

27 March 2023

To the Productivity Commission,

[As a regional female entrepreneur with 15 years of experience sitting on not-for-profit \(NFP\) boards and starting NFP organisations](#), I am writing to share my critical perspective on the philanthropic sector.

This perspective is a result of working to secure funding on behalf of the organisations I have been on the board for, or advised as a fundraising consultant. It is also a result of working over the last few years in the context of COVID and bushfire recovery to deliver a grant program on behalf of major philanthropic organisations designed to increase their operating capacity and strengthen their sustainability. I have experience working to support the particular needs of Aboriginal led organisations and seen up close the ways in which the power structures of philanthropy perpetuate their disadvantage.

The system doesn't need to double its donations by 2030. It needs to be revolutionised to support the communities in need, not the egos and tax minimisation strategies of the wealthy.

It is clear to me that there are inherent power dynamics in philanthropy that preserve the wealth and power of the wealthy and trap the NFP sector in a scarcity mindset. These dynamics result in a range of issues that impact the ability of organisations to make meaningful impacts, including:

- Reporting on grants: Excessive, individual and time-consuming and onerous reporting requirements result in wasted efforts and resources that could be better spent on delivering services.
- Application processes: The current grant application process favors larger organisations who have skills in grant writing over those who have a genuine impact and trust in the community. The detail required for applications for funding of only a few thousand dollars is an insult to the time and energies of those applying.
[Reference: Vu Le, 10 archaic and harmful funding practices](#)
- Timeframes: Currently the time between grant applications and the issuing of funds ensures that organisations cannot effectively plan and deliver programs.
- Philanthropy by definition is an untied gift: While donations are not supposed to be controlled by the philanthropist, performance contracts around donations are common and control how funds can be used. Support should be untied and able to be deployed by the nfp for whatever purposes are most urgent.

- Operating Expenses: organisations need basic staff, venue, and head office costs covered, yet most philanthropists won't donate to this. This leaves organisations struggling to cover basic expenses or concealing them within budgets for programs.
[Reference: Vu Le, Hey Businesses, act like not-for-profits if you want to succeed \(satirical\)](#)
- Multiple Years: Short-term funding cycles are a nightmare for organisations that need multiple years of security to make successful impacts. Imagine asking a startup business to prove itself within 12 months?
- Hoarding Wealth: The % distribution per year requirement is insane. Foundations should not be able to hoard wealth while retaining funds for "future needs". The urgency of the climate and social issues we face today should compel PAF's and PPF's to distribute within a generation- not preserve wealth and power for it's own sake at the expense of the taxpayer.
- Mutual Disclosure of Operating Costs: Foundations and NFPs should be compelled to disclose and report their operating costs to each other to ensure transparency and fairness. The number of times a NFP has been asked to justify it's admin costs while the foundation luxuriates in a penthouse suite traveling business class makes my blood boil. Let alone the insanity of limiting NFP's ability to market themselves or hire talent at rates competitive with the commercial sector. Low operating costs just preserve the power dynamics of funder/funded- they don't increase impact.
[Reference: Dan Pollotta, The way we think about charities is dead wrong](#)
- Marginalised Groups: Aboriginal and environmental organisations in particular are less likely to receive funding from wealthy privileged people who see the community conflict, controversy and politics inherent as a disincentive to giving.
- Boards/Governance: Governance should be run by those who know about the subject and community, not by business people who have no community skills.
[Reference: Kate Larsen, Boards can do better](#)

To address these issues, I propose the following:

- By 2030, we should halve the number of NFPs to allow for greater efficiency and collaboration. There is a generational change that is afoot in the sector and with the escalating role of technology- there is a significant portion of the not for profit sector is at least a decade behind technology, communications and data security risks. From personal experience it is expensive and complex and time consuming to close down a NFP- assistance to let those that need to be wound up, wind up would release plenty of energy back into the sector.

- By 2030, we should more than double the distribution rate of foundations to ensure that more money is being distributed to where it's needed. The issue is not doubling donations- its releasing hoarded funds.
- Performance contracts for philanthropic gifts should be made illegal to ensure that organisations have the flexibility to use funds in the way that is most effective for their specific needs. If you want to proscribe outcomes for your funds, it is a fee for service, not able to qualify for a tax deduction and subject to GST.
- By 2030, we should double the commitment to marginalised communities, and halve the bureaucracy they have to navigate to ensure that they receive the support they need to thrive.
- All boards should be paid, and their membership should be reoriented towards domain expertise and away from wealth to ensure that governance is being run by those with the appropriate skills and knowledge.

In my jaded and deflated view, the philanthropic sector must acknowledge and address the inherent power dynamics that preserve the wealth and power of the wealthy and trap the NFP sector in a scarcity mindset.

Doubling donations by 2030 is not the solution. Instead, we must focus on creating a more equitable and efficient sector that prioritises the needs of marginalised communities and values domain expertise in governance. capacity and delivery.

Yours sincerely,

Kate Dezarnaulds