



MercyWorks

SISTERS OF MERCY  
IN AUSTRALIA & PAPUA NEW GUINEA

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Philanthropy inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601, Australia

**Attention: Karen Godfrey**

## Submission to the Productivity Commission from Mercy Works Ltd:

Mercy Works welcomes the opportunity to contribute to this important review and any efforts to increase resources towards supporting the poor and vulnerable, including the Australian Government's commitment to double philanthropic giving by 2030.

Established in 2000, Mercy Works is the development arm of the Sisters of Mercy in Australia and Papua New Guinea. We work in partnership with vulnerable communities and local organisations domestically and in the Asia Pacific region. We work with the people of these communities and organisations to build capacity, dignity and self-reliance. Our aim is to empower communities to grow into their potential and contribute to better outcomes for their future.

## Supporting the work we do – what our donors want from us

Mercy Works' donor base is largely made up of Religious Sisters of Mercy, schools within the Mercy School tradition as well as like-minded people and organisations, motivated to help deliver a more inclusive society, supporting poor and vulnerable people in Australia and the Asia Pacific region. The bulk of Mercy Works' funding is derived from donations as well as grants from philanthropic organisations, with some funding from bequests and workplace giving. Currently we receive no government funding for projects and are 100% financed by donations.

Like other charities we have noticed that fewer people are giving – and those who do continue to give regularly tend to be older. Further, we are concerned that the current cost-of-living crisis affecting many Australian households will impact both the number of donors we will be able to secure as well as the level of future funding being provided.

As with most charities Mercy Works has been actively considering how best to ensure that we attract the level of funding support to enable us to carry out the important work we do both in Australia and overseas. There are two primary anchor points underpinning our engagement with donors:

- Transparency about what we do with the funds we receive and the impact we have on the ground; and
- The way in which we engage with our donors particularly our new and younger donor base.

Charities rely heavily on their reputation and that of the reputation of the sector more broadly to attract and

retain donors. However, it would be a mistake for the Commission to assume that 'corporate reporting' regimes to account for the spending of charity funds is necessarily the most prudent way in which to achieve transparency and accountability. This is a sector which is over regulated – with reporting demands from regulators often overreaching in their demand for information about the operations of charities.

Assumptions that transparency can only be achieved through the application of business accounting practices and criteria misses completely the reason why the regular small donor contributes time and money to their favourite charity. What charities need is light touch reporting from regulators and philanthropic organisations.

We believe that achieving and sustaining increased levels of philanthropic giving requires a focus on the next generation of donors. Reaching younger donors is essential and that requires investment in expertise in new technology and new platforms. However, for many younger donors, improving technology to allow giving to be made simpler is not enough. Our experience is showing that younger donors are looking for hands-on engagement and involvement with the organisations they support.

Many younger donors are not satisfied with simply providing a recurring annual donation to a cause they aren't more intimately involved with. So, unlike many older donors today, a charity's annual report, email updates or formal report is insufficient in meeting the demands of our younger donors.

The next generation of philanthropists want to contribute beyond funding, they express a desire to play an active part in achieving social impact. That will often translate into wanting to develop close relationships with projects they choose to support. For example, one school we work with wants a close relationship with the Baabayn Aboriginal Corporation, which is the Indigenous mums and bubs project they support [ <https://www.mercyworks.org.au/janayas-journey/>]. Schools who support our Mercy Connect program [ <https://www.mercyworks.org.au/mercy-connect/> ] want to hear from the refugees who are participating in the program to get a sense of how their contribution is making a difference to their lives. However, compliance and reporting costs as well as privacy issues can make this very difficult for charities to provide.

Clearly, while we need to respect the privacy and dignity of those we support, the reality is for many donors, especially those from a high socio-economic background seeing firsthand the work they are contributing to is an important way for them to better understand the issues facing the poor and vulnerable in our society. In doing so we hope these young people can be the next generation of advocates for change to ensure we address the underlying causes of poverty and vulnerability in Australia.

### Better technology, reporting and regulation

As signaled earlier in this submission, we believe that increasing philanthropy in Australia will require charities to adopt new technology. Access to secure and user-friendly platforms are expensive and require expertise often out of reach for smaller charities.

Staying ahead of the technology curve is key for charities and due to the rise of generative AI accelerating that movement, keeping up is more important than ever. The potential upside of AI for stakeholder messaging and engagement is high. But with that there are also privacy and other ethical questions to consider. Wherever new technology emerges, charities need to make it part of their core competencies. But this is again another stress on the organisation.

Further, the march towards an online existence in terms of marketing, fundraising and finances brings with it significant risks in the area of cyber security. The lack of expertise around cyber security is of great concern to both charities and their donors. However, the expense in managing this risk is significant and can take away valuable funding from the program to address it.

For there to be confidence in and of the sector around the issue of cyber security we suggest that the Government look to provide direct support to small charities to upgrade and maintain strong cyber security arrangements. The incidence of cyber criminality will continue to rise in Australia, and we see governments needing to play a more active role in protecting households, charities and small business from this emerging crisis.

As highlighted earlier in this submission, there is a need for a more considered approach to regulating the charity sector. One area of regulation which we consider needs urgent reform is that around the working with children checks (WWCC). Many of Mercy Works' volunteers find the WWCC process problematic. A national and simplified WWCC would be welcome.

One of the biggest demands from both regulators and donors alike is that of reporting. Unfortunately funding for reporting is normally insufficient and in the case of regulators non-existent. More often than not demand for information grows incrementally with little regard to the cumulative impact that has on organisations trying to deliver quality programs in support of the poor and vulnerable in our society.

The demand for information from our project partners, often from remote areas with poor or no access to internet, can be incredibly onerous. The expected standard of reporting from our Project Partners so we can accurately report on project objectives, activities and outcomes continues to grow. This is difficult for many partner organisations where English is a second (or maybe third or fourth) language, or from a cultural background where such written reporting is not customary. Formal grant applications require detailed and structured submissions on a broad range of information with strict deadlines. They need to adhere to strict criteria to meet the donor's eligibility. Outcomes usually take 3 to 6 months and the level of detail required takes on average one day to complete.

While we acknowledge the importance of reporting for transparency and accountability, we ask that the Commission consider how this might best be achieved using alternative ways to the traditional reporting and output measures.

### The importance of tax concessions

Tax concessions play a crucial role in maximising the funds we have available to fulfill our purpose. As such, we are troubled that the Commission has seen fit to highlight Fringe Benefits Tax concessions as well as other concessions and exemptions such as payroll tax, rates, stamp duty and motor vehicle registration as causing potential issues around competitive neutrality.

The current FBT arrangements are essential in attracting and retaining our small team of highly efficient and qualified staff in what is a highly competitive labour market. The FBT concession as well as the other operational concessions and exemptions simply allow us to do more with the funds we receive from our donors by reducing some input costs. This should be viewed positively in this review as in essence it serves to provide more resources to a sector which is chronically underfunded.

There is little evidence to show that charities such as Mercy Works use these concessions to gain "market share" at the expense of those organisations without access to them. And what advantage might be achieved through some minor reduction in input costs should be assessed against the benefits offered to the private sector which have a competitive advantage in terms of access to market finance to fund the work they do. As such, we caution against the Commission making any findings which might seek to remove these important concessions from the sector, especially on the grounds that they may cause potential issues around competitive neutrality.

The Productivity Commission has an opportunity to shape the future of philanthropic giving. Increasing resources in support of the care of people and our planet is important and is the right thing to do.

Yours sincerely,

**Joe Zabar**  
Mercy Works Board Chair



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MEMBER

