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Community Foundations in the Australian Philanthropic Landscape

Bruce Bonyhady, October 2010

Thank you for the invitation to address your 2010 Community Foundations Forum.

The title of my speech is 'Community Foundations in the Australian Philanthropic Landscape' and I intend to focus on three areas. First, the positioning of community foundations within the broader philanthropic landscape and the unique niche they occupy in the overall sector. Second, I will comment on the role that Philanthropy Australia is playing in helping the sector to grow and to have greater impact. And thirdly, I will focus on the vital role that community foundations can play as a part of our philanthropic community and some of the opportunities open to you.

Community Foundations

Let me begin with a discussion on the special role of community foundations in Australia and how you might continue to build a unique niche. In commenting on this topic I am very conscious that my direct experiences are in other parts of the philanthropic sector. I therefore offer these comments as part of a conversation rather than new ideas or solutions.

My starting point is that community foundations are very important because they represent grassroots philanthropy at work in local communities. They are also non-profit organisations and so all of their income is returned to the community. In a diverse sector both for-profit and non-profit providers are essential. It is also clear that for many people philanthropy is built on early habits of giving. Community foundations provide a structure through which people can start modestly and give regularly, as well as embodying community generosity and community spirit, and so I believe that they are a vital ingredient in our philanthropic landscape.

In my background reading for this speech, I was struck that there are approximately 1,400 community foundations in the world, almost one half are found in the United States, the largest distribute more than \$200 million per annum and that the community foundation movement began in 1914.



Compared to the giants of the US, the community foundation movement in Australia is clearly small. However, exactly the same observation can be made about Australian foundations more generally, when compared with their larger sisters and brothers in the US.

While a minimum critical mass of funds is essential for all foundations, money is only one of a multitude of resources available to foundations. Some of you, I know, attended the recent Philanthropy Australia Conference at which Dr Susan Raymond, Executive Vice-President Changing Our World, was a guest speaker. In a very informative and entertaining address entitled *The Philanthropic Path Forward: Road Signs from the Other Side of the World*, Dr Raymond suggested that in the philanthropic sector money can block the view of the road ahead. She said:

“Although we celebrate the growth in philanthropy and the unprecedented flow of funds to the societal commons. Philanthropy is not simply about money... Philanthropy is the voluntary commitment of personal resources to addressing problems that we share together. It is an expression of community commitment. The road ahead is not made of, nor does it lead to, money.”

As you know, Philanthropy Australia has for some time defined philanthropy as:

‘The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.’

I would suggest that this definition is of great importance when considering the unique position of community foundations. Because community foundations are of community they naturally include more than money, because communities themselves are comprised of much more than the money. To paraphrase Dr Raymond, money does not block the view of community foundations.

I would also suggest that in seeking to clarify the special role of community foundations in Australia looking at overseas models is very helpful, given their long history and strong growth, but there will also be differences.

The reason is that philanthropy in Australia is developing differently to philanthropy internationally and so just as Australian foundations are developing different modus operandi to their international counterparts, I would expect differences between Australian community foundations and those found overseas.

Let me give an example. In the US, the way not-for-profit organisations scale up is to nurture their supporter bases, developing relationships with individual donors and foundations, working towards bigger donations, and eventually securing a large bequest. The scale of private wealth and the rich tradition of philanthropy in the US, along with a narrow view of the role of governments, make this entirely possible and indeed essential.



In the US, trust in government to provide public benefits is also comparatively low, and so some philanthropy in the US appears to be aimed at keeping government away from certain areas and organisations.

By contrast, the role of government in Australia is much more pervasive. Australians can and do expect government to provide, while also emphasising the importance of opportunity and self-provision. As Adam Smith said “people are both self regarding and other regarding”.

Diana Leat, who as you know has spent much time undertaking research in Australia, argues that:

“... in Australia it is compulsory to vote which may have some effect on allegiance to the notion that a democratically elected government is the right vehicle for deciding policies and priorities”¹.

The evidence for this was clear in the recent Federal election, when the Prime Ministers suggested a people's assembly should decide Australia's approach to climate change. The reaction of the community was overwhelming: that is what we elect our parliamentary representatives to do.

In Australia, direct government spending represents more than 24 per cent of GDP. When transfer payments are added in the role of government is even more significant. Governments are the dominant funder and determinant of social policy. Therefore for philanthropy to achieve scale and maximum impact it must influence government policies and partner with governments rather than work alone.

Earlier this year, the Federal Government established a National Compact with the Non Profit Sector, which defines a shared vision in which:

‘The Australian Government and the Third Sector will work together to improve social, cultural, civic, economic and environmental outcomes, building on the strengths of individuals and communities...based on mutual trust...[and which] protects the freedom of Third Sector organisations to contribute to public debate without impact on their funding or status’.²

The Compact and the signal it sends to other levels of government is a very important enabler of the non profit sector and its potential to be a catalyst for transformational change. It is for this reason that Philanthropy Australia was delighted when it was invited by the Federal Government to be an inaugural signatory on behalf of the sector.

Australian philanthropy should therefore be a catalyst for better public policy and should partner governments. In the case of community foundations I would suggest that you are ideally placed to influence local government plans and policies and beyond.

¹ Diana Leat, *The Development of Community Foundations in Australia: recreating the American Dream*. QUT Centre of Philanthropy and Nonprofit Studies, 2004.

² National Compact working together, 2010



The other aspect of community foundations which I think is critical to their positioning is what we mean by community. How should we define community in the context of community foundations?

The Oxford Dictionary defines community as:

‘The quality of appertaining to all in common’.

Community is also based on communications and the essence of communities is shared views and purpose.

Of course, when the community foundation movement was formed, communications were very different to today. Telephones, cars and other modern communication methods were not widespread or had not been invented. It was therefore logical to think of community foundations as being centred on local geographic areas, where people lived in close proximity and so could have regular face-to-face contact.

In the Australian context, this conceptualisation leads to an obvious dilemma in the 21st Century, especially in rural and regional areas, but also in cities which are often made up of many diverse communities. For example, more than geography separates the outer western suburbs of Sydney, the north and the east.

In rural and regional Australia globalisation has led to a thinning of population densities especially away from the coast because, apart from Canberra, there is no city of more than 100,000 people. As a result, there are enormous tensions in the structure of rural community foundations. They are either based on small populations or vast distances or both and so it is difficult to build critical mass and common purpose.

However, the introduction of the National Broadband Network, I think, may create new possibilities for community foundations where it will be possible to think about them differently. There are already many online communities, but what is the potential for a community foundation to be organised largely virtually? For example, would it be possible to create a new community foundation through technology, which seeks to draw together all people in the Murray-Darling Basin interested in a sustainable community, to build resilience and adaptability at a time of major structural changes and which supports both a living river system and new livelihoods?

Questions such as the potential diversity of resources available to community foundations, the opportunities to partner with governments and the definitions of community in the context of community foundations are of course challenging, but I hope that they serve to stimulate discussion and help to cement community foundations at the heart of the Australian philanthropic sector.



Philanthropy Australia's Role

Let me now turn to the role of Philanthropy Australia.

The Strategic Plan for Philanthropy Australia identifies four key goals:

1. **Representation.** To represent the views of our members on the key issues affecting the philanthropic sector, to be an active and thoughtful contributor to the major issues affecting community well-being and to be the leader and principal representative of a vibrant philanthropic community.
2. **Grow and Inspire.** To build a larger and stronger philanthropic sector and to promote the positive contribution philanthropy makes to the well-being of the community.
3. **Effectiveness.** To improve the effectiveness of philanthropy and the community's understanding of the role of philanthropy and to continually enhance the efficiency and effectiveness of Philanthropy Australia.
4. **Governance.** To encourage strong and transparent governance of the philanthropic sector and for Philanthropy Australia to be recognised as a well governed peak body, with strong support amongst its constituents.

Under the heading of Grow and Inspire, Philanthropy Australia has determined that promoting community foundations is a key objective because of the importance of building stronger communities and contributing to bottom up philanthropy. Philanthropy Australia therefore employs a part-time Community Foundation Officer, Andrew Lawson, to help advise community foundations; the Community Foundation Network provides a regular forum for community foundations to meet and share ideas and experiences; and this Community Foundation Forum has become an annual event.

Philanthropy Australia conducted a membership survey earlier this year, which both surveyed the demographic characteristics of our members and offered them an opportunity to voice their opinions about membership services, as well as the issues they felt the organisation should concentrate on going forward. For the most part the responses were positive. However, among the issues raised was a suggestion that Philanthropy Australia sometimes tends to overlook community foundations in favour of the "larger end of town" – the Private Ancillary Funds and trustee companies.

Philanthropy Australia's membership is extremely diverse, and providing adequate resources, attention and representation to every part of that membership is certainly a challenge. It is a task which Council takes very seriously. In fact Philanthropy Australia currently supports community foundation members, particularly through the resourcing of our Community Foundations Officer, beyond what is strictly economic. This is a direct and practical contribution by Philanthropy Australia to growing and inspiring the sector, through support for community foundations.



Therefore, the views I expressed earlier about the importance of community foundations is not just my view; it is a view which is shared by the Council of Philanthropy Australia. Indeed, for three years Terry Macdonald, a member of Council, chaired the Community Foundation Network as part of Philanthropy Australia's direct support for your sector.

The support for community foundations also reflects a recognition by the Council of Philanthropy Australia that community foundations are an integral part of our interrelated and connected philanthropic community. It is impractical for any part of the community to exist in isolation from the rest; like a series of interconnected gears, if one stops working it interferes with the smooth operation of the rest.

Philanthropy Australia's representation work on behalf of Private Ancillary Funds is an example of the interconnected nature of the overall philanthropic sector. When the first Treasury discussion paper into the regulation of what were then Prescribed Private Funds was released back in late 2008, it was clear that this was potentially the first step in a wider policy of tightening regulations and changing legislation governing the entire philanthropic sector. Therefore, more time and effort than usual was spent on submissions to the PPF enquiry, not just for the benefit of PPFs and their donors, but because it was important for the government to understand philanthropy and get its reforms right to ensure the future vitality of the sector.

In the event, the potential for the PPF enquiry to be the first step in a wider program of reform was correct. Earlier this year, Treasury announced that there will soon be a similar enquiry into Public Ancillary Funds. Moreover, Treasury has indicated that the conclusions reached during the reforms to Private Ancillary Funds are going to be used as the starting point for the review of Public Ancillary Funds.

As some of you would be aware, in the initial Discussion Paper prepared by Treasury for the review of Private Prescribed Funds it was noted that, historically, these funds had distributed 15 per cent of their corpus each year and it was implied that this could become a new minimum distribution rate for PPFs. This reflected a long-held Treasury view that it is important for the community to benefit as soon as possible from any tax concessions for philanthropy.

This view of Treasury is very short-sighted and needed to be countered strongly because it ignores the efficiency of giving from the government's perspective and often the giving of money is accompanied by the gifts of time, influence and voice.

The historical distribution rate also reflects the fact that many Prescribed Private Funds act as a passthrough structure in which the funds donated are immediately distributed. Corporate foundations are a notable example in this category. However, as Philanthropy Australia argued at the time, a minimum distribution rate of 15 per cent would have led to few if any further Prescribed Private Funds being established, because most funds would disappear within 10 years under this rule and many benefactors wish to establish perpetual foundations.



It would also have decimated Public Ancillary Funds and, thereby, community foundations. Therefore, while I hear the feedback regarding the attention given to Private Ancillary Funds during the period in which their regulations were being reviewed, I think that the flow on of this review to other parts of the sector which has already begun, including to community foundations, shows the wisdom of putting so much effort into ensuring that the Private Ancillary Fund reforms were optimal.

Looking ahead, the forthcoming Public Ancillary Fund enquiry will directly affect many of you, as many community foundations are structured as public ancillary funds. Philanthropy Australia is as strongly motivated to make sure the government gets these next reforms right, as we were with the PPF enquiry. We also recognise that the issues affecting Public Ancillary Funds are not all the same as for Private Ancillary Funds and that therefore there will need to be differences in the new regulations. One size does not fit all.

Therefore, our intention is to engage closely with you and other Members which are structured as public ancillary funds. We will therefore keep you informed, seek your opinions and represent your needs and views to government as we did for PPFs.

Similarly, when other government policy initiatives arise affecting community foundations, Philanthropy Australia will continue to represent the interests of the sector. An example, in the past year, was the announcement by the Victorian Government's Office for the Community Sector of the intention to establish several new community foundations. Philanthropy Australia took part in negotiations to ensure that the Government was fully aware of the community foundations which already existed, and was able to explain that there would be far greater potential in using the funds to resource existing community foundations rather than establishing new entities.

Opportunities for Community Foundations

I now wish to move to the third part of my speech, and to discuss the potential opportunities which community foundations may choose to avail themselves of over the coming years.

Firstly, there is a very different political environment now with three regional electorates currently holding the balance of power; responsibility for regional development has been separated from the Department of Infrastructure and Transport and moved to the newly created Department of Regional Australia, Regional Development and Local Government; and the Gillard Government's longest serving Cabinet minister, Simon Crean, has been appointed as Minister for Regional Australia, Regional Development and Local Government.

While I am aware that "regional" cannot be used as a synonym for "community", and that not all community foundations are located outside major urban centres, a number of you do represent regional Australia. These are far-reaching changes. The economic importance and vast diversity of regional Australia is now entrenched in the framework of government and is attracting increased media attention.



As well as acknowledging the strengths and needs of regional Australia, these developments offer opportunities for regional innovation and ideas to be reported, examined, disseminated and implemented in areas of social policy and reform. And this is a key area in which I feel the unique characteristics of community foundations can play a role. You can help your local communities to have their voices heard at all levels of government; but a community foundation is more than just a mouthpiece, it can also be a developer and driver of locally based solutions.

There tends to be an assumption that ideas – the kind of innovative ideas that change lives and challenge accepted practices – begin within cities and migrate outwards from there, even though there is considerable evidence that this is not always the case.

A good example can be found in my own area of special interest: disability policy and reform. In 1988, the Western Australian State Government became aware that a large number of country families who had children with a disability were being forced to either send their children into residential accommodation in Perth, or move the entire family to Perth, because their most pressing needs were not being met. The estimate at the time was that one in three country families in this situation were leaving their communities to be closer to the services they needed.

The solution to this dilemma was the Local Area Coordinators, or LAC, program, which was suggested and implemented by local authorities in Albany as a pilot program. The idea behind the program was to build the capacity of individuals, families and communities, to enable people with a disability to choose living within their local community without compromising their quality of life. It introduced a fixed point of accountability, with close local knowledge and a commitment to a specific geographic region, to ensure that disability services were personal and accountable at a local level. Less formal and more flexible than previous approaches, the program proved both effective and greatly appreciated by families; it spread from Albany to other country areas, and eventually to metropolitan Perth. There are now Local Area Coordinators throughout WA and the program is also used in Queensland and the ACT. Now, there is a Productivity Commission Inquiry into a new national Disability Care and Support Scheme and it is possible that this idea will soon become even more widespread.

The story of the LAC program demonstrates two things; the importance of local knowledge in developing and implementing solutions, and the innovation and versatility of solutions that develop out of that local knowledge.

This is where I believe the unique characteristics of community foundations can work as an integral part of the entire philanthropic sector; building local knowledge and helping develop and disseminate local solutions.

A related consideration, that is both a challenge and an opportunity, lies in the need for a deeper understanding of well-being. This is a challenge that I believe faces the entire philanthropic sector, but which has attracted comparatively little attention so far in Australia.



Most of philanthropy is directed towards improving well-being. The key components of well-being are independence, social inclusion, physical well-being, mental and spiritual well-being and environmental sustainability. Yet our measures of these vital signs of our community are still weak, even though attempts to develop a definitive framework for measuring wellbeing have been under way for some time.

New impetus to this work was created in the wake of the Global Financial Crisis when France's President Sarkozy established *The Commission on the Measurement of Economic Performance and Social Progress*, because '... it has long been clear that GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental and social dimensions'. In Canada, the Atkinson Foundation has been leading an extremely ambitious project which aims to incorporate Canadian values and aspirations into a single Canadian Index of Well-being.

In Australia, some work in this area has been carried out commencing with a Senate Enquiry in 1994-96 which examined the possibility of an improved system to measure national well-being and citizenship. In 2002 the Australian Bureau of Statistics published its pioneering report *Measuring Australia's Progress*, which has continued to be updated approximately tri-annually and most recently last month.

At the 2020 Summit there was support for a National Development Index to measure Australia's economic, social and environmental progress, including social inclusion indicators.

Now discussions are taking place for an Australian National Development Index, to measure Australia's economic, social and environmental progress. The plan is for a community-led initiative with partners including governments, non-government agencies, universities and the ABS. Professor Fiona Stanley, a former Australian of the Year, and the Rev Tim Costello have agreed to act as chief national spokespersons for the project.

In my view, these developments are of great potential significance for Australian philanthropy.

Clearly the subject of well-being is large, disparate and elusive, and yet we must be able to measure it if we are to develop any certainty that our philanthropic work is succeeding. It would be of immense benefit to philanthropy if we were to have a framework within which the impact of philanthropy could be clearly quantified by measuring wellbeing of a target population before, during and after a philanthropic project.

It is also evident that Philanthropy Australia's Members are in need of such a framework. The recent membership survey indicates that measuring impact is the number one issue of concern for Members. This was also the dominant issue for Members in the previous survey in 2003. In 2010, 75 per cent of respondents indicated that evaluating the impact of grantmaking was one of their three greatest challenges.

There are a number of researchers who specialise in this area and from my conversations with some of them, like Professor Bob Cummins at Deakin University and Professor John Wiseman at the University of Melbourne, there is



great potential to build a clear picture of well-being at the local level. This is where the local knowledge of community foundations could become a vital asset to the entire philanthropic sector.

In my investigations into the issue of measuring wellbeing, I came across the Canadian project, Vital Signs. I understand that this conference will later hear a presentation on Vital Signs by Noel Trengrove of Ballarat Community Foundation, and I acknowledge that Noel will be able to give you a far clearer picture of its use in practice than I can. However, I wish to indicate the characteristics of Vital Signs which I think make it a very useful and exciting development in the field of wellbeing measurement.

Vital Signs began in 2001 at the Toronto Community Foundation, as a way of taking stock of the health and vitality of the Toronto community. The J.W. McConnell Family Foundation was impressed by the idea. They proposed to Community Foundations of Canada that Vital Signs was a program which could be adapted to local circumstances and needs, and provided funding for the national expansion of the program.

The characteristics of Vital Signs which make it potentially of most use to philanthropy are that it relies on local community involvement at every level – from determining the indicators to be used, through exploring research sources, to assigning grades for each indicator. The reports produced are understandable by a wide range of readers, as well as being able to be collated to produce a national picture of Canadian wellbeing.

The report also make good sources for the media. My experience in the corporate sector and my observation of governments is that what gets measured and reported gets fixed as a matter of priority. This therefore adds to the potential for Vital Signs to lead to significant changes in the community.

Eighteen Canadian community foundations now use the program to produce their own Vital Signs reports. Many of them are also using the results of their Vital Signs report to target and orient their own grantmaking programs.

The success of this program may well pave the way for the introduction of this or a similar program within Australia. It would provide a way for national or state-based foundations to gain good local knowledge which could feed into their funding priorities, as well as to measure wellbeing in a community before and after a funded program has taken place.

More importantly, the Vital Sign program highlights the unique niche which community foundations occupy and their potential importance to the philanthropic sector as a whole. Community foundations are uniquely placed to use resources of community knowledge, local networks and assets, to enable local people and organisations to contribute to the programs which are intended to improve their wellbeing. In contrast, a national or even a state-based foundation cannot delve nearly so deeply into local community needs.



Conclusion

In conclusion, I would like to thank you for the opportunity to address you today on the unique role of community foundations. I hope that my comments have reassured you that Philanthropy Australia sees your sector as vital to a pluralist philanthropic sector and that Philanthropy Australia will continue to represent your interests, contribute to the growth of community foundations and work with you to improve the effectiveness and good governance of community foundations.

The opportunities for community foundations to make a real difference are significant. Through the harnessing of time, voice, influence, information and goods and services from the communities from which you draw your membership, your monetary resources can be supplemented significantly. Local knowledge is often vital in developing and implementing not just local solutions but also national blueprints. Technology could play a new and key role in the growth and development of community foundations and initiatives such as Vital Signs have great potential.

Finally, I wish you well for this Conference and in your future endeavours to build stronger communities and I look forward to working with you in my role as President of Philanthropy Australia.

Bruce Bonyhady AM³

President, Philanthropy Australia

³ Speech to the Community Foundations Conference 2010, *Grassroots Philanthropy Growing & Maturing*, Melbourne, 19 October, 2010