



# **Productivity Commission's Philanthropy Inquiry**

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Date: Wednesday 17 May 2023

## About us

Established in 1914 and by [Royal Charter](#), Australian Red Cross is auxiliary to the public authorities in the humanitarian field. We have a unique humanitarian mandate to respond to disasters and emergencies. This partnership means governments can benefit from a trusted, credible, independent and non-political partner with local to global networks, who will work to implement humanitarian goals in a way that maintains the trust of government and Australian society as a whole.

Australian Red Cross is one of 192 National Red Cross and Red Crescent Societies that, together with the International Committee of the Red Cross (ICRC) and International Federation of Red Cross and Red Crescent Societies (IFRC), make up the International Red Cross and Red Crescent Movement (the Movement) - the world's largest and most experienced humanitarian network.

The Movement is guided at all times and in all places by seven [Fundamental Principles](#): Humanity, Impartiality, Neutrality, Independence, Voluntary Service, Unity and Universality. These principles sum up our ethics and are at the core of our mission to prevent and alleviate suffering.

We remain neutral, and don't take sides, including in politics; enabling us to maintain the trust of all and to provide assistance in locations others are unable to go. Volunteering is in our DNA, and everything we do is supported by thousands of volunteers, helping solve social issues in their own communities. All of our work is inspired and framed by the principle of Humanity: we seek always to act where there is humanitarian need.

Here in Australia, our core areas of expertise include Emergency Services, Migration, International Humanitarian Law, International Programs and Community Programs.

Overview as of 2022:



**20,000+**  
members and volunteers  
acting for humanity



**131,000**  
Australians supported during  
42 emergency activations



**225,000+**  
social support hours delivered

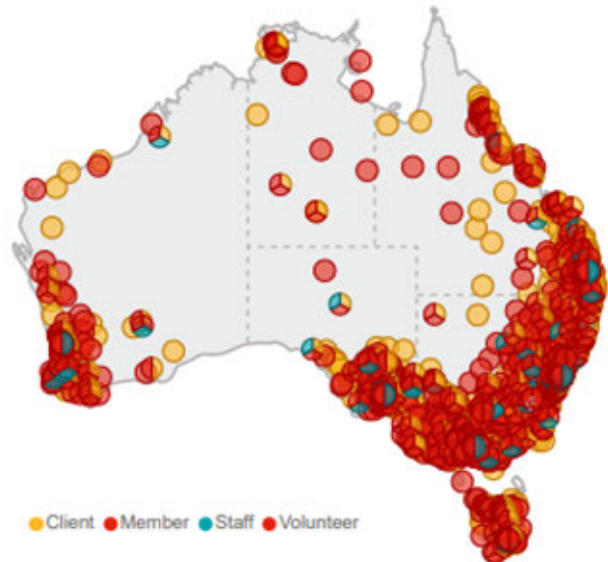


**37,500+**  
people supported through  
emergency relief payments



**47,000+**  
People received support from  
165 countries

Location of Red Cross people and clients



## 1. Executive Summary

1. Australian Red Cross welcomes the opportunity to comment on the Productivity Commission's inquiry into Australian Philanthropy. In this submission, Australian Red Cross outlines fundraising trends given the scope of the terms of reference largely focuses on financial contributions. While not the subject of this submission, we more broadly acknowledge the invaluable economic, humanitarian and social contributions of volunteers, estimated at \$17.3 billion per year ([Volunteering Australia](#)).
2. Aspiring to double philanthropic funding by 2030 would help the social services sector immeasurably. This policy aspiration would be best served if balanced with ongoing government investments to support social services programming. Additionally, Australian Red Cross recommends governments, and indeed any private funders, invest in the true costs of delivering sustainable and impactful social services including necessary systems, infrastructure and supports, as set out in the [Paying what it takes](#) report (Social Ventures Australia & Centre for Social Impact 2022).<sup>1</sup>
3. A sustainable fundraising strategy requires not-for-profits to generate funds from all potential sources. However, government investment is absolutely critical for essential community services, and will continue to be required for the not-for-profit sector to deliver such services.
4. Typically (and understandably), the public expect funds to go directly to crisis-impacted individuals and services. In this expectation, the majority of people have little to no understanding of the true cost of delivering services in a manner that is responsible to the donor (e.g. ensuring timely transparent reporting on impact, necessary auditing and so on); responsible to people and communities (e.g. maintaining a service that meets the needs of a client or community and where they are at during times of vulnerability); and responsible to the volunteers and staff (e.g. delivering appropriate training and maintaining a healthy and safe working environment).
5. While this view is not necessarily shared by all individuals who make donations, it is an ongoing public discussion. As such, there needs to be:
  - 5.1 A recognition and expectation that working responsibly and delivering services effectively requires spending funds on so called "indirect program costs" as well as "administration costs" – the true and total cost of delivering responsible and impactful support and services to people in times of vulnerability.
  - 5.2 Greater awareness and focus on what constitutes positive and lasting impact.
6. To grow Australia's philanthropic culture, Australian Red Cross would welcome consideration of the Australian education system in embedding volunteering and giving, as well as broader public campaigns on the value of giving, whether in time (volunteering) and/or money (donations).
7. In relation to matters on the tax system, Australian Red Cross recommends a broader definition of the Public Benevolent Institution (PBI) status to reflect the realities and trends of social services delivery, which are moving to proactive social services interventions which is limited under the current definition. For example, proactively preparing communities to prepare people before the next disaster.
8. In regard to regulation, Australian Red Cross welcomes the recent harmonisation of fundraising legislation. It is imperative that the regulatory framework is reasonable and operates uniformly across the country.
9. On a related matter, Red Cross recommends a humanitarian exemption to Australia's autonomous sanctions regime to promote philanthropy from risk-averse donors, partners and commercial service

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<sup>1</sup> [Paying what it takes report - Social Ventures Australia](#)

providers (such as banks) as well as dramatically reduce the unintended consequences of sanctions in the form of administrative burdens, financial costs, time and resources.

## 2. Summary of recommendations

- i. **Australian Red Cross supports the policy objective of doubling philanthropy by 2030, though would balance this with the continuation of direct government investments which are critical for social service delivery.**

For further detail refer to *3.1 Philanthropy complements government investment.*

- ii. **Australian Red Cross supports education measures that encourage funders (both private and public) to cover indirect and administration costs to ensure responsible and compliant service delivery.**

For further detail refer to *3.2 Paying what it takes to increase impactful philanthropy.*

- iii. **Australian Red Cross recommends greater opportunities for foundations joining forces to give in a collective fashion, which would reduce the administrative burden on charities.**

For further detail refer to *3.3 The role of, and effectiveness of, foundations in encouraging philanthropic giving.*

- iv. **Australian Red Cross recommends exploring appropriate synergies in education curriculums around Australia to encourage a philanthropic and civic mindset, like volunteer engagement as an entry point into giving.**

For further detail refer to *3.4 Enhancing the status of giving.*

- v. **Australian Red Cross recommends broader public education campaigns to encourage philanthropy, whether volunteering or giving a financial gift.**

For further detail refer to *3.4 Enhancing the status of giving.*

- vi. **Australian Red Cross recommends the new harmonised fundraising legislation has ongoing and regular reviews to ensure it is fit for purpose.**

For further detail refer to *3.5 Consistent fundraising laws across Australia.*

- vii. **Australian Red Cross recognises a broader change to Public Benevolent Institution (PBI) status requires legislative intervention and would recommend a broadening of the definition to have the greatest impact on helping people at risk of experiencing vulnerability.**

For further detail refer to *3.6 Expansion of the statutory definition of Public Benevolent Institution (PBI) status.*

- viii. **Australian Red Cross recommends a humanitarian exemption to Australia's autonomous sanctions regime to promote philanthropy from risk-averse donors, partners and commercial service providers (such as banks) as well as dramatically reduce the chilling effects of sanctions in the form of administrative burdens, financial costs, time and resources. For further detail refer to 4. Cost effectiveness of public data sources**

For further detail refer to *3.7 Australian Autonomous Sanctions - need for humanitarian exemption*.

**ix. Australian Red Cross recommends**

- a) **A greater degree of easily accessible government data sharing across the social services sector, so that social services organisations can create more impactful programs on the ground, informed by up-to-date evidence, and a baseline, for performance tracking.**
- b) **Consistency of data reporting requirements across government contracts, to enable social services organisations to collaborate and respond collectively to social issues.**
- c) **Government recognises the necessary costs of collecting, maintaining and analysing data, should social services organisations like Australian Red Cross be called on to contribute to local, state or national research for the betterment of the Australian public.**

For further detail refer to *4. Cost effectiveness of public data sources*.

### **3. Opportunities and obstacles to increase philanthropy**

#### **3.1 Philanthropy complements government investment**

***Recommendation:***

- i. **Australian Red Cross supports the policy objective of doubling philanthropy by 2030, though would balance this with the continuation of direct government investments which are critical for social service delivery.**
10. Philanthropy and its broad revenue streams are clearly instrumental in funding critical social needs in Australia, alleviating extreme vulnerability in our communities. In Australian Red Cross' experience, a solid philanthropy strategy should have a mix of funding streams to:
- Drive long-term financial growth while meeting short-term needs.
  - Mitigate risk of being over-reliant on one or few revenue sources.
  - Reach and appeal to a broad audience of existing and potential donors and engage them in a way that is appropriate to their age/life-stage and how they like to give to charities.
11. General individual giving, public sector government grants and tenders, other partnerships and funding sources are absolutely critical to the delivery of humanitarian services. Different donor types will have different areas of focus which individually cannot meet the full humanitarian needs of people experiencing vulnerability.
12. Australian Red Cross dedicated close to \$340 million to delivering humanitarian services last year alone, including raising over \$146 million in individual contributions, \$140 million in government grants and tenders and \$12.23 million in non-government grants ([2021-2022 Australian Red Cross Annual Report](#)).
13. Close to half of Australian Red Cross' income is derived from government grants and tenders. The return on investment tends to be better, as there is no need to invest in mass marketing campaigns for example to acquire and keep donors. However, engaging in a mix of fundraising approaches is a necessary reality for most not-for-profit organisations who will never be 100% government funded.



14. Programs which are absolutely critical to reducing vulnerability in our communities will still require ongoing government support as philanthropy alone cannot cover the costs.
15. Detailed Australian Red Cross donor trends are outlined in *Section 5: Vehicles and motivations for giving* on page 10.

### 3.2 'Paying what it takes' to increase impactful philanthropy

#### **Recommendation:**

- ii. **Australian Red Cross supports education measures that encourage funders (both private and public) to cover indirect and administration costs to ensure responsible and compliant service delivery.**

16. Australian Red Cross takes great efforts to safeguard donor dollars, with professional systems and support to deliver impactful programs for individuals and communities.
17. According to Australian Red Cross surveys, most donors are comfortable with a percentage of their investment going to necessary administration costs. Despite this, there is a general public perception that low or indeed no administration, overheads and indirect costs are preferable. This approach is also seen through formal funding rounds and government grants/tenders where indirect costs that can be included in a budget may be capped.
18. However, as detailed in the ['Paying what it takes' report](#) (2022) indirect costs do not indicate the efficiency or effectiveness of a not-for-profit.
19. According to the report,

*“there is clear evidence that spending insufficient resources on indirect costs can potentially reduce overall effectiveness” and*

*“a significant proportion of Australian funders, both philanthropic and government, only fund a specific percentage of indirect costs or still use indirect costs as a way to differentiate not-for-profits.”*

20. As recommended in the report, any initiatives or activities that educate relevant stakeholders on the below would be beneficial:
  - *“Funders, both philanthropic and government, should focus on impact when assessing not-for-profits.*
  - *Low indirect costs do not mean that a not-for-profit is being impactful, and high indirect costs do not imply that it is not impactful.*
  - *Effective not-for-profits incur indirect costs that need to be funded to enable them to achieve their impact.*
  - *Funders can increase their impact by offering full-cost funding.*
  - *Understanding impact requires investment in measurement systems.”*
21. The report also finds, *“Not-for-profits ‘true’ indirect costs often far exceed the amount they are funded.”* The report goes on to recommend:

*“Suggested action: A credible, independent set of definitions and data on indirect costs that funders and not-for-profits can use should be created. This will foster safe and honest conversations about the actual costs and help quantify how indirect costs deliver impact in not-for-profits. However, given indirect costs can vary significantly between organisations due to different models and investments, caution is needed when using them in benchmarking.”*

### 3.3 The role of, and effectiveness of, foundations in encouraging philanthropic giving

#### *Recommendation:*

- iii. **Australian Red Cross recommends greater opportunities for foundations joining forces to give in a collective fashion, which would reduce the administrative burden on charities.**
22. Foundations continue to play an important role in encouraging philanthropic giving, especially with a current intergenerational wealth transfer and shifts from informal family based philanthropic decisions towards more strategic and structured approaches.
23. This continued shift towards structured giving has seen the rise of Private Ancillary Funds (PAFs) and Public Ancillary Funds (PuAFs) - however, the private nature of PAFs means they can be difficult to research / access. There is also shift beyond traditional donations and grants. For example, foundations putting their full balance sheet to work through impact investments as well as donations/grants.
24. Foundations can also create a burden for charities when the financial investment is low, and the return and requirements are too high or not comparable with the amount granted. Such foundations could work more effectively and efficiently by consolidating their funding to a few long-term trusted partners and developing a different reporting model that wasn't such a burden for some charities.
25. For example, [FORGE](#) is a group of some of the biggest human rights-focused foundations internationally who have joined together to streamline their funding for certain NFPs. One of the positive outcomes of this is creating efficiencies for charities, who can streamline their impact and reporting mechanisms.

### 3.4 Enhancing the status of giving

#### *Recommendations:*

- iv. **Australian Red Cross recommends exploring appropriate synergies in education curriculums around Australia to encourage a philanthropic and civic mindset, like volunteer engagement as an entry point into giving.**
- v. **Australian Red Cross recommends broader public education campaigns to encourage philanthropy, whether volunteering or giving a financial gift.**
26. Initiatives to support growth of philanthropic giving are important such as [Philanthropy Australia's Blueprint to Grow Structured Giving](#).
27. Additionally, public campaigns about the importance of giving and normalising this behaviour would help to increase philanthropy. It is worth noting, there are groups that are actively giving in the current climate: 75% of Millennials provided financial support to family, friends or nonprofits since the Covid-19 pandemic began — the highest rate among any generation polled. For more information, refer to *Section 5.1 Trends shaping philanthropy's future*.
28. There could be options like a stronger emphasis in the education curriculum to build in a sense of understanding from a young age about the importance of giving, such as volunteering and participating in fundraisers, helping create a stronger philanthropic minded society from the outset.
29. Initiatives which address philanthropy at end of life include Fundraising Institute of Australia 'Include a Charity' ([About us - Include a Charity in your Will](#) ) social change campaign created to normalise

leaving a Gift in Will and make it a conversation people were not afraid to have. The aim of Include a Charity is to encourage and support more people to leave a charitable gift in their Will, increasing the funds invested in the charitable sector and therefore the positive impact on society.

30. Australian Red Cross is a member (100 charities involved) and takes part in the annual awareness campaign (Include a Charity Week) in September. This is aligned with international legacy weeks globally and involves a week of concentrated public relations activities around charitable giving in Wills. We see a spike in interest and commitment to leaving a Gift in Will to Australian Red Cross during this time.
31. In the USA, the [Charity Defense Council](#) has been established specifically to change hearts and minds about why giving to charity is so important.

### **3.5 Consistent fundraising laws across Australia**

#### ***Recommendation:***

- vi. **Australian Red Cross recommends the new harmonised fundraising legislation has ongoing and regular reviews to ensure it is fit for purpose.**
32. Australian Red Cross welcomes the recent introduction of the National Fundraising Principles to harmonise fundraising laws nationally. This significant move will relieve Australian Red Cross, like other charities, from regulatory and administrative burden, streamlining systems and reducing costs. With the State and Territory plans for legislative implementation due July 2023, Australian Red Cross will closely monitor how the new scheme will be genuinely harmonised across the country and its timely implementation.
33. One of the key benefits of the harmonisation process is reducing the administrative burden for charities. For example, financial reporting to ACNC will be accepted as meeting requirements across all jurisdictions (rather than current obligations which in many instances require reporting to each state or territory regulator).
34. The proposed principles consolidate obligations across jurisdictions which by extension enables consistent reporting, easing ability for donors to find the correct and current information and reducing possible confusion based on jurisdictional nuance.
35. The proposed principles are also consistent with the standards and obligations charities have as members of peak industry bodies such as Public Fundraising Institute of Australia and Fundraising Institute of Australia. Charities are already working towards and are upholding these principles to maintain their accreditation status. The principles are those put forward by these peak bodies after significant consultation with the sector, and therefore represent the interests of large and small not-for-profits.



### 3.6 Expansion of the statutory definition of Public Benevolent Institution (PBI)

#### *Recommendation:*

- vii. **Australian Red Cross recognises a broader change to Public Benevolent Institution (PBI) status requires legislative intervention and would recommend a broadening of the definition to have the greatest impact on helping people at risk of experiencing vulnerability.**
36. PBI status is an important tool recognised by the Australian Charities and Not for Profit Commission (ACNC) and Australian Tax Office (ATO). In essence, PBI status allows charities' activities to be legally defined, as institutions with benevolent relief as their main purpose, with relief provided to people in need. However Australian Red Cross notes the concept of PBI has evolved over time and a review of its definition is timely and should be considered in the contemporary context of service delivery.
37. The current definition of a PBI is focussed on reactive response to needs only, but there is a growing understanding that proactive and preventative activities are an equally important aspect of humanitarian and social services delivery. For example, preparing before disasters, or assisting with long term recovery, are equally important as helping people with their immediate and urgent needs when disasters strike. There is a significant gap in support for pre-disaster resilience building and long-term recovery work. They are undervalued and under-resourced and often at the mercy of waning public and media attention.
38. Broadening the definition will allow a greater scope of work, including preventative humanitarian activities, to be readily funded, and hence increase philanthropic opportunities.

### 3.7 Australian Autonomous Sanctions - need for humanitarian exemption

#### *Recommendation:*

- viii. **Australian Red Cross recommends a humanitarian exemption to Australia's autonomous sanctions regime to promote philanthropy from risk-averse donors, partners and commercial service providers (such as banks) as well as dramatically reduce the chilling effects of sanctions in the form of administrative burdens, financial costs, time and resources.**
39. The International Red Cross and Red Crescent Movement has observed that sanctions measures have unintended adverse consequences for humanitarian action around the world. [The recent joint submission](#) from Australian Red Cross, International Federation of the Red Cross (IFRC) and International Committee of the Red Cross (ICRC) to the Department of Foreign Affairs and Trade's *Public Consultation: Review of Australia's Legal Framework for Autonomous Sanctions* recommends a humanitarian exemption to the Australian autonomous sanctions regime.
40. It is recommended that the exemption cover all impartial humanitarian organisations and be consistent across the autonomous sanctions framework and with United Nations mandated sanctions implemented in Australia under the *Charter of the United Nations Act 1945* (Cth). Consistency is key to make it easier for Government and users to navigate and ensure compliance with both sanctions' regimes. A humanitarian exemption will be crucial to promote philanthropy from risk-averse donors, partners and commercial service providers (such as banks) as well as dramatically reduce the chilling effects of sanctions in the form of administrative burdens, financial costs, time and resources.

## 4. Cost effectiveness of public data sources

### *Recommendations:*

#### ix. Australian Red Cross recommends

- a. **A greater degree of easily accessible government data sharing across the social services sector, so that social services organisations can create more impactful programs on the ground, informed by up-to-date evidence, and a baseline, for performance tracking.**
  - b. **Consistency of data reporting requirements across government contracts, to enable social services organisations to collaborate and respond collectively to social issues.**
  - c. **Government recognises the necessary costs of collecting, maintaining and analysing data, should social services organisations like Australian Red Cross be called on to contribute to local, state or national research for the betterment of the Australian public.**
41. These recommendations were also made in Australian Red Cross' response to Treasury's *Measuring What Matters*. Australian Red Cross acknowledges the need for accurate impact data, to show funders and donors how services are making a difference.

## 5. Vehicles, trends and motivations for giving

### 5.1 Trends shaping philanthropy's future

42. There are a number of trends outlined below (as per periodic sector reporting<sup>2</sup>) that will shape the future of philanthropy and should be considered in future government policy settings, including:
- **Intergenerational Wealth Transfer:** Australians are set to transfer an estimated \$3.5 trillion over the next 20 years between generations, growing at 7% a year.
  - **Big Bet Philanthropy:** Today there are more than 2,200 billionaires worldwide whose fortunes are collectively worth more than \$9 trillion, 122 of whom live in Australia. The world's ultra-high net worth (UHNW) population increased by 2.4% in 2020, bringing Australian UHNI's growth up by 57% from 2015.
  - **Women in Philanthropy:** Women's control of the world's wealth has grown to one third, driven by a 6% compound annual growth rate compared to only 4% for men. While this is a global trend, the estimated growth rate in Australia of 6.5% may outpace the global average through 2023.
  - **Continued Growth in Structured Philanthropy:** Donations through Private Ancillary Funds (PAFs) have almost tripled in the past six years. Since PAFs were established in 1999, their numbers have grown to 1,667 across Australia in 2018, distributing \$394.43 million AUD a year to Australian charities.

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<sup>2</sup> Major Giving: Timeless Principles and Emerging Trends by CCS Fundraising and Koda Capital, September 2021

- **Digital Transformation:** The International Data Corporation (IDC) has estimated that global spending on digital transformation will reach a staggering \$6.8 trillion globally by the end of 2023. Organisations are increasingly integrating digital technology across all areas, including the High Net Worth Individuals (HNWIs) and Ultra High Net Worth Individuals (UHNWIs) who are looking to invest in digital markets. They see merit in crypto assets. The biggest reason for crypto assets to have found purchase among high-net-worth individuals and institutions is “time.” The percentage of crypto hedge funds with Assets under Management (AUM) over US\$20 million increased in 2020 from 35% to 46%.
- **Next-Gen Giving:** 75% of Millennials provided financial support to family, friends or nonprofits since the Covid-19 pandemic began — the highest rate among any generation polled.

## 5.2 Motivations for giving

43. According to Australian Red Cross’ experience, which would likely be echoed by many charities, there are diverse motivations and drivers for giving, whether making a financial donation or volunteering to support our humanitarian work. These may include:

- Seeking social change and connecting to the big picture through collective impact and systems change.
- Making an impact investment - charitable investments with both a social and financial ROI and can demonstrate impact.
- Doing good as a personal moral obligation or due to faith.
- Making a financial investment and seeking high levels of personal engagement with an organisation that can demonstrate tangible social impact and measurable outcomes for communities.
- Demonstrating leadership and seeking publicity and recognition to inspire others to do good and give.
- Championing programs and specific causes close to the heart.
- Leaving a legacy, often part of a family tradition, where investing in the greater good is a source of pride and makes a long-term impact.
- Making a practical contribution through taxable donations and using structured giving for tax purposes.

## 5.3 Mass market charity donor motivations

44. With mass market fundraising, there is no ‘one size fits all’ in terms of areas of work donors are interested in and communication and content preferences. Current donors support Australian Red Cross because they want to help and give back and give to an effective and capable organisation with high levels of trust, impact and reach.

45. Most current donors trust Australian Red Cross, and simply want to see impact and efficiency from their donations, and to see they are ‘helping’ on issues they care about. Disaster work is still our number one most supported area of work.

46. In Australian Red Cross’ experience, Australians are most motivated to give money to the topical issues, and naturally people are more likely to choose a charity they trust. The 2019/2020 bushfires and subsequent emergencies have seen the rise of reactive giving and opportunity responders. These donors tend to give when they hear about a need and opt-out of hearing from the charity again, choosing to give on their terms usually in response to the next emergency or disaster. Younger donors (Gen Z and Gen Y) prefer to give in this way compared to older donors.

#### **5.4 Digital is the new normal**

47. Digital fundraising is the new normal, which has been accelerated by COVID-19 and the impetus to engage online. Digital technology innovation has equally accelerated and is transforming the way businesses engage with consumers; donors expect that same customer experience from not-for-profit organisations. Australian Red Cross and charities are feeling the pressure to keep up and data privacy and security is paramount in how we acquire and engage with donors.

#### **5.5 Donor loyalty and retention**

48. In order to double philanthropy by 2030, donor loyalty and an ongoing long-term commitment to a charitable organisation is key.

49. In Australian Red Cross' experience there are nine drivers of loyalty including:

- Commitment to the cause and charity.
- Engagement with the charity's activities.
- Trust that the charity does what it promises.
- Satisfaction with the charity's communications and fundraising.
- Knowledge of the issue the charity is working to address.
- Perceived performance of the charity.
- Personal connection to the charity or the issue it is addressing.
- Perceived risk if the donor were to stop supporting.
- Social capital gained by supporting the charity.
- Belief that the charity shares the donors' values.

**-ends-**

# Contact Details

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