paulramsay FOUNDATION
PARTNERSHIPS FOR POTENTIAL

Paul Ramsay Foundation Submission to the Productivity Commission's Philanthropy Inquiry.

Key Insights

- **The Paul Ramsay Foundation (PRF) supports the Australian Government's goal of doubling philanthropic giving by 2030 and recommend adding a goal of increasing the impact of philanthropy.** For this to occur government has a key role to play, including through:
  - increased sharing of data and evidence (e.g., to better understand outcomes and the elements of effective philanthropic funding);
  - improved engagement with the sector to inform its understanding of challenges and issues, government objectives, and indicative future direction of policy and programs (e.g., to improve where funds are directed);
  - greater transparency over the necessary conditions for government support or adoption of programs philanthropy has funded and trialled to build the evidence base, recognising that governments may not be able to provide certainty.

- **Philanthropy should accelerate direct giving to Aboriginal and Torres Strait Islander-led organisations (this giving currently represents just 0.5% of private philanthropy, annually[1]):** to achieve this, the Blueprint to Double Giving by 2030 should include clear targets to grow self-determined funding to First Nations-led organisations and the number of First Nations-led philanthropic funds, as well as a review of regulations which inhibit good governance of ORIC-registered Indigenous corporations.

- **PRF supports growing legacy giving through efforts such as superannuation bequests.**

- **It is vital that philanthropy does not act to displace government's role in providing a social safety net.** To maximise our collective impact, we need to strengthen collaboration (without compromising independence) between government and philanthropy. We should play to our relative strengths:
  - Philanthropy's agility and ability to take risks, experiment and fund innovative solutions through longer-term investments that build an evidence base;
  - Government's capacity to fund at scale and sustain what works, and amend policy and regulatory settings.

- **Governments and philanthropies should commit to Pay What It Takes to accelerate impact across the sector and enable NFPs to scale in tandem with the 2030 Double Giving target.**

[1] A private philanthropist ran analysis on the Foundation Maps Information available via Philanthropy Australia. As of 2019, it is estimated just 0.5% of private philanthropy is going to Aboriginal organisations and 7% is going to Aboriginal and Torres Strait Islander populations (i.e., non-Indigenous organisations fundraising to service Aboriginal people).

Introduction

PRF is relatively young and unique in scale. We are one of the largest philanthropic foundations in Australia and one of the top 10 in the world on a per capita basis. Over the past five years, PRF has worked with 200 partners and disbursed $800 million to purpose-aligned organisations[2]. PRF's assessment of its impact and organisational transparency is growing with the release of its first annual review in early 2023 and improving results from grantee perception surveys over recent years. We are learning and growing at pace, and understanding our unique position as a large philanthropic entity poses practice challenges. We are committed to adapting our practice in response to what the not-for-profit sector, communities and people with lived experience of disadvantage tell us will make the biggest difference to their lives.

In this submission, PRF draws on the expertise of peer funders and partners as well as our own experience of the issues facing the philanthropic sector. As the sector orients itself towards the target of double giving by 2030, we look forward to collaborating with philanthropic peers to improve transparency and effectiveness of giving in Australia.

We would also like to recognise that philanthropy is not a very common term in non-western cultures and societies. This needs to be kept in mind because some of what is considered altruistic in western cultures, is normal behaviour in line with accepted obligations and duties to your community in many other cultures, rather than an out-of-the-ordinary act deserving of special recognition or status.

About us

The Foundation was established as a private ancillary fund (PAF) by Mr Paul Ramsay AO many years ago. Upon his passing in 2014 it was bequeathed substantial assets (with a value of ~$4 billion). Shortly after Mr Ramsay's death it was determined that the private ancillary fund form was not the most appropriate vehicle to hold such substantial assets and operate the Foundation in the way then proposed. It was decided that a company limited by guarantee, rather than a PAF, would be more suitable, and in 2019 there was a restructure of the Foundation's arrangements to achieve that.

In 2018, led by then-CEO Professor Glyn Davis, the Foundation honed its focus and developed its strategy to break cycles of disadvantage, so all Australians have access to opportunities, regardless of the circumstances of their birth or the postcode in which they live. The impact areas of the Foundation spanned Learning Lives (Early Childhood & School-Aged Learning), Transitions to Employment, Criminal Justice, Thriving Communities and Sector Capability. This strategy put young people at the centre to seize the earliest opportunity to change life-course trajectories and prevent the intergenerational transfer of disadvantage.

In November 2022, under the new leadership of Professor Kristy Muir, the Foundation refined its purpose to help end cycles of disadvantage by enabling equitable opportunity for people and communities to thrive. In addition to the core impact areas of Thriving Children, Employment, and Justice and Safety, PRF strengthened its granting focus on Place and Cohorts, acknowledging disadvantage is overwhelmingly concentrated among specific groups and in particular communities.

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[2] Paul Ramsay Foundation 2023, Growing our Partnerships for Potential: Five Years in Review, pg. 10.

In response to term (1) consider the tendencies and motivations for charitable giving; and information request (2) on the advantages and disadvantages of philanthropy as a source for revenue for NFPs compared with other funding streams, such as government grants.

PRF is committed to a flexible, responsive and collaborative style of partnership so not-for-profit organisations are properly resourced to generate positive outcomes for families and communities. We aspire to these partnership principles:

- Begin well: start with trust, establish shared purpose and mutual expectations.
- Travel well: communicate in real-time with openness and honesty.
- Focus on people: people and communities shape solutions, and their aspirations matter.
- Focus on impact: operate with mutual accountability for outcomes.

Philanthropy has relative advantages, compared to government. Philanthropy should lean into risk by funding innovative solutions to intractable social problems. It can be more agile and can commit to longer-term investments as it is unrestrained by election or budget cycles. Government's relative strength is to scale and sustain what is proven to work and apply new evidence to change policy when things do not. Working together, whilst playing to these relative strengths, enables philanthropy to maintain its distinct independence and ensures it does not displace the role of government as the primary provider of essential services and a social safety net.

Philanthropic funding is a transformative revenue stream for Australian NFPs when it accounts for the real cost of service delivery. In 2020, PRF established the 'Sustaining Our Partners' taskforce to coordinate support to partners at risk of financial collapse due to the COVID-19 pandemic. Prior to COVID-19, Australian NFPs also operated on a thin or no margin, which did not sufficiently account for necessary overhead costs. In 2020, PRF and Philanthropy Australia supported Social Ventures Australia to release the 'Paying What It Takes' report. This report established overhead costs borne by corporate entities and not-for-profit are the same (between 30-40%), however most funding agreements quantify NFP indirect costs between 10-20%[3]. Persistent underfunding of indirect costs creates a 'starvation cycle' for NFPs as time and resources are diverted away from programs and investment in staff capabilities, to attract further funding. In response to these findings, the Foundation adopted an interim standard of 30% for indirect costs for NFPs with flexibility for lower or higher indirect costs on a case-by-case basis. The Foundation has committed to reviewing this policy every 12 months as a demonstration of our commitment to sustaining partner resilience and strengthening the sector.

Philanthropy plays a significant role in building NFP sector capability through investments in social impact leadership, corporate and financial governance, and peak body infrastructure. The Centre for Social Impact's 2019 report 'Leadership for Purpose: Investing in NFP leadership and capacity development in Australia' highlighted chronic underinvestment in Australian NFP leadership, compared to the high-quality leadership offerings in the corporate sector and international NFP settings[4]. In response to this gap, Social Impact Leadership Australia was established by four of Australia's major

[3] Social Ventures Australia 2022, Paying What It Takes: Funding Indirect Costs to Create Long-term Impact, pg. 19.
[4] Muir, K. et al 2019, Leadership for Purpose: Investing in NFP Leadership & Capacity Development in Australia, pg. 19.

foundations - the Myer Foundation and Sidney Myer Fund, the Vincent Fairfax Family Foundation and the Paul Ramsay Foundation in partnership with Centre for Social Impact. SILA works intensively with NFP CEOs and acting CEOs in a peer learning style to boost their strategic leadership, wellbeing networking capabilities. The Foundation also invests in philanthropic and NFP peak body infrastructure across our impact areas, to secure skill development. PRF's Philanthropic Peer Engagement Program generates investment in philanthropic peer networks, collective advocacy and promotes information sharing, thereby increasing the readiness of funders to focus their efforts in response to major opportunities like the blueprint to double giving.

Philanthropy funding is a vital source of revenue for NFPs and charities who undertake advocacy to disrupt the structural conditions of disadvantage and promote a healthy civil society. To quote Commissioner Krystian Seibert in the 2018 Report 'The Power of Advocacy', philanthropy's support of advocacy in the public interest "ensures the voices of the broader community, including those at the margins, are heard and given due regard in the development of policy"[5]. In 2022, the 'Voices for Change' Survey proposed by the Stronger Charities Alliance and Pro Bono Australia, found 'policy advocacy' was "extremely important" for 77% of NFP respondents to fulfil their organisation's purpose[6]. PRF funding has been directed towards grass-root sector campaigns (Raise the Age, Hands Off Our Charities, Parenting Payment Single), enabling these campaigns to commission external research, convene events, meet with ministers and track engagement. The PRF Fellows Program has supported leading Australian researchers to expose lesser-known drivers of social and economic disadvantage, and these reports have influenced joint advocacy between philanthropy and the NFP sector.

Partnering with philanthropy is a complex proposition for Aboriginal and Torres Strait Islander controlled organisations and communities. Philanthropy's concentration of private wealth and high-value relationships reflects the political economy of colonialism and is entangled with the trauma and disempowerment of First Nations communities. At an operational level, just 0.5% of philanthropic giving is directed to Aboriginal controlled organisations but a greater 7% of giving is directed to non-Indigenous organisations fundraising to service First Nations communities[7]. The best outcomes for First Nations communities emerge when their voices are heard, and they control the governance and purpose of funding to their communities. Australian philanthropic practice needs to amplify Aboriginal and Torres Strait Islander ways of knowing, doing and being, and integrate these holistic frameworks into program development and evaluation. The Foundation is on a similar journey. The establishment of the Foundation's First Nations Advisory Council and recent appointment of our Chief First Nations Officer are first steps to grow the cultural intelligence and capabilities of our organisation. To drive action in this space, we recommend the double giving blueprint set clear targets to grow self-determined funding for Aboriginal community-controlled organisations, and the number of Indigenous-led philanthropic funds.

[5] Seibert K & Lovett T (2018), The Power of Advocacy: Making the case for philanthropic support for advocacy, pg. 4.
[6] Maddison S 2023, Voices for Change: Researching not-for-profit advocacy in Australia', pg. 12
[7] Extracted from Foundation Maps at Philanthropy Australia from 2014 to June 2019.

In response to term (2) opportunities to increase philanthropic giving and the extent of their impact; and information request (3) the role of government in philanthropy.

Given the structural government deficits forecast and the increasing wealth inequity across households, supporting philanthropy is critical to the delivery of services and alleviating poverty. Australian philanthropy is regularly benchmarked against the United States; however, this comparison overlooks our social safety nets of welfare and Medicare which are not present in the US. These universal schemes are macro-levers for government to confront entrenched disadvantage before philanthropy enters the picture.

Government has a stakeholder interest in doubling the value and effectiveness of philanthropy. The government confers tax benefits upon philanthropy to encourage giving in line with public benefit: it also may wish to change the level of tax incentive applied to donations of diverse types to incentivise the flow of capital into areas of critical need. As a recipient of the government's redistribution of public assets, philanthropy has a responsibility to be effective and generate positive social impact. The value of structured giving in Australia between 2022 and 2023 is $2.4 billion – a drop in the ocean compared to government expenditure – but its power is in its comparative advantage[8]. From PRF's perspective, the relative strengths of philanthropy, compared to government, include its:

- Higher risk appetite for investing in innovation in ways that taxpayer dollars cannot easily tolerate to drive systemic improvements, experiment, and build the evidence base of what works
- Capacity to commit for the longer term: unlike government, philanthropy is unconstrained by short-term political cycles and can invest in programs for 5+ years which is often the necessary time it takes for impact to emerge, and work towards improved future social, economic and environmental conditions
- Agility and ability to be catalytic: Philanthropy can move with relative speed to seize opportunities and to role model ways of working to government, including: flexible, untied funding that enables holistic person-centred - not siloed portfolio-specific - solutions; properly resourcing interdisciplinary and cross-sector collaboration and intermediary work; co-design and shared decision-making with communities, and self-determined funding to First Nations-led organisations;
- Convening and brokering capabilities: philanthropy can play a role of neutral and trusted broker with communities where trust is earned and can establish peer learning networks and funder alliances to build the alliances needed to tackle systemic.

If government and philanthropy collaborated more effectively and in more structured ways, there would be a clearer pathway and transition to scaling the successful innovation, pilots and trials that are seeded. This requires government to be clear about the standards of evidence required and opportunities to take over funding, highly skilled in cross-sector collaboration (consistent with APS reform objectives) and to share its administrative data more readily and appropriately with communities, service providers and funders to inform monitoring, evaluation and adaptation. Collaboration with philanthropy could be made a priority and spearheaded by establishment of a dedicated central agency unit (akin to the Office for Social Impact Investment in the NSW Government).

[8] Philanthropy Australia 2023, Giving Trends and Opportunities, pg. 1.

In response to the Commission's focus on opportunities to increase philanthropic giving and the extent of impact, PRF broadly endorses Philanthropy Australia's strategy to double structured giving by 2030.

PRF supports a national culture of giving to enhance the level of philanthropic activity. A logical way to do this is to grow structured giving from superannuation, a strategy identified by Philanthropy Australia in the 2030 Blueprint. To incentivise Australians to donate unspent super, we urge the Government to explore simplifying legal processes and removing the minimum 15% tax penalty attached to donations from superannuation[9]. For the wealthiest Australians, a commitment to donate 1% of their wealth to charitable causes would unlock a further $5.5 billion in funding for the NFP sector, as demonstrated by the 2019 'High Net Wealth Giving in Australia' report delivered by the Centre for Social Impact and University of WA[10]. This research should be continued and published on a biannual basis to encourage increased giving from HNW individuals. To complement this effort, marketing support should be provided for a campaign led by Australian Philanthropic Services to raise awareness of the still under-utilised PAF structure. 'Giving marketplaces' can also be set up to connect NFPs with funders and donors who are aligned on purpose, and to incentivise peer philanthropy.

PRF recommends a joint philanthropic and government strategy to grow the network of Australian Community Foundations. Community Foundations are destination experts for funders and donors to invest in local communities. CFs are well-represented in urban areas, but the model also thrives in small towns and regions. Expansion of this network should move at the pace of trust to preserve the strong relationships forged between CFs and funders. The expansion should also focus on places and communities where there is less social mobility and economic connectedness.

In response to term (3) examining current barriers to philanthropic giving, including the ability of donors to assess and compare charities.

The ability of donors to assess and compare organisations would be enhanced by joint philanthropic and government investment in NFPs to undertake high-quality evaluation. Evaluation inequity hampers the ability of under-resourced NFPs to measure, evaluate and report on their impact in a way that enables them to keep funding, or attract new donors. Joint philanthropic and government investment in evaluative work will boost the supply of data to enable more effective philanthropic giving. From a donor perspective, enabling 'better' comparisons with overseas evaluation sites should be a secondary focus and weighed up against these sites employing thin metrics such as cost of overheads and number of cases managed.

NFPs should be encouraged to share richer data through their Annual Information Statement (AIS) and link to reviews and evaluations which expand funder understanding of what good looks like. As addressed in relation to Pay What It Takes, low overhead costs are not a valid measure of NFP efficiency or efficacy. Philanthropic entities need to create learning loops with NFP organisations, so their metrics are aligned with the reality of delivering impact in their field. Many NFPs undertake work that is difficult to evaluate because they work to longer horizons of systems-change, and advocate for major

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[9] Philanthropy Australia (2023), A Strategy to Double Giving by 2030, Submission to the Productivity Commission, pg. 5.
[10] Flatau, P et al. 2022, High Net Wealth Giving in Australia: A Review of the Evidence, Summary Report, pg. 14.

policy and legislative change. These NFPs often operate within alliances, pooling efforts and relationships, which makes attributing policy change to their individual organisation, difficult and uncomfortable. First Nations-led organisations define success differently, stemming from deep values held around strength of culture, reciprocity and community well-being. This context enhances donor decision-making because it presents an accurate picture of the diverse settings NFPs operate in.

While a focus on outcomes and evaluation is important, this needs to be balanced with ensuring that the vital work of intermediaries, smaller and different types of charities, and those working to create pathways to change rather than in traditional on-the-ground service delivery are not disproportionately affected in moving toward a greater emphasis on outcomes. The benefits and contributions of this type of patient, intermediary work are less tangible, but no less critical, to successful systems change and the supply chain of effective philanthropy. Again, this story is critical to helping donors understand and fund the important work of non-programmatic charities in their ecosystems.

First Nations-led organisations are often more effective at achieving outcomes in relation to Aboriginal and Torres Strait Islander peoples. This is acknowledged in the Priority Reforms of the Closing the Gap National Agreement, which commits all levels of government to build the capabilities of the First Nations community-controlled sector and share decision-making with representative organisations[11]. Despite this, there is no easy or consistent way for philanthropic funders to search for or identify whether an organisation is First Nations led. PRF encourages consideration of ways to improve transparency around the diversity of leadership and Boards, perhaps through ACNC registered information.

In response to term (4) appropriateness of current sources of data related to philanthropic giving.

PRF supports a national giving and community participation data-set, and increased disbursement transparency between funders. The Commission can look to international examples such as GiveWell in the design of this data set, but any Australian equivalent must articulate a baseline quality of reporting so NFPs can feed in the correct data or upskill to meet this standard of reporting each year. There may also be reasons for charities and funders to not disclose and national giving data set should consider a range of possible unintended consequences in recording disbursement flows from philanthropy to the NFP sector and flows between peer philanthropies. A national giving data set could provide an avenue to hold philanthropy to account on working for the public good and contribute toward greater public understanding of philanthropy’s role in Australian society.

In response to term (5) evaluating the effectiveness and fairness of the tax expenditure framework that applies to charities.

The DGR framework is especially complex for Aboriginal and Torres Strait Islander-led organisations which take a holistic approach to promoting the cultural, economic and social wellbeing of First Nations communities. As a result, selecting one category of DGR misrepresents the true spectrum of work. Widespread auspicing of Aboriginal and Torres Strait Islander-led organisations by non-Indigenous led foundations and trusts is a practical response to DGR complexity, however, these arrangements conflict with self-determined funding and increasing the representation of First Nations people in philanthropy

[11] National Agreement on Closing the Gap July 2020, Priority Reforms.

leadership and workforce. Simplifying the DGR framework will connect First Nations-led organisations with DGR endorsement, regardless of category, and ensure they are not overlooked by funders due to administrative complexity.

Separate but related to this issue, is the anomaly government has created in the governance for First Nations organisations through the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI) Act and its application through the Office for the Registrar of Indigenous corporations. First Nations-led organisations registered with the Office for the Registrar of Indigenous Corporations are bound by the CATSI Act 2006. Section 246-25 of this Act stipulates leaders of ORIC-registered entities cannot be appointed beyond a period of two years, and organisations must apply for an exemption. This has the unintended consequence of creating an environment of poor governance by creating significant turnover that is not imposed on any other corporations, and in fact is considered poor governance practice. It also does not consider cultural governance practices in First Nations communities. This may also create risks and deter funders or partners of these organisations due to the lack of continuity in leadership, and the negative impact this has on delivery of long-term outcomes. It also stimies the professional development of First Nations leaders and disrupts trust-building and smooth delivery of services between an organisation and community.

The DGR categories should be reviewed regularly and updated for the many new and evolving ways by which for-purpose organisations are achieving systems change. The work of intermediaries that convene, connect and drive collaboration and good practice across impact areas does not fit neatly into one DGR category. Similarly, place-based organisations which often undertake cross-cutting work to deliver positive outcomes for their community are sometimes constrained by having to identify a singular category and to which their fundraising is then limited.

In response to term (6) reforms to address barriers or harness opportunities to increase philanthropy.

While impact investing is outside the primary scope of the Inquiry, there are opportunities for funders to increase the impact of their philanthropy by leveraging their corpus through the use of impact-first concessionary finance. PRF has developed an approach to impact-first impact investment (which includes blended finance) for enterprises that are targeting the 'missing middle' between cohorts and systems, demand and supply for services, and wish to operate in markets alongside commercial investors. Beyond simple investing, PRF helps prepare suitable NFP organisations to secure future capital raises and achieve sustainability this way. For Australian PAFs, the current regulatory environment presents challenges to an impact-first finance approach which can accept concessionary financial returns because of the strength of impact return generated. These entities are unclear about whether discounted returns on program-related investments contribute towards the 5% minimum annual distribution for foundations. With the recent announcement of a sustainable finance taxonomy, and in addition to clarity on the 5% annual distribution, Federal Treasury should consider an impact investment taxonomy (including common standards and definitions) like the European Union's Sustainable Finance Disclosure Regulation (SFDR)[12]. This taxonomy will enable a more transparent market and reduces the risk of 'impact washing' so that all types of foundations can explore impact investment and traditional granting in pursuit of greater impact.

[12] See further information on the European Union's Sustainable Finance Disclosure Regulation (Eurosif) at [Our Mission - EUROSIF]

Workplace giving is an innovative mechanism to grow structured giving in Australia, but a lack of supportive infrastructure is undercutting this opportunity to increase philanthropy. Donating to charities and NFPs via workplaces should follow the same logical structure as superannuation contributions. We recommend the creation of a clearing house and register for eligible charities to receive funds from employee payroll and produce the necessary tax statements. Connecting payroll software to this clearing house will promote efficiency and reduce the risk of workplace giving being misdirected to non-charitable organisations.

Exploration of financial incentives to motivate higher earners to give away a portion of their income before it is taxed would increase the level of philanthropic giving. Financial incentives are a key lever to increase structured giving to NFPs and charities and will reduce the concentrated generational transfer of wealth.

Conclusion

The Foundation welcomes further engagement with the Inquiry on any of the issues addressed above.

END

Appendix

1. Flatau, P., Lester, L., Brown, J.T., Kyron, M., Callis, Z., & Muir, K. (2022). High Net Wealth Giving in Australia: A Review of the Evidence, Summary Report, Centre for Social Impact: UNSW and UWA, pg. 14.

2. Maddison S 2023, Voices for Change: Researching not-for-profit advocacy in Australia, Report for the Stronger Charities Alliance in collaboration with ProBono, pg. 12.

3. Muir, K., McKee, L., Moore, N., Walker, A., Wenzel, R., Pinzone, F. (2019), Leadership for Purpose: Investing in NFP Leadership & Capacity Development in Australia, Report for Ian Potter Foundation, Sidney Myer Fund, The Myer Foundation, The Vincent Fairfax Family Foundation and The Paul Ramsay Foundation, Sydney: Centre for Social Impact, pg. 19.

4. National Agreement on Closing the Gap July 2020, Priority Reforms: Priority Reforms | Closing the Gap

5. Paul Ramsay Foundation 2023, Growing our Partnerships for Potential, Five Years in Review: pg. 10: Growing our partnerships for potential (paulramsayfoundation.org.au)

6. Philanthropy Australia 2023, Giving Trends and Opportunities, pg. 1.

7. Philanthropy Australia 2023, A Strategy to Double Giving by 2030, Submission to the Productivity Commission, pg. 5.

8. Seibert K & Lovett T (2018), The Power of Advocacy: Making the case for philanthropic support for advocacy, report for Philanthropy Australia supported by The Reichstein Foundation, The Myer Foundation and The Australian Environmental Grantmakers Network, pg. 4.

9. Social Ventures Australia 2022, Paying What It Takes: Funding Indirect Costs to Create Long-term Impact, Report by Social Ventures Australia and the Centre for Social Impact, pg. 19.