



# philanthropy

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1998

## ***Special Features:***

### **Today's Issues**

- Constitutional Convention
- The Tax Question
- Trends in Asia

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The articles in Philanthropy do not necessarily reflect the view of members or of  
Philanthropy Australia.

# The President

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## speaks

late last year the Prime Minister announced his intention of holding a meeting to encourage links between business leaders and the community sector. The meeting, which will occur on March 25 reflects the Prime Minister's view that cohesive community must be encouraged in Australia. Philanthropy Australia welcomes this important initiative.

An inherent goal of Philanthropy Australia is to encourage community giving, and a main emphasis recently has been to build business interest and vision about relationship with general and local communities. The purpose has been complemented by increasing discussion within business both in Australia and overseas on the community role and responsibility of business. It is a debate which has gathered momentum and the Prime Minister's meeting will further focus discussion.

Elizabeth Cham, our Executive Director, had been involved in discussion with the Office of the Prime Minister prior to the announcement and Philanthropy Australia has worked with members of the Office and representative of the Minister for Family Services since. We have arranged discussions in Melbourne and Sydney with leading business representatives and have also provided opportunities for interchange with community agencies and taxation experts. Altogether Philanthropy Australia has recognised this significant opportunity and will continue to work on ensuring the success of the occasion and the aftermath.

Elizabeth and myself have met with our members to discuss issues that should be presented at the summit and there was the usual vital and informed interchange. Elizabeth will take her place at the Prime Minister's meeting well prepared.

**Ben Bodna**  
**President**

# Executive Director's Report

**A**s I come to the end of two years as Executive Director of Philanthropy Australia, I have the sense that in this sector, there is a momentum gathering as it never has before. Perhaps the most significant example of this is the Prime Ministerial Round Table, being held in Canberra as this issue of Philanthropy goes to press. For the first time at Prime Ministerial level, political attention will turn to our sector, bringing corporate and community representatives together in a climate of goodwill to explore the possibility of working more closely for mutual benefit.

Philanthropy Australia is excited by the possibilities of the Prime Ministerial Round Table and to have had the opportunity to work toward its taking place. As well as maintaining close links with Canberra throughout the long planning phase, the Association has had extensive briefings with corporate representatives in both Melbourne and Sydney and consulted with our wider membership. As Executive Director, I will represent members of Philanthropy Australia at the Round Table.

In January this year, with the generous support of The Myer Foundation, I attended the Asia Pacific Philanthropy Consortium Conference in Bangkok, Thailand. At both this Conference and the first ever meeting of Executive Directors of Associations internationally in Oaxaca, Mexico, held in February, it is increasingly evident that structural change is happening worldwide. This is even more sharply etched by the perspective of international comparison.

Among the key themes to come from the Asian conference was the importance of the third sector to social cohesion. I was struck by comparisons between the fall of the Berlin Wall and the economic crisis in Asia. In both cases, there was little or no established

third sector or foundation funding - nothing to take the place of the previous order. Certainly there are exceptions, especially because of the huge diversity within the countries of Asia. The Philippines, for example, has a significant not-for-profit sector, but this too was preceded by social unrest during the time of Cory Aquino.

What this underlines is that only the third sector can provide the social glue to move forward, in a way that governments are not able to do.

The economic crisis in Asia has drawn two responses: opportunity and disaster. At the Bangkok Conference, people saw the crisis as a real opportunity to involve the third sector in the Asia Pacific region in developing and strengthening their communities. As one of the countries with a vibrant third sector, what we can best do is offer technical assistance and other advice and support.

The recognition of the changing nature of the world has been recognised by the World Bank. Under the leadership of James Wolfensohn, several documents have recently been published, signalling the first tentative steps that the relationship of the World Bank to the developing world will be very different in the future. This point was made eloquently by one of the Bank's representatives at the Bangkok Conference.

The Bank is no longer saying "this is how you do it" as it did in the past, with often much-criticized results, but rather intends engaging in partnerships. Because the Bank acknowledges that foundations and trusts are working on the ground, it has invited them to tell the World Bank what they are doing so the Bank can listen and learn. This is a huge step. At the Council on Foundations meeting in Washington later this year, the World Bank will, for the first time, explain the implementation of this new strategy.

At the IMAG Conference in Oaxaca, Mexico, the major lesson for Philanthropy Australia was to find itself rated way ahead of other associations of its kind, particularly in relation to its funding. Among the 39 countries represented, Philanthropy Australia is the only Association generating much of its own income. Most associations rely entirely on membership fees. Currently, 18% of the income of Philanthropy Australia is received from members' fees, 20% from grants and 62% self-generated through publications, workshops and fee for service activities. The Association is also fortunate in its pro bono support from bodies including the University of Melbourne and the Williamson SkillsBank for various projects, advice and activities.

So despite our fledgling status in comparison with associations who have been in existence for many decades, we found Philanthropy Australia being showcased in an international forum as an association that understood the nature of funding - and that it can rarely be expected to come from one source.

And a final confirmation of the role of the Association came with the recognition of the role of organisations that act as intermediaries, facilitators or brokers. Philanthropy Australia takes this role and can offer technical assistance, support, research and an infrastructure to aid the third sector and those who seek partnerships within it.

After attending both international conferences, my strong view is that Philanthropy Australia has to start the discussion on matters relevant to our sector. Others can choose to take from this what is useful to them at the time.

**Elizabeth Cham**  
**Executive Director**

# Tribute to Rivka Mathews

Philanthropy Australia  
on behalf of all its  
members wishes to  
express its deepest  
sympathy to Rivka's  
family and close  
friends, and offers the  
following personal  
recollection as one of  
hundreds of stories that  
could be told of the life  
of a truly remarkable  
woman.

By Heather O'Connor

**I**t was with great sadness that members of the philanthropic community learnt of the recent death of Rivka Mathews. Rivka's support for the community through the Mullum Trust was only one of many ways in which she contributed to social justice and environmental causes in Australia. Her energy and the intellectual rigour which she brought to bear on the life of the community were matched by her generosity of spirit and her personal support of people who were determined to create a more equitable society based on principles of sustainability and social justice.

I first met Rivka in 1990 when I worked with her and the Mullum Trust to support the work of women who were organising in local communities around environmental issues. Rivka demanded an intellectual discipline not always found amongst people working in philanthropy, and an equal demand that her personal contribution be seen as equal, not greater, to that of all the women she met during the Project.

Her wish to retain her privacy, and at the same time her wish to be involved on a day to day basis with the Project was, to say the least, a challenge. Very few of the women who met her or who had the amazing experience of hearing her speak at conferences knew that her Trust was responsible for the Project. Similarly I'm not sure that many people who admired the work of the Australian Conservation Foundation when Phillip Toyne was its Director had any idea of the level of her support, particularly in relation to its work on Green Jobs.

In one of her rare media interviews (Jewish News, March 6th, 1992) Rivka described her role as a member of the Communist Party and the Eureka Youth League in the years from the 1930s until after the Soviet invasion of.. Czechoslovakia. She concluded by saying, "My ideals haven't changed since I was young but my knowledge has. I would be a fool if it hadn't."

Rivka had a strong belief that philanthropy can "risk" support for as yet untried strategies and actions, but that the people involved in them must do their intellectual homework, their political analysis and demonstrate their voluntary commitment.

Rivka's own intellectual capacity was legendary in the history of Australian politics. She was chosen to debate Bob Santamaria, and won the debate on argument and logic. A comrade from the 1950s told me recently how Rivka as his mentor in the Eureka Youth League, forced him to read Tolstoy and Steinbeck even though he had left school at 12, and had pushed him physically onto the back of a truck to address workers at factory meetings. Another dimension to her capacity for work and her belief in "dancing at the Revolution" was her involvement in organising the first Australian Jazz Convention in the early 1940s. When we worked with her in 1990, she was one of the strongest supporters of a venture known as "Libbas" which aimed to promote Australian women musicians, but was really more of an excuse for activist women to enjoy themselves!

In writing this tribute, I can hear Rivka demanding that I speak with the head and not degenerate into sentimental nonsense. But I loved her and I admired her determination to stay in "for the long haul" as a socialist, an environmentalist, an activist for peace, and as a lover of jazz. Seeing the love and respect between her and her husband Bob, and the loyalty to comrades such as her dear friend Audrey Blake, always sent me away happy just from being with her.

For all the women who benefited from her energy and her support through the conservation project, I pay tribute and deep respect to a woman who walked so lightly on the earth. ■

# News & Views

## Prime Ministerial Round Table

With the aim of fostering closer relationships between the corporate and community sectors, a Prime Ministerial Round Table is being held in Canberra on March 25th. Philanthropy Australia has had a major role in getting this significant event off the ground. See the reprint of Brook Turner's December article from The Australian Financial Review on page 8. A full report on the Round Table will be featured in the Winter edition of Philanthropy.

## Update on Industry Commission

An announcement from the Prime Minister late last year stated "the Government will not proceed with the remaining package of recommendations from the Industry Commission's 1995 Report into Charitable Organisations. This announcement will remove any uncertainty within the community sector about the Government's intentions in this regard".

## Honour for Mr Jack Smorgon AM

Mr Smorgon's AM was announced in this year's Australia Day honours list, for services to the meat processing industry and to philanthropy. Mr Smorgon serves on the board of a number of charities and community organisations and is Chairman of the Smorgon Family Charitable Foundation.

## New CEO for Australian Foundation for Culture and the Humanities

Congratulations and best wishes to Winsome McCaughey on taking up this new and challenging role. Announcing the appointment, Mr Richard Pratt, Chairman of the Foundation said that Ms McCaughey brings to the position a unique

mixture of skills and experience in the cultural and commercial areas and a very strong policy and administrative background in both the public and private sectors.

## Philanthropy Australia AGM

To be hosted by Freehill Hollingdale and Page at 101 Collins Street, the Association's AGM will be held on Tuesday 21st April. Philanthropy Australia extends a warm welcome to all members. Guest speaker is Robert Gottlieb, Editorial Director and Chairman, Business Review Weekly Media.

Further information:  
Phone: (03) 9650 9255

## Dates for the Diary: Philanthropy Australia

Philanthropy Australia has received a Grant from the Victorian Health Promotion Foundation to run a series of "Forums for Grantseekers" in Victoria over the next two years.

In 1998 these will be held on:  
Wednesday May 6  
Wednesday July 8  
Wednesday September 9  
Wednesday November 11

Philanthropy Australia will again run forums for Executive Officers in 1998. Guest speakers are currently being arranged for the following dates:

**Melbourne**  
**Executive Officers Meetings**  
Thursday 30th April  
Wednesday 24th June  
Wednesday 26th August  
Wednesday 21st October  
Wednesday 9th December

For further information contact:  
Esther Lethlean: (03) 9650 9255

**Sydney**  
**Corporate Members Meeting**  
Thursday 23rd April

## Associate Members Meeting

Thursday 30th April

Further meetings will be confirmed in the next issue.

For further information contact:  
Donna Greaves: (02) 9362 3264

## New Directory:

### A Thousand and one Foundations

Well, maybe not quite that many but 75 more than in the last edition. The 1998/1999 edition of the Australian Directory of Philanthropy is now in production and can be ordered from Philanthropy Australia.

## New Head for Rockefeller Foundation

Dr. Gordon Conway has taken over as the President of The Rockefeller Foundation. Formerly the Vice Chancellor of the University of Sussex in Brighton, England, Dr. Conway is a world renowned agricultural ecologist. His book, "The Doubly Green Revolution: Food for all in the 21st century" is published by Penguin Books. Dr. Conway is the first non-U.S. citizen to lead the Rockefeller Foundation and his appointment highlights the growing globalisation of philanthropy as we move into the next millennium.

## And where is Peter C. Goldmark, Jr?

Those who attended Philanthropy Australia's Trustees Dinner in October last year when previous Rockefeller Foundation President Peter Goldmark gave the address will be interested to know that he is now in Paris as the Chairman and Chief Executive Officer of the International Herald Tribune.

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Facsimile: (02) 44 737 676  
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## Business Review Weekly: "Australia's Most Generous" time again

Last year, BRW ran a feature which followed its annual review of Australia's

**Philanthropy**

richest. The feature created enormous interest among grantmakers and grantseekers alike, with BRW besieged for follow-up information. Researchers are now working on the compilation of the 1998 lists of both the rich and the generous.

#### Move for Philanthropy editor

Joint editor of Philanthropy, Jane Sandilands, has moved to the south coast of New South Wales, testing the theory of the virtual office. The bellbirds you hear when you ring are not, as some have unkindly suggested, a recording!

#### Women in Philanthropy: Diaries Ready!

May 6, 1998

Meredith Carter, Health Issues Centre, on "Current Health Policy Issues"

July 15, 1998

"Tax Issues for Trusts and Donors"

September 9, 1998

"How rural communities are responding to the loss of services and facilities."

November 18, 1998

"The Power of Women's Philanthropy: the experience of WIP members."

Women in Philanthropy meetings offer an opportunity for individual and corporate philanthropists, as well as those working in the philanthropic sector, to discuss current social policy issues and innovative philanthropic initiatives.

#### Further information:

If you are interested in attending future meetings, please contact

Trudy Wyse

Stegley Foundation

Phone: (03) 9826 2777

#### ACOSS: Change of address

New address for the Australian Council of Social Service:

#### VicHealth: New CEO

Best wishes to Dr. Rob Moodie who takes over as the new CEO of VicHealth on July 1.

#### Ian Potter Foundation:

##### New Administrator

The Ian Potter Foundation welcomes Ms Alexandra Withell as their new Administrator. Ms. Withell replaces Scott Anderson who is currently in Washington as the Council on Foundations International Programs Fellow.

#### Further information:

The Ian Potter Foundation

Phone: (03) 9650 3188

## Philanthropy Abroad From the Editors of Philanthropy Journal Online

#### Microsoft Millionaires and other philanthropists

The Washington Post reports that the nouveau riche of the 90s aren't giving away their fortunes as fast as they're making them. A healthy economy and stock market have created a new generation of millionaires – there are now 4 million in the United States – but their rate of giving hasn't kept pace with their ability to do so.

Some experts say that creating private foundations will be a major status symbol for the newly rich, but that trend is only slowly emerging. A club of young Microsoft millionaires has formed in Seattle to discuss philanthropy. Led by Paul Brainerd, the inventor of Pagemaker software who sold his company in 1994 for \$130 million, the group aims to "create a nice, safe environment among peers for the young wealthy to get involved in charity".

#### Shaping Force

While Time Magazine recently recognised Intel chief Andrew Grove as its "Man of the Year", it also highlighted others who shaped 1997. Among them was philanthropist Charles Feeney who disclosed last year that he was the man behind two off-

shore foundations with assets totalling \$3.5 billion. The foundations have given away \$600 million anonymously over the previous 15 years.

#### Gilding the Lilly

A charitable fund started by pharmaceutical giant Eli Lilly and Co. has surpassed the Ford Foundation as the biggest private foundation in the United States, the Chronicle of Philanthropy reports.

The Ford Foundation, which held top ranking for more than 30 years, now holds second place. Its assets now total \$9.4 billion, compared to the \$12.7 billion held by the stock-rich Lilly Endowment. Since the Lilly Endowment's founding in 1937, it has given \$1.74 billion, mostly to causes in Indiana.

Philanthropy Journal Online from the United States can be reached on the World Wide web at <http://www.pj.org/>

To subscribe to their e-mail newsletter, Philanthropy Journal Alert, send a blank e-mail to [pjalert-on@mail-list.com](mailto:pjalert-on@mail-list.com)

## Grantseeker workshop dates

Grantseeker workshops will be held throughout Australia on the following dates:

#### Sydney

Tue Apr 7 (1 day)

Tue May 12 (1 day)

Wed Apr 8 (1/2 day)

Wed May 13 (1/2 day)

#### Adelaide

Tue June 9 (1 day)

Wed July 1 (1 day)

Wed June 10 (1/2 day)

Thu July 2 (1/2 day)

#### Perth

Tuesday Aug 18 (1 day)

Tue Sept 8 (1 day)

Wed Aug 19 (1/2 day)

Wed Sept 9 (1/2 day)

#### Sydney

#### Melbourne

Tue Oct 13 (1 day)

Wed Oct 14 (1/2 day)

#### Hobart

#### Melbourne

For information contact:

Donna Greaves 02-9362-3264

or Esther Lethlean 03-9650-9255

# The Rich Don't Give a .....

Australians have a poor reputation as philanthropists, yet the latest statistics belie this. Most will give for a good cause, but the rich are discouraged from doing so.

by Brook Turner\*

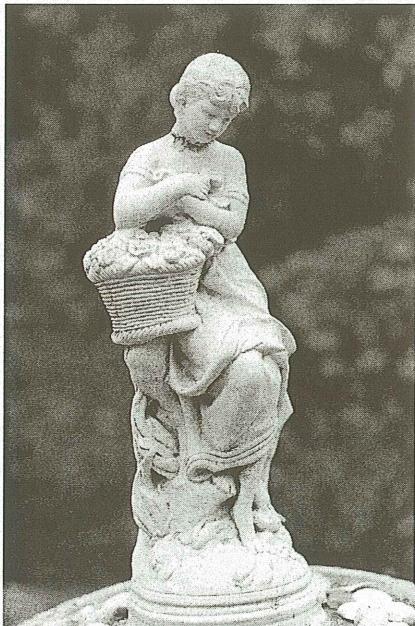


Photo: Dale Mann

Next March, the Prime Minister will sit down with business and community leaders to discuss a creature close to all their hearts.

At the centre of the table, spotlit, will be philanthropy, a comparatively little-known animal in Australia, but one that John Howard hopes to see go forth and multiply, particularly in the corporate sector.

In America,

**“it [philanthropy] long ago achieved the status of both household pet and corporate mascot”**

It has been estimated that Americans are more than four times as giving per capita as Australians, with \$129.85 billion contributed to the community in the United States in 1996, according to **Giving USA**, the annual publication of the association for American fundraising bodies.

More than 80 per cent of that figure was contributed by individuals, with foundations contributing about 7.4 per cent and corporations less than that.

Which is why those who will take their places around the table in March are so keen to see philanthropy thrive here.

Howard plans to establish Prime Ministerial awards in honour of philanthropic deeds, recognising that their invisibility is an often-mentioned disincentive.

The major question, however, is the best method to maximise the philanthropic dollar, and whether the corporate sector – as opposed to individuals, and particularly their estates – is where the real money lies buried.

Inklings of philanthropy's potential benefits in Australia can be gleaned

from figures such as those unveiled by Robert Lynch, chief executive of the Washington-based arts funding lobby Americans for the Arts, on a recent Australian visit.

They showed that US arts companies receive about 75 per cent of their income from individuals, either as earned income – box office and shop receipts – or through private patronage.

That patronage was worth more than \$10 billion this year, or 25 per cent of total arts funding, as opposed to government's contribution of about 10 per cent. Sponsorship – long promoted by successive Australian governments as a sort of universal panacea for funding woes – sat on the bottom rung of the ladder, at about 5 per cent.

It's easy to see why the Government would find that sort of scenario attractive. And all things being equal, those figures suggest a wide, deep pool of philanthropic cash might be out there for charities, arts, environmental and sporting organisations, medical and social science research.

## So why has Australia been so backward in coming forward?

First, all things are not equal. The lack of a US-style culture of philanthropy in Australia is almost a cliché. With certain stellar exceptions – a Richard Pratt or Dick Smith or the Myer or Adler families, for instance – we are not keen givers.

Professor Mark Lyons of Sydney's University of Technology says there are two main reasons: US donations to religious groups and Americans' very different attitude to government.

“In the US, 60 per cent of giving by individuals is to their church,” Lyons says. “In Australia, it's less than half of

**Philanthropy**

that, which is about the same as the proportion of Australian churchgoers.

"The other half of the difference between Australia and the US is explained by a quite different set of expectations," he says. "Americans don't like government. Some of their giving – particularly by wealthier Americans – aims to keep government out of certain areas.

"In Australia, on the other hand, there is the belief that we are highly taxed and an expectation that the Government uses the tax to do whatever needs to be done. In fact, we are slightly less taxed than Americans, but while that belief continues people aren't going to give particularly well."

There is evidence, however, that, broadly speaking, Australians aren't quite as bad at giving as legend suggests. Recent Australian Bureau of Statistics figures show that 67.5 per cent of males and 72.1 per cent of females over 18 years of age donated money in the past 12 months.

As for voluntary work, the ABS has found that 1.3 million people participated in some form of unpaid work relating to culture and leisure activities, for example, in the year to March 1997.

It seems to be among the wealthy, the group that receives the most handsome tax breaks for their philanthropic dollar in America, that Australian giving slows.

But when the incentives have been there, the rich too have come to the party. It is no accident that Victoria is Australia's philanthropic capital, accounting for 85 per cent of the country's trusts and foundations. Most were set up during the death duties era, says Elizabeth Cham, executive director of Melbourne's Philanthropy Australia. That engendered a culture of philanthropy that continues to this day, she says, and is largely

responsible for the \$1 billion in philanthropic funds now estimated to be invested in Australia.

Philanthropy Australia's 100-odd members include the Sidney Myer Fund, which distributes about \$1.5 million a year, the Myer Foundation, which distributes just under \$1 million annually, and Australia's largest foundation, the Ian Potter Foundation, which has a capital base of \$110 million.

The Prime Minister's focus on corporate philanthropy picks up on a trend that Cham has already identified among her own constituency. The biggest growth area for her organisation over the past year has been Sydney corporations.

**Give while you live and you receive a tax benefit. Wait until you die, as most people do, and you foist upon your estate a tax liability.**

"I think there is an absolute understanding by business that everything about doing business now is different, and that somehow investing in the community is part of that," she says.

Whatever the interest of the corporations, and the Government certainly sees them as leading the change, many feel the Coalition's philanthropic push cannot achieve all that is hoped without tax reform, and that does not seem to be on the table for March.

"If you have governments withdrawing funds, as they are all over the country, and wanting to encourage corporate and community support, then it seems

to me a capital gains tax is a total disincentive," Cham says.

"If you have \$20 million worth of shares, for example, and you want to put those into a trust which is there in perpetuity for the benefit of the community, why should you have to pay tax on that?"

The point is critical. As many see it, what is at stake is nothing less than Australia's greatest-ever intergenerational wealth transfer.

At a recent conference in Sydney, merchant banker Sharon Grey pointed out that the greatest immigrant intake in the US took place at the turn of the century. As those who had arrived then died in the 1950s and 1960s, US philanthropy received a huge boost.

In Australia the period of greatest population increase – almost 40 per cent – were the 15 years following World War II. According to Grey, 50 years later the people who migrated here at the time are beginning to die, but under the current tax system the community is unable to reap "even a small portion" of the assets that were beginning to be transferred as a result of that population spike.

**Give while you live and you receive a tax benefit. Wait until you die, as most people do, and you foist upon your estate a tax liability.**

Without the Government deciding to grease that wheel, which means forgoing that tax revenue, many wonder whether the corporate sector alone will ever be able to shoulder Australia's philanthropic burden.

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13 December 1997**

# The Nonprofit Sector in Asia

International Conference on  
Supporting the Nonprofit  
Sector in Asia  
Bangkok, Thailand  
9-11 January 1998.

Peter F. Geithner\*

The meetings and discussions held in seven countries in preparation for this conference impressed me anew with the major differences – in histories, cultures, political structures, religions, concepts of giving, and systems of law – which characterise this huge and diverse region. And I was impressed anew with how those differences are reflected in the origins, size, scope and current state of the national nonprofit sectors of Asia.

But I was also impressed by several broad trends that seem common across the region – trends that, while not necessarily unique to Asia, are helping to define the contexts in which the nonprofit sectors function and the issues they confront.

## Broad Trends

### What are these trends? What do they mean for the nonprofit sector?

1. Governments across the region are ceding – sometimes by choice, sometimes by necessity – more power to businesses, international organisations, and NGOs or citizen's groups.

### Players in the Power Shift

Major contributors to this power shift include:

- The computer and telecommunications revolutions, which have increased the number of players who matter;
- Rapid economic growth, which has given voice to new groups and new concerns;
- Structural adjustment, deregulation, marketization and privatisation, all of which are imposing increasing fiscal constraints on governments.

Reducing budget deficits is a region-wide priority. The currency crisis that began here in July, 1997 and that has swept with such force throughout the region and beyond, has only exacerbated

## Broad Trends,

already existing pressures to reduce public expenditures. Governments in the region face an increasing range of needs that they alone are no longer able to meet. With "Big Government" clearly out of fashion, Asian governments are being forced to look to other sectors of society to share more of the burden of meeting the needs of their societies.

### The Business Sector

2. The second major trend is that – in response to many of these same forces – the role of the business sector has become much stronger.

Having given greater scope to the private sector through deregulation and privatisation, governments are demanding companies do more to meet needs previously seen as solely or primarily government's responsibility. As our corporate colleagues could tell us, rarely an annual meeting of their national chamber of commerce or federation of industries goes by without the president and prime minister calling upon business to shoulder more responsibility.

Not only government, but the public too, is expecting more from business, whether in such areas as child care, environmental regulation or consumer protection.

The pressures for change are not coming solely from outside the business community. New generations of managers and owners hold different views from those of their predecessors on their and their companies' roles and responsibilities. More and more companies are viewing corporate social responsibility – not as part of their public relations programs – but as an essential element in their overall business strategy. They recognise that the health and vitality – indeed, the profitability – of the company depends on the health and vitality of the community in which the company operates — whether the "community" is defined as the area around the plant,

# Major Needs

the nation, or, for major multinationals, the globe.

## Role Expansion of nonprofits

3. The third major trend the preparatory meetings suggested is common across the region is a marked expansion in the role and significance of the non profit sectors in Asia. The reduction in the role of government is creating more space – not only for business – but also for the nonprofit sector. Like the business sector, the nonprofit sector too is being asked to do more, both by government and by the public. Concurrently, NGOs are becoming more aware of their limitations – for example, with respect to income generating activities that depend heavily on production, finance, and marketing expertise – as well as their strengths. They are becoming less suspicious toward the other sectors than they may have been in the past.
4. The fourth major trend is closely related to these basic structural changes in the roles and responsibilities of government, business and the nonprofit sectors. That is, the growing recognition that no one of these sectors – has all the resources – financial, organisational or technical – needed to meet societal demands. Each has an important role to play; each has significant advantages, but also limitations. Therefore, there is both greater need and greater opportunity for closer co-operation and collaboration among all three sectors.

## Implications

Given these broad trends, what are the implications for the nonprofit sector in Asia, and for those organisations seeking to strengthen the sector?

Clearly, if NGOs are to play a larger and more effective role, they will need more financial support. How to increase the quantity and quality of funding for public purposes is one of the major challenges facing the nonprofit sector virtually everywhere in the region. The need is particularly acute in, but by no means limited to, countries such as Thailand, where the

nonprofit sector is facing significant cutbacks in external assistance.

A conference held a year or so ago in the Netherlands focused on the three waves of development assistance in the post-war era. The first wave, during the 1950s and 60s took the form of First World governments providing Official Development Assistance (ODA) to Third World governments. In the second wave, beginning in the 1970s, First World governments supported First world NGOs to work in Third World countries. The third wave, now receiving more attention, has First World governments providing funds directly to Third World NGOs.

The preparatory meetings clearly indicated that what is most needed now is a fourth wave – namely, indigenous support for indigenous NGOs. My sense is that we are only beginning to face up to that reality.

## Major Needs

Fortunately, the efforts needed to increase support for the nonprofit sector whether from public or private,

or from external or internal sources – are essentially the same.

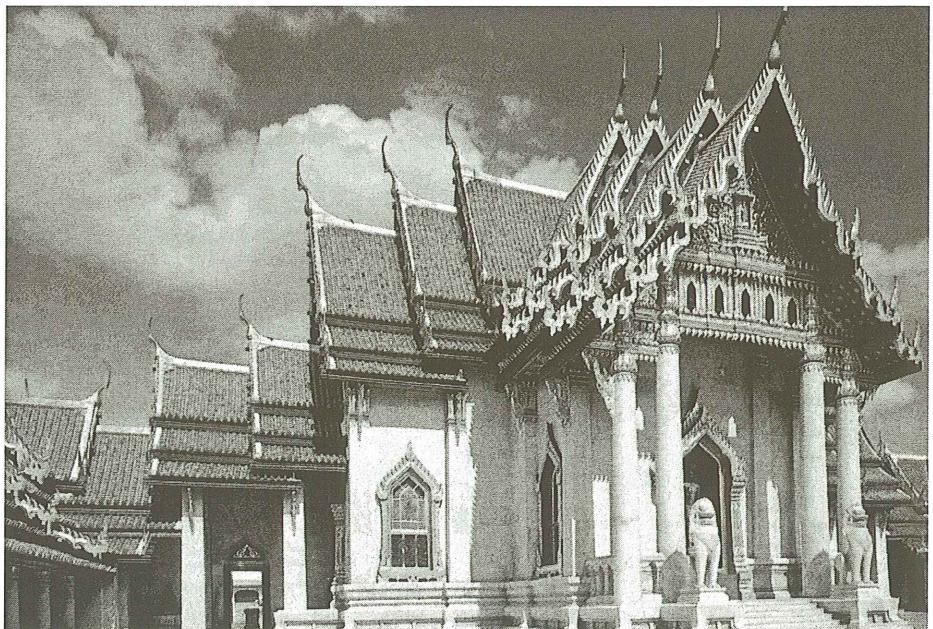
Five major needs have an important bearing on the health and vitality of the nonprofit sector.

1. One major need is to improve the enabling environment.

## Legal Framework

The legal, regulatory and fiscal framework for the nonprofit sector was the focus of the APPC's Comparative Non Profit Law Project and of recent efforts of such organisations as the International Centre for Nonprofit Law and CIVICUS.

Does local law make clear provision for nonprofit entities? Is the ability of groups to organise a right protected by law or a privilege to be accorded at the government's discretion? How complicated, time consuming and arbitrary is the registration process? Do NGOs serving the public good enjoy tax exemption on the income they receive? Does the tax code encourage or discourage contributions to nonprofit entities? The answer to



# The Nonprofit Sector in Asia (cont)

## Broad Trends

these and related questions have an important bearing on the nature and practices of the nonprofit sector.

New laws and regulations regarding the nonprofit sector are currently under consideration in such countries as China, Japan and Thailand. Persistent efforts will be needed to improve not only the legal, regulatory and fiscal framework. Even more important will be efforts to bring about "good governance" – rule of law, government transparency and accountability, more efficient and effective bureaucracies.

### Increasing public support

2. A second major need is to increase public support

In most Asian countries the public has little awareness and appreciation

of the size and significance of the nonprofit sector. Research is only beginning to analyse the number and types of NGOs, the activities they carryout, the sources and amounts of support they receive, and the contributions they make to a more just and humane society.

The National Institute of Development Administration (NIDA) here in Thailand, as well as Osaka, Johns Hopkins and other universities around the world, have established research programs on NGOs and civil society more broadly. A new CIVICUS publication documents innovative means of educating the public about the nonprofit sector. In India, there is talk of a national commission, along the lines of the earlier Filer Commission in the United States, to review the state of the nonprofit sector.

Much more needs to be done to document and disseminate information about the sector if the public is to increase its support. Increased funding is not the only benefit to be gained. An informed

public can also help protect the sector when the occasional scandal leads to calls for tighter restrictions, as happened recently in India and the United States.

### Strengthening NGO capacities

3. A third major need is to strengthen the planning, management and fund raising capacities of NGOs.

The need for professionalisation of the nonprofit sector becomes increasingly important as the problems the sector seeks to address become larger in scale and more complex in nature, and as demands for transparency and accountability also mount. NGOs face mounting pressures to demonstrate their ability to use effectively the support they receive – whether from governments, companies or individuals. One challenge is to define performance standards that do not detract NGOs from their basic mission of organising and giving voice to the disadvantaged.

The APPC is sponsoring, national and regional workshops on fund-raising. The South Asia Fund Raising Group offers programs for NGOs in that sub-region and is preparing a manual on the subject. CIVICUS has produced a casebook on successful fund-raising strategies. The World Bank, USAID and other major official development agencies have joined forces with World Bank-NGO Committee in an effort to enhance the management capacity of NGOs.

Again, much more needs to be done to institutionalise and professionalise NGO fund raising and other management capacities, and to train the next generation of NGO leaders.

### Need for Intermediaries

4. A fourth major need is to increase the number of intermediaries or Civil Society Resource Organisations (CSROs).

# Major Needs

We need more foundations and similar mechanism to link sources of funds with those that need them. We also need more intermediaries to provide training and technical assistance to NGOs, and help assure their interests are taken into account in policy making.

New foundations have been established through debt swaps and other public and private support in Philippines, Thailand, Indonesia and India. Major national NGOs in a number of countries, including China, are acting as "mother" or "nodal" NGOs channelling government and private contributions to community-based groups. APPC, ANGOC and PRIA are examples within the region of intermediaries providing advocacy and training for NGOs. Synergos, Charities Aid Foundation and the International Centre for Nonprofit Law are external organisations serving as intermediaries. NGO Resource Centres have been established in Tokyo, Hong Kong and Karachi but demand for effective intermediaries still outstrips supply.

## Building Strategic Alliances

5. A fifth major need is to build strategic alliances and networks within and across national boundaries

Strategic alliances can give the nonprofit sector the stronger voice needed to help legitimise its role and create a more supportive environment. Networking can facilitate the exchange of experience. Coalitions among government, business and NGOs can increase the impact of their programs by "scaling up". With many issues emanating from outside individual countries, linkages across national boundaries become increasingly important.

National associations, affinity groups and coalitions are examples of possible responses. A coalition in the Philippines of two national consortia

of NGOs and the League of Corporate Foundations successfully lobbied against proposals to reduce the tax incentives of corporate and individuals gifts to nonprofit organisations. The Philippine government has taken the unprecedented steps of asking this same coalition to establish a private accreditation council to certify NGOs for tax exemption.

## Diversity above all

The preparatory meetings held during the past year suggest these generalisations are common across the region. But I would like to close by emphasising the continuing reality of Asia's extraordinary diversity.

We must keep clearly in mind that, while broad trends and major needs may be similar across the region, how they are perceived, the priority accorded them and how they are responded to – these critical factors still depend primarily on the different national contexts.

\* Peter Geithner is a Consultant to APPC and Former Director of Asia Programs at The Ford Foundation. He spoke at the first Plenary Session of the Conference. This is an edited version of his text.

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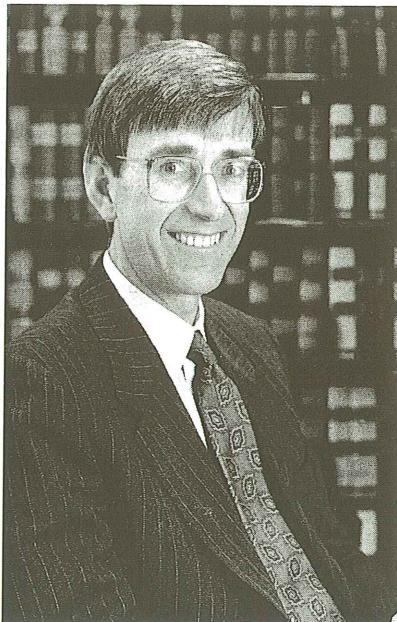


# The Taxation of Charitable Trusts

As promised in the last issue of *Philanthropy*, an analysis of the Taxation Law Amendment Act (No. 4) Charitable Trusts is presented for members' reference. It has been prepared by John Emerson, Partner, Freehill Hollingdale and Page.

## Recent developments

1. Charitable institutions and trusts have until recently been able to largely ignore income tax legislation. Since 1922, (when the Income Tax Assessment Act was only 41 pages in length – it approximated 30,000 pages in 1996!), the income of a charitable institution and the income of a fund established by will or instrument of trust for public charitable purposes (provided that the fund was being applied for the purpose for which it was established) has been exempt from income tax.
2. This position has now changed. On 21 November 1997 the Taxation Laws Amendment Act (No. 4) 1997 (the "No 4 Act") received Royal Assent. This Act imposes income tax on the income of certain charitable institutions and trusts.
3. It is accordingly essential that charitable institutions and trusts assess whether the new legislation is applicable to them.



John Emerson

4. Unfortunately, the new provisions are complex and in many cases it will be necessary for institutions and trusts to obtain professional advice as to the applicability of the legislation to them. Some institutions and trusts will remain clearly exempt from tax. Others will have difficulty in determining their position.
5. This article attempts to provide an introductory outline of the legislation and some practical suggestions as to how, so far as is legally possible, an institution or trust can minimize the risk of it not falling within an exemption condition that may be applicable to it.

## Status of Legislation

6. As mentioned above, the No 4 Act received Royal Assent on 21 November 1997. It applies to income derived by institutions and trusts on or after 1 July 1997. However, Taxation Laws Amendment Bill (No 7) 1997 (the "No 7 Bill") was introduced into the House of Representatives on 4 December 1997. When enacted, this bill will, in effect, replace the relevant provisions in the No. 4 Act by re-writing them into the new Income Tax Assessment Act 1997. This Act expresses the legislation in plain English and in a more user friendly way. Upon its enactment, the No 7 Bill will also apply to income derived on or after 1 July 1997.
7. This article has been written on 6 March 1998 and assumes that the relevant provisions in the No 7 Bill will be enacted in their present form.

## Scope of Article

8. Charitable trusts and charitable institutions which do not fall within more specific exemption provisions are not covered in this

article. Accordingly, no reference is made to the provisions relating to religious, scientific, or public educational institutions, scientific research funds, community service bodies, friendly societies, cultural bodies, public hospitals, or non-profit hospitals.

## Legislation

9. I outline below what will be the main exemption conditions if the No 7 Bill is enacted in its current form.

### Charitable Institution Conditions

10. The income of a charitable institution will be exempt from income tax if under section 50-50 the institution:

- "(a) has a physical presence in Australia and, to that extent, incurs its expenditure and pursues its object principally in Australia; or
- (b) is an institution which is referred to in a table in Subdivision 30-B; or
- (c) is a prescribed institution which is located outside Australia and is exempt from income tax in the country in which it is resident; or
- (d) is a prescribed institution that has a physical presence in Australia but which incurs its expenditure and pursues its objects principally outside Australia."<sup>i</sup>

I refer to these as institution conditions (a) (b) (c) and (d).

### Charitable Fund Conditions

11. The income of a fund established for public charitable purposes by will before 1 July 1997 will be exempt from income tax if the fund is applied for the purpose for which it was established.<sup>ii</sup>

12. The income of a fund established in Australia for public charitable purposes by will on or after 1 July 1997 or by instrument of trust will be exempt from tax if the

fund is applied for the purposes for which it was established and if under section 50-60 it:

- "(a) incurs, and has at all times since 1 July 1997 incurred, its expenditure principally in Australia and pursues, and has at all times since 1 July 1997 pursued, its charitable purposes solely in Australia; or
- (b) is a fund which is referred to in a table in Subdivision 30-B or in item 2 of the table in section 30-15; or
- (c) distributes solely, and has at all times since 1 July 1997 distributed solely, to a charitable fund, foundation or institution which, to the best of the trustee's knowledge, is located in Australia and incurs its expenditure principally in Australia and pursues its charitable purposes solely in Australia; or
- (d) distributes solely, and has at all times since 1 July 1997 distributed solely, to a charitable fund, foundation or institution which, to the best of the trustee's knowledge, is a charitable fund, foundation or institution which is referred to in a table in Subdivision 30-B or in item 2 of the table in section 30-15."<sup>iii</sup>

I refer to these as trust conditions (a), (b), (c) and (d).

13. The references in institution condition (b) to "an institution which is referred to in a table in Subdivision 30-B" and in trust conditions (b) and (d) to funds, foundations and institutions "referred to in a table in Subdivision 30-B or in item 2 of the table in section 30-15" are references to funds foundations and institutions which have tax deductible status, that is, gifts to which of \$2 or more are deductible for income tax purposes.

14. You will see that the conditions for exemption in both paragraphs 10 and 12 are alternatives. It is only necessary for an institution or trust respectively to comply with one condition.

## Consequences of Failing to Meet a Condition

- 15. If an institution or trust fails on even one occasion to comply with an exemption condition, its income will **permanently** cease to be exempt from tax. There is no provision enabling the Australian Taxation Office to excuse minor or inadvertent breaches. **Further, if the failure to comply was due to the negligence of the trustees (or the directors or committee members of an incorporated entity), they may be personally liable for the loss to the institution or trust, that is, the tax payable!**
- 16. Generally, a non-exempt institution (if characterised as a company for income tax purposes) would be liable to pay tax at the rate of 36% on its "taxable income" in each year. However, determining the taxable income of a charitable institution could well raise difficult and novel issues beyond the scope of this article.
- 17. A non-exempt charitable trust would normally be liable to pay tax at the rate of 48.5% on any part of its net income not determined to be distributed during the year in which it was derived.
- 18. Hopefully the Australian Taxation Office will forthwith issue a ruling outlining its views on various issues relating to the assessment of charitable institutions and trusts.

## Clear Exemptions

- 19. Certain charitable institutions and trusts will clearly remain exempt from income tax and can disregard the new legislation. These are as follows:-
  - (a) a fund established for public charitable purposes by will before 1 July 1997 (ie. the death occurred before 1 July 1997) <sup>iv</sup>

# The Taxation of Charitable Trusts (cont)

provided that at no time on or after 1 July 1997 assets are given to the trust or become part of the trust under another will;<sup>v</sup>

- (b) a charitable institution which has tax deductible status (ie, gifts of \$2 or more to it are deductible) (institution condition (b));<sup>vi</sup>
- (c) a charitable trust which has tax deductible status (trust condition (b));<sup>vii</sup>
- (d) a charitable institution prescribed to be exempt by the regulations pursuant to the legislation (institution conditions (c) and (d)).<sup>viii</sup>

## Specific Issues in Relation to Exemption Conditions

### Charitable Institutions

**"physical presence in Australia"** (institution condition (a) – see paragraph 10 above)

20. The explanatory memorandum to the (No 7) Bill states that a broad interpretation will be adopted in relation to this requirement – "all that is required is for an organisation to operate through a division, sub-division or the like in Australia. The structure of the organisation is immaterial as is whether it has its central management in control or principal place of residence in Australia. On the other hand, the term does not apply where an organisation merely operates through an agent based in Australia."<sup>ix</sup>

**"principally"** <sup>x</sup>(institution conditions (a) and (d))

21. The explanatory memorandum notes that this term is not defined in the legislation. "The dictionary definition of the word principally is mainly or chiefly. Accordingly, it is not possible to specify a particular percentage but less than

50% would not be considered to meet the principally requirement. Where there is some doubt whether this requirement is satisfied it will be necessary to examine each institution's individual circumstances."

### Charitable Trusts

**General scope of trust condition (a)** (see paragraph 12 above)

22. I understand that the Australian Taxation Office has the view that this condition applies only to trusts which provide or carry on direct "hands on" charity work and that it does not apply to trusts which merely distribute funds to agencies etc for use by them.

23. The correctness of this view is important as if trust condition (a) extends to both of types of trust referred to in paragraph 22, it may be possible for a trust which merely distributes to agencies to argue that is not necessary for it to comply with trust conditions (c) or (d) and that it should be exempt from tax provided that the recipient agencies appear to be "Australian".

24. However, I doubt whether this argument would be sustained by a court. Although the issue is not free from doubt, I believe a court would hold that trusts which merely distribute to agencies etc. must comply with the more specific requirements of either trust condition (c) or (d) and that trust condition (a) is limited to trusts directly involved with charity work.

**"pursued, its charitable purposes solely in Australia"** <sup>xi</sup> (trust condition (a) – see also trust condition (c))

25. In my view, it would be prudent to assume that any overseas pursuit of purpose or direct or indirect provision of benefit may prevent a charitable trust relying on trust condition (a).

26. Notwithstanding that the explanatory memorandum states that this requirement "does not mean, however, that an incidental activity or pursuit outside Australia will prejudice the exempt status of a charitable trust." <sup>xii</sup>, (and whilst this statement in the explanatory memorandum may provide some comfort in practice), if a charitable trust in any way pursues its charitable purposes off shore, there is in my view a risk that it will not fall within this condition.

**"to the best of the trustee's knowledge"** <sup>xiii</sup>  
(trust conditions (c) and (d))

27. The state of knowledge of several trustees (if individuals) or of a corporate trustee can be difficult to establish. The explanatory memorandum states that "the trustee does not need to undertake a detailed examination of the charity to whom the distribution is to be made. The trustee cannot, however, ignore the fact that a charity is known not to pursue its charitable purposes solely in Australia." <sup>xiv</sup>

28. Notwithstanding this statement, in view of the potential evidentiary problems with this requirement I believe it is prudent for trustees seeking to rely on trust conditions (c) or (d) to obtain a certificate from proposed recipients of grants.

(a) Where the trust seeks to fall within trust condition (c) the certificate should be along the lines of the following:-

"To [Name of charitable trust]  
[Name of proposed recipient of grant] certifies as follows:-

- it is located in Australia;
- it incurs its expenditure principally in Australia; and
- it pursues its charitable purposes solely in Australia;

We request that you rely on this certificate in deciding whether to distribute funds to us and we acknowledge that if this certificate is incorrect, you may suffer significant financial loss as your income may become subject to income tax.

In consideration of you relying on this certificate at our request, we indemnify and hold you harmless against any loss or liability suffered by you resulting directly or indirectly from this certificate being incorrect.

.....  
Authorised Signatory

(b) Where the trust seeks to fall within trust condition (d), the certificate could be as follows;

"To [name of charitable trust]  
[Name of proposed recipient] certifies that gifts to it are deductible for income tax purposes and it is referred to in a table in Subdivision 30-B or in item 2 of the table in section 30-15 of the Income Tax Assessment Act 1997 (formerly sections 78(4) and (5) of the Income Tax Assessment Act 1936) and encloses a photocopy of a letter from the Australian Taxation Office so advising.

We request that you rely on this certificate in deciding whether to distribute funds to us and we acknowledge that if this certificate is incorrect, you may suffer significant financial loss as your income may become subject to income tax.

In consideration of you relying on this certificate at our request, we indemnify and hold you harmless against any loss or liability suffered by you resulting directly or indirectly from this certificate being incorrect.

.....  
Authorised Signatory

29. I appreciate that some trusts may not wish to ask potential recipients for an indemnity. If this is the case, the last paragraph of the certificates should be omitted. In any event, for a number of reasons, the indemnity may be unenforceable and trusts should not assume it is. However, the indemnity should make potential recipients take the certificate more seriously than they would if it were not included. It would, of course, be necessary for the trustee to have no contrary knowledge of the activities or status of the recipient organisation. Any actual contrary knowledge by the trustee would negate the effectiveness of the certificate.

30. As mentioned above, the explanatory memorandum acknowledges that it would not be necessary for the trust to make a detailed examination of the charity to whom the distribution is to be made. However, in addition to obtaining a certificate from potential recipients, in some circumstances and pending the issue of any further statements of comfort by the Australian Taxation Office on this matter, cautious trusts may well wish to obtain direct evidence of the purposes and activities of the proposed recipient before making each grant or if grants are made throughout a year, at, say, annual intervals.

31. This evidence would normally involve reviewing the constituent documents (eg. the memorandum and articles of association of a company limited by guarantee, the statement of purposes and statement of rules of an incorporated association, the constitution of an unincorporated association, and the instrument establishing a trust) and its last financial statements and annual report.

# The Taxation of Charitable Trusts (cont)

32. This would be done in an attempt to ensure the certificate appears accurate. Unfortunately, it is to be expected that incorrect certificates will be issued by some grant-seekers due, in the main, to them not fully understanding them.

33. Whether or not it is prudent to obtain evidence beyond the certificate will depend on a number of matters:

(a) Where the trust is seeking to rely on trust condition (d) and the recipient is able to produce a copy of an advice from the Australian Taxation Office as outlined in the certificate in paragraph 28 above, in my view it would rarely be necessary for the trustee to seek further evidence.

(b) Where the trust is seeking to rely on trust condition (c), particular care should be taken as the recipient will not be able to produce any Australian Taxation Office evidence of its status.

(1) Where the recipient's purpose is narrowly expressed in its constituent documents and there is nothing in the surrounding circumstances to evidence a possibility of any overseas pursuit of its purposes etc., it would not normally be necessary for the trust to obtain more than a certificate before making a grant.

A proposed recipient such as an incorporated association carrying on a kindergarten could fall into this category.

(2) On the other hand, where the proposed recipient's purposes are widely expressed (eg for general charitable purposes) and/or its activities foreseeably may extend offshore, I would suggest that further evidence beyond the certificate be obtained.

Churches would normally fall into this category of recipient on the basis that many support overseas missionary activities.

## 34 "located in Australia"

The Explanatory Memorandum states that a "much narrower meaning is intended in relation to the term 'located' [than the term 'physical presence']. A mere physical presence is not sufficient to satisfy this requirement although it is not necessary for an organisation to be resident for income tax purposes. A separate centre of operations such as a branch falls within the meaning of this term."<sup>xv</sup>

"or" means "or"

35 Trust conditions (c) and (d) are expressed in the alternative. Accordingly, a charitable trust will fail to comply with either condition if it distributed in part to institutions which fell within paragraph (c) and the balance of its distributions were to institutions which fell within paragraph (d).

36 A trust may well assume that this could not possibly have been the intention of the legislation and accordingly distribute to both categories of recipients. This would not be acceptable. The Australian Taxation Office has advised that the "or" is deliberate.

## General Issues and Comments

### Institution versus Trust

37. It is to be noted from the above that the treatment of charitable institutions is more lenient than charitable trusts. Specifically, a charitable institution will have tax exempt status if it, among other things, pursues its objects

principally in Australia whereas a charitable trust must, among other things, pursue its charitable purposes solely in Australia.

38. Accordingly, it will be important to determine whether the charity is an institution or a trust.
39. The distinction between the two terms has long been considered difficult at law and the relevance of the distinction under the new legislation could well result in litigation.
40. Whilst it is clear that a legal entity such as a company limited by guarantee or an incorporated association operating in its own right is not a trust (and would normally be considered to be an institution),<sup>xvi</sup> it is not clear that a trust can never be an institution.
41. This issue has been the subject of a considerable number of court decisions.<sup>xvii</sup>
42. If a trust operates a "hands on" charitable agency, has a number of employees, and is generally of some "substance", it may well be properly characterised as an institution. However, if a trust operates simply to distribute income or capital for charitable purposes, it is unlikely that the trust would be an institution.<sup>xviii</sup>
43. Where the different tax treatment between charitable trusts and charitable institutions is likely to be relevant to a charity operating in a trust structure, it may be worthwhile for that charity to obtain professional advice as to whether, in fact, it could be characterised as an institution.
44. In some cases, it may be possible for a charitable trust to be restructured as an institution. Prior to doing so, consideration should be given as to whether it would be

prudent to obtain the approval of the Australian Taxation Office to the restructuring.

### Overseas Distributions

45. Any distribution by an institution or trust of an amount received by it as a gift or by way of government grant is to be disregarded for the purposes of determining whether an institution incurs its expenditure or pursues its objectives principally in Australia or in determining whether a trust has satisfactorily distributed its income or capital.
46. The Treasurer has commented that "funds applied overseas will be taken as being firstly paid out of "gifts" and then income" and that a charity will retain its tax exempt status in the current income year if the sum of gifts and donations received by it (presumably, during the current year) exceeds the total funds applied overseas.<sup>xx</sup>

### Summary

47. For those charitable institutions and trusts which do not fall within a clear exemption condition, the legislation is likely to cause considerable difficulties. The consequences of failing to satisfy an exemption condition on even one occasion results in a permanent loss of tax exemption and possible personal liability to the trustees, directors etc.
48. Accordingly, except where they are confident they fall within a clear exemption category, charitable institutions and trusts should seek specific professional advice as to the applicability of the legislation to them. As indicated above, this article is intended to provide a broad introductory outline only.

### Footnotes

- i Sections 50-1 and 50-5, item 1.1, section 50-50
- ii Sections 50-1 and 50-5, item 1.5
- iii Sections 50-1 and 50-5, item 1.5B, section 50-60
- iv Section 50-5 item 1.5
- v Section 50-80 – which, in very broad terms, grandfathered the pre July assets and makes the new assets subject to the new legislation
- vi Sections 50-1 and 50-5, item 1.1 and section 50-50, condition (b)
- vii Sections 50-1 and 50-5, item 1.5B and section 50-60, condition (b)
- viii Sections 50-1 and 50-5, item 1.1 and section 50-50, conditions (c) and (d)
- ix See para 3.12
- x Section 50-50, conditions (a) and (d)
- xi Section 50-60, condition (a) – see paragraph 11 above. (See also condition (c))
- xii See para 3.14
- xiii Section 50-60, conditions (c) and (d)
- xiv See para 3.25
- xv Explanatory Memorandum to the No 7 Bill, para 3.13
- xvi For an example of when it was held to the contrary, see *Pamas Foundation v FCT* 92 ATC 4161
- xvii Eg. *Manchester Corporation v McAdam* [1896 AC 496, *Stratton v Simpson* (1970) 125 CLR 138, *Allport Bequest v FCT* 88 ATC 4436, and *Pamas Foundation v FCT* *ibid* (refer, in particular to the cases cited at 4163)
- xviii *Allport Bequest v FCT* *ibid*
- xix Section 50-75
- xx Additional Supplementary Explanatory Memorandum to the Senate in relation to Taxation Laws Amendment Bill (No 4) 1997

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Photo: Dale Mann

# New Grants

## A regular feature on grants made by members of Philanthropy Australia

### Australian Youth Foundation

Suite 302/134 William Street,  
East Sydney NSW 2011

Tel: (02) 9357 2344  
Fax: (02) 9358 5635  
Email: [youth@ayf.org.au](mailto:youth@ayf.org.au)  
Website: [www.ayf.org.au/~ayouthf](http://www.ayf.org.au/~ayouthf)

A joint initiative of the Australian Youth Foundation and The Myer Foundation, the International Youth Exchange Program will help disadvantaged young Australians take part in international community projects.

The program will operate for the first time in 1998, enabling between four and six young people aged 15 to 25 to spend four weeks with a national or international youth project. The program's aim is to offer leadership and personal development opportunities. Successful applicants will be accompanied by a trained mentor to provide guidance and support as well as help strengthen the communication, organisational and professional skills of the young people involved.

### ANZ Charitable Trusts

#### ANZ Executors and Trustee Company Limited

Level 21, 530 Collins Street  
Melbourne, 3000  
Ph: 1800 808 910  
Fax: (03) 9273 2779

In 1997, ANZ Trustees developed a new approach designed to give maximum effect to the wishes of the benefactors who set up a number of the charitable trusts for which it is the sole Trustee. ANZ Charitable Trusts called for applications for a major grant under a Neuro-science Medical Grant Program. The neuro-sciences had been identified by informed and expert opinion as a high priority in the area of the health of older people.

Following consideration of the applications by an independent advisory panel, in September 1997 ANZ Trustees made a grant to fund a new community-based stroke prevention program.

The \$315,186 grant over two years is provide funding to Melbourne's Southern and Inner Eastern Healthcare Networks to develop a user-friendly method for General Practitioners to identify patients at risk of having a stroke and to help them reduce or remove the factors that put them at risk. Training and a computerised diagnostic tool based on research evidence are being developed and delivered.

The grant is being funded by:

- James R. Hartley Estate,
- Leigh & Marjorie Bronwyn Murray Charitable Trust,
- Thomas George & Lockyer Potter Charitable Trust and
- Truby & Florence Williams Trust.

### The Jack Brockhoff Foundation

Suite 3, 476 Canterbury Road  
Forest Hill 3131  
Ph: (03) 9877 9700  
Fax: (03) 9877 9799

The Foundation has donated funds over a three year period to establish the BMDI Cord Blood Bank and registry at the Bone Marrow Institute in Melbourne (located at the Royal Melbourne Hospital Campus).

The Institute funds the collection, testing and storage of Cord Blood which is removed from the umbilical cord, a previously discarded by-product of childbirth. It has been discovered that this blood is very rich in pure stem cells which can be used as an alternative to bone marrow transplantation in children for the treatment of leukaemia. Cord blood transplants have so far exhibited a very high success rate and appear to cause less serious side effects for the patient.

They have discovered that these pure stem cells are of great assistance in treating other blood disorders.

The Jack Brockhoff Foundation is very pro-active in providing funds for disabled/disadvantaged children, youth at risk, medical research along with assisting our ageing population.

### Percy Baxter Charitable Trust

c/- Perpetual Trustees  
50 Queen Street,  
Melbourne 3000  
Ph: (03) 9616 0443  
Fax: (03) 9616 0461

The Percy Baxter Charitable Trust has formed a new partnership with the Mental Health Research Institute to explore ways of halting or slowing down the development of Alzheimer's Disease.

The trustees of the Percy Baxter Charitable Trust, Dr John Baxter, Mr Roger Baxter and Perpetual Trustees, visited the institute towards the end of last year and met with the Director, Professor David Copolov and the head of the Alzheimer's Disease Research Group, Professor Colin Masters.

Subsequently, the trustees agreed to fund an exciting and innovative research project at the institute which will be known as The Percy Baxter Alzheimer's Disease Research Project. The project will involve a grant of \$500,000 payable over the next five years.

The ultimate outcome of the project will be the development of treatment methods that will prevent the build up of the amyloid Beta-A4 whose toxicity causes the degeneration occurring in the brains of Alzheimer's Disease sufferers and, therefore, the cause of the symptoms of the illness.

An effective treatment of this debilitating illness will directly alleviate the suffering of thousands of people, relieve the anguish of their families, free up hospitals and nursing home beds, and greatly reduce the health care costs of the community.

# Westpac:

## A Working Partnership with Not-for-Profits



Family on Clean Up Australia Day

**A** two day workshop developed by Westpac, the Australian Council of Social Service (ACOSS) and the Macquarie Graduate School of Management (MGSM) was held recently in Sydney.

The last of four workshops tailored to the particular management needs of non-profit organisations, the series is currently the subject of evaluation to assess the benefit of running similar workshops in the future.

The first two workshops concentrated on innovative fundraising, the third was a venture planning exercise for non-profit organisations working with people with disabilities, and the final workshop an intensive two days on financial management for senior managers.

Anthony Lupi, Westpac's Head of Community Development, said that the final workshop gave participants a set of tools to be used to strengthen financial management skills. The topics covered were: cost management, management decisions, program budgeting, banking transactions, funds management and Westpac financing options.

The partnership between Westpac, ACOSS and MGSM is in line with

Westpac's philosophy that when efforts and expertise are combined, there is, Mr Lupi said "significant added value". "The combination of the expertise and teaching of the MGSM, the involvement of ACOSS to ensure the relevance of the program, together with the financial expertise of Westpac, resulted in what was a comprehensive and, we hope, a valuable program."

"The program's goal is to help non-profits be more efficient in managing their finances and other areas of their organisations, as well as to give in-kind support to a wide variety of community bodies, rather than direct donations to just a few," Mr Lupi said.

Places at the workshops were keenly sought by a range of non-profit organisations, particularly because of the increased pressures due to governments restructuring the allocation of funds and changes to competitive tendering processes.

Mr Lupi said that up-to-date commercial information would help organisations use funds more effectively. "Changes to competition policy have affected this sector as much as anyone else. The advantage of being more commercially astute and customer-focused is that organisations should be able to spend more time on service delivery and less on administration."

The cost of the financial management workshop was \$200 for each participant, significantly lower than the \$2,000 or more paid by private sector organisations for workshops of a similar scope. The course was

commissioned by Westpac's Community Development department from MGSM which agreed to absorb the developmental costs. The final workshop was designed by lecturer in management at the MGSM, Graham Godbee, who also drew on the expertise of a range of industry practitioners. The previous three workshops were designed by specialist industry professionals.

Depending on the results of workshop evaluations, Mr Lupi said, there is every possibility that they will be run again, perhaps as a joint venture with Philanthropy Australia. Non profit organisations interested in participating in any future programs can express interest to Philanthropy Australia.

### Participants: Maximising Performance through Effective Financial Management

**ACOSS, NCOSS, Westpac Life Saver Rescue Helicopter, Benevolent Society, Lifeline, Public Interest Advocacy Centre, Clean Up Australia, The Fred Hollows Foundation, Royal Blind Society, The Spastic Centre of NSW, UNICEF, Sydney SLSA Helicopter Rescue Service, ACTCOSS, National Breast Cancer Centre, Cystic Fibrosis Foundation**



Bob Joss, Managing Director, Westpac Banking Corporation, with Ian Kiernan, Chairman of Clean Up Australia on Clean Up Australia Day

# Indonesian Dialogue

Late in 1997, Genevieve Timmons, Executive Officer of the Lance Reichstein Foundation, visited Indonesia to take part in People In Dialogue, a workshop and dialogue on grantmaking and the responsibilities of grantmakers. She spoke to Philanthropy about her visit.



Time to get ready for the festival to thank the gods for the harvest. October 1997

People in Dialogue concentrated on the HIV/AIDS and STD Prevention and Care Project, a \$A20 million five-year bilateral development project between the Government of the Republic of Indonesia and the Government of Australia through the Australian Agency for International Development (AusAID). The Project is administered by the Overseas Projects Corporation of Victoria.

The goal of the Project is to enhance the capacity of local government and community agencies to develop coherent innovative service delivery models for prevention, care, surveillance, research and clinical services for HIV/AIDS and STDs. These are based on the needs of three Provinces in Indonesia within a supportive policy and program framework at national and provincial levels.

With Australian overseas aid consultant Christopher Dureau and four other executive officers, Made Suprapta, I Gde Pitana, Mathilda Salu and Sartono, Genevieve Timmons took part in People in Dialogue. During her time in

Indonesia, she drew on her decade of experience with the philanthropic sector in Australia to bring together experiences, challenges, inspirations and questions common to anyone working in grantmaking in the community, regardless of their country or culture.

## Target groups

The current target groups are truck drivers, sex workers, gigolos and young people, plus health and support workers in Indonesia who can spread the word about safe sex practices. Grants are given at local community level to those who have the links with people at risk, such as community health workers, youth and cultural leaders, doctors, nurses, women's health organisations, local government agencies, private medical practices and community education workers.

## Common themes

There are many common themes shared between Executive Officers of trusts and foundations in Australia and Assistant



L-R Christopher Dureau, Made Suprapta, Sartono, Mathilda Salu, Genevieve Timmons At conference venue Denpasar, Bali

Program Coordinators working in community projects as project officers such as this one in Indonesia. Two of the key similarities are:

- The need for a strong partnership with those who are funded. This strong working relationship ensures that the funds will be spent efficiently and effectively, and the project officer has a clear idea of how the project will work or is progressing.
- The need to maintain an independent position with grantseeking groups in order to represent the grantmaker. This enables project officers to give constructive and objective input and to advocate for strong projects to the grantmaker (the Indonesian Government and AusAID) but also make it clear that the decision to fund projects is not made at their level.

### **Being a gatekeeper, not a gamekeeper.**

The project officers are the connection between the grantseekers, the management, decision makers and other stakeholders in the grantmaking process. The exchange of information between the community organisations

and the people in the decisionmaking levels of the grantmaking program is a powerful position.

- The importance of a '20 second grab' to articulate the value and essence of the work to all levels of the program. This information is useful for project officers when they talk about the funding program directions to grantseekers, when they promote projects to the decisionmakers and when they report on their work and the results of the projects funded to stakeholders.
- The importance of universally attractive, simple and clear information defining the many projects funded.

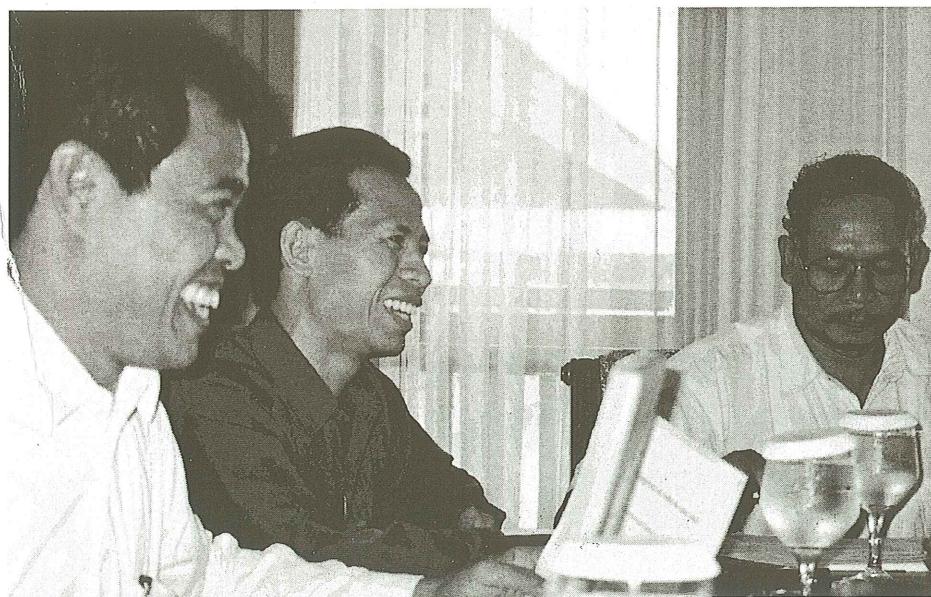
Power, focus and effectiveness in the roles of Executive Officers and of Assistant Program Co-ordinators is related to three major influences and reference points:

1. systematic and technically based assessment and development of projects to be submitted for consideration for funds:
2. clear and positive understanding of funders and management priorities
3. a personal interest and passion for the work.

In contrasting and comparing the role of the executive and project officers, all agreed that an interest in and passion for the work is crucial and common to all, especially where being the middle agent between the decision makers and grantseekers can be challenging.

And obviously there are differences as well, made especially evident by M.T. Mathilda Salu, Executive Officer for a program in Nusa Tengarra Timur. She works with people on over a hundred small islands, accessible only by boat.

**For further information:**  
**Phone: 03-9650-4400**  
**Facsimile: 03-9650-5336**



Still some light moments during the hard work. L-R Made Suprapta (Executive Officer), Igde Pitana (Information Executive Officer), Sartono (Executive Officer)

# Queen Victoria Centre:

Victoria considered itself fortunate when the State Government agreed to create a Women's Centre when the former Queen Victoria Women's Hospital closed. Years of lobbying culminated in 1995 in a \$4.7 million restoration of the remaining tower of the old red brick hospital in the heart of the city and \$1 million in establishment funds.

by Marie Coleman\*

With bi-partisan support, the State Government recognised the wish of Victorian women for the Centre to be run independently. Ownership of the building was handed to them and a statutory body was established in the form of a Trust to run the Centre on a self-sufficient basis.

Some of the revenue comes from rent. The Centre houses a women's medical clinic – Women's Health Victoria; a naturopath; the Australian Lactation Consultants Association; JobsNow!, a service for long term unemployed women; pregnancy counselling; the International College of Spiritual Midwifery; and soon, a bar with a rooftop view.

The Centre has a vibrant café and well-used function and meeting rooms. The Aboriginal Women's Resource Centre is on the third floor. The walls of the ground and first floor corridors and the Women's Lounge are available for women's art exhibitions.

These activities do not raise enough money and the legislation which established the Trust prohibits it from borrowing money. The Trustees were anticipating philanthropic individuals and foundations would assist to fund and develop its programs and services, thus securing its future.

The Queen Victoria Women's Centre, under the Commonwealth Income Tax Assessment Act, is not eligible to obtain tax deductibility for gifts – a similar situation in which most secular based, broad focused women's organisations find themselves. If the Centre was affiliated with a religious organisation, if it dispensed charity in the meaning of the Act, conducted research or was an educational body, then it would be able to attract donations which the donors could claim on their income tax. It could also receive donations from foundations and trusts bound by

Women helping

trust deeds, requiring that gifts be made only to organisations with tax deductible status.

The Queen Victoria Women's Centre is not the first to find to be in this position and will not be the last.

The Commonwealth Treasury is loath to see tax deductibility extended. It has consistently maintained a position in favour of the abolition of tax deductibility as an implicit cost to the revenue, arguing that in the interests of transparency, the Federal Government should make only explicit grants.

There are, however, some organisations with tax deductible status that are able to 'share' this status with other organisations with similar objectives. This is the process which permits a range of conservation organisations to benefit from the tax deductible status of the Australian Conservation Foundation.

While the Centre pursues its legitimate quest for tax deductibility in its own right, the National Foundation for Australian Women Inc. (NFAW) has come to its aid. A non-political women's group, independent of government funding, the NFAW has established a preferred donation fund the Trust of the Queen Victoria Women's Centre. A donor may make a gift to the NFAW, expressing the preference that it be used to assist the Centre. Since the NFAW is a tax exempt body (named in the Schedule to the Act), donors obtain a deduction for their gift. The NFAW is a registered company (ACN 008 659 630).

The NFAW requires a strict prior agreement with any women's organisation wishing to establish such a system. The applicant body's constitution and objectives are carefully examined by NFAW Directors to ensure compatibility of objectives and that it meets the requirements of the Income Tax Assessment Act. No donations can be made on a

Philanthropy



Queen Victoria Centre in action

preferential basis before these arrangements are in place. The NFAW charges an administration fee of 7% of donations for the use of this facility.

Some of the other women's bodies currently using the facilities of the NFAW include the Women's Electoral Lobby, the Ryan-Conlan Fund for Research into Women and Work; The Pamela Denoon Trust and Women into Politics Inc. Some years ago a Victorian family trust made a gift to the NFAW which enabled the commissioning of a film on domestic violence. A Victorian woman has recently made a gift which the NFAW has used to assist the Women's Electoral Lobby to connect its national executive by e-mail.

The Board of the NFAW has created a sub-committee to manage and promote the preferred donation system, chaired by a head of a Commonwealth statutory organisations, and including women lawyers, accountants and administrators. The NFAW does not conduct fund-raising for approved organisations, but it ensures that the fundraising of those organisations (which will take advantage of NFAW's tax deductible status) is carried out in accordance with tax law.

We wish the Centre well in its quest for tax deductibility in its own right but in the meantime, the Queen Victoria Women's Centre Trust can begin to fundraise to complement their Shilling Fund, focusing on small, individual donors. Women helping women is the approach.

**The Queen Victoria Women's Centre  
Trust can be contacted at  
210 Lonsdale St, Melbourne 3000  
Tel: (03) 9663 8799.**

**The National Foundation for Australian  
Women Inc. can be contacted at  
GPO Box 1465,  
Canberra City ACT 2601.  
Tel: (02) 6287 4334**

**\*Marie Coleman is the Honorary  
Secretary of the NFAW.**

# Investing in Involvement

The Constitutional Convention of 1998 not only regenerated a civic culture in this country, it provided a model for the role of philanthropy in advocacy.

By Misha Schubert\*

When Douglas Coupland's novel "Generation X" hit the bookstores earlier this decade it confirmed the worst suspicions of the babyboomer set. Finally, here was proof from one of their own that young people were cynical slackers, lofty and disengaged from a world disinterested in their fortunes. Then again, who could really blame them? A lack of cultural space and clout – economically, socially and politically – had caused young people to switch off from the mainstream. Statistically we didn't read newspapers, follow politics or know a great deal about how political power can be influenced. Without a mould-breaking role model in public view, how would we ever be convinced that our views on the shape of the nation mattered?

I must admit that I was deeply cynical about the treatment of young people, both by the mainstream political arena and by the media. We had no strong advocate in any opinion leading forum, so in public policy terms,

young people took the greatest hit largely due to our lack of political clout. Over the past decade we've seen sweeping changes to education, employment and community services, most manifesting in a reduction of funding, services and specialist support for young people.

It's a bleak set of circumstances which to contemplate your future. But not entirely hopeless, and that's the point which a group of young Victorians set out to prove last year.

In April 1997, a small circle of friends met to discuss the legislation for the Constitutional Convention which would debate whether Australia should become a republic. Amid widespread cynicism, we saw an opportunity for young Australians to take up the nation-shaping themes of democracy and citizenship and to build the concerns for reconciliation, environmental sustainability and multiculturalism into the debate. At that point, the republic debate had been dominated by high-profile babyboomers, and had been confined to a discussion about minimal constitutional reform. It was hard going to ignite a largely cynical and heavily disenfranchised generation.

We knew that young people needed a reason to take an interest and to get involved. So we developed the concept for a young republican movement – Republic4u. Rejecting the corporatised model of the Australian Republic Movement, we chose a loose-knit campaign structure which would provide a platform for young Australians to have their say and acquire political skills, without imposing a particular policy line. We were so successful in this latter objective that we didn't actually develop a policy on appointing a head of state until two weeks prior to the Convention!



L-R Mel Wheeler (Field Crew Director), Carla Stacey (Message), Naomi Hodby (Logistics Director), Misha Schubert (Lead Candidate) at FUEL: Firing up a republican generation, The National Youth Republic Convention, August 17

A generational involvement campaign was in the making. As Republic4u campaign director Melissa Yuan remarked: "For a bunch of twentysomethings, this was the first time in our lifetime that the community was being invited to be involved in a non-partisan debate on Australia's future. In generational terms, this could be a Vietnam-moratorium style issue that galvanises, politicises and trains a generation of young Australians about political life."

We started with some basic research on young people's views and their electoral enrolments. We discovered that up to half a million 18-24 year olds were not on the electoral rolls, and that up to a million Australians move home every year, which meant that a large proportion of postal ballots would be misdirected. Our focus group research told us that information levels about politics and the republic were alarmingly low. But once armed with a basic knowledge of an issue, young people certainly felt that they wanted their views heard. They differed greatly in their opinions, but shared a unanimous view that the structural barriers to young people's political participation were a conspiracy. Many were angry that they were being "locked out" of the debate.

We knew that we had to get the message out fast: "get enrolled to vote so that you can have YOUR say, whatever your views". With no personal resources, profile or political connections, we were ambitious in the extreme. But sometimes impish charm can suffice. So we approached the philanthropic sector and asked them to take a leap of faith with us. We needed funds to develop print materials, set up a web site and to produce a community service announcement for television to boost participation.

The Stegley Foundation was the first visionary funder. It agreed to kick off

the campaign with \$10,000, and importantly to add their name and reputation to our work. Their active support buoyed not only our bank balance, but also our self-belief and optimism. Manager of Community Development, Trudy Wyse, recognised our limited experience in cultivating support from the philanthropic sector, and personally rang other potential funders to invite their involvement. The Lance Reichstein Foundation was also a godsend, with Executive Officer Genevieve Timmons sourcing \$3,000 and suggesting other potential donors. Finally the Australian Youth Foundation granted \$1,000 to complete our television announcement.

To demonstrate our own commitment, the now hundred-strong campaign team donated countless hours of voluntary time. We handed out electoral enrolment materials, wrote web site content, generated local and national media coverage, sent speakers to schools, visited regional centres, ran raffles, sold funky T-shirts, wrote articles, ran a regular email bulletin service, ran a national youth republic conference in conjunction with the ACTU ("FUEL: Firing up a republican generation"), put together a youth ticket for the Convention election, sourced and supported six candidates to run, letterboxed tens of thousands of leaflets, and had regular meetings to generate momentum and swap skills. We also did some amazing preference deals with other pro-republic tickets which ensured my election amongst the Victorian delegates to the Convention.

This was a victory for young people's involvement in the mainstream political process. Armed with a generational mandate to champion the views of younger Australians in the framework on a national civic conservation, we were determined to ensure that younger audiences could identify with something in the

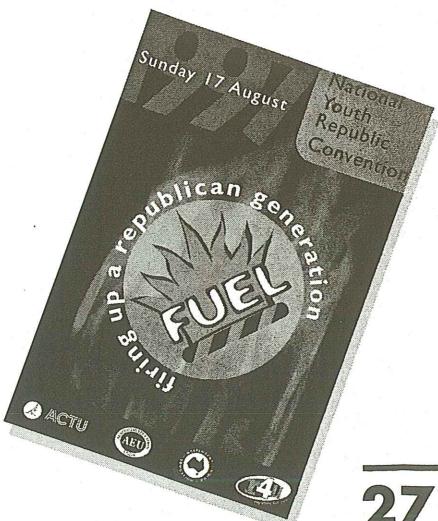
proceedings. My first day's speech outlined the generational access issues, and promoted the researched views of young Australians about the kind of republic in which they want to live – one which prioritises reconciliation, sustains its natural environment and values its cultural diversity. Inspiringly I was not the only young person to stake a claim. New role models emerged daily: Jason Yat-Sen Li and Anne Witheford, Julian Leeser and Kirsten Andrews, Andrea Ang and Nova Peris-Kneebone, Sophie Panopoulos and Dannalee Bell, Moira O'Brien and Carl Moller. We saw young people as commentators, negotiators, media spokespeople and number crunchers. The message was clear: young people are a generational force; we're capable of leadership and we've got the skills to carry it off; all we need is a forum and an opportunity.

My thanks to our visionary funders for providing our forum and our opportunity.

\* Misha Schubert is now working as a journalist with The Australian newspaper. She plans to continue fostering youthful political initiative through the YWCA of Australia, by building internships and leadership development opportunities.

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# Grant-giving USA

American guru Pablo Eisenberg, who visited the UK in May 1997, left behind some powerful messages about social change. Drawing on his US experience as Director of the Center for Community Change in Washington DC, he gave seminars to four different audiences, including charitable foundations. Barry Knight of the Foundation for Civil Society reports.\*

## How different is the American non-profit and Foundation scene?

### Funding for Lasting Social Change

The social change we should seek is "a process by which societies become more democratic, open, and equitable, with a better standard of life, and by which poor, minority, and disadvantaged communities become first class citizens."

In the US, the non-profit sector (roughly corresponding to our voluntary sector) possess three characteristics that, in the past, have favoured the pursuit of this type of social change.

- A tradition of influencing public policy, of holding government accountable, and of advocacy on behalf of disadvantaged constituencies and interests.
- An enormous amount of private philanthropy (some 40,000 charitable foundations giving 13bn pounds per annum, corporate sector

giving 7.5bn pounds, and individual donations totalling over 100bn pounds). Private giving on this scale allows many non-profits to be independent of government.

- A history of organising among low income minority communities to form broad-based organisations with large memberships. These constituency-based organisations can influence public policy by virtue of their strength and breadth. There are as many as 10,000 grassroots organisations.

**"positive social change has been badly affected by the rise of the right"**

When these forces act in combination, they form a potent cocktail for social change. For example, coalitions of residents in low income communities joined forces across the country to campaign about the behaviour of financial institutions in low-income neighbourhoods in the US. The outcome was the Community Reinvestment Act which forced banks and financial institutions to do business in areas that they might otherwise 'red-line.' Because of this

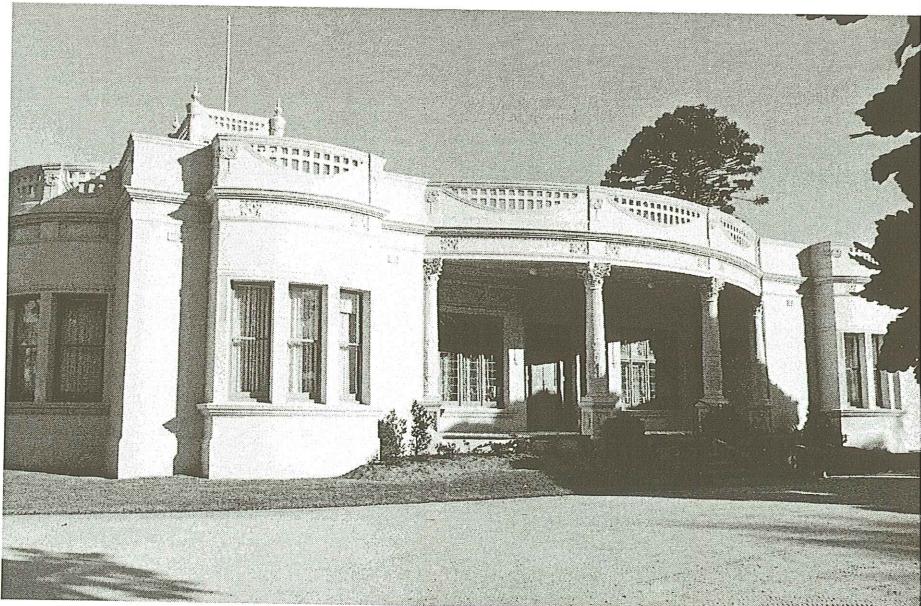


Photo: Dale Main

ct, some £120bn has flowed to low income neighbourhoods in the past 10 years that would not otherwise have done so. The banks made profits there too. The campaign was financed by a small number of grants from a handful of foundations to organisations involved in the campaign. By any standards, the outcomes gave a good return on investment.

Since the early 1980s there has been a growing conservatism in the US. In part, this has been due to the ascendancy of the right-wing in politics. Recently Congressional conservatives have launched a massive attack on the legal right of non-profits to lobby and campaign.

**“recent welfare reform... has meant that three million people will shortly be looking for jobs which do not exist”**

Positive social change of the type favoured by Pablo Eisenberg has been badly affected by the rise of the right and the related loss of public confidence in government. This began in 1976 when Carter's presidential campaign took an anti-federal government line. Government was reckoned to be too big and took too much tax from its citizens. This line has been followed by every presidential candidate since. The result has been the down-sizing of government, privatisation of its functions, devolution to lesser authorities, and cuts in welfare programmes. These changes have not only questioned the integrity of federal government, but have downgraded the concept of public service.

## **Lessons for the UK**

The poor have borne the brunt of the changes. For instance, cuts in welfare

have been targeted on housing, assistance for legal immigrants, and food stamps. Middle class entitlement programmes, and those for veterans and military weapons systems, have been untouched. The recent welfare reform which entails people coming off welfare forever after five years, has meant that three million people will shortly be looking for jobs that do not exist. Research has shown that the proposed policy of offering subsidy to private corporations to create jobs is likely to be expensive and ineffective in filling the job gap.

The non-profit sector has also felt the cuts. It now has to do more with less. It now has to negotiate with state and local governments for the first time. Yet it hardly seems ready to meet the challenges. The sector is now big business, comprising more than nine million people, with its activities accounting for 7% of GNP. At the same time, growth has been accompanied with some of the worst aspects of commercialisation. There has been a loss of vision and passion, a tendency to follow money rather than mission, and the development of the 'cult of the CEO' – with an emphasis on building personal ego rather than organisation capacity. The intellectual content of the non-profit sector is low, with little ferment of ideas, no recorded learning about practice from practitioners, and a failure on the part of academics to write meaningfully about voluntary action. The sector has become fragmented, with organisations following their narrow agendas rather than the coalitions for social reform.

**“the sector has become fragmented, with organisations following their narrow agendas rather than the coalitions for social reform”**

The non-profit sector is largely unaccountable. A large number of non-profits never issue public annual programme and financial reports. A wave of financial scandals and questionable practices have rocked the sector in recent years. Some 40,000 new organisations received charitable status each year without any serious appraisal by the Internal Revenue Service, the institution responsible for overseeing the non-profit sector. With only a handful of staff available for these duties, the Inland Revenue Service cannot effectively regulate the sector. It is perhaps not surprising that there is growing momentum behind the idea of taxing non-profits as for-profits.

So how have the 40,000 charitable foundations met these challenges? The answer, according to Pablo Eisenberg, has been "a combination of watchful-waiting and hand-wringing". Foundations tend to fund the same type ventures that they did more than 20 to 30 years ago. In 1974, the Filer Commission on the future of charitable foundations defined the purpose of philanthropy: "to meet the most urgent public needs of today". So because the vast majority of Foundations have done little new in the past twenty years, it follows that they are no longer meeting the needs of today. Despite greater numbers of women and black people on the boards of foundations they remain risk-averse, and only a few will actively fund initiatives that promote activist-led social change, coalition building, public policy advocacy, community organising, and technical assistance to low-income and minority based constituency organisations. The mainstream foundations remain upper-middle class in their temperaments and take a top-down view of the world. They remain fixed on giving short-life grants to specific projects in specific categories of activity. The founders continue to ignore their grantees who,

# Grant-giving USA (cont)

when asked, always reply, "The money we need most is for general operating costs, and we need it over the long term".

## A role model?

Not so the right-wing foundations. A recent research study by the National Committee for Responsive Philanthropy has shown that they tend to be exemplary grant-makers. They display four main characteristics in this respect. They fund:

- **strategically** – deciding the impact that, they want to have and tailoring all grant-making to outcomes that support the impact;
- **long-term** – sticking with an organisation for 20 to 30 years, keeping faith with organisations that deliver on the desired outcomes;
- **without any questions**, activities such as organising, public policy advocacy, and coalition building that can make a real difference;
- **core operating costs** – putting money into an organisation for capacity building, not specifying how it is spent, but concentrating their assessments on whether the organisation delivers on the desired outcomes.

Funding like this to highly effective organisations enabled the right to capture the middle ground of American politics, to promote the rights of the individual at the expense of collective solutions to common problems, and to underpin the dismantling of public service. Had the more mainstream trusts followed the exemplary practice of the right-wing foundations, it would have been possible, Pablo Eisenberg believes, to have had much less fragmentation in the non-profit sector. Strong coalitions could have had a much greater impact on such issues as poverty, gun control, political campaign finance reform, and affordable housing. Strong grassroots community organisations and other anti-poverty groups could be exerting

much greater policy influences on local and state governments, as well as on the federal government. Instead, many American non-profits compete with one another on narrow issues, while many American philanthropists wring their hands, not knowing how or not having the courage to create social change.

The result is an ever widening gap between rich and poor (and official poverty rate of one-in-seven though the real

### **"right-wing foundations... tend to be exemplary grant-makers"**

number of second class citizens could stand at one – in four). While most non-profits are doing little about reducing the numbers of people in poverty, for-profits are steadily widening the margin. Company profits have soared in recent years, making shareholders richer. At the same time, corporate philanthropy has remained static, so that the days of companies contributing two to five per cent of pre-tax profits have gone. The sense of 'enlightened self-interest' that informed many companies corporate responsibility programmes has been replaced by a greater focus on the bottom line, and cause-related marketing. The 'enlightened' has gone, and we are left with 'self-interest'.

## Solutions

So what are the remedies? The answer for Pablo Eisenberg is a change of mind-set. Charitable foundations and companies that wish to back the kind of social change, "by which societies become more democratic, open, and equitable, with a better standard of life, and by which poor, minority, and disadvantaged communities become first class citizens" need to adopt the four exemplary characteristics of grant-

giving. They need to be strategic fund long term: to fund activities will make a difference (organis public policy advocacy, citi monitoring of public authorit technical assistance to p community groups, commu leadership development, and coalit building); and to fund core operat costs.

To assist funders in the US to m these changes, he and other gr recipients set up the Natio Committee for Respons Philanthropy in 1974. This encouraged foundations to be more open, accountable, and more progressive in funding policies. Wh successful, the National Committee : Responsive Philanthropy and its all have much work to do. Foundatio and corporate donors will have change their priorities and procedu if social change is to occur. They w have to consult more widely wi grantees and the public about ho they can meet the country's m urgent needs.

Pablo Eisenberg also recognises that tl non-profit sector has to improve itsel to have more visionary leadership, i bury narrow and sectional interest and to build coalitions for soci reform.

\*Reprinted with permission from "Trust ar Foundation News", Oct/Nov 1997, p. 15-1

### For further information:

Association of Charitable Foundations  
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London WC1A 2RL  
**Tel:** 0171 404 1338  
**Fax:** 0171 831 3881  
**E-mail:** acf@acf.org.uk

# Resource Centre News

members of Philanthropy Australia and Resource Centre have access to a range of publications including the following most recently received.

## 1997 Evaluation Workshop Resource Book

The 1997 Evaluation Workshop was co-sponsored by the Council on Foundations and the Grantmakers Evaluation Network and was held on November 16-18 in Dallas, Texas.

The Workshop was developed as a response to "growing interest" in evaluation by foundations. Topics covered included how to conceptualise and use evaluation information in philanthropic organisations, assessing your Foundation's performance, and the social and political dynamics of evaluation.

## Foundation News and Commentary Magazine

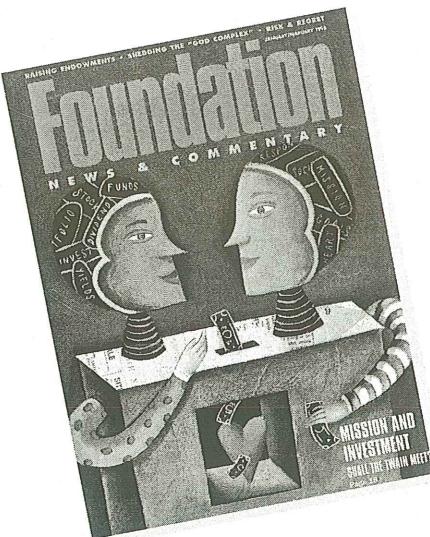
January/February 1998

Published by The Council on Foundations

## This issue includes the following articles.

### "Yang, meet Yin"

'Socially responsible investing – where foundation endowments are in sync with their grantmaking mission – is



still "out there", but maybe not as far as it once was. There's new research that says socially responsible investing doesn't necessarily penalise returns, and there's new thinking on whether it is worth it even if it does. By Roger M. Williams.'

### "Can't give it away fast enough? Try this"

'Program related investments made through intermediaries allow foundations to meet programmatic goals, too. Program related investments could be the icing on the bull-market cake. By Rebecca Adamson.'

### "Hot hands, herds, risk and regret"

'A review of the literature shows how various human behaviors have an impact on investment decisions. Don't tune it out if you don't manage foundation investments: The findings are insightful when it comes to decisions about risky grantmaking, too. By Francis Gupta.'

## The Non-Profit Handbook 1998

Produced by The Chronicle of Philanthropy, the Handbook lists books, periodicals, software, Internet sites and other essential resources for non-profit leaders.

The Non-Profit Handbook was compiled based on in-depth interviews

with non-profit executives and experts in fund raising and management issues. These people were asked to identify the resources they found most useful in their grantmaking.

Topics covered include advocacy, boards, communications and marketing, financial management, fund raising, managing, technology and volunteers.

## The Who's Who of Fundraising

1998 Directory of Members, Fundraising Consultants and Suppliers issued by the Fundraising Institute of Australia.

The Directory includes background on the Fundraising Institute as well as member listings by State.

## Annual Reports

ACOSS 1996-1997

The Hammond Care Group 1996-97

Law Foundation of New South Wales 1997

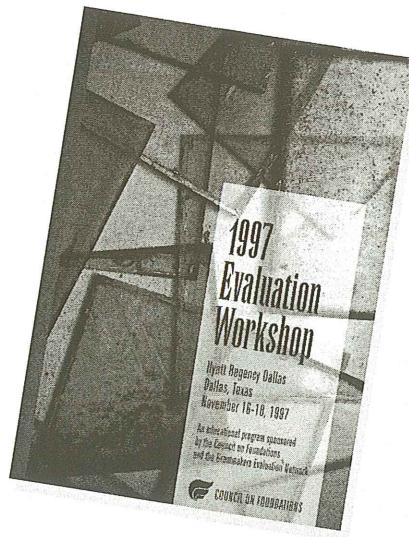
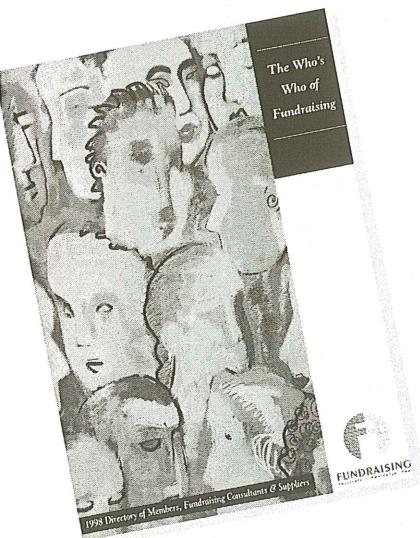
Lotteries Commission of Western Australia 1997

Melbourne Newsboys Club Foundation 1997

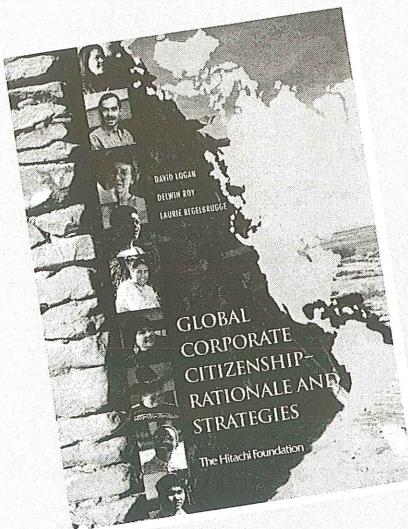
The Myer Foundation and The Sidney Myer Fund 1996-97

The R.E. Ross Trust 1997

St. George Foundation 1997



# Book Review

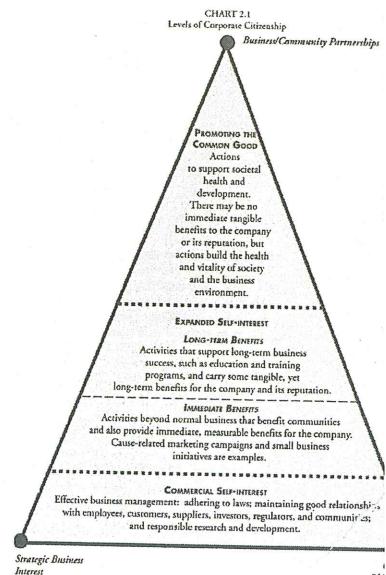


**G**lobal Corporate Citizenship – Rationale and Strategies by David Logan, Delwyn Roy, and Laurie Regelbrugge, The Hitachi Foundation, Washington, D.C., 1997. 185 pp \$70.00.

Reviewed by Ross Chessari, General Manager Estate Planning and Management, and Senior Corporate Solicitor, ANZ Funds Management.

"I was asked to review Global Corporate Citizenship from my dual perspective as a senior corporate executive and a senior executive involved in marketing charitable trusts.

From both perspectives, this is a very timely and valuable publication. It provides important reference material for those who are interested in and working to achieve an increase in corporate philanthropy in Australia. While it is too long for most corporate chief executives and senior managers to read themselves, they will benefit from and be challenged by it through the information and tools it gives to both their advisers and the marketers of philanthropy. A good example is the pyramid on page 21. A discussion with corporate shareholders and senior executives using this pyramid will increase the likelihood of reaching agreement on the appropriate level and type of corporate citizenship to be adopted. Similarly, using the outline of possible corporate philanthropic objectives will help those corporates already making a contribution, to better shape their philanthropic approach around their corporate objectives. But the outline will be useful also to many corporates which have never thought or acted in this way. Because it is so comprehensive, the dot point summaries which lead each chapter provide a good start for selecting and focussing on the key points of interest for individual corporates, chiefs and managers.



Global Corporate Citizenship provides a lot of good case material, unfortunately it will be of direct interest to chiefs and senior managers only if it is repackaged in shorter, less repetitive and more targeted presentations. That is a challenge within the capacity of philanthropic and corporate communities."

Global Corporate Citizenship may be ordered from Philanthropy Australia

**For further information:**  
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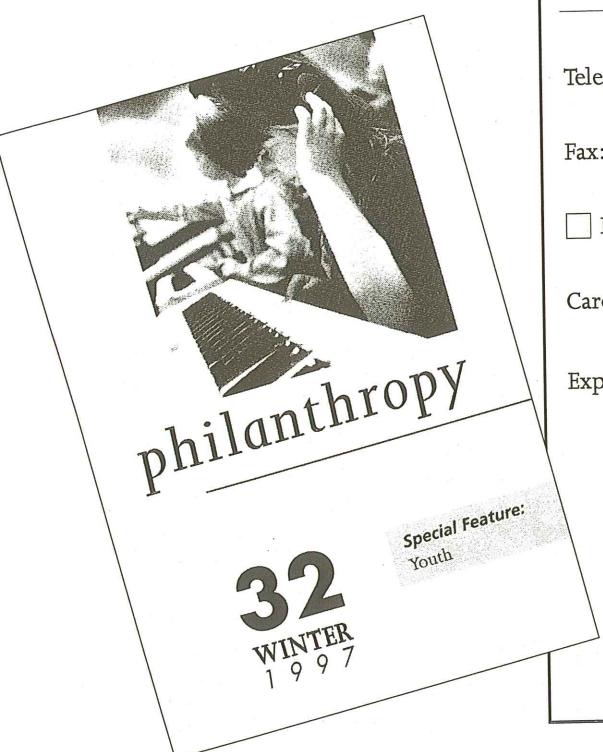
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# Home & Abroad ...

## HOME

### Conferences...

#### 4th National Conference

Australian and New Zealand Third Sector Research Community, citizenship and enterprise conference setting a new agenda for the third sector.

**When:** 17 – 19 June, 1998  
**Where:** Stonnington, Deakin University, Toorak Campus, Malvern, Victoria  
**Enquiries:** ANZTSR Conference Organiser, Centre for Citizenship and Human Rights, Deakin University, Geelong, Victoria, 3217.  
**Ph:** 03-5227-2113  
**Fax:** 03-5227-2018  
**Email:** cchr@deakin.edu.au

#### Work and Family Conference

This one-day conference will be held at Perth's Hyatt Hotel, from 8.30am to 4.00pm

**When:** 12 May, 1998  
**Where:** Hyatt Hotel, Perth W.A.  
**Enquiries:** The Workans Family Project  
**Ph:** 08-9222-7700  
**Fax:** 08-9222-7777  
**Email:** djma@doplar.wa.gov.au

#### Association of Children's Welfare Agencies National Conference "Improving Services for Children, Youth and Families"

**When:** 24 – 26 August, 1998  
**Where:** Airport Hilton, Sydney  
**Enquiries:** Ms. Sharyn Low, '98 ACWA Conference Organiser, P.O. Box 23, Pitt Town, NSW 2756  
**Ph:** 02-4572-3079  
**Fax:** 02-4572-3972  
**Email:** sharyn.low@acwa.asn.au

#### Celebrating Public Health: Decades of Development

**When:** 13 – 16 September, 1998  
**Where:** Hobart, Tasmania  
**Enquiries:** Public Health Association  
**Ph:** 02-6285-2373  
**Fax:** 02-6282-5438

#### Developing Health

National Centre for Epidemiology and Population Health Conference

**When:** 11 – 12 November, 1998  
**Where:** Canberra, ACT  
**Enquiries:** Valda Gallagher  
**Ph:** 02-6249-5627  
**Fax:** 02-6249-0740  
**Email:** vtg868@ncep.anu.edu.au

#### Promoting the Health of Aboriginal and Torres Strait Islander Communities

**When:** 3 – 4 December, 1998  
**Where:** Sydney  
**Enquiries:** National Centre for Health Promotion  
**Ph:** 02-9351-5129  
**Fax:** 02-9351-5205  
**Website:** <http://www.acys.utas.edu.au/ncys/events/youth98.htm>

**Disclaimer:** Information about these conferences has been obtained from a variety of sources. No liability for the accuracy of dates or other content is assumed. For further information, please refer to the respective contact organisations or persons.

## BROAD conferences...

### Council on Foundations 49th Annual Conference "Philanthropy's Many Voices in Public Policy"

When: 27 - 29 April, 1998  
Where: Washington, DC  
Enquiries: Conference Information Desk  
Ph: 0011-1-202-466-6512  
Fax: 0011-1-202-785-3926  
Email: confinfo@cof.org

### The Canadian Centre for Philanthropy's Fourth Annual Symposium

When: 4 - 5 May, 1998  
Where: Canadian Bar Association, Ontario, Canada  
Enquiries: Canadian Centre for Philanthropy  
Suite 700, 425 University Avenue,  
Toronto, Ontario M5G 1T6  
Ph: 0011-1-416-597-2293  
Fax: 0011-1-416-597-2294  
Email: general@ccp.ca

### The Philanthropy Initiative Annual Spring Conference on Creative Philanthropy

When: 15 May, 1998  
Where: Cambridge, Massachusetts  
Enquiries: The Philanthropic Initiative Inc.,  
77 Franklin Street,  
Boston, MA 02110  
Ph: 0011-1-617-338-2590  
Fax: 0015-1-617-338-2591  
Email: talk2us@tpi.org

### Association of Charitable Foundations Conference Better Giving '98

"Equity in Grantmaking"

When: 23 - 25 June, 1998  
Where: Bradford, England  
Enquiries: Roland Doven  
Ph: 0011-44-171-404-1338  
Fax: 0015-44-171-831-3881

### International Conference on Social Welfare Promoting Human Well-Being:

Addressing the forces shaping society

When: 5 - 9 July, 1998  
Where: Jerusalem, Isreal  
Enquiries: International Conference on Social Welfare  
Ph: 0011-972-3-514-000  
Fax: 0015-972-3-517-5674  
Email: 28ICSW@Kenes.ccmail.compuserv.com

### International Society for Third Sector Research:

#### 3rd International Conference

Focus: "The contribution of the Third Sector to social, economic and political change."

When: 8 - 11 July, 1998  
Where: Geneva, Switzerland  
Enquiries: ISTR Secretariat, The Johns Hopkins University  
551 Wyman Park Building, 3400 North Charles Street,  
Baltimore, MD 21218-2688 USA  
Ph: 0011-1-410-516-4678  
Fax: 0015-410-516-4870  
Email: istrmbd@jhunix.hcf.jhu.edu

### Council on Foundations Fall Conference for Community Foundations

When: 12 - 14 October, 1998  
Where: Miami Beach, Florida  
Enquiries: Conference Information Desk  
Ph: 0011-1-202-466-6512  
Fax: 0015-1-202-785-3926  
Email: confinfo@cof.org

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### For further information and membership form:

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# Other Publications



## AUSTRALIAN DIRECTORY OF PHILANTHROPY

1998-1999 – 9th Edition

**COST – \$45**

Published by Philanthropy Australia Inc, this directory is the most comprehensive reference on sources of non-government funding in Australia

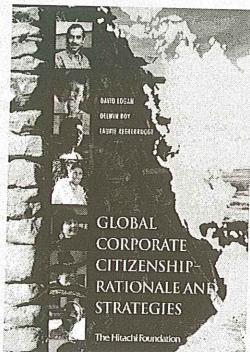
- An exhaustive index of over 300 trusts and foundations,
- Accessible information about trusts, foundations and corporate funds,
- A source of basic data for those working in the sector or other related fields; and
- Comprehensive data for researchers in the field of philanthropy



## THE AUSTRALIAN GUIDE TO SCHOLARSHIPS & AWARDS 1997-1998

**COST – \$45 (organisations) \$25 (individuals)**

Philanthropy Australia Inc. has published the first extensive guide to scholarships, and awards, available from trusts, foundations and other funding bodies. It includes the areas of overseas study, medical research, education, sport and community organisation. The guide provides a clear and easy way of finding this vital information.

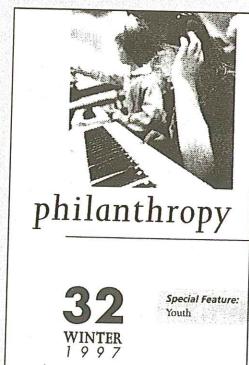


## GLOBAL CORPORATE CITIZENSHIP – RATIONALE AND STRATEGIES

**The Hitachi Foundation, 1997**

**COST – \$70**

This book examines and documents the activity of dozens of individual companies that, collectively, are defining more clearly the rather ambiguous concept of global corporate citizenship.



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- Access to telephone reference assistance
- Publications

**Membership of the Resource Centre is available to Community Sector Organisations and Individuals.**

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