

Call for Submissions - Philanthropy

Information request 1:

Defining philanthropy and the inquiry's scope

The Commission is seeking views and information on the following:

- Philanthropic activities that should fall within the scope of this inquiry.
- Ways of recognising different definitions, perspectives and norms relating to philanthropy among different cultures and communities, including but not limited to:
 - Aboriginal and Torres Strait Islander people
 - culturally and linguistically diverse communities
 - faith-based groups
 - younger and older Australians.

Comment:

Definition

Philanthropy Australia provides a broad definition of philanthropy as “The planned and structured giving of time, information, goods and services, voice and influence, as well as money, to improve the wellbeing of humanity and the community”.

<https://www.philanthropy.org.au/learn-about-philanthropy/glossary/>

This submission contemplates philanthropy in Australia from the perspective of diaspora communities in Australia. Australia's population has grown significantly reflecting ongoing immigration. Migrant communities have tended to congregate together reflecting a range of requirements such as social support, language, culture and religion. Many of these communities are active in the charity space remitting funds back to their originating countries. Such a charity can be seen at a micro personal level with individuals remitting supports to their family, and at the other end of the scale, there is organised charity supporting organisations and institutions operating in the home or originating country. This submission reflects the structured organisational element of charity by these diaspora communities in Australia.

In order to reflect the relevance and importance of this form of charity it is considered that the definition of philanthropy, while broad and embracing of diaspora charity, should be amended to reflect a significant but growing form of charity.

Expanded definition

Diaspora Charity or Philanthropy is the planned and structured giving of time, information, goods and services, voice and influence, as well as money by specific diaspora communities in Australia, to improve the well-being of community in the originating country.

International impact

Almost 30% of Australians were born overseas. We have several diaspora communities in Australia. These communities regularly engage in 'Diaspora Philanthropy' which refers to “a wide range of charitable practices among internationally dispersed communities that trace

descent to a common homeland” (Chau and Fitzgerald 2018). Asian countries account for the largest share of remittances globally. With more than 17% of Australia’s population identifying itself as ‘Asian’, it is easy to understand the key role which Australia plays in the development and uplift of world regions. Any definition of philanthropy must recognise the potential impact which Australian donors have on international communities.

Benefits accrued by the donor

Recent research has demonstrated that the benefits of charitable giving go beyond the recipient. Scientists now agree that when a donor helps someone, the human brain secretes ‘feel good’ chemicals such as serotonin, dopamine and oxytocin (e.g., <https://health.clevelandclinic.org/why-giving-is-good-for-your-health/>). Engaging in philanthropic activities is good for donors’ own health (e.g., less stress, lower blood pressure, increased self-esteem). It is worth considering that philanthropy does not just improve the welfare of others; people engaging in charitable giving may also receive intended as well unintended benefits.

An example of these unintended benefits can be seen flowing from research recently conducted out of Western Sydney University which considered donors and donations made by one diaspora community. That research considered charitable giving reflecting religious beliefs and requirements. While benefits accruing to donors was not a specific purpose of the research, it can be seen there is a strong sense of community and religiosity flowing from diaspora philanthropy (Journal article: <https://bristoluniversitypressdigital.com/view/journals/vsr/13/3/article-p376.xml>)

Information request 2:

Vehicles, trends and motivations for giving.

The Commission would welcome the following:

- Any data, in addition to what is publicly available, on giving by donors who have different characteristics, such as age, gender or income.
- Australian-specific data, case studies or other insights regarding motivations of donors who have different characteristics, including elasticities of giving if available.
- Data on the costs to not-for-profit (NFPs) organisations of sourcing revenue through different approaches, including:
 - data on the rate of return of these different methods
 - data comparing fundraising costs with costs of other funding sources, such as securing grants from governments or corporate partnerships
 - how these costs are changing over time.
- Information on the advantages and disadvantages of philanthropy as a source of revenue for NFPs compared with other funding streams, such as government grants, and whether these advantages and disadvantages differ:
 - between different types of organisations, such as Aboriginal Community Controlled Organisations
 - according to deductible gift recipient status or the organisational structure of charities
 - according to size or whether they are newly-formed.
- Giving vehicles that are not currently available in Australia and their purpose, suitability in an Australian context, benefits, costs and implementation risks.

Comment:

Motivations of donors

Research in this domain has revealed a key motivation for charitable giving for many Australians relates to their background. Diaspora communities maintain connections in various forms with their country of origin. It is well-established that one such form of connection for migrants is engaging in philanthropy by making financial contributions to causes and organisations based in their original homeland.

Type of donors

In Australia, corporate giving in 2022 reached more than \$1.22 billion. Rio Tinto and South32 boosted charitable donations by more than 40 per cent. The largest corporate donor was BHP, which donated \$257 million, more than double the second-biggest donor, Coles, which gave away \$120 million, mainly to food rescue, health, education, disaster relief and social welfare (AFR 2022).

Donations from these organisations at these magnitudes do form part of Corporate Social Responsibility but reflect a vastly different set of priorities when compared to the motivations of individuals to give. Accordingly, it is suggested that any discussions on philanthropy clearly categorise philanthropic activities by a) individuals; b) corporations. Making this distinction will allow for a more meaningful discussion of philanthropy as a phenomenon.

A time to 'give'

The number of people in Australia who identify themselves as Muslims is over 800,000. This is 3.2% of the population. It is a well-recognised fact that in line with their beliefs, Muslims are highly charitable during the month of Ramadan. In fact, our research with a charity organisation shows that the relative effect of Ramadan on Australian Muslims' charitable giving was more than 800% (weblink: <https://bristoluniversitypressdigital.com/view/journals/vsr/13/3/article-p376.xml>). This is the time when Muslims engage in giving 2.5% of their wealth as Zakat, a compulsory form of charity. Other charities which target Muslim donors for funds (e.g., Edhi Foundation, Human Appeal, Muslim Aid) also experience a boost in donations during this holy month. Similar trends may also be visible close to Easter and Christmas season across different community groups.

It is recommended that a commitment be made to assist further research in this area to explore the religiosity component behind charitable giving across other religious beliefs.

Donations by individuals of limited means and small donors:

Researchers at the Western Sydney University have analysed the donation dataset of a charity organisation which is supported by a diaspora community in Australia. The charity is considered as a large one, as its annual donation "revenue" is close to \$2 million. Data analysis reveals that the diaspora community (hardly 100,000 individuals in Australia) - on average - has a median weekly income of merely A\$470, which is well below the Australian average income of \$688 (ABS 2021). Despite a low level of income, this group actively engages in charitable giving as was evident from the data. Analysis shows that the most

frequently deposited amount by donors was just \$10, with a minimum amount being a couple of cents. There are a few key takeaways from our dataset:

- a) individuals engage in charitable giving even when they are not earning much;
- b) small donors are critical as they keep donating small amounts and remain loyal to their favourite charities;
- c) small donors could be more passionate about a charity's work as they regularly engage in making deposits;
- d) small donors represent a democratic form of philanthropy; charities supported by small donors are not just dependent on a few, big, influential donors.

Research on the importance of individuals donating small amounts is not an area which has been thoroughly examined. Support for further research in this area will enable organisations to better understand their donor base and allow them better communicate with their donors. It may well also facilitate more efficient operations for these organisations.

Information request 3:

Role of government in philanthropy

The Commission is seeking views and information on the following matters.

- The role of philanthropy, including where it can be a substitute for, or complement to, government funding or provision of services.
- The reasons why government should (or should not) support philanthropy and whether or how this may vary between causes and various types of philanthropic giving.
- The extent to which government policies can increase, impede or distort philanthropic giving, including data to support those views where possible.
- The extent that existing government support for philanthropy aligns with good policy design and community priorities, and examples where it may no longer align with community expectations.

Comment:

While outside the scope of the research, our team is of the view that government has a key role to play supporting philanthropy in Australia. In the case of diaspora philanthropy, communities are going to remit funds to their originating countries. The Australian government supports those communities by providing access to the Deductible Gift Recipient framework to organisations which comply with the appropriate guidelines and requirements. Government can ensure donations under the framework do go to targeted, appropriate and accountable organisations and projects by granting selective approvals for access to the DGR framework. It could be argued this is a form of "secondary aid" for the Australian Government.

A good example of where the DGR framework has been applied to good effect is in the case of Shaukat Khanum Australia Pty Ltd, which is a charity established in Australia to provide support to the Shaukat Khanum Memorial Cancer Hospital in Pakistan. The hospital provides cancer treatment to patients in Pakistan where 75% of patients receive free or subsidised care reflecting their poor financial status.

Information request 4:

The Deductible Gift Recipient (DGR) framework

The Commission is seeking views and information on the following.

- The costs and benefits of the DGR framework to incentivise donors to give to particular organisations or whether other policy levers would be more efficient, effective, or equitable.
- The policy rationale and objectives of the DGR framework, including whether it is:
 - sufficiently clear
 - consistent with promoting the welfare and priorities of the Australian community.
- The efficiency, effectiveness, and equity of the DGR framework, including whether its design and administration:
 - is clear, transparent and fit-for-purpose for its intended objectives, and result in any unnecessary costs (including forgone tax revenue) or risks to the Australian community
 - results in any inequities, inefficiencies, or perverse outcomes.
- The extent to which the DGR framework encourages giving to charities and other eligible entities, and the donors or causes for whom it is particularly effective (or not effective).
- Alternative models to the DGR framework that could be adapted to the Australian context. The Commission would also welcome information on whether models used elsewhere, such as tax rebate or contribution schemes, may or may not be suited to the Australian context.

Comment:

Our view is the DGR framework has assisted many overseas-based charities (e.g., Shaukat Khanum Australia). In the case of Shaukat Khanum, the DGR framework has provided care to cancer patients in Pakistan and saved lives.

We would argue that continued support under the DGR framework is essential for charitable organisations. However, it is essential that access to that framework be limited to organisations that are providing charity in Australia or in the case of diaspora philanthropy, supporting legitimate and required work in the originating country.

Information request 5:

Other tax concessions for not-for-profit organisations

The Commission is seeking views and information on the following.

- The role and effectiveness of tax concessions (other than those available under the DGR framework — see above) in supporting the operation of not-for-profit organisations and philanthropy.
- Anomalies and inequities in the operation and application of particular concessions.
- Unintended and adverse consequences arising from compliance with concession eligibility criteria, including those applicable in Australian States and Territories.
- The efficiency, effectiveness and equity of tax concessions in supporting not-for-profit organisations, and how they compare with alternative approaches to providing government support for not-for-profit organisations.

Comment:

There appears to be some confusion around the differences between a charity and a not-for-profit organisation. Charity in the Australian context tends to be the term reflecting those organisations operating under the DGR framework, whereas not for profits operate a business for the benefit of its members. Certainly, charity and volunteer community tend to be inexorably tied together. A clearer public understanding and appreciation of charity and organisations operating as a not-for-profit is one area of focus for government.

Information request 6:

Unnecessary regulatory barriers to philanthropic giving

The Commission is seeking views and information on the following.

- The costs and benefits of options for reducing any unnecessary regulatory restrictions and burdens, their effect on philanthropic giving and on policy objectives, such as consumer protection, but would not detract from the policy objective the regulation is meant to serve, such as, consumer protection or public safety.
- The effectiveness of existing regulations, including those that apply to public and private ancillary funds and other types of foundations and philanthropic entities, including any issues that may arise under state or territory laws.
- Unnecessary or inconsistent restrictions or regulations relating to requirements like police or working with children checks when volunteering or engaging volunteers.
- Emerging risks or regulatory gaps, including in areas such as cybersecurity, privacy and donor protection associated with certain of modes giving, such as peer-to-peer donations or crowdfunding, fundraising or marketing.
- Regulatory barriers that may limit donor choice and flexibility, such as rules and taxation arrangements for bequests and the distribution of superannuation death benefits to charities.

No response to this section.

Information request 7:

Consumer information on the effectiveness of not-for-profit organisations

The Commission is seeking views and information on the following.

- The role of government and the non-government sector in providing additional information to donors.
- The policy rationale, costs and benefits of government provision of specific data sources to inform donors' choices about where to give.
- Information donors would value on the effectiveness of not-for-profit (NFP) organisations, but cannot access and why.
- Data sources that are most beneficial to donors and examples of data that is provided by government to donors (directly or indirectly) overseas that could have net benefits to the community if applied in Australia. The Commission would particularly welcome views on measures used by NFPs to assess and communicate how they perform against their objectives, including views on the following.
- Weakness or gaps in existing data sources relating to the effectiveness of NFPs that limit their reliability and usefulness or create perverse incentives by focusing on metrics that may be easier to collate but do not provide an accurate measure of effectiveness.

- The extent to which providing information on the effectiveness of NFPs influences decisions made by donors, including decisions not to give.
- Any overseas policy responses to measuring effectiveness which may be relevant, including the use of accounting standards and other reporting tools.

No response to this section.

Information request 8:

Other measures to support potential donors.

The Commission is seeking views and information on the following.

- Steps governments can take do to better equip professional advisers to advise their clients on philanthropic giving.
- Aside from those mentioned so far, any other opportunities for government to improve philanthropic giving in Australia.

Comment:

Unfortunately, there are organisations which actively seek donations as “formal charities” where they have not applied for or been granted access to the DGR framework. So there is definitely a stronger role to be played by government in the monitoring and administering philanthropy in Australia. This will be a challenge in the diaspora community where cultural norms do not necessarily accord with those existing in Australia.

Information request 9:

Cost-effectiveness of public data sources

The Commission is seeking views and information on the following.

- Critical data and information gaps about philanthropic giving and how these impede policy development and decision making.
- Effective ways to collect information that balance the costs and benefits, including where:
 - current information collection is unnecessary or unduly onerous
 - there is duplication of data provision to different government bodies, or it is in different formats for different purposes
 - more streamlined collection would make the data more useful, and if relevant, more comparable with other data, such as international sources.
- Risks and other factors to consider in expanding or changing information reporting requirements and processes.
- Who should pay for any new information collection and be the stewards of current and any new information.
- Any additional data-related considerations for:
 - organisations run by Aboriginal and Torres Strait Islander people or that provide services to Aboriginal and Torres Strait Islander people
 - small or newly-formed not-for-profit organisations
 - organisations that operate across States and Territories, and internationally.

No response to this section.

Information request 10:

Public strategies to increase the status of giving

The Commission is seeking views and information on the following.

- Public strategies or initiatives that have proven cost-effective in increasing philanthropy in other countries and evaluations conducted on those initiatives.
- Developments in behavioural economics and other social experiments in 'nudging' and engaging new donors and volunteers.
- Other approaches that could be used to attract new donors and different demographics into philanthropy.

Comment:

In respect to diaspora philanthropy, more information is required. A much better understanding of the phenomenon is required particularly in the area of religiosity and faith-based giving. Research across multiple religions/faiths may well provide some very useful information which could inform future public strategies and initiatives.