

Southern Africa Trust

# Philanthropy and Development in Southern Africa

**Philanthropy and Illicit Financial Flows: Options for African Philanthropy to Support Better Economic Governance and Reduce Illicit Financial Flows**

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## Executive Summary

In the Philanthropy & Development in Southern Africa series, three related research papers; on philanthropy and resource governance (Shauna Mottiar), on illicit flows and tax (Khadija Sharife), and on illicit flows and the potential and policy required to change economic structures (Sarah Bracking), all focus on the contemporary and enduring problem of economic injustice in Africa in the context of huge and increasing outflows of illegally transferred wealth. The three papers explore illicit financial flows as both cause and consequence of malign structures of political economy, and then ask what philanthropists can best do about the agenda of illicit flows and economic justice.

In the first paper, Mottiar considers the role of philanthropy in the resource governance debate by drawing on evidence from three examples of resource extraction in Africa. It begins by outlining the scope of resource governance and considering understandings of philanthropy, and argues that philanthropic practice has some way to go before reaching its optimal potential for catalysing change.

Most resource extraction initiatives in Africa occur in countries where there are severe development backlogs and socioeconomic deprivation. An obvious question raised by proponents of social justice is whether and how some of the profits accumulated by resource extraction find their way back to the countries of origin and specifically back to the communities they affect. Does philanthropy have a role to play in facilitating this process? Is there scope for philanthropic decisions to impact on socioeconomic transformation and on development? Mottiar examines these challenging questions and concludes that philanthropic initiatives – including Corporate Social Responsibility - should be required to uphold principles of social justice philanthropy. This includes supporting existing CSOs, networks and movements which focus on the root causes of social problems and commit to structural or systemic change. Clearly this would pose a significant challenge to CSR initiatives emanating from companies that are committed to ensuring the status quo in so far as it benefits the bottom line. It would however go some way to provide resources for social justice and build the capacity for human agency.

In the second paper, Sharife argues that not much has changed since the days of the Rosetta Stone, when it relates to 'governance' of what the paper terms the 'needs economy'. This 'needs economy' is a product of hyper-competitive economic systems that frame social welfare of the public (often falling into the needful or 'needy' category) as the voluntary responsibility of successful philanthropists, rather than governments elected by the people. Unlocking language – and definitions, is often key to unlocking economic policies. The 'needs economy' has allowed for the ordering and management of reality by experts who act within spaces of unaccountable wealth, with philanthro-capitalism framed as being without history and politics, despite monies generated through systems of inequality.

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As an example, Transparency International (TI), a product of the World Bank, specialising in 'third worlds', has a definition of corruption which limits the geography to that of demand-side or political corruption 'abusing public office for private gain', resulting in African countries being placed at the top of the list. Ironically, the world's leading tax havens (facilitating legal and financial secrecy) are 'first world' countries such as the US's Delaware, Switzerland, Netherlands, or the UK's City of London which itself runs a significant portion of tax havens globally (such as British Virgin Islands). In fact, 80% of international financial activities take place through offshore markets. And Africa's biggest source of illicit flight is corporate tax avoidance, much of it facilitated offshore. Furthermore, initiatives such as the Extractive Industries Transparency Initiative (EITI) is supported by the World Bank and funded by the same multinational companies. Companies receive the 'purchase' of legitimacy from the organization on disclosing what has been paid to governments. Sharife explains in detail the problematic system which inherently misdiagnoses the problem of illicit financial flows, sighting various examples. The limitation of the EITI frame of reference to national boundaries instead of the actual functions of transnational corporate structures, critically excludes the role of transfer (mis)pricing, tax avoidance, and thin capitalisation. Rather than correcting systemic inequities, Sharife argues that governance acts as a glorified "band-aid" to ensure a continued management and stabilisation of poverty, which, prevents collapse or radical overhaul. Indeed, as famous philanthropist Carnegie notes, "Philanthropy is the true antidote for the reconciliation of rich and poor... in requiring only the further evolution of existing conditions, not the total overhaul of our civilization."

In the third research paper, Bracking begins with the problem that the scale of funds available to philanthropists to ameliorate poverty, inequality and social exclusion is far outweighed and offset by the much bigger outflow of illegally earned or transferred wealth that is illicit financial flows. While diligent philanthropic organisations can ensure their own independence from criminality at an organisational level, and can undertake due diligence on their partners and associates, it is the wider context of how to campaign for economic justice in an unjust economic system that vexes philanthropists, just as it has done for centuries. If merely palliative, philanthropy can even contribute to increasing the power of the organisations and persons causing harm. The desire to change the actual structures which generate illicit financial flows is therefore a strong one, because, if successful, it would release philanthropists from the thankless job of picking people up so they can be exploited and abjected all over again by the institutions and organisations of the extractive economy that is Africa's inheritance.

There are two main challenges to philanthropists wishing to reduce and stop IFFs: an economic policy one of what it is that could do this; and a political one of who would make that happen. This paper argues that the first challenge is relatively easily surmountable given that examples and exemplars already exist for the types of regulatory and policy changes required. The second, however, is a thornier issue, and requires political will. Without an obvious political elite prepared, willing or able to take up the challenge of sovereign economic development and economic justice the job falls to a new type of movement platform which can pull together the energies of what are, at present, quite disparate issue- and sector-based CSOs and philanthropic organisations. The challenge is to build strength in unity by respecting diversity, but can philanthropic organisations rise to this essentially political challenge?

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# Abstract

*This paper will consider the interrelationship between illicit financial flows (IFFs) and philanthropy in the South African and African economies. The objective of this paper is to explore ways in which African philanthropy can support efforts to improve economic governance and reduce IFFs. Illicit flows have been estimated at over US\$1.2 trillion globally in 2012, with particularly harmful effects in vulnerable economies and in African extractive economies in particular (Global Integrity Foundation, 2013; UNECA, 2014). The issue is multi-faceted and involves philanthropic organisations at several different levels: firstly as organisations themselves, secondly with regard to the organisations and individuals with which they work, and thirdly, at a broader scale, in terms of their influence, advocacy and campaign efforts aimed at structural change in the macro economy for the benefit and wellbeing of the poor and excluded. The third is important since the scale of funds that philanthropy can provide to ameliorate poverty, inequality, social exclusion and clean environments is currently considerably offset by the amount of resources directed away from the vulnerable due to IFFs and the consequences of the way the global economy is designed and regulated more generally. Ameliorating IFFs requires building cross-issue networks and platforms for advocacy and campaigning; moving to an African philanthropy narrative and funding base; improving internal transparency; while continuously acting to reduce opacity in the giving sector and beyond, in order to build economic justice.*

## Introduction

*Umuntu ngumuntu ngabantu*

Trans. "A person is a person because of people or through other people."

(cited Moyo and Ramsamy, 2014: 658)

Illicit financial flows (IFFs), and their detrimental effects, have been noted at the highest levels of African governance and yet little of substance has as yet materialised in policy terms (UNECA, 2012). Illicit financial flows have grown due to the nature of the financialised global economy and the disproportionate power of banks and large corporations relative to workers, consumers and proximate communities of economic activities (Graham, 2014: 2-7). They are central to the structural problem that Africa is a key net exporter of capital to the global economy, much of it illicit, and yet is in desperate need for these resources for social welfare, infrastructure, health and education. This paper explores the interface and links between philanthropy, be it private, public, corporate or through community foundations, and IFFs in order to push this agenda further. What roles have IFFs played in shaping philanthropy in Africa? What role has philanthropy played in contributing to, or reducing IFFs? How should philanthropic institutions adopt and promote the agenda of policy and practice required to reduce the harmful effects of IFFs?

There have been increasing numbers of people calling for a step change in both how we view the problem of economic justice, and of how activists and the giving movement then respond and advocate for it (Graham, 2014). More specifically, an increasing number are aware that traditional philanthropy can produce ameliorative action and a palliative for economic injustice, but that a more strategic position is available for philanthropists to address the causes of ill-being and to advocate and build structural change. However, making a step change to a more proactive philanthropy in relation to IFFs and structural economic injustice requires some ground-clearing

on two different fronts: 1) a systematic mapping of how the core values, foundational principles and giving practices relate to actions in terms of the economy, and specifically the problem of illicit flows. This means providing a systematic account of the structural problems of economies, particularly in the natural resource sector pertinent in much of Africa, and of how these, and their solutions, correlate to principles and practices of philanthropy. In section 2 I will define IFFs and philanthropy and the link between the two.

However, building a more proactive philanthropy that can produce significant structural change in terms of the wellbeing of the poor and excluded is currently stymied by a strategic take-over of social and political space by corporates which claim to act in the name of philanthropy and corporate social responsibility, while resisting the types of structural change that are required. As in Orwell's *Animal Farm*, not all 'philanthropic' organisations 'stand on four legs'. We explore this problem in section 3 below. As a consequence of corporate venture capital renamed as philanthropy, a second ground-clearing exercise is required: 2) to find a means to protect the reputation and substance of philanthropy and the civic sector from the captive ideological and economic takeover of corporates, through association with philanthropic foundations spun-out of businesses in order to promote their influence, preferred market, institutional rules and ultimately profits. This problem is explored in the concluding section 4. Thus this paper will systematically map the contradictions between practices of the global economy, contextualising IFFs within this system, and the objectives and principles of philanthropy to identify changes that are required and can be implemented in order to provide a more political and economic space for philanthropy and the poor to flourish.

Context: The economies of southern Africa

As Yao Graham notes, the nature of growth in Africa from 2000 onward has intensified inequality and increased the numbers living in poverty (even if the proportion living in poverty declined slightly) (2012). High measures of wealth inequality

prevail across Africa with seven African countries registering GINI coefficient scores in the world's worst 'top 20' (World Bank, 2014). Structurally, Graham also points to a reversal to the production structure of the colonial period following substantial deindustrialisation from 1990 to 2008 (2014, 3). He cites UNCTAD to the effect that "the share of manufacturing in Africa's gross domestic product (GDP) fell from 15 per cent in 1990 to 10 per cent in 2008... and in Southern Africa it fell from 23 to 18 per cent" (yr, 3: citing UNCTAD, 2012). This return to reliance on natural resource exports as opposed to value-added manufacturing has hindered economic development and job creation. There is also much evidence that the political economy that results from over-reliance on the extractive sector has negative effects on the quality of governance, democratic accountability and the fiscal base (UNECA, 2012: 25-28). A culture of exemption and exceptionalism – from tariffs and licenses, infrastructural costs, responsibility for environmental and health externalities – has grown in many extractive economies (Ong, 2006). The culture of exemption also applies to the expectation of making a fair contribution to taxes, and to an increase in illicit flows which avoid or abuse the spirit of a democratic economy. Thus, not only does the macro economy fail to produce sufficient employment and wealth to remove 239 million (one in four) Africans from chronic hunger (a number rising by 2 per cent per year since 2007) (World Hunger Education Service, 2013), but there is a substantively proved case that it undermines the efforts of Africans to do this for themselves (Pogge, 2008).

## Context: The political and ideological terrain

Since the early 1990s we have increasingly and adversely lived with the consequences of the idea that regulating markets inherently disrupts and undermines growth. This ideological belief (which is all that it is) has allowed a privatisation of state function, whereby soft codes of conduct, voluntary initiatives, self-certification and weak transparency initiatives have displaced timely, active and preventive government action to regulate the private sector for the public good. Hay argues that:

"From the 1990s... the normalisation and institutionalisation of neoliberalism and its depiction as a largely technical set of devices for managing an open economy has served to depoliticise and de-democratise economic policy-making... Politicians use a self-denying ordinance, that external economic imperatives are non-negotiable making domestic political actors powerless so responsibility is [solely] technocratic (Hay, 2004: 502).

The philanthropy sector, sometimes in coalition with like-minded politicians, political parties, CSOs, trade unions, churches and faith organisations, and citizens groups has the potential to reinstate ideas of solidarity, the 'love of humanity' and the common good into action and the practises of government and the private sector. This resonates with a widespread sense of unease and concern in wider society about the seeming immorality of many corporate practices, even when these are apparently legal, and the cursory nature of the way that everyday life is disrupted and degraded by a private sector that enjoys the freedom of non-regulation afforded it by 30 years of neoliberal hegemony (Beetham, 2011). This paper will assist in exploring how African philanthropy can motivate this wider constituency to generate positive change.

## Section 2: Illicit financial flows

Illicit financial flows are a consequence of the inequity of the macro-economy, and in turn make a large contribution to that inequity (Kar and Cartwright-Smith, 2010; UNECA, 2014). Illicit flows are defined as "Money that is illegally earned, transferred, or utilized" (Kar and Cartwright-Smith 2007, iv). It includes illegal capital flight but not substantively large legal or 'licit' capital flight, where flows are specifically in violation of laws and regulations. Also, according to Global Financial Integrity, it does not currently include criminal smuggling or proceeds derived from mispriced asset swaps (see Kar and Cartwright-Smith 2007, iii-iv; ADB and GFI 2013, 1). According to UNECA, estimates are low because they do not include the proceeds of smuggling or the mispricing of services (2012, 1). The definition includes trade mispricing, but there is a notorious difficulty in working out where the licit and illicit begin and end when so many trade transactions take place between parts of the same firm and where 'arm's-length' pricing data is unavailable. This latter context is that which defines trade pricing in much of the African natural resource sector, which is both oligopolistic and opaque (Bracking and Sharife, 2014).

Baker (2005) generated the term IFFs to include unrecorded capital flows from criminal corporate transfers and related practices, the proceeds of corruption, and the proceeds of trade in illegal goods and in people. While much focus goes to government corruption, Baker estimated that 60 – 65 per cent of IFFs globally are generated through commercial transactions in multinational corporations, particularly through trade mispricing. Thirty to 35 per cent are criminal such as trade in drugs, weapons and people, while five to seven per cent are generated by corruption, defined in its boundary type as the bribery of public officials. However, as Chaikin and Sharman note "corruption and money laundering are symbiotic: not only do they tend to co-occur, but more importantly the presence of one tends to create and reciprocally reinforce the incidence of the other (2009: 27). Thus many IFF components, such as transfer pricing, are facilitated by corruption, such that its low measurement might belie its importance or facilitation of the other categories (UNECA, 2012: 5).

Kar and Cartwright-Smith (2009) provided an estimation of the volume and pattern of IFFs from developing countries by using a combination of the World Bank Residual model and the Trade Mispricing Model and two measures of net external indebtedness of the public sector based on changes in the stock of external debt (CED) and the net debt flows (NDF). They find that in 2006, developing countries lost an estimated US\$858.6 billion to US\$1.06 trillion in illicit financial outflows. As worrying as the global total was, over the five-year period of the study (2002 to 2006) IFFs grew at a compound rate of 18.2 per cent. Dev and Cartwright-Smith (2008) put illicit money flows from developing countries at between US\$800 billion and US\$1 trillion by 2006 (quoted in Palan et al, 2010, 173). Baker (2005) argued that half of this flows out of developing and transitional economies and into major international banking centres. He further estimates that 80 to 90 per cent is a permanent outward transfer, but that some comes back as FDI having taken a 'round trip' (Baker, 2005). Illicit money annually and to date amounts to an estimated US\$800 million to US\$1.3 trillion (Palan et al, 2010, 174; GFI, 2014).

## The banking sector

The enablers of IFFs are banks<sup>1</sup>, using the institutional structures of secrecy jurisdictions, where secrecy jurisdictions are a central component of the basic infrastructure of a global economy of exception, although arguably becoming more significant than the 'onshore economy'. The significance of this for our study is that international business companies, special purpose vehicles, and philanthropic and charitable trusts all use and interconnect their assets offshore, giving some philanthropic trusts close financial proximity to IFFs. While key 'politically connected persons' (PEPs) set up family trusts in order to launder the profits of corruption, cronyism and kickbacks, these can then cross invest offshore and 'clean' the money, before it round trips as 'much needed' foreign direct investment. For example, Julius Malema used a 'family trust' holding in an outsourced 'programme management unit', a firm called On-Point, which was paid R52 million in management fees from the Limpopo Road and Transport Department, to manage contracts on their behalf. On-Point then allegedly demanded to be a silent partner with the company who 'wins', demanding up to 70 per cent of profits in 'management and design fees' (Amabhungane, 2011). The family 'Foundation' can then 'gift' useful contacts, home communities and provide kickbacks for decisions in the PEPs' favour (Bracking, 2013). Moreover, within these offshore company forms, and the connected family trusts, it is near impossible to tell whether 'round tripping' is occurring by nationals to avoid tax, because the beneficial owners of co-investor companies are not necessarily traceable in secrecy jurisdictions.

Heggstad and Fjeldstad (2010) provide more detail on the role of the banking sector in shaping and facilitating these flows, but also highlight the problem of a paucity of research on the banking sector and capital flight in Africa. They argue that banks should not be viewed as "passive players when analysing capital flight. Banks play an active role in facilitating capital flight from Africa" (2010, 1). Although Heggstad and Fjeldstad do not analyse this explicitly, this could be because of a normative ambivalence in some banking institutions assigned to the practice of sending money offshore. After all, the offshore holding company is fairly ubiquitous to the business model of large-scale firms. It is not that there is no difference between illegal and 'clean money'; just that it would be hard for a bank to distinguish between the two when transacting with, and sometimes when assisting in the building of, an opaque and submerged structure, often within the same company group. Heggstad and Fjeldstad note that there is not a clear distinction between illicit and licit flows, and that some authors, such as Epstein (2005: 58-65) view capital flight as a concept to include both (2010, 2).

Heggstad and Fjeldstad report that there is an evidenced relationship between debt and capital flight, where a 'revolving door' relationship means that public loans leave the country as private assets, with sometimes up to 80 per cent of the initial value turning into flight capital (2010, 2, Khan and Ajayi, 2000; Boyce and Ndikumana, 2001; Cerra et al., 2005; Ndikumana and Boyce, 2008). Development projects themselves have also in the past proved to be a popular site of corrupt practice and illicit capital flight, because of the lack of competitive tendering and sometimes cosy relations

<sup>1</sup> Bankers and also other professionals such as lawyers, accountants, auditors and others in the financial services industry. It is beyond the scope of this paper to details these, but much more research in this areas is apposite.

between firms and DFIs (Hildyard, 2000; Bracking, 2001; Bracking, 2007: 236-257). It reverts to regulating between 'the known and the known too well', a complex issue that current due diligence has only begun to untangle (see Bracking, 2007, 237-9). Thus debt, misuse of official development assistance, capital flight, money laundering, illicit flows and relationships with politically exposed persons (PEPs) have all been raised as issues of concern for economic and social justice agendas.

## Secrecy jurisdictions and transfer pricing

Thus at this point it is apposite to note that given the secrecy jurisdiction institutional element in the making of illicit flows, it is not possible to test the provenance of money that returns or arrives in Africa as 'clean' or 'dirty', since the laundering function removes knowledge of how the money was made and who owns it. But it is possible to change industrial policy, tax policy, corporate governance and domiciliary tax law in order to prevent the generation of illicit flows in the first place. The single most important change would be to change Africa-wide tax law to embody a contributory principle of tax (like in the European Union Savings Directive of 2003) rather than the current domiciliary principle (which allows for non-sovereign domicile, double taxation agreements and tax avoidance) (Bracking et al, 2010). This would evaporate the *raison d'être* of tax havens, and make transfer pricing more difficult, doing much to therefore reduce IFFs.

Illicit financial flows are nested in a set of immoral (but not necessarily illegal) corporate practices which I have summarised elsewhere as 'new forms of private sector corruption' and which are reproduced in the first two columns of the table below (Bracking, 2013). By viewing these issues together, the shape of an economic justice agenda can be derived. This is in preference to the situation thus far, where some of these are either seen as too technical for the public to engage with, such as illicit flows, or as existing in separate compartmentalised agendas, such as tax avoidance and evasion in the 'tax justice' platform, thin capitalisation in the 'development' agenda, and opacity in the anti-corruption agenda. In particular, making connections to the governance agenda, and more specifically the anti-corruption movement, potentially opens up political space for moral and normative argument, something that is easily closed down by power holders when issues are designated as singularly technical or economic.

Transfer pricing is the close relative of IFFs in that it is the main conduit of their movement. A transfer price is the monetary expression of movement of goods, services or intangibles between part of the same company that may or may not be located in different countries (Wells, 1968). Transfer pricing cannot be easily detected from consolidated company accounts or from the standards of financial data provided by public sector development finance institutions. This lack of reliable data is partly due to accounting regulations, which do not mandate the external disclosure of all corporate, and particularly intra-firm, transfers. For example, International Financial Reporting Standards (IFRS) 8 on segmental reporting and IFRS 24 on related party disclosure pay scant attention to transfer pricing. The net result is that stakeholders are not able to establish whether the companies are manipulating transfer prices to reduce global tax liability (see Mehafdi, 2000). In other words, no one has been able to accurately quantify the value of the transfer of resources involving transfer prices.



**Table 1. New forms of corruption, philanthropic values and policy solutions**

Type of illicit practice	Glossary	Policy measure required	Philanthropic value infringed
Deliberate bankruptcy	Practices in which the owners and/or managers of a company knowingly take excessive remuneration, strip the firm's assets, or otherwise conduct corporate affairs for short-term private gain at the expense of the firm's continued operational viability. This sometimes also occurs in the context of avoiding future financial obligations of the operating entity, such as pension funds.	Corporate law, register of debarred directors, limits on 'management services fees' and offshore leasing companies	Solidarity, reciprocity
Illicit financial flows	"Money that is illegally earned, transferred, or utilized" (Kar and Cartwright-Smith 2007, iv). This concept incorporates the related category of illegal capital flight (but not legal capital flight), where flows are specifically in violation of laws and regulations. According to Global Financial Integrity, it does not currently include the proceeds of criminal smuggling, trade mispricing, or mispriced asset swaps, which are not direct money flows (see Kar and Cartwright-Smith 2007, iii-iv; ADB and GFI 2013, 1).	Contributory principle of tax, country-by-country based firms' accounts	Solidarity, civic support, reciprocity
Jurisdiction shopping	In the corporate context, the active selection of a particular jurisdiction in which to domicile part or all of an economic entity away from its material operations in order to avoid or evade tax (see Palan 2002, 172). This often involves the fictional fragmentation of a firm into a complex and opaque set of distinct legal entities located in different jurisdictions.	Law to mandate domestic domicile, like the Buenos Aires Declaration	Solidarity, civic engagement and support, ubuntu
Tax evasion	Criminal nonpayment of tax. Tax avoidance is a related practice that also leads to nonpayment but is technically legal.	Contributory principle of tax	Solidarity, reciprocity, love of humanity, civic support
Thin capitalisation	Underinvestment of a domestic company relative to its offshore parent in order to evade or avoid tax. It is often accompanied by an inverted company structure in which the bulk of the assets are kept offshore, with an onshore shell (see Heggstad and Fjeldstad 2010). This is an established term, and some countries have "thin-cap" regulations.	Thin Capitalisation Law, as in Australia	As above
Trade mispricing	Abuse of pricing in trade between apparently unrelated parties, such as through the deliberate over-invoicing of imports or under-invoicing of exports, usually for the purpose of tax evasion.	Arm's-length pricing regulation	Equity, reciprocity, ubuntu, solidarity
Transfer pricing	"A transfer price is a price, adopted for book-keeping purposes, which is used to value transactions between affiliated enterprises integrated under the same management at artificially high or low levels in order to effect an unspecified income payment or capital transfer between those enterprises" (OECD 2001). Transfer pricing is "not, in itself, illegal or necessarily abusive" in all definitions (Tax Justice Network 2013), but here we will assume a mispricing element.	Arm's-length pricing regulation	As above

Source: Bracking, 2013c, p. 3

One attempt was the United Nations Conference on Trade and Development (UNCTAD) (1997) calculation: 44,500 MNCs with 275,000 foreign affiliations had intra-group transactions accounting for one-third of world trade which was valued at US\$1.6 trillion (ibid.).

Moving forward the main question is whether improvement in policies aimed at reducing the types of corporate malpractice

that cause structural inequality can be regarded as a "step change," to use contemporary terminology, or merely an incremental approach. There is no doubt worth in upgrading certain voluntary and consensus-based processes to give them more legal traction. Certainly the public sector could commit to this by mandating firms to improve transparency and integrity, particularly in investment agreements contracted between financial intermediaries and with public authorities. A step-

change approach is, however, preferable, as the incremental approach allows structural features of neoliberalism to go unchallenged, witnessed by the ease with which voluntary codes of conduct, corporate social responsibility campaigns, and transparency initiatives can be performed as a spectacle, with little substantive effect on underlying firm behaviour (see Standing 2013; Mottiar, 2014). A step change requires a rethinking of how economic justice is presented in supranational governance structures in order to gain enhanced policy traction, who is best placed to do this, and in what collective configuration and type of movement. An economic justice platform would ideally include the governance and anti-corruption movement, the economic justice and philanthropy movement, the poverty, debt and development movement, and the environmental justice movement together as key advocates, where those working on IFFs, tax justice, poverty reduction, corporate social responsibility, transparency, secrecy jurisdictions, asset recovery, climate and environmental justice, debt and development could construct and work together on a collective platform for action.

## Section 3: Philanthropy and African philanthropy

### Anglo-Saxon philanthropy and the 'Big Foundations'

Philanthropy derives from the Greek for 'love of humanity', coined in the enlightenment period and later by Adam Smith (1759) in the Theory of Moral Sentiments. But it was industrial capitalism in the USA in the late 19th century, and the wealth it generated, that grew the first large Foundations which, along with the newer ones of the dot.com boom, sit at the apex of contemporary organised transnational philanthropy (Vogel, 2006: 635- 637; Holmes, 2012: 185 - 188). Industrialists such as Andrew Carnegie in the essay Wealth (1889) argued that the profits of capitalism should be placed in private foundations and stewarded by the wealthy to make the 'great society' and ameliorate the effects of markets on the poor and excluded (Acs et al., 2007; Gross 2003, Sawaya, 2008; Vogel, 2006). The lineage from the early foundations of Carnegie and Rockefeller to Warren Buffet, Ford, W.K Kellogg, Kresge, Soros, David & Lucile Packard, and so forth, and the 'new generation', Bill and Melinda Gates (Microsoft), Jeff Skoll (eBay), Arpad Busson (hedge fund financier) though varied, contains the "consistent idea... that those who gain from enterprise should steward this wealth for the greater benefit of humanity" (Holmes, 2012: 186). In this Anglo-Saxon tradition, philanthropy has roots in Catholic ideas of charity (Gross, 2003) and Protestant and Puritan framing of the deserving poor with strong work ethics, moral obligations and a yearning for self-sufficiency (Holmes, 2012: 187). The American tradition adds notions from American Exceptionalism, an "individualistic philosophy and firm belief in limited government responsibility... [and] voluntarism, which... encourages a focus on equality of opportunity and the 'aspiration to rise' (Vogel, 2006: 637; citing Lipset, 1996: 67-76).

The Anglo-Saxon foundations have both dominant economic and ideological influence in the global giving economy. The wealth of American foundations doubled between 1993 and 2008, due to bequests, more aggressive fundraising and the windfall profits of the economy (Holmes, 2012: 185; Bishop

and Green, 2008; Raddon, 2008, Vogel, 2006). Between 1962 and 2002 gifts from individuals, foundations and corporations grew from US\$70 to US\$241 billion (adjusting for inflation), with individuals gifts accounting for 84 per cent, corporates for 5 per cent, and foundations for 11 per cent (Vogel, 2006: 640). The 'foundation boom' of the late 20th century increased foundation assets to US\$435 billion while generating 18,000 new organisations (Vogel, 2006: 640; citing Foundation Centre, 2004: 2). In 2012, the aggregate value of grants from the Foundation Centre 'FC 1000 Foundations' alone was US\$22.35 billion (Foundation Centre, 2014). Of significance to Africa is the even more rapid growth of 'international grant making', much of it travelling through intermediaries due to American government mandate, and its concentration in just a few sectors and by just a few large donors (Vogel, 2006: 643-4). From 1990 to 2002 foundation giving grew by 156 per cent from US\$8.6 to US\$22 billion, while international grants grew by 188 per cent from US\$0.76 billion to US\$2.2 billion (Vogel, 2006: 640; citing Foundation Centre, 2004: 19 Table 2.1). In 2012, US\$1.67 billion was granted by the Bill & Melinda Gates Foundation in health alone, representing 33 per cent of all grant-making in health (Foundation Centre, 2014). Also in 2012, the Bill and Melinda Gates Foundation was singularly responsible for 47 per cent of all international grants, contributing US\$0.88 billion of the US\$1.75 billion total for the 'top 50' American Foundations (Foundation Centre, 2014).

But the Anglo-Saxon tradition embodies and reproduces a limited view of economic justice while reproducing and supporting capitalist production of poverty and inequality at a structural scale. In particular, the 'self-help' tradition of philanthropy, Kohl-Arenas reminds us, was criticised from the early days of Rockefeller's funding of Jane Adams' Settlement House movement at the turn of the 20th century in Chicago, for serving "two purposes: to alleviate poverty and to protect industrialists from political unrest in the increasingly impoverished American city" (2011: 813 citing Adams, 1893). In the 1960s the poor in America were again encouraged into self-help in Community Action Programmes to assess and amend their own poverty. In the 1980s 'self-help' became a condition of surviving under neoliberalism and structural adjustment as social welfare was withdrawn, while development policy has a sorry record of pathologising the poor and asking them to help themselves, in the absence of state service delivery, through developing capabilities, livelihoods strategies, resilience, with micro-credited "women a financial asset in the fight against global poverty" (Kohl-Arenas, 2011: 814). Kohl-Arenas summarises that "poverty scholars show how real and identifiable state and private actors actively craft ideologies and institutions that attract attention to the weaknesses and responsibilities of the poor and away from the capitalist processes that create poverty" (Kohl-Arenas, 2011: 814; citing Fraser and Gordon 1994; O'Connor 2001; emphasis in original). In this case, Anglo-Saxon philanthropy becomes a displacement and distraction from social justice struggles, most obviously evidenced in the passive tradition of self-help.

However, there is also a more active tradition of assisting and motivating the disadvantaged into a struggle against structural inequities. Whether the poor are motivated to govern their own poverty, or challenge the wealthy to change the rules can be influenced by philanthropists through the 'technologies of citizenship' (Cruikshank, 1999) they adopt and negotiate. Technologies of citizenship "organize relations of power as expressed through ideas, institutions, discourses, or programs"

(Kohl-Arenas, 2011, 814). The funding choices and programmes of major foundations structure subsequent intermediaries and beneficiaries into conforming behavior. Sometimes, the conformity of beneficiaries is reformed into patterns of creative bricolage of project activities and objectives with other priorities, while it is rarely met with resistance. In terms of poverty, policy is centred around market-based solutions and entrepreneurial poor people while “confrontational” approaches to addressing structural equality are dismissed as ‘unrealistic’ or ‘outdated’ [which] makes the primary purpose of engagement to gain ‘buy-in’” (Kohl-Arenas, 2012: 815). Civil society organisations are thus pressured into making what are framed as reasonable ‘asks’ in order to be invited back to the table as a ‘responsible’ organisation.

However, apart from displacing and taking attention away from structural causes of inequality and poverty, philanthropic organisations have also been framed as responsible for contributing to the deepening of exploitation under capitalism. Here, the role of the ‘gift economy’, actively supported by the American and other richer states, sits symbiotically with the generalised commodity economy, creating and expanding markets, consumers and the social order required for profit-making (Vogel, 2006, Holmes, 2012). In particular, it focuses only on redistributing [a small] part of profits after they are made, rather than questioning the economic order which creates need in the first place. This generates tension, contradictions and sometimes conflict between the wealthy philanthropic individuals, foundations and corporations and the ‘recipients’. For example, in an historical account of philanthropic assistance to the poor, represented by the Farm Worker Movement, in California’s Central Valley from the 1950s onward, Kohl-Arenas shows how “organizing the poor through participatory philanthropic initiatives provides a certain range of opportunities as well as firm limits to changing the political-economic relationships that produce regional poverty” (2011, 811). In particular, rules of professionalisation, institutionalisation and the ‘rule of expertise’ confines grants to groups focused on ‘self-help’, where the poor are held accountable for their own conditions, while the economic and political relationships and agents thereof, such as land and farm owners, are ignored (Kohl-Arenas, 2011: 812).

Expertise and professionalism can de-politicise (Ferguson, 1994; Mitchell, 2002; Goldman, 2005), often incorporating and replacing “other forms of organization such as mass resistance, unionization and other cooperative or syndicalist approaches to organizing social change” (Kohl-Arenas, 2011; citing Coon 1938; O’Connor 2001; Robbins 2006). In the Central Valley, 1960s ‘self-help’ became politicised by the Civil Rights Movement, and the War on Poverty’s call for maximum feasible participation. A 1965 grant by Rosenberg to a farm worker ecumenical organization, Migrant Ministries, was withdrawn when the subjects of the ‘leadership training’ organised rent strikes and grape picket lines through their trade union. The 1965 Annual Report warned “almost everybody approves if farmworkers decide to build houses for themselves; not everybody approves if they decide to go on strike” (Cited in Kohl-Arenas, 2011: 817). This aversion for funding trade unions, squatters, and the ‘messy’ informal is reflected in development policy and practice in favour of safe manageable subjects who are unreflectively lawful and compliant (Bracking, 2005).

Thus Anglo-Saxon philanthropy also carries a vision of American society and ways of organising globally which

conditions the possible actions of others in a Foucauldian sense. Vogel shows how the ‘rational-legal’ and ‘cultural-symbolic’ practices of American foundations spread as civil society organisations wanting money change their own institutional and organisational norms to become a successful grantee (Vogel, 2006: 649 – 651). More generally, practices of ‘advanced liberal government’ (Oels, 2006: 191-2; Dean, 2003; inspired by Foucault, (2004b) on ‘neoliberal governmentality’) permeate how NGOs, CSOs and the giving sector frame themselves, see themselves, organise and evaluate their work, not least because these practices of power are exported and promoted with the money from the apex foundations. For example, in advanced liberal governments, citizens and organisations model themselves to be calculating and responsible, competitive in a ‘constant strive for self-optimization’ (Oels, 2006: 192), “a subject whose freedom is a condition of subjection” (Dean, 2003: 165). Thus when Vogel argues that American foundations are ‘global civil society making’ (2006), the mechanisms that carry this are those borrowed from the way neoliberalism organises global society more generically: by ‘technologies of agency’ and ‘technologies of performance’ (Dean, 2003). The first conditions what is possible in both ‘participation’ and resistance, that citizens and organisations conform to thin and managed deliberate spaces and processes of consultation or ‘new contractualism’; while the second confines the subject into constant audit, to norms, benchmarks, standards, performance indicators, quality controls, best practice and so forth that ‘exercise a normalising power over the individual [and group]’ (Oels, 2006: 192). In contemporary civil society these technologies of governance also frame the exclusions and impossible subjects who do not receive grant money, in a way not unlike the restrictions on philanthropic grants to American farm worker groups (above) (Kohl-Arenas, 2011) or 19th century Australia’s ‘undeserving women’ (Coleman, 2012).

## African philanthropy

Fortunately, there is a more indigenous form of understanding philanthropy which in theory and practice reduces dependence on global capitalism, and on the Global Foundations, their hegemony and economic entrapment of communities. This is through a greater appreciation of indigenous philanthropy, horizontal philanthropy and ubuntu (Ngcoya and Mottiar, 2015) which are more significant in the lives of poor communities than the ad hoc foundation grant. These are based in the moral and philosophical principles of solidarity, unity, humanity, self-sufficiency and self-reliance, relationality and ubuntu that are foundational of African philanthropy (Moyo and Ramsamy, 2014: 659 – 665).

African philanthropies do not assume the vertical form of giving from rich to poor that the Anglo-Saxon model assumes, but are generated in the survivalist giving strategies of communities (Ngcoya and Mottiar, 2015: citing Habib, Maharaj and Nyar, 2008: 23-41). Ngcoya and Mottiar cite Wilkinson-Maposa et al, who coined the term ‘horizontal philanthropy’, to the effect that horizontal giving is well entrenched, material and non-material, and embedded in ideas of common humanity and an obligation to assist those in need that arises from it (Ngcoya and Mottiar, 2015; citing Wilkinson-Maposa et al, 2004). They also show how ubuntu breaches the traditional definition of philanthropy by seeing self and community as ‘mutually founding’, “two aspects of being, an indivisible wholeness” (Ngcoya and Mottiar, 2015; citing Ramose, 2001; 1). From an ubuntu perspective, philanthropy is “more than an exchange



of goods and services" and suggests a "recreation of humanity" in the act of giving and receiving, while the ubuntu perspective also unsettles the Anglo-Saxon one by centring plenitude rather than scarcity (Ngcoya and Mottiar, 2015: 4). Ngcoya and Mottiar urge an expansion and correction of traditional notions of philanthropy to accommodate the complexity of giving and the ubuntu perspective of social context, noting "the irony... [that] by failing to challenge the structures that breed misery in the first place, conventional understandings of philanthropy display an indifference to the suffering of others" (Ngcoya and Mottiar, 2015, 9).

Moyo and Ramsamy summarise the history of philanthropy in Africa through to the pan-African movement to date, including the policies adopted at the 21st AU Summit in Addis Ababa in May 2013 and note:

*"What has emerged particularly from the African continent is a realisation that for Africa to progress, its economics must be transformed structurally. However, there is recognition too that growth alone will not lead to inclusive development" (2014, 665).*

They argue that "African philanthropy, by its very definition and practice, is and ought to be the foundation upon which transformational development takes place" (2014, 669). Thus a broader definition of philanthropy would be "voluntary action for the public good" (Ramutsindela et al, 2011: 5). This has the benefit of drawing the definition away from elite stewardship to something the less wealthy can do, and of also potentially including non-pecuniary gifts such as time, expertise or emotional support. This resonates more with the tradition of African philanthropy which is less transactional than Anglo-Saxon philanthropy, and more imbued with spiritual and ethical meanings, such as reciprocity and altruism (Trust Africa et al, 2012: 3). Thus, while in some respects it is ambivalent about 'charity' in its passive form, African social justice philanthropy seeks to harness the everyday and the 'ordinary' citizen into social transformation (SAT, 2014).

Certainly, the amount of African philanthropists, big and small, is growing, and African philanthropy cannot now be viewed as entirely asymmetrical with just money 'coming in', but as being dominantly characterised by mobilised philanthropy, in-kind giving and community philanthropy (Southern Africa Trust, 2014). This growth is not just in terms of new high net-worth individuals, but includes multiple forms of African giving (African Grantmakers Network, 2013). The Southern Africa Trust (SAT) estimates in-kind giving and mobilised philanthropy (a many-many model) in Africa as both worth about US\$2.6 billion annually, and when high net-worth individuals are added to the calculation, "the annual amount donated to charity by Africans to Africans is estimated at between US\$8.01 billion and US\$12.21 billion annually, and increasing" (SAT, 2014). There is optimism by SAT and others that these people-based philanthropic movements will continue to grow and decentre the dominance of the Western dependency model. They give the example of Gift of the Givers, which delivers medical-related assets to people in need in 41 countries based on givers' preferences (SAT, 2014; see also SAT, 2013).

However, Brown notes that philanthropy can involve charitable

acts of giving to alleviate needs that do not challenge structures of power or intend to do so, and that it is potentially counter-productive to alienate these givers by insisting on a more radical social justice agenda, which insists on the need for structural change (2012, 2). Brown gives a useful definition of social justice philanthropy which effectively removes it from giving that happens in the context of the status quo, by insisting that it:

*"represents a grant-making philosophy that advocates principles of social, economic, and political justice and directs funding towards work that promotes the collective interest of disadvantaged or underrepresented groups" (2012, 2).*

Underlying this is the "belief that poverty is caused by inequitable allocation of resources and access to power" and that disempowered groups should be assisted, without displacing their agency, to overcome these iniquitous structures (Brown, 2012, 2 referencing Shaw, 2002). Once social justice philanthropy is delineated in this way, it then has the potential to:

*"convince less systematically-focused givers and donors, both individual and institutional, to give greater attention to inequality, inequity and other manifestations of social injustices and their structural origins" (Brown, 2012,3).*

This is the basis on which social justice philanthropy is understood in this paper.

However, there is a potential problem with the pluralistic approach of accepting all givers as philanthropists, in that the conservative philanthropists may be the same agents or persons as the perpetrators of the structural oppression. Also, philanthropic institutions themselves are being supported through funds that are generated in ways that exacerbate the structural inequalities of capitalism which produce the poverty that the philanthropists then seek to ameliorate. Grants from large foundations often inevitably have this moral and embedded feature, but not accepting the funds will not prevent the exploitation. The question to be examined would then be whether accepting the funds makes exploitation worse, in terms of a 'do no harm' evaluation. Where grants are traded for marketing, publicity, or 'buy-in' to policy, or otherwise compromise the community and/or increase the harm the company is capable of, then they should probably be rejected on ethical grounds according to developed internal and organisational test sheets.

This problem is discussed further below through the literature on philanthro-capitalism. Suffice to say that the insight of Taraboulsi, in her insistence on the importance of inequalities of power in creating suffering, helps solve this problem (2012). She cites the National Committee for Responsive Philanthropy as tasking social justice philanthropy with "giving to create a more equitable distribution of power... to truly reform institutions so that the need for chronic charity is eliminated" (2012, 3). Strategising over power would allow the oppressed to negotiate directly with the giver who is also the perpetrator, or indeed to decide to rescind on the relationship or comment

on its normativity. The constraining structural features of the macro economy which remain stubbornly anti-poor and socially exclusionary, as detailed above, must be a central part of this negotiation over power. The research question in mind is to discover how philanthropic organisations can produce this structural change and build an economy and society rooted in the principles of solidarity and love of humanity.

African social justice philanthropy attempts to avoid the exclusionary and depoliticising effects of the environment into which it is forced by maintaining its own agenda, and of being reflexive in its representation of others and the nature of its own mandate in order to avoid the problem of being complicit in building exclusionary intra-elite consensus. The ideological strength of African social justice philanthropy, combined with a robust network of community practice, means that the influence of American Big Foundations should not be overestimated. Here social justice philanthropy is “a holistic approach for achieving systemic changes and shifts in power relations, providing support in a way that is meaningful and empowering and does not entrench dependency” (Trust Africa et al, 2012: 4). It is counter-hegemonic in its efforts to “provide space for unheard voices that are not part of external agendas”, which requires vigilance in not ‘talking down’ to the communities that it serves while building horizontal relations with grantees (Trust Africa et al, 2012: 6). The praxis of African philanthropy is complex, expressed by one participant in 2012 as “to engage strategically and balance being in the room and speaking the truth to funders, while simultaneously funding organisations that work against the inequitable issues that they may be complicit in perpetrating” (Trust Africa et al, 2012: 7). The question from this forum remains “When we get money from wealthy people what does that do to perpetuate the power relations that entrench inequality, and how does that impact on our commitment to address systemic issues that underpin poverty?” (ibid). The answer must be informed by constant vigilance to ‘the strings attached’. That extractives produce illicit flows while shoring up their reputations by odd small acts of philanthropy requires an African philanthropic response that educates communities about their stolen assets while campaigning for structural change.

Nor does the source of the money originally have to determine judgment on current spending and practice: rather the role of philanthropic organisations needs to be critically evaluated in terms of current practice. Some foundations, notably Ford, have been pioneering in their funding of, for example, opposition to Apartheid, human rights and lesbian, gay and transsexuals’ rights organisations. However, donors of public and private gifts can also crowd out local agendas and civic engagement, itself a form of African philanthropy, as the experience in the East African Court has shown. Overall, different forms of philanthropy are homogenous, inter-connected and complex, requiring strategic local engagement. This strategic approach recognises that philanthropy, in community foundations can be a discourse to recover active citizenship, and in the context of global power and Big Foundation agenda-setting, a means to create alternative African narratives and to give voice to the powerless. In sum, the global civil society building of the Big Foundations, where funding and agendas are often passed ‘down’ to African organisations and their work programmes subsequently shaped by the larger funders’ requirements – including the time and energy for monitoring and evaluation, log frames and the other technologies of performance – can be creatively engaged with.

## Section 4: Philanthro-capitalism

Thus far the discussion has rather assumed that the agency of social justice philanthropy and the structural ills of neoliberal capitalism act within clearly defined spaces and are in opposition to each other, or if not, that they ought to be. However, the link between IFFs and philanthropic organisations are extremely complex, with the latter potentially 1) contributing themselves (if sufficient fiduciary safeguards are not in place); 2) making use of funds which originated in this way from other organisations (in contexts of insufficient due diligence); 3) funding organisations that then generate illicit flows (if auditing standards are insufficient); 4) having an uncomfortable associational intimacy to some larger philanthropic organisations who use their ‘giving’ to shape marketisation processes in their, or their invested organisations’ and firms’ favour; and 5) generating the illicit flows and spinning off a more or less fake philanthropic ‘foundation’ supposedly promoting social wellbeing. In this last scenario, the challenge for bona fide givers is again one of association, reputation and discordance. The solutions to 1) and 3) are largely a matter of internal managerial and administrative competency and practice, of which I will say little here. The issue 2) of ‘where the money came from’ and 4) ‘the intimacy of philanthropy to the wider economy’ are related and do warrant further discussion, including point 5) where it can be argued that the foundation entity is substantially not acting as a legitimate philanthropic organisation at all<sup>2</sup>.

That organisations can use the philanthropic ‘form’ to pursue wider and potentially contradictory agendas is partly facilitated by the generic ambiguity of ‘the gift’. A long debate in anthropology was pursued over the issue of whether a true gift or altruistic act could exist at all, with many arguing that the gift is a transactional relationship where the giver, at least, expects gratitude, thanks, a palliative to their own conscience, a feeling of worth, a place in Heaven and so on. Thus the earliest traditional philanthropy gifted “the utterly destitute who exhibited the appropriate behaviours of sobriety, industry and, above all, deference”, a “means of social control which degraded and humbled the recipient” (Coleman, 2012: 14). Mauss (1924) first argued that gifting was always an exchange conditioned in socio-political and cultural structures, and philosophers that followed rejected the conceivability of pure giving (Rabbitts, 2012, 929; citing Derida, 1992; Caille, 2001; Ahluwalia, 2010). Similarly for Bourdieu, the “gratuitous gift does not exist” (2001; cited in Morvaridi, 2012: 1194), only transactional exchanges between forms of capital, with philanthropy as the intermediary (see below).

Certainly there have been memorable diplomatic fallouts between donors and recipient governments when the former thought the latter insufficiently grateful (for example, when the Indian Government rejected British aid in February 2012). However, it reduces the utility of the gifting concept to view generosity as mutually exclusive. Rabbitts offers an empirical

<sup>2</sup> Unfortunately, due to the opacity of the offshore economy, and available resources, it was not possible to do a detailed empirical study of the actual persons, firms and organisations who criminally combine philanthropy with the generation of illicit financial flows and tax avoidance. In this paper, case studies and structural deductive analysis is used, but a ‘scrape’ of the offshore would be integral to taking the agenda forward and to policing the connectivity of organisations.

way forward in her insistence that altruism and egoism are inseparable, such that: "Contrary to frequent assumptions that any degree of self-orientation renders giving unethical, the inseparability of altruism from egoism does not preclude the possibility of generosity" (2012, 929; citing Barnett and Land, 2007). Thus gifts' ethical subjectivities are relationally embedded, with gifts "inextricably bound up with webs of reciprocity and relations of power" (Rabbitts, 2012: 929; citing Korf, 2007). However, the history of philanthropy (traditional and not necessarily social justice philanthropy), development assistance, and corporate social responsibility all intimately connect the gift with the expectations of gratitude, social order, subject passivity and agenda setting.

For example, Khan and Lund-Thomsen recently noted how the CSR policies of soccer ball manufacturers in Pakistan were seen by local factory owners as an extension of Western imperialism. Thus "economic resources are extracted from local manufacturers while their perceptions of what constitutes socially responsible behavior are delegitimized" (Khan and Lund-Thomsen, 2011, 73). Meanwhile Newton and Frynas conducted a review of the potential role of CSR, "while recognizing the equally powerful potential of the business community to exacerbate poverty" (2007, 669). They noted only patchy successes, and that CSR would "look very different if the priorities of poorer groups were put first" (2007, 678). They suggest overall that CSR is inadequate to address the development needs of the poor, or to address corporate irresponsibility, and that a deeper level of accountability than ad hoc CSR is required, perhaps through a UN Corporate Accountability Convention favoured by some activists (2007, 678).

Perhaps because of the noted failures of earlier CSR, the private sector, particularly since the financial crash in 2008, has been keen to both associate with philanthropic organisations, generate foundations of their own, and increasingly invest in 'social impact'. Many large firms, especially in the worst polluting sectors of energy and minerals extraction, and in the worst pay sectors of textiles, sportswear and agribusiness have founded foundations or increased CSR to enhance their reputation. For example, conservation organisations and philanthropists have come together to 'protect biodiversity', the one for the money, the other for the influence and association. Holmes cites the example of Conservation International, one of the largest conservation NGOs, which received US\$282 million from Gordon Moore, who joined the Board (the Gordon and Betty Moore Foundation heads the table of donating to 'environment and animals' in IGM with 17 per cent of the total at nearly US\$21.4 million in 2012). Other philanthropic Board members of CI include the heirs to Walmart and the Johnson & Johnson pharmaceutical firm (Holmes, 2012; MacDonald, 2008).

Venture philanthropy, philanthro-capitalism and high impact investing are all terms coined to describe the role of corporate actors, sometimes in association with large philanthropic foundations, making a giving contribution proximate to a business concern. Billionaires, many of the dot.com boom, generated a 'California Consensus' that private aid and philanthropy could be more effective than public development assistance. Bishop and Green, who coined 'philanthro-capitalist' are leading proponents of neoliberal capitalist philanthropy, asserting that "The past couple of decades have been a golden age for capitalism, and today's new philanthropists are trying to apply the secrets behind

that money making success to their giving" (Bishop and Green, 2010; cited in Morvaridi, 2012: 1192). Philanthro-capitalism combines the ideas that successful capitalists make good philanthropists (at least better than governments or NGOs) because they can apply the same recipe of success to both, bringing in 'venture' funds (venture philanthropy) to grow, venture and nurture small organisations and businesses, while bringing them connections, brand association, business knowledge, marketing strategies and so forth (Bishop and Green, 2008; Scott et al, 2011). Philanthro-capitalism also maintains, related to the idea that success can be shared in both spheres, that incorporating capitalist strategies and the profit motive contributes to better philanthropy. In this the boundary of market and civil society blurs, with good philanthropy re-imagined as something that will make profit (Bishop and Green, 2008; Schervish, 2003).

High impact investing is seen as a means to generate private sector financing for development problems, defined as "actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor (Monitor Institute, 2009: 11). In 2011 some 2,200 high-impact investments worth US\$4.4 billion were made in areas such as microfinance, global entrepreneurship, telephony, government transparency and property rights (J.P Morgan, 2011). These are private to private flows that suggest a return, or at least not a significant loss, can be made on investing in solving development problems. How these are structured in order to generate income streams is not always clear, but what is also traded, and enhanced, is the benevolence of the 'giving' company or bank. For example, the De Beers conglomerate, under its 'economics' tab for 'sustainability' boasts of its 'enterprise funds' which "support new jobs, economic diversification and the creation of new employment when mines close. These funds promote the development of local companies in Botswana, Namibia and South Africa through Peo Venture Capital, the Namdeb Foundation and the De Beers Fund/De Beers Zimele" (de Beers, 2014). Taking the form of for-profit foundations "Each fund operates as a separate business and supports projects that will help enterprises grow. The projects also provide valuable professional advice and mentoring for people in, for example, project management, finance techniques and business procedures" (De Beers, 2014). Thus here a capitalist spin-off business is portrayed as a philanthropic foundation which can perform sustainability, with no apparent cost to De Beers.

Indeed, Morvaridi notes that rather than altruism, these new philanthropists "are more likely to base decisions about giving on an analysis of the benefits both to others and themselves in terms of power and influence, including political and economic control of outcomes (Morvaridi, 2012: 1193). Giving here is used to influence agendas, access public spaces, earn regulatory capture and lock the poor into processes that exploit them. Thus Morvaridi, following the Gramscian tradition that philanthropy is an instrument of hegemony, argues that philanthro-capitalism serves primarily to extend markets and accumulation, including by dispossessing the poor. Whatever the social and economic outcomes in various contexts, and many are not promising, philanthro-capitalism, a priori, has wiped out the contradiction which has engaged generations of philanthropists – how to promote social justice in an economic terrain that actively produces it – since capitalism is explicitly and enthusiastically promoted as the solution to society's problems (Edwards, 2008; Lipschutz, 2005; Holmes, 2012,

196). Instead of the traditional philanthropic 'tacit omission that giving back... was a compensation for the collateral injustices produced by the system' (Bosworth, 2011: 387), part caused as a consequence of becoming wealthy, philanthro-capitalism demands ideological conversion: "Only if we submit to their ideological authority... will their funds be forthcoming" (Bosworth, 2011: 387). This disappearing contradiction is also often mirrored in cause-related marketing, where consuming a certain product is linked to a philanthropic donation, or activates a third party into making one (Nickel and Eikenberry, 2009). In short, business interests and altruism become one.

## Philanthropy as social control

In the Gramscian tradition of understanding philanthropy, the theme of order, governance and social control can be seen to resonate into the present, as well as the tradition of the connection between philanthropy and the extended accumulation of capital. Indeed, there are many writers illustrating the intimacy of current philanthropic organisations with policies, practices and funding that contribute to managing the surplus population standing in contradiction, or spatially in the way of, the accumulation objectives sought by market actors. Additionally, philanthropic organisations are accused of making compliant consumers, tying in African smallholders to agribusiness capital and seeds (Morvaridi, 2012), and displacing, dispossessing and marginalising populations in conservation (Holmes, 2012), and agriculture (Morvaridi, 2012) while expropriating genetic wealth and biodiversity (Thompson, 2014: 389).

Morvaridi summarises Bourdieu that giving is a transaction between "different forms of capital: economic (money and resources), social (networks or knowing influential people), cultural (linguistic and articulating on behalf of others), and symbolic (status)" (Morvaridi, 2012: 1194). In this understanding capitalist philanthropists convert economic capital into symbolic capital and status, with which they can control debate, create hegemony over policy, capture parts of state regulatory capacity, and turn decisions and indeed the organisation of the economy itself into something that contributes to enhancing future profits. Morvaridi uses the example of the New Green Revolution in Africa to show how the Gates and Syngenta Foundations, both associated with and invested in biotechnology companies, and partnering/cross investing with Monsanto, fund prominent research institutes (including the World Food Programme, Institute of Tropical Agriculture, the universities of Harvard, Oxford, Imperial College and so forth) that promote the pro-poor properties of biotechnology and genetically modified seeds, while also 'assisting' small scale farmers to buy them with US\$1.7 billion in the Alliance for a Green Revolution in Africa (AGRA) programme. Here 'philanthropy' buys, by means of funding 'on message' research, the hegemony that GM seeds are good for poor people, despite evidence to the contrary in terms of them being instrumental to small holder adverse incorporation into agribusiness. Capitalist philanthropy here exerts power and influence and locks in future profits (by capturing land, farmers and their custom) to businesses owned or invested in by the philanthropists. In 2010 the Bill and Melinda Gates Foundation purchased 500,000 shares in Monsanto, a world leader in the production of GM seeds, while giving US\$47 million to Monsanto to produce "water resistant maize varieties affordable for small-scale farmers" (Morvaridi, 2012: 1206). Here investment in future accumulation, more

strictly called venture capital, seems to have merely been reclassified as 'giving', while the hegemonic market and policy structure that works in favour of producing poverty has been re-legitimised.

Similarly, Thompson, also writing in relation to the Gates Foundation's Alliance for a Green Revolution in Africa (AGRA) shows how this platform serves to access and privatise Africa's genetic wealth. She argues that this is being expropriated to extend processes of accumulation by dispossession and the further reach of capitalist agriculture into traditional land and agricultural systems. She then uses the concept of philanthro-capitalism to show how this is done by "replacing public agricultural sectors with private practices and control" (2014: 389). Holmes similarly concludes that capitalist philanthropy in conservation drives neoliberalisation. It supports processes that enable capital to make new forms of money from conservation (2012, 185), while the associated promotion of celebrity in conservation, as persons with status, knowledge and authority (Brockington, 2014) assists private economic interests in their avoidance of accountability from actual natural or environmental science. Overall, the role of philanthropy in conservation has been to support the financialisation of policy and generate market-based solutions which generate a commodification of the non-human world (Igoe and Brockington, 2007; Igoe et al, 2010).

## Section 5: Conclusion

To enhance social and economic justice in society requires that markets are seen not as natural, immutable and amoral, but as designed and regulated according to normative subjectivities and beliefs. Neoliberalism has been the dominant hegemonic discourse since the 1980s, and because of this, the world has suffered a deregulation of markets and then society, giving rise to a chronically ill-regulated private sector that is able to move illicit flows offshore in order to avoid tax and civic duty. These practices, the related 'new forms of corruption' and the consequences of these are antithetical to the values and principles of philanthropy, particularly in terms of ubuntu, civic duty, fairness and solidarity with others. The managers and beneficial owners of firms and banks practicing illicit flows should be pressured by social justice philanthropy to desist from this excess of rent taking and profit siphoning. The agency for this can be both from communities themselves, assisted by philanthropists, and also by government, again potentially pressured, catalysed and assisted by philanthropists. As we saw in the table above, the policy measures and technical solutions are known. What is required is a critical mass of political will to solve these problems. In the short term this is likely to be absent from most African governments, but in the medium term constituents, CSOs, philanthropists and trade unions working together on an economic justice platform could make a new normal, where it becomes unconscionable for any member of parliament to not be advocating for solving the problems of the private economy and illicit flows.

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