

Systems-wide philanthropy for socio-economic transformation in Africa



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Over the last decade and a half, ‘hopeless’ Africa has become Africa rising – at least economically. Unfortunately, this rise has carried few Africans with it. One of the biggest culprits is illicit financial flows. Moreover, democratic culture is not sufficiently strongly entrenched to enable civil society to protest effectually. What can philanthropy do to change this? Though it might seem an overwhelming challenge, it has to adopt an approach which tackles the continent’s major problems holistically – what I call a systems-wide approach.

There is broad consensus that Africa’s major failings have been threefold; first inconsistent and unpredictable policies/strategies; second, inadequate institutional frameworks for deepening a rules-based democracy and for managing inclusive economic growth; and finally lack of a vibrant citizen culture. These things need to change urgently; in particular, the broader participation of citizens in nation-building processes needs to be secured. Such a process must go beyond waving the flag when an important dignitary is visiting, listening to speeches on national days such as Independence Day, and periodically participating in elections that simply recycle elites and make little difference to policy. Democracy needs to be embedded as an everyday practice and should include deepening the scope of participation on national issues, safeguarding not only the right to vote but also the right to a decent existence.

Limited benefits of economic growth

In the economic governance sphere, African countries urgently need to develop their own national savings accounts. Recently, there has been renewed optimism over Africa’s economic future. The *Economist*, which characterized Africa as ‘the hopeless continent’ in 2000, devoted an entire issue to ‘Africa Rising’ in 2013. Since 2000, there has been sustained growth, driven by a prolonged commodity boom, which was itself driven by increased demand, especially for oil.

However, despite the fact that Africa is rich in minerals and other natural resources, the majority of its people have not benefited from the exploitation of these resources. Recent economic performance has not generated enough economic diversification, job growth or social development to create wealth and lift millions of Africans out of poverty,

maybe due to the lack of integration between downstream and upstream industries that can add value to the primary goods currently driving the boom.

The problem of illicit financial flows

What then explains the continent's transformation challenge? One of the greatest causes is the illicit movement of finances out of the continent. It is estimated that approximately US\$854 billion has been moved out of Africa illicitly over a 39-year period. In fact, the continent as a whole has turned into a net creditor to the world. Also important to note is the fact that during the period when Sub-Saharan Africa enjoyed its strongest period of sustained economic growth, the pace of illicit flows from the region accelerated. According to an IMF study in 2000, faster economic expansion with rising income levels can actually drive capital flight if growth is not accompanied by genuine economic reform and better governance.

Africa's economic transformation could have, and can still, come from the extractive industries but since the Berlin conference of 1894 her resources have rarely been owned by African enterprises. In the majority of cases, resource-rich African countries have retained less than 15 per cent of revenues. The dominant actors in these multibillion enterprises are multinationals whose budgets usually dwarf those of the countries in which they operate and have enormous influence on trade and tax regimes. Compounding the problem of illicit flows is inadequate regulation and corruption on the part of national elites, looting state resources and siphoning them into offshore bank accounts. Approximately 60-65 per cent of what the continent loses is through tax evasion and trade mispricing.

Enter systems-wide philanthropy

Philanthropic institutions are actively engaged in initiatives that question the way in which resources are extracted (addressing social and environmental questions) and revenues are distributed. But African philanthropy cannot afford the luxury of what I will call the 'single bullet' approach: prioritizing one aspect of the problem over the others. It needs to simultaneously address the conditions of poverty and promote freedom and dignity. To this end, we need a systems-wide approach, one whose toolbox includes interrelated activities of which grantmaking is only a part. Other interventions include knowledge generation, the provision of platforms for dialogue within and outside Africa, advocacy on behalf of the underserved communities, and a very deliberate process of movement building which will help create a vibrant civil society capable of demanding policy change.

Beyond the governance-focused issues, philanthropy also needs to help move opinion away from the traditional paradigm of creating an educated workforce in favour of nurturing entrepreneurship competencies which can also exploit the downstream and

upstream economic opportunities within the extractive sector. Where possible, philanthropy should also play a leading role in nurturing a new value system where the triple bottom line (financial, social and environmental returns) is preferred to financial profit alone.

Supporting democracy and production

The social and cultural meanings assigned to democracy will vary from one society to the other. For us here in Africa, philanthropy's broad agenda is to work alongside communities of citizens to help enable them to develop their own meanings. Furthermore, the fragile nature of democracy suggests that this is a process that cannot be defended by rules and laws alone, but depends on the public actions of citizens, especially when the abuse of power by elected politicians is common.

On the economic side, again working with citizens, we need to facilitate a conducive environment for production. Our toolbox has to comprehend research and analysis of the policy-based barriers and it also needs to find ways of minimizing bureaucracy without affecting the regulatory capacity of the state. The participation of Africans in the real economy is overdue. We have to nurture productive capacities and one of the most compelling sectors for this to happen is in the extractive industries, so long dominated by foreign-based capital. Research from countries such as Norway has shown that the availability of high-value natural resources can contribute to improved participation of small to medium-sized enterprises in upstream and downstream value chains. These need not necessarily be individually owned and we can support communities in participating in these value chains. The income from this can contribute to the development of a national domestic savings account which can be reinvested in other productive sectors of the economy. The ongoing post MDG framework discussions have highlighted the need for increased domestic resource mobilization for development rather than dependency on unpredictable aid.

What's next?

Our first urgent task is to highlight the anomaly of revenue utilization and the movement of money out of Africa. The philanthropy sector can use its global voice and connections to call for more transparency in multinational activities in developing countries.

There are other important steps philanthropy can take: it can ensure that Africa's citizens are aware of this anomaly so that they can ask their governments the right questions. It can support data gathering on the movement of revenues nationally and it can help identify ways of closing or mending the leaks through legislative reforms that ensure tax compliance.

Reversing the tide of illicit financial flows cannot be achieved overnight. It will require a concerted effort to translate public indignation over corruption into demanding action

from regulating authorities. It will also entail building watchdog institutions using the globally accepted transparency initiatives such as the Extractive Industries Transparency Initiative's Publish What You Pay and, more importantly, supporting some of the emerging Africa-owned initiatives for improved allocation of revenues from the extractive sector, such as the Africa Mining Vision.

In addition to stemming the tide of illicit financial flows, there is also a need to ensure the equitable participation of African countries and communities at the centre of exploitation of resources and the redeployment of revenues into other productive sectors. In many African countries the extraction of primary commodities is still the biggest driver of economic growth and very little has been invested in terms of value addition. One of our out-of-the-box interventions will be to provide support towards the development of strategies for value addition and economic diversification.

Should this be done by one organization? Absolutely not. We have to leverage the emerging relationships that we have helped nurture through our pan-African network of philanthropy institutions, the African Grantmakers Network (AGN). Our initial focus has been on 'Sizing the Field of Philanthropy' and the commissioned studies have surprised us all in terms of the breadth and depth of institutions practising philanthropy across the continent and the different forms of giving that exist.

Our next challenge is to create spaces for collaboration to achieve the systems-wide approach to philanthropy. We work in a context of utmost need with limited resources and we cannot afford duplication of activity. The AGN provides a unique platform for building the African philanthropy sector. It also provides opportunities to engage with actors from the Global North with an organized voice, for the fact remains that Africa, one of the biggest beneficiaries of northern philanthropy, still needs more help to achieve the goal of societal transformation. Without dictating too much, a dialogue on needs and what can be done must be part of our annual agendas.

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