



PHILANTHROPY
Australia

Philanthropy: Passion & Purpose

Philanthropy Australia Conference 2008

The Future of Australian Philanthropy: New Uncertainties and Opportunities

Opening Plenary by Bruce Bonyhady

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I would like to acknowledge the traditional owners of the land on which we are meeting and pay my respects to their elders past and present.

The theme for our conference is: Passion and Purpose, and the title encapsulates that our hearts and our heads both lie at the centre of philanthropy.

When we set this theme, only a few months ago, the possibility that major governments around the world would step into their financial markets to supply liquidity, buy bank shares, take out toxic loans and provide new deposit guarantees was simply inconceivable.

The conference theme was chosen to reflect the potential opportunities of a more optimistic time: an apology had been made to the Stolen Generation; Australia had signed the Kyoto agreement; the Garnaut Report had put forward a blue print for addressing climate change which seemed manageable; and the resources boom was driving commodity prices and Australia's terms of trade to record levels.

A golden age of philanthropy was continuing.

Now it is clear that economic growth around the world will slow dramatically and many countries will experience recessions. Last week it seemed possible that the Great Depression, like the Great War, might become known as the First Depression and, even after the announcements of the last few days, this remains a possibility. Thankfully, however, the odds have lengthened.

Australia goes into this period of dislocation in a stronger position than most other countries. The Commonwealth Government has announced a major new stimulatory fiscal package, there is almost no Commonwealth Government debt, the Reserve Bank has started to cut interest rates quickly, our banks are better

capitalized than those in most other countries and there is scope for further major interest rate cuts and budget stimulus if necessary.

However, it is already clear that in Australia, as well as in other countries, there will be increasing needs for philanthropic support. In this much more challenging environment, philanthropy's passion and purpose will be even more vital to our future.

My intention this morning is to set the scene, to consider new possibilities and to begin what I hope will be a rich and inspiring conversation over the next two days. I have entitled my remarks *The Future of Australian Philanthropy: New Uncertainties and Opportunities*.

There are three primary forces that shape philanthropy. These are:

1. Economics and markets;
2. Government policies; and
3. Altruism, the desire amongst each of us to help those less fortunate¹.

In recent years the key driving forces behind the rapid growth in Australian philanthropy have been very strong economic growth and steeply rising equity markets, government policies which encourage philanthropy and a growing recognition that responsibility for a civic society rests with us all.

Now that the economic outlook is changing rapidly, there is an opportunity for each of us to:

1. Understand and learn from recent changes in the economy and markets;

¹ Lucy Bernholz, *Philanthropy* 2173, October 2008, www.smartphilanthropy.org/reviews.html

2. Reflect on current and prospective changes in government policies and apply our experience, wisdom and influence to create long-term improvements at a time of major change; and,
3. Inspire both more and more effective philanthropy by combining our hearts and heads in new ways.

Therefore, new opportunities for philanthropy lie ahead, as well as new uncertainties. However, before turning to these we should reflect on how philanthropy has, in the past, responded to economic, social and financial turmoil.

History

Tudor Philanthropy

The emergence of organized, secular philanthropy in the Western tradition – particularly in the English speaking world – occurred in the early 17th century and was in reaction to the 16th century transition phase between feudalism and capitalism and the dissolution of the monasteries under Henry VIII. The Agrarian Revolution led to widespread dispossession of the peasantry, while rising prices lead to a doubling of profits and a halving of wages². The closure of the monasteries added to the poor as thousands of monastic servants lost their livelihoods, while also removing the traditional welfare system, as the churches were plundered to bolster the state's finances and prepare for an expected war with Catholic Europe. This lead to the closure of many schools and hospitals and coincided with a large increase in population after the Black Death, and the creation of a new underclass through widespread changes in farming practices.

In response to the crisis, the increasingly wealthy middle class, largely composed of merchants who were making unprecedented fortunes through trade with the

² A L Morton (1938), *A People's History of England*

colonies and through the provision of luxuries to the nobility and the Crown, began to provide to those less fortunate. These new private philanthropists operated in a distinctly different way to the mediaeval system – providing funding to other parts of the country than their immediate surroundings, and giving to riskier and more challenging causes such as social rehabilitation³.

The relevance of this period to our sector today is still felt, as the 1601 Charitable Uses Act is the root of our definition of charity in Australia today. It defined Charity as:

“ Money and stocks of money ... given by the Queen's most excellent Majesty, and her most noble progenitors, and by sundry other well disposed Persons for the relief of aged, impotent and poor people, ... sick, maimed soldiers and mariners, ... preferment of orphans, some for marriages of Poor maids, ... handicraftsmen and persons decayed...”⁴

This golden age of philanthropy – indeed, the first great wave of Western organised philanthropy, led to the first endowed charitable trusts. It ended, although philanthropy itself continued, with England’s involvement in long draining wars, including the English civil war and the Thirty Years War.

Victorian philanthropy

The Victorian era was another in which great poverty and great wealth existed simultaneously – and gave rise to further great philanthropy. Thus the paradox of philanthropy itself is not new: It has always been the child of the unequal benefits of a market economy and good fortune and the father of support for the disadvantaged and more equal opportunity⁵.

³ Prof W K Jordan, *Philanthropy in England, 1480-1660*

⁴ Extract from Preamble to the Statute of Charitable Uses, 1601, England

⁵ Bruce Bonyhady, Presentation to Philanthropy Australia AGM, 26 April, 2007

The Industrial Revolution led to massive social problems as traditional cottage industries were replaced, and the rural population migrated to the cities in search of work. Infrastructure could not keep up, living conditions and pay were appalling, and the cities became hotbeds of disease and accidental death. At the same time, industry and commerce led to rapidly burgeoning wealth for a few.

Philanthropy during this period again became experimental and began to develop what we would now call social investment programs, where donors would invest in such programs as building new homes for the poverty-stricken and investing their money into good causes with the expectation of a respectable, although below market, return. Education was also a popular cause, and philanthropists endowed new schools and chairs at universities. Philanthropy responded to the population explosion, in some instances, by paying one-way tickets for hopeful colonists to emigrate to Australia or Canada. And some of Britain's wealthiest industrialists such as Joseph Rowntree and the Lever brothers built model villages to provide their workforces with healthy well-equipped houses and other amenities. New endowed foundations also multiplied.

This age of experimentation and burgeoning philanthropy came to an end in the early 20th century – partly with the implementation of industrial reform to improve conditions and prevent child labour being used, partly because of higher levels of income tax, land tax and inheritance tax, and finally through the need to finance participation in the First World War.

The Great Depression and philanthropy

On the other side of the Atlantic, the cycle of boom and bust was gearing up just as it was deflating in England. The US economy expanded massively, in part fueled by substantial immigration, and experimental philanthropy again flourished. Scottish-born Andrew Carnegie, inspired by Darwin's principles of natural selection, focused much of his philanthropy on libraries and became an

early proponent of challenge grants, refusing to provide libraries for towns which would or could not provide their share of construction costs and ongoing maintenance. In 1907 John D. Rockefeller became the world's first billionaire; his philanthropy was also based on scientific and business principles, aimed at health and education. Also during this period the community foundation movement was born in the US.

The post-war economic bubble burst in 1929 with the stock market crash, and by 1933 about 80% of the value of stocks had disappeared. Government social nets worldwide could not cope with the global depression. Wealthy foundations were expected to at least partially plug the gap in funding, ending much of the experimentation in "scientific philanthropy" that Rockefeller and others conducted; the drastic fall in share values saw many reduce their programs substantially. There were exceptions; rising tax rates to cope with the crisis saw businessmen like Henry Ford endow massive foundations, while in Australia, Sidney Myer cut wages rather than staff numbers and provided the government with funds to create employment programs, as well as conducting a public campaign to urge others to buy Australian and to find more opportunities to offer employment.

From these histories we can see some clear patterns emerging. Massive growth in wealth leads to philanthropy. Good times and healthy economies provide the scope for philanthropic experimentation. Sudden turmoil – whether in the form of war, huge tax increases or stock market crashes – leads to philanthropy being expected to reign back its experimentation and focus on "charity" in the strictest definition of the word, in order to support immediate needs and survival.

Australia Today

So what does this historical lesson tell us about where we, as part of the Australian philanthropic sector, stand today? And what does it tell us about where we might be heading?

There are many similarities. Australia has been riding a buoyant economy, with 17 years of successive economic growth, low inflation, low unemployment rates and a wave of wealth creation.

Wealth creation leads to philanthropy and we have seen a decade of extraordinary growth. Much of this expansion has been through Prescribed Private Funds. Since 2001, 800 PPFs have been established, with an estimated total combined value of \$1.5 billion and in 2007 PPFs distributed \$117 million to DGRs, an increase of 58% over the previous year⁶. Giving in Australia has been also been growing steadily in real terms every year since figures were first collected in 1988 and the average donation has more than doubled in the past decade.

The nature of giving and the tools and approaches have also changed; social enterprises, “venture philanthropy” and corporate community investment have all been much-examined trends over the past decade. None of these approaches is new – as we can see from the historical examples – but the tendency towards this more challenging type of philanthropy is typical of previous “golden ages” of philanthropy.

Simultaneously with this unparalleled growth and economic prosperity, we have seen a widening of the gap between the wealthy and disadvantaged. In Australia one in seven children are living in jobless families, the second highest in the OECD and nearly 10% of Australians, including 365,000 children, live below the

⁶ CPNS Current Issues Sheet 2008/3 Prescribed Private Funds, Centre for Philanthropy & Nonprofit Studies, Queensland University of Technology, http://www.bus.qut.edu.au/research/cpns/documents/2008_6_PPFs_Final_Web.pdf

most austere definition of the poverty line that is widely used in international research⁷.

Going forward, non-profit organizations, which have experienced many years of under funding from governments, are likely to see a drop-off in donations and their investment portfolios will have declined with the markets. In some cases there will be write-offs due to exposures to very risky assets.

As questions are asked about corporate governance and fiscal responsibilities of the boards of troubled companies, this may “spill over” into suggestions that regulation of the non-profit and philanthropic sector should also be increased.

Our historical examples show us that traditionally this kind of crisis leads to an end to challenging, experimental, daring philanthropy. When the economy is not in crisis, the philanthropic sector is able, perhaps even expected, to experiment, to take risks, to venture outside the realm of what is safe and known and well-tested and to experiment with the unknown and. In times of crisis and economic downturn, the needs change and the expectations are accordingly different.

The challenge for the philanthropic sector today, in these more uncertain economic times, is to meet the new immediate needs and to be creative; to work more effectively with our partners in the not-for-profit sector, governments and corporations; and to maximise long-term impact as well as meet new short term demands.

Let me now turn to the three key forces that will shape philanthropy going forward—economics and markets, government policies, and altruism which we have termed passion and purpose for this conference—starting with economics and markets.

⁷ ACOSS, Australia Fair Report, 2007

Economics and Markets

The origins of the current economic and financial crisis lie in the United States where a number of US banks and other financial institutions started to get into trouble last July as a result of the so-called “sub-prime crisis”. These problems reflect poor lending practices in the US home mortgage market, including widespread lending to borrowers with low creditworthiness using loans with low “teaser” starter rates.

These borrowers were relying on rising house prices to meet their future debt servicing costs by taking out further loans. Once house prices started to plateau, the banks started to foreclose on more and more mortgages, houses were sold, prices started to fall and the bubble, like all speculative bubbles, burst.

The contagion then spread from the originating banks in the US to foreign banks with branches in the US, and through the global financial sector because many of the mortgages had been on-sold. From there it has threatened the banking system which is the lifeblood of every economy.

The sharp falls and unprecedented volatility in equity markets, notwithstanding the rebound in recent days, will have a profound effect on the capital value of foundations, because many foundations have high equity exposures as a hedge against inflation which is their greatest long-term risk.

The dangers of inflation to perpetual foundations were particularly evident in the 1970s and 1980s when restrictions on investments in Australia forced most foundations to have large exposures to bonds. As inflation rose the real value of the assets of foundations fell, reducing their future spending power. From the mid 1980s through to the mid 1990s the restrictions on foundation investments were gradually removed and they were permitted for the first time to invest heavily in equities.

For foundations that distribute a fixed percentage of assets, as is the case for private foundations in the United States, there will be major reductions in distributions in the year ahead. In the case of corporate foundations that are not endowed and which rely on a share of company profits, there is a high probability that future distributions will be cut. In some cases, corporate foundations have disappeared due to corporate bankruptcies.

Perpetual foundations that have been focusing on sustainable growth in income will be least affected by the turmoil in financial markets. However, many foundations are likely to at least review their investment strategies, because of sharp reductions in the capital values of their portfolios and, possibly, falling incomes.

The Philanthropy Australia Trustee Handbook highlights how foundations should seek to grow their real incomes over time. So the recent market instability provides a timely reminder for all Trustees: Beware speculative bubbles, identify key trends and ensure that portfolios are largely comprised of companies with sustainable long term earnings growth potential.

A second important investment lesson from the recent market turmoil is that corporate debt is highly correlated with equity prices. In recent years, fixed interest portfolios have been increasingly diversified away from government debt into credit portfolios in order to enhance yields. Some of these portfolios have included very low grade debt and collateralized debt obligations or CDOs. However in a financial crisis, such as we have experienced, government debt prices rise, as part of a flight to quality, while corporate debt can plummet in value. It is therefore likely that some trustees with fixed interest portfolios will need to review their portfolios to achieve greater capital stability in future.

Looking ahead other investment opportunities and approaches may emerge. Mission Investing has been slow to develop in Australia, but the Commonwealth Government has recently announced a National Rental Affordability Scheme. The Scheme provides a government subsidy to private investors to invest in new housing to people on low incomes provided the rents are less than 75% of market rates and less than 25% of tenants' incomes. For foundations interested in homelessness this will provide a way of using their capital as well as their grants to support their mission.

In early 2005, the United Nations invited a group of leaders from the international investment community to develop a set of best-practice principles for responsible investment. The UN Principles for Responsible Investment⁸ include environmental, social and governance criteria and provide a framework for achieving better long-term investment returns.

In some cases foundations have considered these factors by employing negative screens and so they have excluded companies based on sectors, for example, alcohol and tobacco. However, this is a very limited interpretation of sustainable investing and so the recent turmoil may lead to a new focus on the importance of environmental, social and governance matters. This would be welcomed by those companies which have been investing in these vital areas and have not seen it reflected in their share prices.

Philanthropy lags the economic cycle. Globally, because the United States has been the dominant economic power, it has also been the dominant force in global philanthropy, with the Bill and Melinda Gates Foundation leading the way in tackling global health issues.

⁸ <http://www.unpri.org/principles/>

Just as the US is now losing its global economic leadership and Asian countries, particularly China and India, are emerging as dominant forces, so their philanthropy will follow. Indeed it has already started.

Traditionally Asian philanthropy has been very private and very family oriented while Muslim philanthropy has tended to be gathered and distributed institutionally. Education, cultural and community facilities have always been regarded as worthy of philanthropic support, as well as the relief of poverty and disease.

In 2007 in Hong Kong, Mr Li pledged some US\$10 billion to the Li Ka-shing Foundation and in December 2007, UBS reported that donations from the top 50 publicly disclosed philanthropists in China had risen eightfold in three years to US\$11 billion in 2007⁹. How these changes will affect global philanthropy is unclear, but there is no doubt that they will be influential.

Judith Dobrzynski in an article, "Philanthropy in China"¹⁰ earlier this year predicted that:

"competitive philanthropy" [will not] take root in China the way it has in America – with rich individuals vying to top one another with gifts. In China, a wealthy family would never vastly overstep its position with an outsized donation ... Another distinction is that while philanthropy in America is frequently aimed at fostering social change, the Chinese prize social harmony and stability, and the bulk of their gifts go to safe, non-controversial areas like education, poverty alleviation and basic health care. Global warming would be out, as would AIDS and women's causes"

Government Policies

⁹ <http://www.carnegie.org/reporter/16/philanthropy/index.html>

¹⁰ Judith H Dobrzynski, *Philanthropy in China*, Carnegie Reporter vol.4 no.4, Spring 2008

Let me now turn to the ways in which Government policies affect philanthropy, both directly and indirectly.

First, philanthropy benefits from significant taxation concessions. In 2006/07 tax deductions for gifts to approved donees totalled \$710 million and deductions for donations to prescribed private funds totalled \$160 million, having risen steadily from \$25 million in 2003/04¹¹. However, the other side of the coin is that these private gifts provide community benefits that would otherwise not be there, with PPFs distributing \$301 million in 2006/07.

The benefits of these acts of benefaction will continue to be evident in the years ahead as the recently formed foundations provide new sources of philanthropic grants, just when the community needs additional support. Therefore, over the economic cycle government support for philanthropy creates an automatic stabiliser effect as new wealth is transformed into perpetual foundations in the good times and then dispersed as the cycle weakens.

Therefore both from a community perspective and in order to facilitate a vibrant philanthropic sector and to deepen Australia's philanthropic tradition it is important that the current taxation concessions that encourage philanthropy are retained. Philanthropy Australia, on your behalf, continues to remind the Government and its key advisers of the importance of philanthropy. It is also pleasing that our task is being made easier by the trend amongst Members for foundations to publish annual reports, facilitate public access through new web sites and, more generally, build public confidence in philanthropy through greater transparency.

Second, in recent weeks the governments in many countries have crossed the Rubicon by becoming shareholders in their banks. This new and unexpected

¹¹ Australian Treasury, Taxation Expenditure Statement 2007, pp 76 and 77

development reverses many years in which the public sector has been reducing its direct ownership of infrastructure, shareholdings in companies and direct service provision. It marks a dramatic change in the role of governments within the capitalist system, the end of *laissez-faire* economics, as it has been practiced, and, almost certainly, the start of new and hopefully better regulations.

We have seen the high watermark in the perceptions of the optimal role of the private sector in our economies and the fallout in financial markets may also lead to other changes in the roles of the public, private and non-profit sectors; and philanthropy.

For example, the private sector in Australia has been active in recent years in public-private partnerships and has extended its involvement into the aged care and child care sectors, which were previously dominated by non-profit organisations. Now that credit has tightened these sectors may no longer be attractive to private investors, while there are also signs that the community is dissatisfied with the quality of service in child care and the conflicts between improving service and maximising shareholder returns. It is therefore possible that there may be a return to more traditional arrangements in which governments and philanthropy once again fund the growth of non-profit organisations in critical service areas.

Third, there are new opportunities for philanthropy and governments to work together in complementary roles. Philanthropy is often entrepreneurial and has a high tolerance to risk, while governments are usually cautious and risk averse. Philanthropists and trustees of foundations are independent, while governments are responsive to pressure from numerous stakeholders. Given their relative resources, philanthropy's efforts are best directed to start-ups, while governments are best placed to take projects to scale. Philanthropy is built on deep bottom-up knowledge, innovation and has long term horizons, while governments usually take a top down perspective and are often short term and

cost focused. Philanthropy also works best through mutually-shared goals and equal partnerships while relations with governments are rarely equal.

Partnerships between philanthropy and governments have been only rarely explored in Australia and have great potential. Perhaps the establishment of the Social Inclusion Board, the Compact between Government and the non-profit sector and the establishment of institutions, such as the Centre for Social Impact, will provide a fertile ground for new collaborations to flourish.

Fourth, just as new risks have been found to lie in financial markets, the risks to welfare and over the life course are being reanalyzed. This is likely to have a marked impact on government policies and philanthropy. In Australia, the former Deputy Prime Minister, Brian Howe¹², is leading this thinking on risks and transitions through the life cycle. He argues that the structure of social policy needs to shift from support at a single point of time and a static safety net that can leave people close to poverty or in crisis for years, to a more dynamic construct that supports personal development and new opportunities.

For philanthropy, this will create new avenues to contribute to research and analysis, the development of new best practice service models, the dissemination of new ideas and more informed public discussion and choices.

Fifth, the Australian Treasury, amongst a number of groups including the OECD, has had an interest in measures of well-being and published a paper on this topic in 2004¹³. However, since then purely economic measures of well-being, such as real GNP and wealth, have remained at the centre of the economic and social policy debate.

¹² Brian Howe, *Weighing Up Australian Values*, UNSW Press, 2007

¹³ Australian Treasury, *Policy advice and Treasury's wellbeing framework*, 2004

The recent extreme volatility in financial asset prices has also brought into sharper focus the importance of broader measures of well-being which include measures of greater independence and social inclusion, improved physical, mental and spiritual well-being and environmental sustainability, as well as financial and income measures.

Looking ahead, to the potential consequences from climate change, and based on the experiences we are already seeing in communities that are trying to survive without water, indicators of well-being are likely to move closer to centre stage. In this emerging policy environment, philanthropy through its capacity to provide unique resources and its focus on improving well-being is likely to have a more vital role to play.

Passion and Purpose

Let me now turn to the third force that will determine philanthropy's future directions: philanthropy's passion and purpose.

Australia's philanthropic tradition, as we have seen, dates back many decades, to the late 19th century in fact. It has expanded strongly in recent years as a result of rapid wealth creation and a conducive taxation environment. Now that economic growth is set to slow, it is vital that Australia's philanthropic tradition becomes more deeply ingrained.

At this time, there are a number of opportunities and factors which are unique to our sector and which will influence philanthropy as it continues to move forward.

Firstly, Australia remains a rich country, yet when we compare ourselves to other countries the rate of giving is not particularly high. In 2005-06, the latest year for which we have comparable data, philanthropy as measured by total gifts of

money and goods and services was 0.7% of GDP in Australia, compared with 0.5% in Canada, 0.8% in the UK and New Zealand and 1.6% in the US¹⁴.

Earlier this year, the Petre Foundation commissioned a report: Good times and PHILANTHROPY Giving by Australia's Affluent¹⁵ which concluded that affluent Australians, those on taxable incomes of between \$100,000 and \$500,000, give 0.45% of their incomes, which is not much more than average Australians who give 0.33%. The report also concluded that the level of personal wealth held by wealthy Australians has accelerated at a much faster rate than their charitable giving and, despite a few outstanding examples, there is little evidence that Australia's ultra-rich are giving at the same rate as their overseas counterparts.

Therefore, as philanthropists, part of our role in the new environment should be to redouble our efforts to inspire others to give, so that they too will provide community benefits and experience the joys of giving.

Second, with so many new players having entered the philanthropic sector, expectations by new philanthropist and of new philanthropists are very high. Many are still in a learning phase – learning about the not-for-profit sector, learning about the causes of social and environmental issues, and learning about the challenges and opportunities presented by civil society.

To illustrate the path that most philanthropists tread, Philanthropy Australia has developed the “5 Steps of Philanthropy”¹⁶. These steps describe a spectrum for philanthropic endeavour and allow individuals, foundations and indeed corporations to identify where they are on the journey as a whole or on a particular issue. An alternative way of looking at the philanthropic journey is to

¹⁴ Giving Australia Research on Philanthropy in Australia, October 2005 and Giving New Zealand, Philanthropic Funding 2006

¹⁵ Madden, K and Scaife, W, Good Times and PHILANTHROPY: Giving by Australia's Affluent, March 2008, <http://www.bus.qut.edu.au/research/cpns/publications/>

¹⁶ <http://www.philanthropy.org.au/pdfs/philaus/5%20Steps%20in%20Philanthropy.pdf>

consider it as a shift towards greater effectiveness and impact. A continuation along this path will be critical if the growth in funding slows and, possibly, falls.

Third, in the continuing quest for greater effectiveness and impact, we must recognise that the art of philanthropy will be as important as the business and the science. Philanthropy requires wisdom as well as intellect, experience as well as a desire to change, a tolerance for ambiguity and generosity of spirit.

As Rupert Myer said recently in his Alfred Deakin Lecture, *The Nation and Beyond: The New Philanthropy*¹⁷:

It is well to remember the complexity in attempting to measure results. Einstein, who knew a little about measuring the seemingly unmeasurable, had a sign in his office at Princeton that read: *“Not everything that counts can be counted and not everything that can be counted counts.”*

This reminder could not be more timely given recent events in financial markets where we have seen that the official counters, the rating agencies, failed spectacularly to count what needed to be counted. So as we in the philanthropic sector navigate the social sector, which is inherently more complex than the corporate sector, both the need for and the complexity of sound measurements should be at the forefront of our thinking.

Fourth, when the Council of Philanthropy Australia, last year, put forward its definition of philanthropy, which is:

The planned and structured giving of money, time, information, goods and services, voice and influence to improve the well-being of humanity and the community¹⁸.

¹⁷ <http://www.deakinlectures.net/program/index.html>

¹⁸ <http://www.philanthropy.org.au/>

we did so in recognition that philanthropy is more than money. In an environment in which wealth has been reduced, the other elements of philanthropy will become more important. Indeed, philanthropy at this time may be able to expand its reach by helping to build on the 41% of Australians who are engaged in volunteering and through the sector's influence and voice¹⁹.

Fifth, wealth transfers rather than wealth creation may become the more dominant driving force behind philanthropy in the years immediately ahead. Clearly, the recent declines in equity prices, notwithstanding the rebound in recent days, will leave people feeling poorer. However, we remain a very wealthy nation and over the next 20 years \$600 billion will be transferred from the Baby Boomers to the next generation²⁰.

Sixth, as corporate profits have risen to record levels as a proportion of GDP in recent years and the competition for staff has intensified, corporate Australia has embraced the principles of corporate community investment. The aims have been to build shareholder value in the medium to long term by strengthening relationships with customers, the communities in which they operate and staff.

These measures have been particularly important in attracting and retaining Generation Y staff who are generally interested in working for a company that is socially responsible. Corporate community investments have included new support for volunteering through paid time to work in the community, corporate giving programs and direct engagement with the community. Specific examples include the mining companies which have expanded their work with remote indigenous communities, the banks sponsoring financial literacy programs and new corporate foundations, including a number which have become leaders in

¹⁹ Volunteering NSW, http://www.volunteering.com.au/latest_news/national_volunteering_news/2006/volunteering_news_nab_winners_260906.asp

²⁰ *Business Review Weekly*, May 18 2001

innovation. Now, with corporate profits under downward pressure, the challenge for CEOs will be to continue to build shareholder value and sustain their companies' community engagement.

Seventh, through technology there is an opportunity for Australian philanthropy to increase its effectiveness by better using technology as an enabler, as is now widespread in business.

Philanthropy Australia has been moving in this direction for some time now, with the implementation of innovations such as the PhilanthropyWiki, which acts as a vehicle to gather, manage and access the wealth of information and knowledge held in the philanthropy sector. It provides a comprehensive store of knowledge and a solid research base for the sector.

Philanthropy Australia has also chosen to open up the majority of the information we hold to the wider community. We believe this to be of vital assistance to those who are new to our sector and unsure how to access the vast network of information available.

In this spirit I am pleased to launch our latest initiative - the PPF Website.²¹ Maintained and hosted by Philanthropy Australia, the PPF website is a hub for those interested in Prescribed Private Funds – including the question of whether to establish one or not. It offers legal and structural information about PPFs, issues and debates relating to philanthropy, case studies and interviews with PPF founders and trustees. We also have a PPF News section with news, legislative developments and other timely information of value to PPF staff and trustees as well as to wealth advisors and others interested in developments to do with this relatively young and dynamic trust structure.

Concluding Observations

²¹ <http://ppf.philanthropy.org.au>

In conclusion, the recent turmoil in the banking system and in financial market has created new uncertainties, but there is cause for optimism because the Australian economy is well placed, the growth in philanthropy in recent years creates a higher base from which to give, and there will be many new opportunities for philanthropy.

For trustees, it will be essential to refocus portfolios on sustainable growth assets and there will be new opportunities and threats from some of the flow on effects from the recent events and climate change.

Trustees will also need to understand changes in the boundaries between governments, the corporate sector and the non-profit sector.

The trend towards new regulation will need to be tempered by a recognition that regulation itself has costs, and must be purposeful and not burdensome.

There should be new opportunities for partnerships between government and philanthropy, especially for foundations with the self-confidence and the desire to maximise their impact in the long-term.

Inter-generational transfers and community values rather than economic growth will be the driving force behind the growth in philanthropy, and we will all have the opportunity to inspire new philanthropists.

Corporate leadership will be tested as the profit outlook weakens and there are simultaneous demands for increased corporate community investment.

All foundations will have need to continue to improve their effectiveness, and technology will be an important enabler.

Indicators of well-being are likely to grow in stature in the future and, as in financial markets, social policy is likely to focus more on managing risks.

Asian economic leadership will eventually be reflected in Asian leadership in philanthropy. It is vital that we recognise, listen to and learn from the Asian experiences and are open to external traditions and innovations.

Finally, although this may not be a time when we can rejoice in unbounded and unlimited growth, we can recognise the opportunities it presents. While giving in times of prosperity is rewarding, philanthropy in lean times is even more vital. We have the chance to harness our passion and purpose and to make this the opening of a new chapter in Australia's philanthropic history, one in which our response to crisis is not to hold back or to stifle innovation but to find new and creative ways to navigate through difficult economic and social circumstances with courage, wisdom, passion and purpose.

Thank you.