face, question:

'Is it better to give to support an orphanage or start a business?'

We know of an orphanage in Tanzania that has spent several million dollars on 150 children. They are doing really wonderful work. In a more typical situation it probably costs \$100,000 to \$200,000 per year for an orphanage that cares for 100.

Imagine that the same money (\$150,000) was invested into a business. We took a look at the investments that Cheetah is now working on and averaged their impact. Here's what that looks like:

- For this price we can start a business that employs around 10 people. Tanzania averages families of about seven – with about 5 children each – so we are directly supporting about 50 children. The first year we help 50 children directly and the orphanage 100.
- But wait, plus women. We're not counting that.
- But wait, I've met many people with jobs that have taken in orphans. We're not counting that.
- But wait, a person with a good job provides the cash needs of 10 to 15 families on average (85% unemployment – not counting subsistence farmers!) Therefore, we are taking care of around 700 children for the same price just measuring the employee's circle.
- But wait, our investments designed to be part of a value chain that impacts more than the direct employees. For example, a silo in a village may only employ 3 people but it is an investment designed to double the income of 1600 families. We finance trucks for a tea cooperative and that creates 2 jobs but doubles the income of 523 families. When we take into account the families that are directly impacted, the measured effect rises dramatically. The same investment that employed 10 actually helps more than 1200 families with more than 6000 children.
- But wait, there is significant surrounding economic impact when you change the status of 1200 families – but we won't count that.
- But wait, as long as the business survives, our one-time investment keeps taking care of this group whereas the orphanage requires the money every year.

- But wait, our investment is paid back and reinvested so that the number keeps on growing.

But wait, the children in the orphanage grow up and are returned to the street because there are still no opportunities – remember: 85% unemployment.

Therefore, the same investment that for one year helps 100 children in an orphanage helps 6000 children indefinitely. Also, since we are changing the lives of 1200 families at the same time, there is a good chance we're also taking 100 orphans off the street. Investment per child? A one-time amount of about \$25.00! The typical programs that feed children usually require that much or more every month.

100 children in an orphanage for one year = 6000 children indefinitely  
Cost per child: \$25.00

### *Not Just Theory; Not Just Orphanages*

This is one of the reasons that studies consistently show that economic development outperforms aid. This includes the impact of specific programs; for example, for the same money economic development lowers the spread of HIV more than programs focused specifically on that target. This is secular-speak for “it is more blessed to invest than to give.” Let's try to quantify the impact of our choices: 1.5% more African economic growth in the '80s would have saved 500,000 children by 1990.

Let's not fool ourselves further about giving fish. Right now, economic development is the most desperately needed help. The results of all of these and a hundred more programs are put to shame by some basic economic development. Consider the following proven facts:

- **A 10% increase in income**
- = 6% decrease in infant mortality (this is the basic index of all human health; therefore, this even speaks to the incidence of malaria in adults, HIV, and a range of human health issues)
- = lower birthrates
- = higher education rates
- = less child oppression
- = less domestic violence & more stable families
- = more rights for women

Our orphanage example is to help create focus. We're not against orphanages. How can you look into the eyes of a child and believe they should be left on the street. But if

you really care about children, or women's rights, or HIV/AIDS or other issues of *human* development, then probably the best way to achieve results is with *economic* development. What is needed most is investment – an investment that has a heart. Handouts not only don't work well, they often damage future economic prospects making all of these conditions we despise worse. This is also a widely proven fact. Aid is bringing nations down.<sup>1</sup> Although at times aid is necessary, as in an emergency situation, aid alone doesn't work and it's not sustainable.

The same investment that we described didn't just outperform the orphanage. Studies show that economic development also reduces infant mortality, HIV/AIDS, increases education, protects women, creates more stable families, and more. And it does it more cost effectively than an aid program based on handouts. We're not against helping people. We're giving it our whole heart. We just want to start using our head, too.

We are investing in people, in local capabilities. That's why our projects addressing rural poverty are called "Growing Gifts". We want to grow *their* gifts. Advantage *their* talents. Help fulfill *their* dreams. That's the best gift we could give. Won't you join us?

**Investing in people...this is how you drop a flock of birds with one stone.**

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<sup>1</sup> There are a large number of books that demonstrate this including from notables like African, Dambiso Moyo and former World Bank economist William Easterly. After a trillion US dollars provided under a variety of models and theories, you would think that there would be a large number of books and studies that laud this effort. Instead, the reverse is true and the challenge is to find any that say that aid works.