



# Philanthropy and Creation of Fiscal Space to Enable SADC to Finance its Regional Programmes

Southern Africa Trust 2016

## Contents

<b>Terms Of Reference</b>	<b>7</b>
<b>Acronyms</b>	<b>8</b>
<b>1. Background And Motivation Of the Study</b>	<b>9</b>
<b>2. Literature Review On Philanthropy</b>	<b>10</b>
<b>3. Why philanthropy Give Donations</b>	<b>16</b>
<b>4. Mechanism For Honouring The Legacy Of The Founding Fathers of SADC</b>	<b>20</b>
<b>5. Trends And Value Of Contribution Of Philanthropy</b>	<b>23</b>
<b>6. Revenue Potential From Philanthropy</b>	<b>27</b>
<b>7. Possible Ways Of Tapping Philanthropy Resources</b>	<b>29</b>
<b>8. Conclusion And Policy Recommendations</b>	<b>32</b>
<b>9. References</b>	<b>33</b>

## Terms of Reference

In accordance with the Terms of Reference (ToR) below, the Consultant presents the attached Draft Report to SADC Secretariat in fulfilment of the Terms of Reference of the Assignment.

### **TOR 1 - Chapter 2 and 3 and 4**

Review the literature on philanthropy with the view of drawing eventual lessons for SADC's Proposal of how Philanthropic resources can be tapped into and contribute to funding SADC regional projects.

### **TOR 1 - Chapter 4**

Discuss the mechanism for honouring the legacy of Founding Fathers of SADC and propos how this can be operationalized

### **TOR 1 - Chapter 5**

Document the trends of Philanthropy with the aim of illustrating the critical nature of development financing from the private or individual donors is.

### **TOR 1 - Chapter 6**

Analyse the revenue potential from philanthropy donations (i.e., both monetary terms and in-kind form).

### **TOR 1 - Chapter 7**

Outline SADC the proposal on how SADC can successfully mobilise resources from these private sector individual to support SADC regional projects.

### **TOR 1 - Chapter 8**

Propose recommendations on the development of SADC Regional Resource Mobilisation Framework using alternative sources of income, to aid the effectiveness of SADC in meeting its mandate of resource mobilisation to support regional programs (integration).



## Acronyms

AGN	African Philanthropy Network
AIDS	Acquired Immune Deficiency Syndrome
AWDF	African Women's Development Fund
BMGF	Bill and Melinda Gates Foundation
FLS	Front Line States
G20	Group of twenty countries
HNWI	High Networth Individuals
KCDF	Kenya Community Development Fund
NGOs	Non-governmental organization
NGOs	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
UK	United Kingdom
UN	United Nations
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development

# 1. Background and Motivation of the Study

## 1.1 Background

Since its inception, most of the activities of the Southern African Development Community (SADC) have been implemented using resources from SADC Member States and from Development Partners. This model of funding has not worked well for SADC as it has contributed to most of the activities not being implemented. The situation has worsened over time with the increase of regional activities. For instance in the next five years it is expected that SADC will require approximately US\$260 million to fund its regional projects (i.e., coordination of activities, studies, capacity building initiatives as well as consensus meetings). The community will also need US\$64 billion to fund regional infrastructure projects. From the total amount of US\$64.3 billion required to fund SADC regional projects and activities, only US\$43.2 million is currently committed to this budget, and this translates to a financing gap of 99.3%. Furthermore, commitments from Member States and from Development Partners indicate a huge disparity, with only 9.2% of regional projects being funded by Member States while the balance of 90.8% is funded by Development Partners. This situation is not sustainable and if meaningful regional integration is to be achieved, dependence on donor resources needs to be reversed urgently so that the bulk of regional activities are funded by SADC Member States using domestic resources.

To address the growing need for resources alluded to in the preceding section, SADC and its Development Partners adopted the Windhoek Declaration in 2006 to guide cooperation between SADC and Development Partners for the achievement of the SADC socio-economic development agenda (as outlined in the Regional Indicative Strategic Development Plan - RISDP) and the overarching objective of poverty eradication.

As part of implementing the Windhoek Declaration, in August 2008, the SADC Council of Ministers directed the SADC Secretariat to explore sustainable alternative sources of income to minimise the inherent risks of relying heavily on the support from Development Partners (Council Decision of August 2008). This directive was reiterated in March 2015 during consideration of the revised RISDP 2015-2020 and Industrialization Strategy, when Council directed that a concept note on alternative sources of income be developed. The note was developed with the assistance of the Southern African Trust and presented to the Committee of Ministers of Finance and Investment at their meeting in Bulawayo, Zimbabwe in August 2015.

The Council of Ministers endorsed the recommendations made by the Committee of Ministers of Finance and Investment. It was recommended, among others, that the Secretariat constitutes a working group comprising experts from Member States to coordinate work on the development of a SADC Regional Resource Mobilisation Framework and in particular to:

- conduct detailed research into the various options of alternative sources of income, including consultations with relevant structures in Member States, and benchmarking with relevant organisations such as the African Union and other regional economic communities. The research will also include case studies;
- build consensus on the implementable options for alternative sources of income to support regional integration; and
- develop a comprehensive proposal on the SADC Regional Resource Mobilisation Framework and submit it to the Ministers for consideration and recommendation to Council in August 2016.

To advance the work on alternative sources of income and the development of a Regional Resource Mobilisation Framework that would support and catalyse regional integration through provision of viable options to existing mechanisms for addressing structural, economic and development needs, the SADC Secretariat has decided to carry out a research exercise on philanthropy (e.g., private sector individual donors). To this end, studying philanthropy will not only

contribute to a better understanding of the potential of these donors in supporting SADC regional integration, but will also ensure that better coordination of resources between philanthropist as donors and SADC as the recipient is enhanced and consensus is reached on how this option can be implemented.

## **1.2 The Overall Objective of the Study**

The main objective of the study is to analyse philanthropy as an alternative measure to boost resource mobilization in the SADC region for financing regional programmes.

The specific objectives of this study are to:

- Analyse how this option can be narrowed down to a feasible proposal for operationalisation;
- Analyse the technical and legal feasibility conditions for this option;
- Analyse the required conditions for agreement that could be implemented by the Member States;
- Analyse the economic and financial impact of this option on the various SADC regional projects and show how these can be facilitated and scaled up;
- Analyse how the philanthropic resources can be identified, mapped, mobilised given lack of reliable data;
- Analyse how much of the income can be mobilised using this option;
- Show which parties of the society would benefit more from this option;
- Illustrate the process and timeframe for the implementation;
- Propose a mechanism for honouring the legacy of Founding Fathers of SADC

## **1.3 Structure of the study**

This study is divided into eight chapters. Chapter 1 provides a general description of the aims and proposed method to conduct the study. Chapter 2 reviews briefly the literature on philanthropy and case studies. Chapter 3 analyses why philanthropy give donations. Chapter 4 reviews the mechanism for honouring the legacy of Founding Fathers of SADC. Trends of philanthropy in Africa are then discussed in Chapter 5. This is followed by a discussion of potential revenue in Chapter 6. Chapter 7 then discusses the ways of mobilising resources from philanthropy. The study concludes with two framework recommendations on philanthropy as an options for resource mobilisation and mechanism for honouring the legacy of the Founding Fathers of SADC in Chapters 8.

# **2. Literature Review on Philanthropy and Case Studies**

## **2.1 Introduction**

Traditionally, philanthropy and volunteering are deeply imbedded in the culture of human beings. At the same time, giving and helping others are values embedded in individuals and their communities across the globe (Clotfelter & Ehrlich, 1999). This is something our society understand and already know. For instance, no one in our society can be allowed to go to bed hungry. Based on this, it's important to note that there are many ways to think about philanthropy. At its core, it is a tradition of moving beyond self-interest to helping others. Philanthropy is a willingness to give one's personal resources-time, talent, treasure-for the benefit of someone other than oneself. It ranges from spare change given to the beggar on the street corner to millions of dollars distributed globally by the Gates foundation. It is walking for breast cancer, homebuilding for Habitat for Humanity, and delivering Meals on Wheels for lonely seniors. Philanthropy is also about transforming the society. This can be done through helping to educate a child or mentoring a child in business which in the long-run leads to the transformation the society we leave in. To this end governments need to create an environment which allows giving.

## 2.2 Background on Philanthropy

Coming from the Greek roots *philos* and *anthropos* that mean “love” and “human being,” the work of philanthropy speaks ultimately to the elevation of the human spirit, to a world in which citizen action and engagement result in positive change that benefits all (Karoff, 2004).

Payton and Moody (2008) moved beyond the purely definitional aspect of philanthropy, declaring, “philanthropy is about ideas and values as well as about action, about doing things. Philanthropy is always an effort to blend the ideal and the practical”.

Transitioning these constructs to the modern time, McCully (2008) came up with his own preferred definition of philanthropy: “private initiatives for the public good, focusing on quality of life” (p. 12). McCully suggested this definition effectively distinguishes philanthropy from government and commerce, essential distinctions for the full understanding of the concept.

## 2. 3 Philanthropy-African Context

Philanthropy is a broad concept that can be defined in different ways. The conventional definition which is widely inspired and shaped by others can be misleading in an African context. Therefore, there's a great need to address philanthropy as it is practiced daily in Africa by Africans. The key elements of definition can be (1) the individual or collective effort or inclination to increase the well-being of a person, a group of people or humankind (2) the sense of solidarity and sharing with people in need (3) an activity or institution intended to promote human welfare. Philanthropy is ultimately a matter of context. As mentioned by Richard Holloway (2001): “There are likely to be cultural traditions about giving. However few cultures remain static- they are changing and changing dramatically”.

Philanthropy goes beyond charity and altruism as, not only it works for the dignity and fulfilment of all people but also it seeks to root out the causes of poverty, suffering and inequality. As the case is for Rwanda, philanthropy inspires and promotes individual growth and community welfare.

African philanthropy is not generally supported by formal foundations but by individuals, groups and communities. However, corporate, individual, religious and public foundations do exist and perform essential roles that serve society at large.

To this end, philanthropy in Africa is shaped by community and social values. It is also true that philanthropy as a set of values and practices is a mirror of social values, visions and norms.

There is diversity and dynamism of traditional forms of philanthropy. In fact, like the great majority of donors, Africans give for various and sometimes for complex reasons. In general, people want to give to noble causes, if they are asked to give, if they know where to give and if they think their donation is useful or can make the difference. Some people may give from the head, others from the heart and sometimes from both.

Moyo and Ramsamy summarise the story of philanthropy through the lens of pan-African movement which by its definition and practice, is supposed to be the foundation on which transformational development is supposed to take place.

This form of philanthropy has the ability to transform the aid agenda in Africa. As it originates from Africans it is more likely to be less controversial, more responsive to local needs, and less inclined to foreign donations which makes the recipients not better off as a result of it, but worse-much worse.

### **2.3.1 Examples of Philanthropy in Africa**

There are a number of the examples that can be sighted of philanthropic activities in Africa. For instance, the Zulu tribe—the largest ethnic group in South Africa is founded on lasting traditions of giving. The Zulu practice horizontal philanthropy, in which the giver and the receiver are equals. Specific traditions include ukwenana, in which a gift is made without expectation of something in return, and ukusisa, when the giver lends a piece of his or her property. The recipient eventually returns the gift but keeps any by-products or offspring. Other African cultures develop similar philosophies that promote community and giving. The Kenyan philosophy of harambee—"all pull together"—for instance, encourages collaboration and mutual aid, last but not the least Zambian Humanism which was based on basic African values: mutual aid, trust and loyalty to the community.

### **2.3.2 Different types of Philanthropy Donations and Estimated Value**

According to a report released by the African Grant-makers Network in 2013, that looks at various frameworks of African philanthropy, and based on the broad definition of philanthropy, there are three broad categories of "giving" on the continent:

- High net worth and institutional giving: where centrally controlled resources are directed towards a set of defined charitable aims in the broader society;
- Mobilised philanthropy: where institutional structures continually mobilise resources from a range of sources to channel towards defined charitable aims in the broader society; and
- Community philanthropy: where givers pool resources to tackle challenges in their own immediate community that any one individual would have been unable to address.

Based on the foregoing, African philanthropy cannot be viewed in the light of donating money only, but as being predominantly characterised by mobilising philanthropy, i.e., in-kind giving, and community as practiced in Rwanda (for more details, see Sarah Bracking 2015, Southern African Trust Report). To this end the broader definition of philanthropy would include both monetary terms as well as donations in-kind. According to Southern African Trust (2014), the estimated in-kind and mobilised philanthropy in Africa is estimated to be within the range of about US\$2.6 billion annually, and when high net-worth individuals are included, this translates roughly between US\$8 billion and US\$12 billion.

But even though there is a substantial amount coming from Africa's HNWI's the report hints that more can be done. In addition, while in Africa we always think of big donations as being good, it is important to note that small donations from all the citizens of say Southern Africa Development Community mean a lot and this could contribute substantially to regional integration agenda. Contribution from citizens of the region could also mean demand for accountability which in turn could lead to good governance of the regional institution.

## **2. 4 Institutional Forms of Philanthropy**

Nowadays, it is widely admitted, in terms of political economy, that modern economy is based on three key sectors (the State, the private sector and the civil society). The State's distinctive role is to work for the common good. The private sector's competence is market exchange and the third sector's competence is to promote the private choice of citizens who share common values and who are willing to organise themselves for the achievement of common goals or to express their solidarity with underprivileged individuals, groups or communities. Most of the time this philanthropic work is done using institutional forms, that is to say structures and mechanisms of social order and cooperation governing the behaviour of a set of individuals or groups.



Those institutional forms can be formal or non-formal and they include:

#### *Individual philanthropy*

- Many individuals are effective donors in urban areas and rural areas, whether they are rich or even poor. African philanthropy is directed more towards individuals than groups or organizations. People give more to the members of their families, friends and neighbours than to unknown organizations for projects such as the building of hospitals or schools, for example. Philanthropy is geographically and socially very limited. In general individual philanthropy does not benefit to unknown people as resources may be used for marginalized groups of the world.

#### *Community-based philanthropy*

- Several associations, grassroots' organizations or community based organizations work as private entities that pursue activities to relieve suffering, protect the environment, provide basic social services and undertake community development. Those organizations are value-based and not for profit. They are membership organizations made up of groups of individuals who have joined together to further their own interests. Those associations develop also philanthropic activities and rely on their own resources to carry such activities. In general, they serve a specific population in a given area. This kind of philanthropy does not get involved in development and implementation of development-related projects.

#### *Corporate philanthropy*

- The emergence corporate philanthropy is relatively new in Africa. This generally consists of cash donations but can also be in the form of use of the facilities or volunteer time offered by the philanthropist. Donations are generally handled directly by the corporation or by a foundation created by the firm.

## **2.5 Differentiating Between Charity and Philanthropy**

How is charity different from philanthropy? According to Frumkin (2006), charity is "the uncomplicated and unconditional transfer of money or assistance to those in need with the intent of helping". The concept of charity has deep roots in diverse faith traditions that hold that no human being should live in misery and suffering.

Philanthropy, on the other hand, is based on the principles of self-help and creation of opportunity (Frumkin, 2006). As the Chinese proverb states, "give a man a fish and you feed him for a day; teach him to fish and you feed him for a lifetime" (Lao Tzu, n.d.). Benjamin Franklin considered the concept of perpetual charity to be in direct conflict with the American values of independence and self-determination (Friedman & McGarvie, 2008).

## **2.6 Modern Trends of Philanthropy**

The modern world of philanthropy has become quite complex, ranging from individual giving to institutional giving by foundations, corporations, and other entities. This can create new kind of dependency on the part of the recipients of such philanthropic largesse (typically non-profit organizations) that can compromise that organization's autonomy and ability to address social needs in particular ways (Frumkin, 2006).

Historically, philanthropy was driven by large non-profit organizations focused on relationship building designed to lead to significant giving that would benefit their institutions. Although the acquisition of major gifts was typically the result of an extended period of person-to-person cultivation, general giving was essentially passive-organization solicits a gift, donor writes a cheque, organization receives check and delivers direct services to intended recipient. Donor is sent gift acknowledgement.

In today's internet world, while long-time fundraising strategies such as direct mail and telephone solicitation may still be effective among older donors, younger audiences require an array of new strategies. An attractive website and online giving capabilities are baseline minimums for 21st century fundraising; cutting-edge philanthropy is being conducted via blogs and social networking sites (Brinckerhoff, 2007).

However, the implications of modern world are not simply about the latest hardware and software. Technology has created worldwide awareness of causes and issues and has facilitated giving that is direct and immediate. Disasters such as September 11th, the Indonesian tsunami, and Hurricane Katrina introduced vast numbers of donors to online giving. What is still not clear is whether technology can network the donor, and the ultimate client beneficiary in a collaborative effort to facilitate development (Raymond & Martin, 2007).

## **2.7 Different Models of Philanthropy**

There are currently different types of philanthropy models existing in the world and these include:

### **2.7.1 Strategic philanthropy**

Strategic philanthropy is values-based and goal-oriented, implements strategic plans, tracks progress, and evaluates outcomes. Instead of merely making singular grants, strategic philanthropists seek greater impact by taking an approach that is guided by particular values and aims. This approach is goal oriented: philanthropists devise strategic plans to attain specific goals and systems that track progress and evaluate outcomes (Porter and Kramer 2006). Often, strategic philanthropists commit themselves to the responsibility (and assume the risks) of designing and running their own philanthropic programs while keeping their strategic goals in mind. The key characteristics of strategic philanthropy are: clear goals and key performance indicators, direct oversight and governance, and sharing of skills, abilities, and experience, as opposed to monetary gift giving.

### **2.7.2 Family Foundations**

Another growing trend on the philanthropy is the growth of family foundations where individuals what their contributions to be recognised through foundations; 65% of all family foundations have been established after 1990. While the Bill and Melinda Gates Foundation remains the largest family foundation at \$29 billion in assets, young donors are setting up foundation structures with far more modest asset-bases (Stannard-Stockton, 2007). This turns private resources into public resources.

### **2.7.3 Corporate social responsibility (CSR).**

Corporate social responsibility is another significant source of philanthropic potential. Over the last few decades, corporate responsibility has evolved from being a pleasant, feel-good option for business to being a norm and even a near-obligation. Instead of being an add-on feature, corporate responsibility is expected to be integrated with business strategy and operations.

## **2. 8 Foundations and philanthropic issues**

Philanthropy is embodied by foundations that can be created for various motives and purposes. Five types of foundations can be mentioned: individual foundations, corporate foundations, service delivery foundations, university foundations and inter-governmental foundations.

For historical reasons, most of African countries including those in the Southern African Development community do not have a tradition of foundations as it is the case in English speaking countries. Many organizations named as foundations are not foundations properly speaking, if we refer to the

oxford dictionary. Where they exist, most of them are intermediary organizations; very few African foundations have endowments and provide grants.

Individual foundations are created by outstanding men or women for particular interest like the protection of endangered species. In general, the donators are rich individuals (businessmen, successful politicians or scientists) as a means of sharing their wealth or earning credit for the after-life.

For businesses, having a foundation can be viewed as a way of being a good corporate citizen willing to share its profits with society and mindful of having a separate entity. More than ever, universities are creating foundations for the sake of mobilizing resources from alumni and the business community for educational and research purposes. The cases of University of Cape Town or Botswana can be good examples. Further, governments can also set up non-political and independent foundations if they share some major concerns.

Foundations can also be used as a framework for mobilising people and contribution from these people monetized. For instance if people can be mobilised to build schools, clean hospitals, streets etc, this could go a long way in people contributing to the development of their society. This could also contribute to good governance as the issues of governance will no longer be supply driven but demand driven where people of the society will always demand good governance as they closely associated with the developmental activities being undertaken in the society.

### **2.8.1 Motives of Creating a Foundation in Africa**

Foundations are created for various motives and purposes, but most of the time, without any endowment fund, but simply as an opportunity for the founders to catch foreign funds. As mentioned by the Senegalese Chief of the Foundations Office at the Ministry of Finance:" many people are interested in creating foundations but unfortunately either they do not know what foundations are and how they operate or they are motivated by the search of personal interest instead of common good. For a foundation to exist there must be an inalienable endowment fund representing the initial allocation of the foundation".

### **2.9 Barriers to Philanthropy**

There are significant barriers to effective giving by businesses (Austin 2000; Porter and Kramer 2002). Businesses are good at collecting information but may not be well informed about development and social needs. Hence, giving may be channeled to the most widely reported, but not necessarily the most pressing, needs and there may be a duplication of efforts in certain sectors. This lack of information may get in the way of devising effective giving strategies (Austin 2000).

Moreover, businesses are becoming increasingly aware of the need to monitor the outcomes of their philanthropy. A general improvement in the ability of implementers and recipients to report outcomes and impact would boost philanthropy' confidence that their money has been well spent (Seitanidi and Ryan 2007).

While some countries provide tax incentives for corporate giving, these may be insufficient to encourage a robust environment for philanthropy. Such breaks may also encourage companies to give simply to get a tax break. They do not encourage giving effectively and they do not tackle the other impediments that firms face in giving. They also do not encourage companies to integrate giving with their values and culture. Clearly, tax breaks alone are not enough to promote enduring and impactful giving.

It may likewise be argued that corporate tax incentives sometimes work against development because government funds that could have been spent on development are diverted to businesses.

It's important to note that also that most of the countries in Africa and SADC in particular do not have a legal framework on philanthropy, and this might pose a challenge in the way the resources are mobilised from this sector.

## Chapter 3 Why Do Philanthropist Give?

### 3.1 Introduction

In this chapter the study provides a short summary of why people make financial contributions. While motivations for giving include making a financial gifts, gift of time or volunteering, or making a gift of both time and financial resources, this section reveals literature relating to both kinds of donations (i.e., financial and in-kind donations).

### 3.2 Motivations for Making a Financial or In-kind Gift

First, many motivations exist for making a financial or in-kind contribution and have been demonstrated over the past century. In the 1990s Schervish and Havens developed one of the most well-known theories of giving, called the Identification Theory of Care. It suggests that individuals are most likely to give to issues with which they identify (Lindahl, 2010). They reasoned that individuals typically can recall a specific moment in time when the identification with another was a life-changing event, motivating a caring response, and leading to a longer term commitment to philanthropy (Lindahl, 2010). Additionally, each financial gift is made due in part to a public or private benefit, the public benefit most often being that of organizational efficacy (Vesterlund, 2006). The savvy donors of today pay close attention to whether or not an organization has a proven track record of effectiveness within the community, nation or world. Donors are motivated by more than just how an organization does its work, but also why its work is important and what the direct impact is on mankind. In particular, prior to making a gift, potential major donors may review financial statements, annual reports and/or listen to anecdotal data and stories to determine if an organization is worthy of their support (Vesterlund 2006, Bekkers and Wiepking 2011, Amos 1982, Warwick 2009).

In addition to organizational efficacy, many donors are motivated by private or personal benefits they receive by making a financial contribution to an organization. For instance, many donors are motivated by the intrinsic desire to do good in and beyond their community. Also, they may make a gift to express their own personal and/or religious values. Research continues to demonstrate that those who attend regular religious services are more financially philanthropic than those who do not (Warwick, 2009). Donors also make gifts due to the fact that they have been-or may in the future need to be directly impacted by the organization themselves (Amos, 1982).

While the "warm glow" of making a donation can be a motivator, the onset of cause marketing in business today demonstrates that individuals, corporations and foundations alike make financial contributions because it heightens their reputation within the community. This heightened reputation often comes in the form of marketing perks, including but not limited to sponsorship benefits at an organization's fundraising event, tickets for clients and employees, or memberships. When community members see that a business is philanthropic, there is the common belief that citizens are more likely to want to do business with them (Lim, 2009).

In collaboration with the Committee Encouraging Corporate Philanthropy, Terence Lim, Ph.D. published a report entitled "Measuring the Impact of Corporate Philanthropy" in 2009. Interviewing



Chief Giving Officers and Chief Executive Officers of worldwide companies, Lim asks the question, "Why should companies engage in philanthropy?" He states, "Philanthropic programs are an investment in both the longevity of the business and in the communities in which they operate. This concept is often referred to as "enlightened self-interest" – without healthy communities healthy companies cannot exist. Community involvement is especially critical in today's competitive business environment, where no company can afford to be insular" (Lim, 2009).

Statistics support the "enlightened self-interest" concept: ninety-five percent of Americans agree that U.S. companies should have more than one purpose (profit), and that they also owe something to the communities in which they operate. Additionally, customers with a favourable impression of a company's philanthropy are three times more likely to be loyal customers than those who have less favourable perceptions about a company's philanthropic efforts (Lim, 2009). A summary of motivations of making donations is found in Table 1.

**Table 1: Motivations for Making a Gift**

Type of Benefit	Benefit	Source(s)
Public Benefit	Efficacy: output of the organization demonstrates a tangible societal benefit, and has a demonstrated track record of effectiveness	Vesterlund 2006, Bekkers and Wiepking 2011, Amos 1982, Warwick 2009
Private Benefit	Values: express and act on values and beliefs, rooted often in spirituality	Warwick 2009
Private Benefit	Direct Impact: The potential personal need for services provided by the charity in the future	Amos 1982
Private Benefit	A Gift in Return: from the charity in return for contribution i.e. membership, tickets, or recognition Vesterlund 2006, Bekkers and Wiepking 2011 Private Benefit	Vesterlund 2006, Bekkers and Wiepking 2011
Private Benefit	Reputation: elevation amongst peers and/or business associates	Vesterlund 2006, Bekkers and Wiepking 2011, Amos 1982
Private Benefit	The Joy of Giving: experiencing the "warm glow", feel-good of a donation	Vesterlund 2006, Bekkers and Wiepking 2011

### 3.3 Analysis of Motivation for Making a Donation

In general as shown in Table 1, the literature on philanthropy and the motivation for making financial gifts for development has not sought to explain donations to different causes. Nor has it focussed much on the demand side of the market, instead it has been the behaviour of the donors or philanthropist rather than the action of different recipients that has been the subject of attention. The behaviour of the of recipient organisations in trying to attract funds to their particular causes is important to understand and, obviously, this behaviour is revealing about how the demand side of the market actually perceive philanthropy motives in relation to different aims. The marketing literature, as applied to charitable giving, provides some insight on both scores and we draw here on the review in Sargeant (1999) who considers the insights from clinical psychology, social psychology, anthropology and sociology as well as economics.

### 3.4 Philanthropy and Economic Development

The marketing literature provides a quick answer to why 'development' charities exist at all, rather than general purpose charities that aim to help the poor wherever they may be. A positive response from individuals to charities' efforts to solicit contributions is helped by branding and by a clear

projection by a charity of its brand identity. Potential contributors want a firm picture of the cause they are being asked to give in aid of. And the brands they will be attracted to are those that are well-known and trusted.

Individuals' reaction to the 'ask' (which may come in a variety of forms) depends on various factors, including the portrayal of the individuals in need, the fit of the charity with a donor's self-image, and the degree of perceptual noise (whether competition from other charities so confuses the donor that a lower level of total contributions results).

Motivation for individual to donate is believed to be stronger the more urgent the need can be demonstrated to be and the greater the degree of personal link that the donor feels with the (eventual) recipient. The cause of long-term development does not score well on either factor. A criterion of urgency obviously works in favour of appeals for disaster relief in developing countries following, for example, a flood or a famine. But by definition the achievement by regional economic community goals hardly seems an urgent task.

Similarly, long-term development suffers in the competition for funds due to many donors' desire to support short-term need for a fairly narrow section of the community, factors that encourage donors to feel that their relatively small contribution can make a real and immediate difference. In many areas of development, however, need is typically persistent and very widespread.

One question here is how attitudes to urgency and duration of need vary across the income distribution and by level of education. Higher socio-economic status appears to be associated with a greater willingness to give for longer-term causes. The Gates and UN (i.e. Turner) Foundations would certainly seem to reflect this. But a longer-term view may not necessarily help international causes. US data for 1973 show high-income philanthropists – those with incomes of over \$0.7 million in 2003 terms – giving a quarter of their donations to education, compared to only one percent for those under \$80,000 in current-day prices (Clotfelter, 1997).

Another factor found to favour donations is the existence of a sense of personal contact with the beneficiary. Some donations of cash may continue to reflect personal contact in the modern age. This is most obvious in the case of donations to local causes – again development misses out – but it can be found in other situations too. For example, the huge funds raised for cancer research and for the relief of those with cancer presumably reflect the importance of cancer as a cause of death in rich industrialised countries. Cancer sufferers and relatives of sufferers are obvious potential donors, as indeed is the population as a whole – everyone is a potential sufferer with a non-negligible probability, such is the sheer prevalence of different forms of this disease in OECD countries. But fighting HIV, malaria, and tuberculosis, diseases so prevalent in Africa, seems much more remote.

Philanthropist who support economic development sometimes find ways of introducing personal contact between the donor and the needy. Charities that enable the donor to sponsor a child's education are one example. (This also scores highly on the criterion of meeting long-term need and may appeal especially to educated higher-income donors.) However, such schemes are not without their critics. They risk creating inequalities within families and within local communities and they may perpetuate a patriarchal relationship between North and South.

The final motive to consider, identified in both the economic and marketing literatures on philanthropy, is the notion of obtaining visibility or standing in one's social group or in society at large. This may be particularly important for super-rich donors. (Think of all the foundations named after their benefactors.) As we have emphasised earlier, the motives and donor behaviour of the extreme upper tail of the income distribution need special treatment, and the very rich have indeed been the subject of considerable attention. Lundberg, in his 1960s investigation of The Rich and the Super-Rich, argued that 'the founding of foundations has the effect of altering opinion in an

unsophisticated population, turning the supposed bad guy into a supposed good guy' (1968). Conniff, in *The Natural History of the Rich*, argues for a more direct motive, reporting Ted Turner as saying 'the more good I do, the more the money has come in' (2003). On this view, improving one's standing in society by a spectacularly large gift can have very positive effects for the donor.

### **3.5 What discourages Philanthropy from Donating?**

There are many aspects of development activity and the working systems of development agencies that discourage the wealthy potential donor. The super-rich will demand a high degree of accountability and feedback on how their money is used. They may also seek a high degree of involvement with the causes selected for support – they are rarely passive donors. Large intergovernmental bodies have great difficulty delivering on both these requirements. Complex and decentralised systems of programme delivery make the right kind of specific and individualised feedback almost impossible. Governance structures may not permit the level of involvement that is sought. To deal with some of the challenges, G20 nations created 'Global Funds' with the express purpose of brokering funds for development from the super-rich and other large donors. This has been done in a way that is intended to surmount problems of a lack of donor confidence.

### **3.6 Summary**

In summarise, a range of motives affect philanthropic behaviour and a consideration of the factors at play in donor decision-making helps one understand why the cause of development struggles at times to compete. Factors like scale and persistence of need, empathy and relationship to recipient do not work in favour of development. However, the possible motives of the super-rich provide some encouragement although there are practical constraints here that need to be overcome.

## **4. SADC Founding Fathers-Mechanism**

### **4.1 Introduction**

SADC is one of the oldest regional inter-governmental organisations in Africa with its almost 30 years of operation. Its origins lie in the 1960s and 1970s, when the leaders of majority-ruled countries and national liberation movements coordinated their political, diplomatic and military struggles to bring an end to colonial and white-minority rule in southern Africa, particularly to the repressive South African apartheid regime. In this context, the Front Line States (FLS) was formed, a regional loose coalition of newly independent states with the aim of uniting against South African expansionism and supporting further decolonisation.

The Southern African Development Co-ordination Conference (SADCC) was born as further consolidation of the FLS. The SADCC was formed around four principle objectives: 1) To reduce member states dependence, particularly but not only, on apartheid South Africa; 2) To implement projects and programmes with national and regional impact; 3) To mobilise member states' resources in the quest for collective self-reliance; 4) To secure international understanding and support.

### **4.2 Founding Fathers**

The leaders of the region's majority-ruled countries; Angola, Botswana, Mozambique, Tanzania, Zambia, Swaziland, Lesotho, Malawi and the newly liberated Zimbabwe were the founding fathers of Southern African Development Community and these are the ones who signed the SADCC Memorandum of Understanding in Zambia 1981 providing for the organisation's institutions and rights and obligations, and Gaborone was chosen as the site for the headquarter. Also, the SADCC

Programme of Action was adopted, spelling out the functional co-operation activities in various sectors including transport and communication, energy, mining, trade and food and agriculture.

### **4.3 Ideals of SADC Founding Fathers**

Regional integration, economic development and people-centeredness thrust themselves into attention as ideals of the SADC community. Cooperation, both regional and international, is deployed to achieve those ideals. Those ideals and the means to achieve them are visible in the preamble of the SADC Treaty, which outlines the philosophy behind the creation of the SADC community. In creating the community, the member states had the resolve to meet the challenges of globalization and to ensure, through common action, the progress and well-being of the peoples of Southern Africa. They felt a collective responsibility to promote the interdependence and integration of national economies for the harmonious, balanced and equitable development of the community. They also felt a responsibility to mobilize resources, regional and international, to promote national, interstate and regional policies, programs, and projects within the framework of regional integration. They recognize that, in an increasingly interdependent world, mutual understanding, good neighbourliness and meaningful cooperation among the countries in the community are indispensable to the realization of the ideals of the SADC community.

SADC puts people in the community at the centre of its preoccupation and action. It tries to involve the SADC people centrally in the process of development and integration, which is why it emphasizes democratic rights, human rights, and the rule of law and poverty alleviation. Deeper regional integration and sustainable economic growth and development are the means by which SADC will realize its ideals. For that purpose, SADC is dedicated to securing international understanding, support and cooperation; observing the principles of international law governing relations between states; and taking in the various legal instruments adopted at the continental level. The African legal instruments to which SADC adheres are the Lagos Plan of Action (on Africa's self-sufficiency) and the Final Act of Lagos of 1980 (on the establishment of an African Economic Community by 2000); the Treaty on the establishment of an African Economic Community ; and the Constitutive Act of the African Union.

### **4.4 Link between Ideals of Founding Fathers of SADC and Philanthropy**

The principles of the SADC community as envisioned by the Founding Fathers transcend the narrowly defined interests of regional integration and economic development. Those principles are sovereign equality; solidarity, self-reliance, unit, peace and security; human rights, democracy, and the rule of law; equity, balance, and mutual benefit; and peaceful settlement of disputes. This is what pan Africanism stands for as it speaks ultimately to the elevation of the human spirit which ultimately is linked to philanthropic framework which is based on love.

### **4.5 Objectives and obligations of SADC Ideals**

SADC has set for itself the achievement of a number of key objectives. The overarching goal running as a thread through these key objectives is the promotion of socio-economic development and the forging of common values and a common agenda. The key objectives of SADC are first to promote sustainable and equitable economic growth and socio-economic development to alleviate poverty, to enhance the standard and quality of life of the people in Southern Africa and support the socially disadvantaged through regional integration. The objectives of SADC are, second, to promote common political values, systems and other shared values, which are transmitted through democratic, legitimate and effective institutions. A third objective of the SADC community is to consolidate, defend and maintain democracy, peace, security and stability.

A fourth objective is to promote self-sustaining development on the basis of collective self-reliance, and the interdependence of member states. Further, SADC has the objective to achieve



complementarity between national and regional strategies and programs; and to promote and maximize productive employment and the utilization of resources of the community. It plans to achieve sustainable utilization of natural resources and effective protection of the environment. Finally, SADC plans to strengthen long-standing affinities and links among the peoples of the region; to combat HIV and other communicable diseases; and to mainstream poverty alleviation in all activities and gender in the community building process.

#### **4.6 Implementation of the objectives**

In order to achieve these objectives, SADC through its Founding Fathers has committed to take certain measures with respect to the peoples of SADC, the regional economies and international affairs. Regarding the peoples of SADC, it encourages peoples in the region and their institutions to take initiatives to develop economic, social and cultural ties across the region and to participate fully in the implementation of programs and projects of SADC-this is related to Ubuntu. It promotes the development of human resources and technology, including the mastery and transfer of technology.

With respect to regional integration, the Founding Fathers were committed to improving economic management and performance through regional co-operation and to harmonization of political and socio-economic policies and plans of member states. Our Founding Fathers undertook to create appropriate institutions and mechanisms for the mobilization of requisite resources for the implementation of programs and operations of SADC and its institutions. They also undertook to develop policies aimed at the progressive elimination of obstacles to the free movement of capital and labor, goods and services, and of peoples in the region generally, among member states. Concerning international affairs, SADC must harmonize and coordinate the international relations of member states; secure international understanding, co-operation and support; and mobilize the inflow of public and private resources into the community.

##### **4.6.1 What is required to achieve these objectives?**

The achievement of the key objectives of the community requires that member states perform certain obligations over and above the measures they intend to take in terms of the SADC Treaty. Naturally, the first obligation of member states is to adopt adequate measures for the achievement of the key objectives of SADC and the uniform application of the Treaty. The corollary of this obligation is the duty to refrain from taking any measure likely to jeopardize the achievement of SADC's key objectives or the implementation of the provisions of the SADC Treaty. To this end the SADC Treaty imposes an obligation on all member states not to discriminate against any other member states or against any person in member, states on the grounds of gender, religion, political views, race, ethnic region, culture, ill-health, disability and such other ground as may be determined by SADC. All this shows what SADC Founding Fathers stood for and their legacy to love one another. It must also be noted that the objective on which our Founding Fathers created the community have not all been resolved. While some of these objectives may have been resolved, many still remain and these include objectives outlined in section 4.5.

#### **4.7 Mechanism to Honour the Legacy of Founding Fathers of SADC**

In order to honour the legacy of the Founding Fathers, it is important that SADC establishes a trust fund. This will create a platform through which the legacy of these great men can be honoured. It should also be emphasised that if the trust will not be an instrument for resource mobilisation, it can however fall under the Foundation framework under which the trust fund for honouring the legacy of the Founding Fathers of SADC could be framed as a project.

#### **4.7.1 Fund dedicated to Founding Fathers**

In order to honour the legacy of the Founding Fathers of SADC contributions both in kind and monetary terms can be made in SADC Founding Fathers' name and this can be divided into two windows designed to provide lasting support for SADC regional economic and defence and security co-operation: The two windows of the fund would include: (i) SADC Founding Fathers Award Fund; and (ii) The SADC Founding Fathers Endowment Fund.

##### *4.7.1.1 Founding Fathers Endowment Fund*

The establishment of an endowment fund in the name of the Founding Fathers will provide a basis for achieving permanent financial sustainability for the SADC Regional Integration Agenda. The endowment money will support various activities in support of the legacy of the Founding Fathers. These activities could include public lectures on the ideas of our founding fathers, supporting those that are still alive, scholarships, and statutes. The funds from this window will also be available as emergency funds, but only if necessary. To this end, contribution made in the Founding Fathers' name will help SADC reach its goals and provide permanent service, support, and outreach to the SADC Community.

##### *4.7.1.2 Founding Fathers Award*

The SADC Founding Fathers Award could be established to honour the enormous contributions made by the Founding Fathers to SADC Regional Integration Agenda as well as liberation struggle. This award will enable SADC to support promising graduate students to attend SADC conferences as well as conduct research. Awards will also be offered to the innovative young people so as to encourage them to contribute to industrialisation of the region.

##### *4.7.1.3 Advantages of using a Trust Fund under SADC Foundation Framework*

The Foundation could provide the best framework under which the trust Fund could be provided with the required resources for its various activities. This assertion is based on the fact that similar institutional frameworks existing in Africa and these include African Union Foundation. In terms of institutional arrangements, a Foundation is governed by the Council, and the day to day activities managed by the Chief Executive Officer. The Foundation mobilises its resources from the private sector, individuals, and international institutions and donors. The resources are then re-distributed to regional programmes based on the formula agreed upon by member. Caveat to this is that currently only one country-Mauritius has a Foundation law, and this could pose the challenge on the part of SADC region to mobilise resources at a regional level.

#### **4.8 Management of the Fund**

The Fund could be managed by an institution in the name of SADC Foundation or SADC Regional Development Fund.

## **5. Trends of Philanthropy in Africa**

### **5.1 Introduction**

According to Helly (2013), diversity of African philanthropy makes its review sophisticated, and also complex. One of the consequences of the diversity of definitions for philanthropy in Africa, is the difficulty to find a common legal framework that would match all types of philanthropic activities. Four main transforming trends of philanthropy in Africa seem to be at work, reflecting its hybrid

nature. These trends will very likely reshape the aid landscape as well as the perceptions of development assistance on the continent.

For instance, a closer connection between philanthropy and a vision of African inclusive growth, where philanthropy is pictured as a building block of Africa's economic take-off. This trend can be seen in the search for a new policy mix between business and non-profit activities and the use of concepts such as "impact investment", "social investment", "venture philanthropy". This market-oriented logic aims at empowering the poor to become part a consuming middle class generating financial returns. Expanding the consuming side thanks to philanthropy (and corporate philanthropy in particular), in that sense, is in the interests of private investors in Africa.

The inclusion of technological innovations into philanthropic practices (communications, health, textile, food and agriculture but also internet-based fundraising) will have strong impact on the way the added value of philanthropy will be promoted.

Intensified efforts for the integration of African philanthropic organisations into regional, continental and global networks (for instance the Africa Philanthropy Forum, TrustAfrica, the African grantmakers network and the 2011 Bellagio initiative);

Serious internal debates about the nature of philanthropy in Africa, and the likely emergence of a number of different wings and schools following different priorities, references and models. In that sense, philanthropy will be influenced by political debates on how to shape a "post-postcolonial" continent, giving more power and sovereignty to African professionals and practitioners.

The ongoing transformations of the philanthropy sector in Africa are fast and produce effects that are still not enough monitored and analysed. More knowledge on the actual added value of philanthropy, its weaknesses, its diversity and its potential, and the ways it could be combined with other development actions, would allow the SADC to incorporate these new realities in the design of its regional resource mobilisation framework.

## **5.2 Existing of Philanthropy in Africa and SADC in particular**

While philanthropy is often associated with the western industrialized countries, there are traditions in countries around the world of community caring, giving and support. Recently there has been growth in formal philanthropic activity in Africa, with an increasing number of individual philanthropists, new institutions and initiatives. Some are supported by private foundations from the industrialized countries, or by the expanding community foundation network, while others are set up by wealthy national businessmen and local businesses.

Africa has seen a steadily increasing number of foundations set up by wealthy individuals, former heads of states, sports men and women, musicians and other celebrities, raising the hope that in the long run more resources can be mobilized from within Africa.

### **5.2.1 Trends of African Philanthropy**

The last decade of sustained economic growth has seen the rise of a new class of wealthy Africans, who trace their fortunes to legitimate business unlike in the past when many of the richest Africans drew their wealth from close connections to, or control of, government. New research by the African Grantmakers Network highlighted this new pool of philanthropists whose "more legitimate wealth" made them more credible potential philanthropists.

In all regions of the continent it is this group that is driving African philanthropy. The southern Africa region, supported by South Africa's huge contributions, accounted for the highest amounts from HNWI's with \$499m in donations. This reflected the high concentration of established private wealth as well as trustworthy and transparent mechanisms for aggregating contributions.

West Africa is the region with the second highest contributions from HNWI with \$167m. But these are not just from Nigerians, the region is well represented with a growing pool of donors from Ghana and Senegal. What is interesting about this region is the degree to which many of philanthropist keep a distinct separation between their business activities and personal philanthropy.

In contrast, East Africa's key givers were active business leaders who tended to embed their philanthropic activities with their businesses. The HNWI figure for this region stood at \$94m and was heavily biased towards Kenya. There was a low number of HNWI and institutional giving in Central and Northern Africa.

In Central Africa sportsmen originally from the region, such as the Congolese NBA player Dikembe Mutombo, are key donor figures but they can't make up for the generally less developed nature of economies and "shallower pool of indigenous philanthropy". In the case of North Africa the lower figures also reflect the fact that socialist governments in countries like Algeria are providing widespread social services for the vast majority of the population.

In terms of trends, in 1996, Africa had a 2.4% share of the total value of US\$16.6 trillion wealth of HNWI value. This position remained the same for Africa in 2015 even though the value of wealth of HNWI had more than trebled to US\$58.7 trillion. However, it is worth noting that despite this constant trend in share value of wealth, the actual figures shows that Africa experienced an increase in value of HNWI of 253% between 1996 and 2015, and this shows that the number of HNWI is increasing in Africa.

### **5.2.2 Contribution of Philanthropy in Africa**

Africa's wealthiest are giving less than 1 percent of their net worth, versus 9 percent in Europe, Asia and Latin America, says the report, and many of the richest families are not formally engaged in philanthropy. "Some of these doubtless give anonymously or informally but the data suggests that while the very wealthiest are coming under some pressure to do something, there is a large group of lesser-known HNWI that are currently not feeling compelled to engage in philanthropy on the continent."

Nevertheless the philanthropy bug is fast catching on, with the nouveau riche in Nigeria leading the way, and those in South Africa, Kenya and Zimbabwe following suite. Many are using business models to spread their wealth - by nurturing small businesses and educating future entrepreneurs, for example. There is a rich tradition of formalized giving in Southern Africa, where the wealthiest families have long been concentrated, but prominent new generation givers include Mo Ibrahim, Patrice Motsepe, Tokyo Sexwale, Cyril Ramaphosa and Jay Naidoo from South Africa, and Strive Masiyiwa from Zimbabwe. Among Nigeria's prominent givers are Tony Elumelu, Theophilus Danjuma and Aliko Dangote.

## **5.3 Case Studies**

To illustrate the growing trend of philanthropic activities in Africa this sections presents few examples of the philanthropist and their foundations.

### **5.3.1 The Kenya Community Development Fund**

The Kenya Community Development Fund (KCDF) is the first and oldest indigenous foundation of its kind in East Africa. The foundation was established in 1997 and its work has been facilitated by a long list of current and past international partners which includes the Aga Khan Foundation, the Ford Foundation, USAID, Comic Relief, but also significant African organisations, such as the Chandaria Foundation, the Safaricom Foundation and the African Grantmakers Network. Primarily,



the KCDF is concerned with sustainable community development, community ownership of solutions and processes, and community build-up to “initiate their own solutions to development challenges affecting them, harness and grow their own resources to respond to them, as well as tap from other networks that offer relevant solutions.”

Its area of focus is broad and encompass food security, children, youth and education, and livelihoods and economic development.

### **5.3.2 Mo Ibrahim**

Mo Ibrahim, a Sudanese national, is an interesting example. He used part of his fortune from the sale of Celtel, a mobile phone company, to set up a foundation which focuses on good governance, which Ibrahim sees as the single most important factor in eradicating poverty and promoting development. The foundation produces an annual Index of African Governance and awards the Prize for Achievement in African Leadership to a former African Head of State. Foundation fellowships provide opportunities for young African leaders to study in institutions in Africa and the UK-supporting, for example, the attendance of 40 additional women students at the University of North Sudan.

### **5.3.3 The Tony Elumelu Foundation**

Tony Elumelu is an good example of an African type of philanthropy which is guided by the slogan “nobody is going to develop Africa, except African themselves,” the Nigerian entrepreneur Tony Elumelu established this foundation in 2010, based upon personal resources as well as surpluses from privately owned companies. Elumelu's primary vision is the promotion and celebration of “excellence in business leadership and entrepreneurship” across Africa in order to foster the competitiveness and growth of the African private sector. The Foundation engages in what are termed ‘impact investments’, seeking to promote entrepreneurial rigour in order to create both financial and social returns. The Foundation also issues a quarterly Africapitalist Newsletter informing about recent developments and trends which suggest an economic transformation in Africa through socially responsible investments.

### **5.3.4 TrustAfrica**

TrustAfrica is one of the many examples of foundations that have been created in Africa. It was launched in 2001 under the ‘Special Initiative for Africa’ of the Ford Foundation. Five years later, independent headquarters were opened in Dakar, Senegal, making Trust Africa a purely African organisation. Nevertheless, its assets are still partly developed by virtue of external philanthropic resources, with special support from the Ford Foundation, which are then aligned with African agendas. At the same time, Trust Africa also pools indigenous resources. Democracy, civil society and equitable development are key focus areas of Trust Africa. Additionally, it seeks to strengthen African philanthropy and resource mobilisation, as well as to enhance African enterprise and institutional collaboration. For that purpose, long-term relationships with grantees are fostered and further strengthened through the formation of global Diaspora alliances for Africa.

### **5.3.5 African Women's Development Fund (AWDF)**

African Women's Development Fund (AWDF) is another example of the foundation and it is a fundraising and grantmaking initiative started by three African women to support the women's movement in Africa. Proponents are hopeful that the creation of African foundations will reduce the dependency on Northern funders and give Africans a greater voice in determining development priorities for the continent. Since its inception in 2001, the African Women's Development Fund has advocated pan-African women's and human rights, economic empowerment and livelihoods. Further, the AWDF is committed to issues of governance, peace and

security, health and reproductive rights, HIV/AIDS, but also arts, culture and sports. The Fund relies largely on a mixture of its own fundraising campaigns and donations. Thus, apart from the independent mobilisation of financial, human and material resources within Africa, the AWDF is supported, among others, by the Nelson Mandela Foundation (HIV/AIDS Fund) and the David and Lucille Packard Foundation (Campaign 13).

### **5.3.6 The African Philanthropy Network (AGN)**

From African philanthropy support organisations point of view, we have African Grantmakers Network which was established in 2010, the network is governed by an African-only board of trustees with representatives from the AWDF (Ghana), Trust Africa (Senegal), Southern Africa Trust (South Africa), the Foundation for Civil Society (Tanzania), the Akiba Uhaki Community Foundation (Kenya) and the Tony Elumelu Foundation (Nigeria). The aim of the network is to facilitate a continent-wide network of African grant-making organisations, the AGN advocates sustainable African philanthropy through partnerships and linkages. It endeavours specifically to strengthen the civil sphere, to promote an African voice and agenda for philanthropy, to foster peer learning and good practice, as well as to harmonise relationships between state and non-state actors. The AGN functions as a platform for explorations of the identity of African philanthropy, but also as a reference point for Africans in the Diaspora or philanthropic organisations interested in working on the continent. At its annual conferences and general assemblies, the AGN moreover discusses issues such as research and capacity enhancement regarding aid agendas and the legal environment in philanthropy (e.g. tax regimes), organisational and leadership capacities of African philanthropic institutions as well as strategic interventions to support African citizens.

## **5.4 Non-African Case Studies**

Beyond the purely African or the hybrid, externally-funded but local philanthropic organisations, are the huge numbers of non-African private philanthropic foundations active in Africa. In a recent study of UK foundations involved in international development, 37% (of 160 foundations that participated in the research) supported activities in Africa, with East Africa receiving the highest proportion of funding for international development overall.<sup>36</sup> Many provide grant funding directly to local organisations, government departments, quasigovernment bodies and institutions, or through the intermediary of international NGOs or other bodies. These philanthropist include:

### **5.4.1 Bill and Melinda Gates Foundation**

Bill and Melinda Gates Foundation (or the Gates Foundation, abbreviated as BMGF) is the largest private foundation in the world, founded by Bill and Melinda Gates. It was launched in 2000 and is said to be the largest transparently operated private foundation in the world. The primary aims of the foundation are, globally, to enhance healthcare and reduce extreme poverty, and in America, to expand educational opportunities and access to information technology. The foundation, based in Seattle, Washington, is controlled by its three trustees: Bill Gates, Melinda Gates and Warren Buffett. Other principal officers include Co-Chair William H. Gates, Sr. and Chief Executive Officer Susan Desmond-Hellmann.

It had an endowment of US\$44.3 billion as of 31 December 2014. The scale of the foundation and the way it seeks to apply business techniques to giving makes it one of the leaders in venture philanthropy, though the foundation itself notes that the philanthropic role has limitations. In 2007, its founders were ranked as the second most generous philanthropists in America, and Warren Buffett the first. As of May 16, 2013, Bill Gates had donated US\$28 billion to the foundation.

## 6. Potential Revenue from African Philanthropy

### 6.1 Introduction

According to Grantmakers (2013) Report, the last decade of sustained economic growth in Africa has seen the rise of a new class of wealthy Africans, who trace their fortunes to legitimate business. Unlike in the past when many of the richest Africans drew their wealth from close connections to, or control of government, our research highlighted a substantial new pool of potential philanthropists whose more legitimate wealth made them more credible potential philanthropists.

### 6.2 Revenue Potential from African Philanthropy

The report further indicate that there is currently no credible comprehensive catalogue of African philanthropists, nor any consistent estimates of total giving in various countries. Even in South Africa, which has far and away the best developed high net worth individual (HNWI) philanthropic sector, there is no single comprehensive approach to tracking giving by this category. Furthermore, apart from the annual Forbes ranking of Africa's wealthiest individuals, there is relatively little data on wealthy families across the continent.

Thus, in order to estimate the potential size of the African High Net Worth Philanthropy market, Grantmakers' report therefore elected to first estimate the amount of wealth controlled by Africa's wealthiest and then what portion of that was potentially available to dedicate to philanthropy. To this the study arrives at the US\$7 billion as the potential amounts which the HNWI philanthropy can give as donation. This figure is arrived at by using "Key distinctive strengths Methodology" the method which uses Estimated Pool of resources available for African HNWI philanthropy.

**Table 2: Key distinctive strengths Methodology on Africa**

1	Define HNWI pool as the top 0.1% of households across Africa
2	Estimated total annual income in Africa = US\$ 1.57 Trillion
3	Lorenz curve showing distribution of incomes suggest that top 1% control 10% of income
4	Derived the share accruing to top 0.1% based on the top 1% using two different methods Extrapolating the Lorenz curve-5% of total income goes to Africa's wealthiest 0.1% Force-fitting the curve to sum to 100%- 2% of total income goes to Africa's wealthiest 0.1%
5	Analysis of global philanthropy trends suggests HNWI's in Asia, Latin America and Europe dedicate an average of around 9% of their wealth towards philanthropy
6	Estimated total pool of potential HNWI giving is therefore: Conservative case: US\$ 1.57 Trillion x 2% x 9% = US\$ 2.8 billion pa High case: US\$ 1.57 Trillion x 5% x 9% = US\$ 7.0 billion pa

**Source: Grantmakers 2013 Report**

Using the above method, the Grantmakers study estimated potential income of donation to be roughly between US\$ 2.8billion and US\$ 7.0 billion from HNWI philanthropy and that this far exceeds the US\$825 million reported donations.

### 6.3 Resource potential for SADC

Using the crude measures of the method outlined in section 6.2, this study applies the same measures to estimate how much donations can be expected in the SADC region from philanthropy donations.

**Table 3: Key distinctive strengths Methodology on SADC**

1	Define HNWI pool as the top 0.1% of households across SADC
2	Estimated total annual income in SADC Region = US\$ 692.9 billion
3	Lorenz curve showing distribution of incomes suggest that top 1% control 10% of income
4	Derived the share accruing to top 0.1% based on the top 1% using two different methods Extrapolating the Lorenz curve-5% of total income goes to Africa's wealthiest 0.1% Force-fitting the curve to sum to 100%- 2% of total income goes to Africa's wealthiest 0.1%
5	Analysis of global philanthropy trends suggests HNWI's in Asia, Latin America and Europe dedicate an average of around 9% of their wealth towards philanthropy
6	Estimated total pool of potential HNWI giving is therefore: Conservative case: US\$ 692.9 billion x 2% x 9% = US\$ 1.25 billion pa High case: US\$692.9 billion x 5% x 9% = US\$ 3.12 billion pa

Table 3 shows that if SADC had to mobilise its resources from philanthropy sector, the donation could range roughly between US\$1.25 billion and US\$3.12 billion per annum. Furthermore, the World Bank data used seems to suggest that South Africa and Angola are the two countries with the highest levels of annual income-roughly combined 73% of the total SADC annual income. To this end it is expected that most of the philanthropic donations could come from these two countries.

However, assuming that everyone citizen of Southern African Development Community contributed US\$1, this could translate to roughly US\$277 million donation per annum. This is huge amount which could easily be mobilised and thereby making all citizens of SADC as philanthropy.

## 7. Possible Ways of Tapping Philanthropy Resources

### 7.1 Background

Based on the review of literature and resources available from Philanthropist from within Africa as well as those from outside Africa, reviews options through which SADC can enhance private donations for regional development. The study does not attempt to list all possible options for raising more donations of money, rather the aim is to cover several areas that seem worthy of more thought or where prospects of resource mobilisation for SADC may be particularly encouraging.

#### 7.1.1 Tax incentives to donors

We start with an old issue – the tax incentives for charitable giving. These have been the subject of intense investigation by economists since Vickery (1962) drew attention to the anomalous state of the treatment of donations in the US. In contrast to other initiatives that try to change underlying attitudes towards giving, the aim here can be seen as more limited to change individuals' budget constraints and in so doing stimulate more donations conditional on their existing preferences.

What is the particular angle here for development finance? First, in countries where charitable contributions do not benefit from deductibility for income tax purposes, development would share in the increased philanthropy that a more favourable tax treatment could induce. (The UK is an example of a country that has recently introduced a much more favourable tax treatment of donations).

Second, governments could give more favourable tax treatment to donations to development. After all, the case for any donation attracting a deduction depends in part on whether it is aimed at furthering social objectives, such as the global or regional projects. The caveat on tax incentive mechanism would however be related to administrative difficulties in defining a qualifying donation. Resources from Philanthropist could be classified as eligible according to a criterion of,



for example, the share of expenditure directed to development projects. Not only should this stimulate more donations to such projects, but it would provide an incentive to other Philanthropist to spend money of development projects so as to satisfy the rules on qualification.

### **7.1.2 Global/Regional Funds**

Funds from Philanthropist need to be attracted in ways that provide accountability and visibility for the donor. For instance, setting up the UN Foundation was the route chosen by Ted Turner. But money from Bill Gates and others has been tempted into 'Global Funds'. These have been set-up in the last few years with the express purpose of raising money from governments, private individuals and the corporate sector in a way that avoids all these potential contributors' concerns with traditional ways of giving large sums of money to development, e.g. direct to UN agencies.

To this end charitable trusts, foundations or funds can play a big role in attracting resources from various donors. This is because of the fact that these institutions are independent entities in the eyes of the law. As such they have a stated purpose that is supposed to guide what they are doing. They can get their funds from a variety of sources (donors, grants, gifts, etc.) and under the accounting laws of the country where they are founded they are limited in what they can do with the funds or assets they are given control of. Some hold tax exempt. Most of these organizations are controlled by a board of directors (which may or may not include the founding donors.) and run by officers like a corporation. The officers are given a set of priorities and directives by the board and then they spend the year trying to fulfill those directives. In addition to all, the foundations can be flexible in terms of implementing of their activities.

### **7.1.3 New forms of Corporate Giving**

The future of giving by firms is seen by many to be in two areas, 'cause-related marketing', which started in earnest in the 1980s, and 'corporate social responsibility', which has attracted a lot of recent interest. An international development angle can be identified in both cases.

These forms of corporate giving have grown for two main reasons. First, businesses have recognised that positive use of ethical messages can benefit their brands. Associating a product with a 'good cause' helps sales. The natural choice of good cause for a multinational firm may be a development charity.

Second, firms are increasingly aware that their reputation for social responsibility-in broad terms-is an important asset, to be developed and maintained from their core budgets rather than from a peripheral benevolence fund. Many international corporations working in developing countries have realised that they have to be particularly careful with the issues of social responsibility. There is now greater awareness among the public in rich countries of their activities and their employees' working conditions due to various factors including health and education. In this regard, cause-related marketing is 'a commercial activity by which Philanthropy causes form a partnership with each other to market an image, product or service for mutual benefit'.

Corporate social responsibility could cover a very wide range of possible activities and many firms, including multinationals working in developing countries, now express an open commitment to behaviour that would seem encouraging for the cause of development. However, the interpretation of what this implies needs leadership within the development arena so as to maximise the return from the apparent willingness to act. Capacity is also needed at the regional level with African countries.

#### 7.1.4 The Internet

Recipient of Philanthropy funds could also take advantage of the growth in use of the Internet which can benefit development giving in at least four ways:

- First, the Internet helps global communication and the provision of information about the needs of developing countries. (An example is OneWorld.net). This works by increase the pressure on firms to act in socially responsible ways.
- Second, online giving is an additional method of delivering a cash donation to a charity. The effort needed to donate in this way is in general less than that with postal donations or those made via the telephone. The donor's transactions costs in the broad sense are reduced. While online giving benefits all charitable causes (and the same is true of online charity auctions), international or regional development might arguably benefit more due to the inherently global nature of the Internet. There is no physical border to overcome in this form of cross-border giving. For example, anyone can donate to the UN Foundation online.
- Third, the Internet also provides another medium for donation of time, through 'online volunteering'. In this case an even more obvious constraint to cross-border giving is removed. The organisation NetAid works with UN Volunteers to enable people in industrialised countries (or indeed anywhere) to contribute their time to work on development projects from home. NetAid brings together individuals wanting to volunteer with organisations needing labour.
- Fourth, there are the 'click for good' websites. The individual clicks on a button and a sponsoring firm makes a donation to a named charity, typically worth a few US cents. This is a form of cause-related marketing and the site itself may in fact be run for profit. Again, these schemes can benefit all causes but one of the most successful, which is said to have inspired others, was originally aimed firmly at international development: the Hunger Site. Visits to the Hunger Site raised \$0.5 million for the World Food Programme in 1999 and \$2.6 million in 2000 – with an average of nearly 8 million visits per month.

#### 7.1.5 Philanthropy Education

One long term objective of the development charities must be to change donor preferences towards giving for international or regional development (as distinct from lobbying for changes to their budget constraints via tax deductions or by reducing their transaction costs via expansion of online donation). The importance of 'donor education' has long been recognised in, for example, the UK where investment in advocacy campaigns by institutions like Oxfam, Save the Children, Action Aid, and the UNICEF Natcom has been partly justified on these grounds. The hope is that a giving by the philanthropist will be encouraged by educating them on the needs of the recipient of donations.

### 8. Conclusion and Policy Recommendations

#### 8.1 Conclusion

Faced with an estimated financing gap of roughly over US\$64 billion to fund SADC regional projects, there is a temptation to dismiss Philanthropy donations as a marginal source of funding. Even SADC US\$3 billion expected donation seems small compared to the extent of the need. While millions donated received from each Philanthropy per year may appear tiny, but taken together the sums from all different sources, big, small and including those made in kind may prove to be substantial and this may contribute a lot to regional integration. Thus, even if the total donations might appear relatively small compared to SADC needs, philanthropy donations play an important psychological role in that individual example may encourage other donors to be more generous.

In addition to this, SADC need to honour the legacy of the Founding Fathers. This will not only ensure the lasting support to SADC Regional economic agenda but also contribute to lasting support to defence and security co-operation of the community.

## **8.2 Policy Recommendation 1: Philanthropy Framework**

This leads logically to our final comments, which is for SADC not to pay special attention to concentrate its efforts much on the donations from the development cooperating partners, to the exclusion of domestic or regional philanthropy in the SADC region. This is because of the fact that domestic resource mobilisation from local philanthropy has the potential to yield between US\$270 million and US\$3.12 billion stable and sustainable sources of income for SADC. To this end it is further proposed that these donations from philanthropy should be channeled through either (i) the foundation, or (ii) SADC regional development fund. These two instruments will offer the best framework for collection as well as redistribution of the resources to the priority areas and sectors of the community.

## **8.3 Policy Recommendation 2: Mechanism for Honouring the Founding Fathers of SADC-Trust Fund**

With regard to the Framework for honouring the legacy of the Founding Fathers of SADC, it is proposed that a Trust Fund be created, and that this Fund should be managed through a SADC Foundation as the case is for African Union Foundation.

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