

**REMARKS TO THE NELSON MANDELA FOUNDATION'S DIALOGUE ON
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Can philanthropy help tackle inequality?

South Africa has the worst inequality in the world. The top 10% of the country has 60% to 65% of the income. In Brazil, the comparable figure is 50% to 55%. In the US it is 45% to 50%. In Europe 30% to 35%. These figures come from Thomas Piketty's Nelson Mandela Lecture, which was delivered a year ago today.

It can't be a critique of philanthropy that rich people can never help tackle inequality because, by virtue of being rich, they are part of the problem. There are many reasons for this. Chief among them is that the critique rests on the notion that society can't be remade from within; it has to be totally remade from without. Attempts to start at year zero have never been successful, and have usually hurt the poorest and most vulnerable people more than they have helped.

So the question becomes: given that we have the highest inequality in the world, and that we have philanthropy – that this money is going to go somewhere: what, if anything, can we do to direct these resources in a way that will tackle inequality?

This question has to be answered while accepting one significant constraint. Philanthropic resources are small. The RAITH Foundation gives approximately R65 million per year. The Ford Foundation probably gives quite a bit more than that in South Africa, but still no more than about R250 million a year. Even the amounts set out by Gates in his Nelson Mandela Lecture in July this year –\$9 billion dollars across

Africa – pale in comparison to what the state can do. South Africa’s total annual revenue is \$102 billion. Its expenditures are \$118 billion.

So, philanthropies can direct small but significant flows of cash. But they can’t resolve inequality by sheer force of numbers. Given this, what can philanthropies realistically achieve?

Well, there are at least two things they can’t achieve.

First, they can’t replace the state, and should not try to substitute for the state where the state really should be operating. Building schools and orphanages is laudable, but it will not drive social change, and it will do little to tackle structural inequality. Philanthropies, to have an impact, need to ask why there are not enough schools, and why orphanages are needed, in the first place.

Second, they should not focus primarily on stimulating technical innovations. The striking thing about Bill Gates’ Nelson Mandela Lecture is that it posited poverty and disadvantage as technical problems to be solved primarily by investment in what he called the “bodies and brains” of children – funding innovations in disease control, nutrition, educational technology, and entrepreneurial education etc. The problem with this is that it misses the structural context in which “bodies and brains” have to operate.

Enhancing crops to provide more nutritious food will not help if food companies are fixing prices in a way that excludes the poor. Life-saving drugs cannot be delivered without doctors and hospitals, or where the state has taken a decision that they should not be delivered on principle, as the South African government did with anti-retrovirals in the early 2000s. Entrepreneurial education will not help if the state is attacking small and informal business – as it did in Limpopo and Johannesburg recently – under the macabrely-named pogroms of “Operation Big Stick” and “Operation Clean Sweep”.

One should not go too far. No doubt investment in technical innovation is part of the solution to social problems like malnutrition, unemployment, illiteracy, homelessness and ill-health. But it is never the whole solution, or even most of it. And without an awareness of the political context in which innovation takes place, and a concrete strategy to help shape that context, the limitations of a technical approach are severe.

Poverty and inequality are political problems that require political solutions. This is what Nelson Mandela meant when he said that poverty isn't natural but man made. The problem with technocratic approaches is that they assume it's a natural phenomenon that will yield to technical solutions. But this is not so.

In the history of human experience, the only and therefore the best tool we have invented for tackling poverty and inequality is the state – through progressive taxation, demand side economics, universal welfare payments, and provision of free or subsidised housing, health and education. To turn Margaret Thatcher back on herself: There Is No Alternative To The State – at least none that anyone has thought of. Markets have been a disaster for social welfare, everywhere across the world. Deregulated markets cause and exacerbate inequality and social problems. They do not solve them. This was another insight shared by Thomas Piketty in his Nelson Mandela Lecture.

But the state – across the world, and in South Africa – is the weakest it's been for some time. Faith in the state's capacity to do anything – even go to war – is at its lowest ebb since the late nineteenth century.

Undaunted by this, South Africa has adopted a Constitution that demands more of the state than ever before – that it deliver, as of right, not just civil and political freedoms from oppression, but also socio-economic freedoms to realise one's self

through access to the basic elements of the decent existence: housing, healthcare, education, social security, and so on.

This makes the biggest challenge of our time re-imagining what that state is capable of, and using the state to begin to make a dent in inequality.

Here and now, philanthropy can fight inequality by helping the state to be the best it can be – by holding it to the constitutional promise of a better life for all. This means, at least partly, investing in civil society organisations that seek to hold the state – and, where appropriate, private power – accountable to the constitutional ideal of equality.

Some forms of investments are better than others. I would suggest that it is better to invest in the long-term viability of institutions, rather than people and projects. Funding for personality-cult NGOs, with no real goal other than to provide a base for a particular activist or activists, should be a thing of the past. Philanthropies need to invest in a way that makes civil society organisations not just financially viable in the long term, but institutionally able to hold the state accountable. For so long as there is a state, there will need to be a well-resourced civil society willing and able to hold it to the best version of itself.

Investment should happen in a way that minimises donor bureaucracy, but maximises accountability and dialogue about what civil society organisations say that they're doing, and how effective that really is. At the same time, trial and error should be celebrated and learned from, not penalised by a withdrawal of donor funding. Funds should be directed to organisations that can show close, sustained and organic links with poor and marginalised communities. Rather than displacing the political agency of poor and marginalised communities (as too often happens) civil society organisations should demonstrate the capacity to assist those communities to make

their own choices, and to work with communities to implement those choices through meaningful democratic action.

That sort of money, on these terms, will not be reliably available from the state itself. The state will never provide long-term funding to organisations that criticise it. Sooner, or later, budgets will yield to political pressure to close those organisations down. One recent example of this has been the highly politicised cuts of legal aid funding to many public interest lawyers in the UK, that had a long and proud record of using the law to oppose welfare cuts and draconian immigration policy. Sadly, many of those firms can no longer do this work, because it is no longer legally aided.

Now I would say all this, wouldn't I? I run a public interest NGO the stated purpose of which is to hold the state accountable to the Constitutional promise of social justice.

But I don't claim that this is the only way to tackle poverty and inequality. It might not even be the best. But the question is: what can *philanthropy* do to address inequality?

I suggest that the answer is that, given the relatively small resources available to philanthropy, and the deep structural and political challenges that have to be overcome to bring inequality down, and assuming that most philanthropists do not want to emerge onto the political stage and run for office on an anti-poverty and inequality ticket, it seems to me that providing durable funding to an effective civil society is one of the best ways that philanthropists can contribute to the fight against inequality.

And if that is not philanthropy's goal - and these its methods - then I'd suggest that buying a few extra yachts or luxury cars, is likely to do much less harm than most of the alternatives.