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Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Region Report: Sub-Saharan Africa

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SUMMARY

Over the last two decades, we have seen a growth in high profile Africans giving to big causes across the continent. As of January 2021, Africa had 18 billionaires, worth an average of USD 4.1 billion. These billionaires are spread across the continent but concentrated in Nigeria, Egypt, Kenya and South Africa. Furthermore, the AfrAsia Bank's 2019 Africa Wealth Report provides insights into varying levels of high net worth individuals (HNWIs) spread across Africa (AfrAsia Bank, 2019). According to the report there are approximately 140,000 HNWIs living in Africa, each with net assets of USD 1 million or more. There are approximately 6,900 multi-millionaires living in Africa, each with net assets of USD 10 million or more. There are approximately 310 centi-millionaires living in Africa, each with net assets of USD 100 million or more. One of the important lessons from the previous decades has been that as the number of wealthy individuals/families/corporations grows, there is high likelihood of an increase in the amounts set aside for philanthropic causes. Studies (Murisa, 2018; Schweir et al., 2020) have concluded that giving by HNWI is mostly local; most donations go toward social services and welfare relief and most of the large gifts are directed at the public sector. The majority either support government processes or prefer to implement their own processes. Very few NGOs receive more than 50 percent of their budgets from Africa's HNWIs. As of 2018 only two African HNWIs had endowed their foundations; the others remain dependent on either the parent company allocating a percentage from their profits or literally a decision by the founder on how much the foundation should receive.

Additionally, the majority of African countries are yet to provide tax incentives for philanthropy; NGOs are in many countries seen as anti-government, which makes it difficult for philanthropists to support them, and the lack of stability in majority of African currencies negatively affects levels of giving.

Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Mixed – slightly positive	Mixed – slightly negative	Mixed – slightly positive	Positive	Negative	Stable	Mixed

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

KEY FINDINGS

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

To what extent can individuals form and incorporate the organizations defined?

- Overall, most economies have defined legal structures for registration and formation of philanthropic organizations (POs).
- While some economies such as Ethiopia, Kenya, and Nigeria have reduced the barriers to registration and formation of POs, others such as Senegal and Zimbabwe still have systems where the registration process is burdensome and often inconsistent.

To what extent are POs free to operate without excessive government interference?

- All of the economies in the region generally allow POs to organize their internal structure.
- However, while in some economies the environment for POs is favorable, in other countries, the regulations are very strict about the causes and projects POs can pursue. In Liberia, this is clearly regulated by laws; in Eswatini, Kenya, and Zimbabwe, it is more at the discretion of those in power.

To what extent is there government discretion in shutting down POs?

- Most economies in the region provide for a voluntary dissolution process—sometimes with notification, sometimes without. Only Liberia does not address this in the governing laws for POs, outside of dissolution after failed re-accreditation.
- Most economies also have some form of an involuntary dissolution process. However, in many economies, involuntary dissolutions do not follow consistent processes.

II. Domestic Tax and Fiscal Issues

To what extent is the tax system favorable to making charitable donations?

- The tax benefits for donations to POs are fairly limited in parts of the region, including Eswatini, Ghana, Kenya, Liberia, and Zimbabwe. In many cases, the exemption or deduction is small compared to other countries, and the process is often onerous, if the regulations offer any tax incentives at all.
- Other countries such as Ethiopia, Nigeria, Senegal, South Africa, and Tanzania are better in this respect, providing a general tax deduction for such donations. For example, Ethiopia provides a tax deduction up to 10 percent of income for individuals and businesses when they donate to Ethiopian charities and societies. Individuals and corporations can receive a similar 10 percent deduction for donations to public-benefit organizations in South Africa.

To what extent is the tax system favorable to POs in receiving charitable donations?

- Nigeria and Senegal provide tax and duty exemptions for POs; however, there may be restrictions on what qualifies. For example, Tanzania grants partial income tax relief to

charitable and religious organizations, but their activities must be part of an approved list, and only 25 percent of income is eligible.

- In addition, the process to receive these exemptions for donations can be untransparent, onerous, and arbitrary in many economies. As an example, in Ghana, the process requires a high level of understanding of the different tax codes with limited information available, and approval is still subject to the discretion of the Commissioner-General.

III. Cross-Border Philanthropic Flows

To what extent is the legal regulatory environment favorable to sending cross-border donations?

- Most economies allow for cross-border charitable contributions, but the contributions are subject to either reporting requirements or to potentially restrictive anti-money laundering laws.
- Additionally, only Ghana provides any sort of tax incentive for cross-border donations, where in-kind donations are treated as exports, which makes them tax-exempt.
- However, charitable contributions are realized domestically due to the economic and financial environment of these economies.

To what extent is the legal regulatory environment favorable to receiving cross-border donations?

- Similarly, receiving money from foreign donors is often subject to approval and taxes, but in some cases these requirements are less restrictive. Ethiopia now allows an unlimited amount of foreign funding, and these funds are VAT-exempt. In Zimbabwe, it is not as restrictive as sending money because it does not need to be approved by the central bank, although it is still subject to taxes.
- In general, POs do not benefit from any tax incentives when receiving foreign donations. However, Ghana also provides tax exemption for in-kind donations, but in this case, the exemption must be applied for and approved.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

- In general, the governments in the region are either improving their relationship with civil society or are more openly contentious with POs.
- In those countries where the political environment for philanthropy has improved, there have been noticeable improvements in the legal governing structure of POs, although the effectiveness can be diminished by lack of government capacity.

To what extent are public policies and practices favorable for philanthropy?

- There were many changes in policies across the region between 2018 and 2020. Some showed improvement, such as Ethiopia, which implemented a new CSO law in 2019 that required the Agency for Civil Society Organizations to remove many restrictive laws and greatly opened the philanthropic environment.

- Other governments made moves to restrict philanthropy, such as provisions in Nigeria's Companies and Allied Matters Act, which allow the Corporate Affairs Commission to suspend trustees and appoint interim replacements for associations, as well as the ability to merge associations at its discretion.
- While some economies have increased collaboration opportunities (Kenya and South Africa) or revoked previously restrictive laws (Ethiopia and Tanzania), others have made policies more restrictive (Eswatini, Nigeria, and Zimbabwe) by allowing a higher level of government oversight and decision-making power.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- For most countries, the economic environment is unfavorable for philanthropy. Almost all of the countries report that levels of corruption have created distrust in institutions and POs.
- Only Ghana showed an overall positive picture of the direction the economy is moving, and its effect on POs.
- Other economies such as Ethiopia reported how their otherwise-improving philanthropic sector faced challenges due to the COVID-19 pandemic, or how the pandemic made weaknesses of the philanthropic sector clearer.

VI. Socio-Cultural Environment

To what extent are socio-cultural values and practices favorable for philanthropy?

- Most economies in Sub-Saharan Africa have a strong philanthropic/giving culture and heritage. However, it is embedded more in the ideals of the local and national culture than in the ways many Western countries see philanthropy.
- Much of the philanthropy is informal, done person-to-person or often as religious giving at a place of worship. In addition, although some economies have developed more philanthropy infrastructure, there is still room for improvement.

VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

- For many countries, a major development on the horizon is the formalization and strengthening of the philanthropic sector, allowing more and more people to participate.
- Crowdfunding and online tools will likely continue to become more ubiquitous, especially with the high amount of person-to-person giving.
- Even in more repressive regimes, these developments can be witnessed but at a much slower pace, given the obstacles the sector encounters.

Key recommendations to improve the environment for philanthropy in the region

- There is an overall need to improve the implementation and accountability of laws governing POs and enhance good practices and transparency among POs

- Offer tax incentives to philanthropists supporting local development
- In many economies, raising awareness of the roles and achievements of POs could support/improve public perception of the sector
- Improve governance within philanthropy organizations
- Finding ways to increase the capacity of POs and promote giving among middle and high net worth individuals could enhance local philanthropy and build a more resilient philanthropic sector in Sub-Saharan Africa

VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

- In most economies, POs worked to help support government efforts to fight against COVID-19. For example, many POs used their funds or donations given to them to help secure medical supplies or to provide food.
- Some other focuses were water sanitation, education, and economic recovery programs.

What are the innovations and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

- The most universal development in the region is the rapid expansion of the use of digital platforms in philanthropy, particularly for internal meetings and donor engagement.
- There were also improvements made with mobile money transfer options, such as M-Changa in Kenya or crowdfunding platforms in Ghana, and collaborations for POs have become more prominent in the region.

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

- The main impact has been that already-limited funds were diverted to mitigating the pandemic. Because of this, many POs struggled to continue their work, and many simply had to be shut down.

What are the anticipated impacts of COVID-19 on the philanthropic environment in 2021?

- For most economies, the most immediate impact is the continued diversion of funds and the shift to focus on pandemic-related issues, like health, food security, and education.
- However, some see a chance to increase the role POs play within policymaking and the wider society, as the pandemic has given many a chance to take up a vital role in the response.

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