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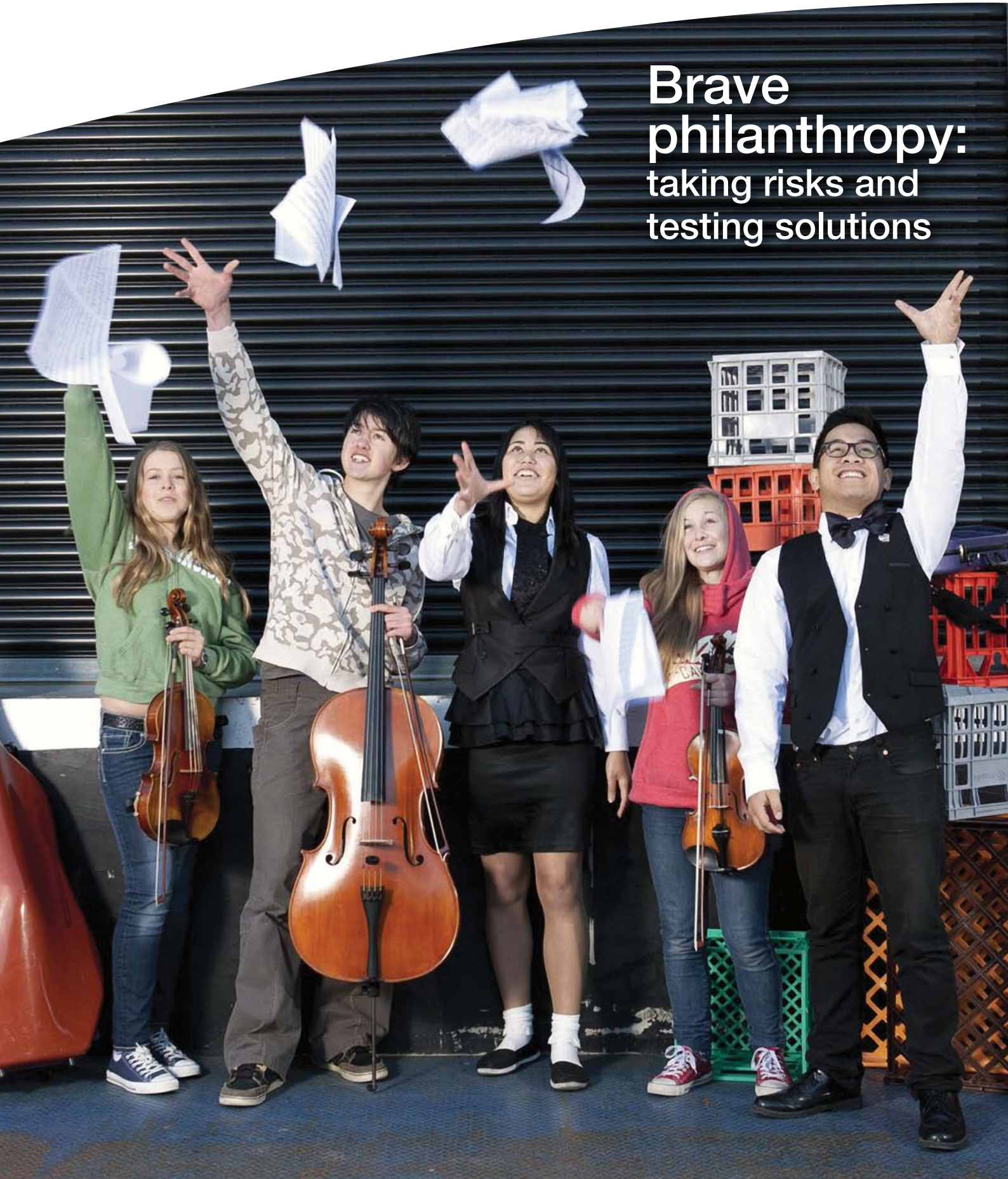

Brave philanthropy: taking risks and testing solutions

Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and encourage others to become philanthropists.

Our vision
A more giving Australia.

Our mission
To lead an innovative, growing, influential and high performing philanthropic sector in Australia.

Philanthropy
Philanthropy is the planned and structured giving of time, information, goods and services, voice and influence, as well as money, to improve the wellbeing of humanity and the community.

Philanthropic sector
Trusts, foundations, organisations, families and individuals who engage in philanthropy.

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Front cover
SubUrban Exchange performers (from left to right): Emma Piercy (Viola), D'Artagnan Skendzic (Cello), Bridgete Koroibulu (Vocals), Alexandra Broddle (Violin), Phil Pandogan (Vocals). Read their story on page 6.

Contents








From the President and CEO

As we write this introduction we are reflecting on the success of our biennial conference, responding to the ACNC Bill, and implementing a new fee structure which makes membership more affordable for a variety of people involved in philanthropy.

In the midst of efforts to promote and grow giving, it is easy to lose sight of the ultimate purpose of our collective philanthropic endeavours: to make a positive difference to the wellbeing of people and communities.

Time and again we come back to the question of whether we are achieving that aim to the best of our abilities, and making the impact we have the potential to deliver. But how many foundations have identified the impact they want to make in a given place or field, let alone measured success against those aims? To risk an Olympic analogy, do we each clear the bar we have set for ourselves, and is that bar high enough?

Lisa Jordan, executive director of the Bernard van Leer Foundation, wrote in an article for *Alliance* magazine called 'What is your failure rate?':

"Taking risks is an inherent responsibility of organised philanthropy… to use private money to try to solve intractable problems… The question is, do we?"

"While foundations often explore and plan for financial risk in their investment management, there is little understanding of risk on the program side," she argues:

"We have no forums where risk can be discussed nor tools to help us make calculated risks, and we rarely use the tools we have such as evaluation to help us understand the degree to which we have succeeded or failed."
Alliance, March 2012, page 18.

If, on the other hand, the only true failure is a grant that nothing is learned from, does that mean foundations should put more resources into sharing their evaluations with colleagues? Trustee of The R.E. Ross Trust, Eda Ritchie, thinks not (see page 18).

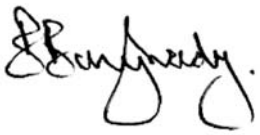
Her view is that by the time we factor in the complexities and individual circumstances of each grant, there is very little that is replicable and time is better spent moving on to the next grant, rather than trying to widely disseminate these experiences.

This issue of Australian Philanthropy is dedicated to the theme *Brave Philanthropy: Taking Risks and Testing Solutions*. While the term 'brave' may be stretching the case, it does conjure up the required nuances – declaring bolder objectives to aim for; calculated exposure to potential 'failure'; carefully balancing uncertainty with strategy.

We hear from some outstanding donors and trustees who do indeed embark on courageous and even audacious grant-making in order to achieve maximum impact:

- Dr Sam Prince is inspirational with his endeavours to conquer 'One Disease at a Time' – eradicating scabies is first on the list (see page 23);
- Sue-Anne Wallace documents a case of extraordinary tenacity in building the capacity of the Vincent Fairfax Family Foundation's Cape York Partnership over four gruelling grants in 'A risk worth taking' on page 10.

The prevailing global economic climate, and consequent government spending, are both risk-averse, so maybe this is a time when the courage to take risks in philanthropic grant-making is really needed.



Bruce Bonyhady AM, President
Philanthropy Australia

Deborah Seifert, CEO
Philanthropy Australia

Brave philanthropy

By **Catherine Brown**, CEO, Lord Mayor's Charitable Foundation.

Brave Philanthropy happens when a trust or foundation takes a bold step forward into the unknown to help solve a community problem. Brave philanthropy is about taking informed risks to achieve positive social change.

This edition of *Australian Philanthropy*, sponsored by the Lord Mayor's Charitable Foundation, aims to encourage philanthropists to make even more of a difference through the thoughtful use of all the tools in the philanthropy tool box, including granting, investing, engaging in public policy, researching new ideas and strategic communications.

"Brave philanthropy means identifying the risks associated with a particular project, whether they are financial, reputational or in another risk category, and putting steps in place to reduce or manage that risk."

AS CEO of the Lord Mayor's Charitable Foundation, I am responsible for continuing the pioneering work that the Foundation has already undertaken in reducing homelessness and finding new ways to add value to this and our other granting areas, especially youth, ageing, arts and the environment. Some of this work is reflected upon in the interviews with trustees Peter White on page 4 and Rob Masters and Mike Zafiropoulos on pages 8-9.

We are now researching various models of investment in affordable housing. We have also introduced a proactive grants fund, which provides us with an opportunity to advance and test specific areas and projects. For example, we are currently identifying the most effective time in the development cycle for us to support social enterprises operating in our various fields of interest.

I am aware of many other examples of brave philanthropy from my past experience as a not-for-profit CEO and as an adviser to other foundations. Utilising new forms of philanthropic investment, tackling 'unsexy' or newly emerging problems all involve risk to some extent. By applying a risk management approach to decisions, foundations can make courageous decisions to help support positive social change.

Brave philanthropy means identifying the risks associated with a particular project, whether they are financial, reputational or in another risk category, and putting steps in place to reduce or manage that risk.

At times, the risks cannot be significantly reduced, but the potential learnings that can be gained and the new approaches that can be demonstrated are worth the philanthropic investment.

Putting some resources into research, into consultation from experts in the field and into evaluating major projects helps ensure that there is good quality information behind Foundation decision-making.

The Lord Mayor's Charitable Foundation is proud to sponsor this edition of *Australian Philanthropy*, which is all about philanthropists exploring new ideas and potential solutions to challenging issues. I hope his edition inspires us all to take informed risks and be even braver in our philanthropy. ■

LORD MAYOR'S CHARITABLE FOUNDATION

Peter White

Peter and Lyndy White were the first to make a philanthropic contribution to the Sacred Heart Mission's Journey to Social Inclusion Project (J2SI). J2SI is an innovative pilot looking at alternative ways of supporting 40 individuals who have experienced long term homelessness. The Lord Mayor's Charitable Foundation's **Shane Austin** talked with **Peter White**, Director of the Peter and Lyndy White Foundation, about philanthropic investment, risk and value.

People experiencing long term homelessness are particularly vulnerable and have complex needs. J2SI set about over a three year period (finishing in 2012), trialling an alternative approach to address homelessness. Research and analysis play a big part in developing the economic and program reform cases for this project. Peter and Lyndy's philanthropic leadership, through a significant grant to the $3.8 million project, facilitated grants from an additional eight philanthropic funders, including the Lord Mayor's Charitable Foundation and The R.E. Ross Trust. As Peter has said, "Someone had to get the funding started, it takes one to be first and then others join in".

There is often talk about value and return on philanthropic investment; what led you to commit such a significant grant to what could be perceived as a boutique project with only a small return on investment?

It is always difficult to judge value and return on philanthropic investment with any degree of certainty. I will tell you why we committed to J2SI – I have a very strong belief that we should not have homelessness in such a wealthy country as Australia.

Initially, when we started the Foundation five years ago, I was looking to see who could provide the cheapest accommodation for the homeless. With more experience I have found my initial efforts were in the wrong direction. Nearly all the homeless have additional problems; drugs, mental health problems or abuse, which need to be addressed along with the accommodation issue.

Whilst you state J2SI could be perceived as a boutique project with only a small return I never considered it in that light. The homeless need additional support, and J2SI addressed this area. I see it as a very worthwhile research project which sought to provide conclusive evidence that the cost to the community incurred by the scourge of homelessness is far greater than the cost incurred in running this type of program.

The J2SI program costs were significantly higher than other approaches because it sought to provide evidence of its success. This involved using a control group (a group of homeless individuals who are receiving support through the current system) and employing external evaluators to verify and analyse the results.

If this project is successful I don't see it as a small return. This type of project can turn a person who is a financial 'liability' into a functioning member of the community. Both dollars and (occasionally) lives are saved.

What does it mean to you to collaborate with other funders, as with the J2SI project?

Many philanthropic organisations have similar aims and if, by combining their funding, they achieve a positive result, they effectively extend the impact of the project, achieving more than any individual philanthropic organisations could alone. It is common sense to get together.

Funding J2SI can be seen as testing an untried alternative to the current homelessness services; How much of what you do as a philanthropist is about supporting testing untried solutions?

Actually most of our participation is supporting existing established projects. We have supported Monash University in two major research projects which may well have no commercial benefit. However, research, even if it fails to prove a hypothesis, has the potential to contribute to a body of learning. At the very least, as long as it is published, it saves other scientists duplicating the same work.

How do you perceive philanthropic investment in terms of risk and potential failure?

We try to achieve the biggest bang for our buck with all our donations. We don't like to see a lot of money spent on fundraising and/or administration in any organisation we contemplate supporting. A critical component of our decision-making is our assessment of the ability and enthusiasm of the CEO of an organisation.

Thank you Peter for sharing your insights.

You're welcome. ■

www.lmcf.org.au
redcross.org.au/social-inclusion.aspx

LORD MAYOR'S CHARITABLE FOUNDATION

Show me the evidence: how research is helping to forge change for women and girls in Sydney

By **Kristi Mansfield**, Executive Director, Sydney Community Foundation and Fund Director, Sydney Women's Fund.

When the Sydney Women's Fund began its small grants program in Sydney, we knew that potential donors would ask, "Why do we need to fund women and girls in Sydney?".

Once we show them the compelling evidence the next question is usually, "How can we help?". As a sub-fund of the Sydney Community Foundation, the Fund has a head-start with an established donor network and strong research to underpin our evidence-based strategies.

With so much progress to date on equal opportunity and discrimination, it is easy to imagine that issues for Australian women have largely been addressed in 2012. Our city streets are full of working women, the life expectancy of women in our country is rising, women are much more likely to achieve well in schools and universities than in previous decades.

However, beneath this picture of success, the plight of disadvantaged women is mostly hidden: out of sight and out of mind. The Sydney Women's Fund understands, from its grassroots work in disadvantaged areas of Sydney, that more investment is needed to fulfil our mission of improving the lives of vulnerable women and their children in Sydney.

Uncovering the evidence

The Fund realised we need to understand the evidence base in order to guide our own philanthropic decisions and to encourage others to invest. Like many grant-makers, once we clarified the need for a gender focus, we asked ourselves the next questions: What are the issues we need to focus on to change the lives of these women? Where should we focus our limited resources to see the greatest impact?

The Portrait Project

Thus began the two year Portrait Project, which was launched in March 2012 and was made possible by funding from Barclays. For the first time across all sectors of the community, a comprehensive 'Portrait of Women and Girls in Greater Sydney' is available to guide thinking, investment and action around the issue of disadvantaged women in Sydney.

The Portrait Project asserts that while many things are improving for women, these improvements have not affected all women equally. Sydney has some of the most influential, best educated and wealthiest women in Australia, but also some of the least powerful, most disadvantaged and poorest women.

The Portrait shows that:

- Within a generation it's predicted the new face of homelessness in Sydney will be older, single women.
- 46 per cent of female single parents earn less than $25,999 whereas 41 per cent of male single parent households report an income of more than $62,400.
- Infant mortality rates are 44 per cent higher in the western and south-western suburbs, compared with the city's more affluent suburbs. Women living in the low income areas are 46 per cent more likely to die prematurely.
- School retention rates for girls are 95 per cent in Northern Sydney compared with 69.5 per cent in Western Sydney.

The outcomes

The ultimate goal is to direct more than $3 million of new investment into programs and interventions for women over the next five years.

The Portrait Project has provided the Sydney Women's Fund with a way to achieve its goals and to:

1. Inform the community of Greater Sydney of the true state of women and girls in our city, which has led to new partnerships across the government, private and not-for-profit sectors.
2. Educate decision makers in the public, private and not-for-profit sectors about gender-based inequality and disadvantage, which has led to high level discussions with Federal and State Ministers, local councils, major private foundations and funders.
3. Engage leaders across all sectors to make contributions to invest in the pressing issues.

Sydney Women's Fund has already granted more than $80,000 into our priority areas, which are: older women at risk of homelessness; migrant and refugee women; young women in low income areas; Aboriginal women; and women as carers.

Driving collective impact

As the Fund uses and distributes the Portrait research, we realise it can be a tool for achieving social and community transformation.

To download the Portrait overview and background papers, go to: *www.theportraitproject.org.au*

If you are interested in participating in Phase 2 of the Portrait Project, please contact me at kristi.mansfield@sydneycommunityfoundation.org.au ■

Taking risks and bringing more to the table than just money

By **Sandy Shaw**, CEO Newsboys Foundation.

SubUrban Exchange is an exciting collaboration that began with Melbourne Youth Music and the Anti Racism Action Band (A.R.A.B) sharing a gig at the Newsboys Foundation Annual General Meeting in 2010. Both groups expressed an interest in working together to extend their art form and begin a journey of cross-artistic collaboration.

The Newsboys Foundation took a risk and got behind the idea. In addition to providing a grant, the Newsboys Foundation played a key role in bringing the project together, along with other supporters, to ensure this exciting initiative came to fruition. Additional supporters for SubUrban Exchange included a prominent cultural institution, the Melbourne Recital Centre, and philanthropic supporters – the Kimberley Foundation and Miss Betty Amsden OAM.

This resulted in the SubUrban Exchange concert featuring Melbourne Youth Music Chamber Strings (MYM), A.R.A.B and Massive Hip Hop Choir, hosted by Yorta Yorta Soprano Deborah Cheetham, being performed at the Melbourne Recital Centre on 23 November 2011 to great acclaim.

Each group was highlighted in their own right as well as in a collaborative piece, *SubUrban – A Hip Hop Concerto* written by Irine Vela. The Concerto was conceived as a piece that could accommodate, combine and highlight the diverse skills and contributions of the three collaborating groups.

Instrumental music, singing and dance from different backgrounds, cultures and traditions combined to create a multidisciplined work. Over 80 young people were on stage for the final piece – resulting in a spontaneous standing ovation at the end of the concert.

Looking back on the project there was risk at a variety of levels:

- Could we secure enough resources to produce a quality concert?
- In bringing together young people from such diverse artistic and cultural backgrounds, would there be enough common ground to work together to create a concert?
- What would a teenage classical cello player from Malvern have in common with a teenage rapper from Reservoir?
- Would the merging of the artistic forms work?
- And if they did work, would the limited marketing budget be able to fill the seats of the Elisabeth Murdoch Hall at the Melbourne Recital Centre?
- And, if the seats were filled, would the audience accustomed to classical music enjoy contemporary rap and hip hop music and vice versa?

The Newsboys Foundation played a key role in facilitating grant recipients to collaborate, as well as bringing together broader support for the project. In doing so, people were at times out of their comfort zone, forging both new artistic collaborations as well as collaborative funding partnerships. The good will, support and trust developed at every level through the project provided the foundation for the collaboration to work even through unexpected challenges.

In summary the successful cross-cultural project featuring a string orchestra, dance troupe, choir, soloists, original music and choreography celebrated the diversity and complexity of Melbourne's artistic life through the talent of its youth.

SubUrban Exchange performers, top row: Emma Piercy (Viola), D'Artagnan Skendzic (Cello). Bottom row: Phil Pandogan (Vocals), Alexandra Broddle (Violin), Bridgete Koroibulu (Vocals).

Clearly, the risks taken were well worth it. As Christos Tsiolkas expressed in his review of the concert:

"SubUrban Exchange is one of the most joyous and astonishing experiences I have ever had in theatre. The best collaborations are a kind of magic where the totality is greater than the sum of its parts… SubUrban Exchange shows us that there are fertile and innovative possibilities for art and music and theatre in Australia. It shows us that to be truly transformed by art we seriously do need to look outside the square."

Risk is an inherent part of looking outside the square. So too, is bringing more than money to the table. ■

newsboysfoundation.org.au

NEWSBOYS FOUNDATION

Top 10 risks in philanthropy – straight from the horse's mouth

The Australian Centre for Philanthropy and Nonprofit Studies (ACPNS) at Queensland University of Technology (QUT) undertook a research study in 2010-11 titled 'Foundations for Giving: why and how Australians structure their philanthropy'.[1] Four key themes emerged from 40 interviews with people from across Australia involved with structured giving through a foundation. The full report can be downloaded at *http://eprints.qut.edu.au/48801/*
By **Alexandra Williamson**, ACPNS, QUT.

Philanthropic foundations in Australia have traditionally been labelled 'icebergs'. Much of what they do and who they are is not apparent on the surface. Scant data exist on the decisions and experiences of people as they begin and continue this journey into formalised philanthropy. The *Foundations for Giving* study sought to fill that gap, and contains many 'real life' quotations from the 40 people interviewed anonymously about their structured giving. The richness of the research is in these direct quotes, which are thick with detail, analysis and often emotion.

While the risks associated with giving were not a focus of the interview questions, the concept of risk came up frequently. So, based on the interview transcripts, and in no particular order, here are the top 10 risks – not just of grant-making, but of philanthropy as a whole – as reported verbatim by those in the business.

1. Risky grants

"…this probably applies more to a large organisation. But if you've funded 100 projects and 10 of them didn't work out, then learn from it… excluding the ones where somebody might have actually been guilty of fraud…"

2. Personal risk for trustees

"…the difficulty for trustees is that there's no insurance… Unfortunately there's a whole host of pressures to [be] far more conservative – being personally liable for something makes them have to think twice."

3. Risk of negative publicity

"The thing is the public will not differentiate between a charity doing something wrong with allocating funds, and philanthropy doing something [wrong]. So you not only have the issues in terms of philanthropic organisations, you've got every charity out there, potentially, if they did something wrong then the whole flavour of giving gets murky."

"…we don't take many risks. There was one recently… I'm still waiting for the fallout… there's a lot of media coverage. I am worried, at some stage that this will backfire and we'll be personally attacked. But then again, you've got to take a stand."

4. Risky lack of transparency

"If there isn't public transparency, then someone, somewhere along the line… it's all going to turn nasty… they're putting the future of philanthropy and the tax beneficial environment at risk."

5. Risk versus impact

"…evaluation is another one that's a growing tide and trustees wanting to have more impact… and the risk of wanting more impact is you probably become more risk averse. You become more focused therefore you fund a lot less things…"

6. Risk of recommending grants to other funders

"I think a lot of people were reticent about it because there's quite a bit of responsibility there and there's a staleness factor… [after] a certain amount of time… what you know is obsolete. So it's hard, it's still very difficult and risky to recommend to each other…"

7. Risk of leaving wealth to the next generation

"I think you do see it with kids who've had incredibly favourable upbringings, and where they've inherited wealth. Not in every case… but I think there is a risk that money is best spent by the people who've earned it, and the people who have the passion to actually use it in the not-for-profit sector."

8. Risk of being seen to 'big note' yourself through philanthropy

"Oh, I think you've got to be very careful. There's a real risk that… people see it as bragging, and it becomes a turn off."

9. Risks of investing capital

"Why would I invest large amounts of money in the stock market… and take all the risk associated with that, and all the volatility, when I can invest in X and get certainty?"

"...be prepared to take some risks, because foundations should be one of the core areas that not-for-profits can get risk capital from."

10. Risk of giving too much away

"... the perception of the state of uncertainty on the planet makes a big difference… I think that's what constrains people. The problem with something like setting up a foundation is you can't undo it that easily. You've given the money away, and so it really depends [on]… what your liabilities [are] and what your future liabilities might be." ■

1. This research has been supported by the Perpetual Foundation, the EF and SL Gluyas Trust and the Edward Corbould Charitable Trust under the management of Perpetual Trustee Company Ltd.

QUT Business School
The Australian Centre for Philanthropy and Nonprofit Studies

Rob Masters and Mike Zafiropoulos

Interviewed by **Anita Hopkins**, Director, Grants & Philanthropy, Lord Mayor's Charitable Foundation.

In 2010, the Lord Mayor's Charitable Foundation (LMCF) funded the Salvation Army 24/7 Melbourne's Road Home (MRH) program to provide assistance and support to individuals sleeping rough in Melbourne's CBD.

The model is an assertive, relationship-based outreach model designed to respond to immediate need, while building the relationship with an individual that is fundamental to any successful ongoing case management.

There were a number of risks inherent in the MRH project which included:

- the Foundation being the sole funder;
- that this new intervention model – the intensive relational model – would not have a positive impact on the individual;
- the way in which the program and service delivery had been designed to develop 'organically' with a primary focus on a 'relationship first' model; and
- the risk of establishing a new service delivery model with a plan for possible future funding but no guarantee.

Anita Hopkins, Director, Grants & Philanthropy at LMCF interviewed the Chair of the Foundation's Board, Rob Masters (**RM**) and the Chair of the Social Needs Committee, Mike Zafiropoulos (**MZ**) on how the Foundation's Board of Trustees views risk, particularly in the context of this project. The Social Needs Committee is a sub-committee of the Board which sets the strategic direction of the Grants Program.

What is your view regarding why this was a risky project for the Foundation's Trustees?

RM: The homeless sector is not as black and white as many people think. Assisting people sleeping rough presents a multitude of problems, from immediate accommodation to physical and mental health to financial support. All these elements have variable degrees of risk which have to be assessed in not only investing in the concept of the program, but in its implementation and finally about its capabilities to bring about change.

Robert Masters, Chairman, LMCF.

MZ: This project was risky because it was a new area for the Foundation. The area of homelessness is quite complex. It's not just about lack of housing, but also poverty, social inclusion, human relationships, mental illness, drug related issues and youth culture. Because of the complexity, it was hard for the Foundation to define, with any clarity, the expected impact. Therefore we needed to undertake some research at the front end, understand its dimensions, and appreciate what strategies had been put in place in the past and what strategies result in successful outcomes.

Collaboration with government became essential right from the outset. That is why Shane Austin, Director of Research, and I made arrangements to meet with the then Minister for Housing, Richard Wynne to explore with him the Department's views on the issue and the potential for collaboration.

Mike Zafiropoulos, Chair of Social Needs Committee, LMCF.

What do you think philanthropic foundations like the LMCF can do in order to embrace more risk? Do you think this is important?

RM: It is about being brave to take on challenges and new ventures, but in doing so ensuring that you have assessed and mitigated all the risks as much as possible.

Organisations need to understand the effectiveness of their work in philanthropic promotion and the capacity to build on it. They must be able to put down a set of clear principles around any program and be able to measure the impact of their work systematically, from understanding donor education and philanthropy promotion, to those interested in high engagement grant-making. In addition, they must be able to build organisational capacity to deliver.

MZ: Funding projects with risks associated with them is fundamental in establishing new ways of doing things, encouraging creativity and innovation and allowing organisations which otherwise would not have been able to participate in the sharing of philanthropic resources, to do so.

Philanthropy operates on a similar platform to the arts. The arts sector encourages innovation, creativity and risk taking, without which we would not have witnessed the excellence in that sector and the enormous contribution it has made, and continues to make, in improving our quality of life.

Of course risk management is essential, not only to increase the chances of success of a project but also to educate the funded bodies to consider and minimise the risks involved.

Risk taking must always be correlated to the impact of the proposal in question. The Foundation needs to have the capacity to assess the likely social impact of a proposal and then consider the extent to which it is prepared to take reasonable risk.

How willing, do you think, is the Board of Trustees to fund the pilot or testing of new solutions?

RM: The LMCF established a set of pillars to bring about effective social change in the community in the areas of homelessness, ageing and youth. They are underpinned by a number of other areas including the environment, arts, education, health etc. In all these areas we are focused on outcome to bring about a caring and giving society; to make the quality of life better for members of the Melbourne community, particularly the disadvantaged.

MZ: While I can't talk on behalf of the Board of Trustees, the experience of projects funded by the Foundation demonstrates that we are keen to explore new solutions and fund pilot projects because such initiatives are rarely funded by government or the corporate sector.

"The LMCF is not at the 'coal face' of the issue. We can only facilitate the joining up of a collective force for community benefit. The Salvation Army and the police are intrinsically linked… However, they must have the effective business practices, governance structures and strategic plans behind them to make the partnership work."

Philanthropy, like other areas of human endeavour requires constant review, renewal and a search for cleverer ways to do things. This is particularly important, as despite the increasing generosity exhibited in recent times, the challenges we face, if we are to develop a caring, considerate, equitable and social inclusive society, are growing at a much faster rate.

A feature of the program has been the collaborative partnership between the Salvation Army, the Foundation, and other partners such as the City of Melbourne and the Victorian Police. How important is it to partner with others when funding a project like this?

RM: Very important. The LMCF is not at the 'coal face' of the issue. We can only facilitate the joining up of a collective force for community benefit. The Salvation Army and the police are intrinsically linked to be able to respond to the needs of the people in the program. However, they must have the effective business practices, governance structures and strategic plans behind them to make the partnership work. This is where the LMCF can help them make a change.

MZ: Given the growing complexity and intensity of issues relating to disadvantage, no organisation whether at government level, the corporate sector, or the community can claim to be in a position to resolve these issues alone. Collaboration increases the capacity to face challenges but also has the added advantage of enhancing the understanding of issues and ways of resolving them. ■

salvos.org.au
lmcf.org.au

LORD MAYOR'S CHARITABLE FOUNDATION

A risk worth taking – funding Cape York Aboriginal Academy

By **Sue-Anne Wallace**, Formerly Executive Officer, VFFF.

By the time Noel Pearson and Bernardine Denigan[1] briefed Vincent Fairfax Family Foundation's (VFFF) Directors on what was to become the Cape York Aboriginal Australian Academy, there was a shared understanding of the work that Pearson was trying to achieve. This understanding helped VFFF embrace the risks around the program in an effort to ensure it succeeded.

First steps, new hurdles

Pearson initially approached VFFF in 2007 seeking funding for 'teaching fellowships', an idea that was eventually to prove unsuccessful. The teaching fellowships were aimed towards attracting the best teachers to Cape York, so they could provide leadership in the issues dominating learning in Cape York schools, including behavioural management.

VFFF's then-CEO, Geoffrey White, was familiar with some of the challenges in primary education in the Cape, having visited Cape York Partnership's (CYP) Cairns office and Coen Primary School in a fact-finding mission. The shortage of teachers, particularly those with proven experience prepared to move to remote Indigenous communities, was clearly a major hurdle to overcome.

Although Geoffrey White expressed his understanding that "some Aboriginal leaders have reservations about the 'tough love' approach of Noel Pearson", he felt that through supporting CYP, VFFF had a "chance of success with Indigenous people through his methods". On the basis of Pearson's commitment to reform in the Cape, background research and the CEO's recommendation, this request for funding was approved by the Board.

What wasn't anticipated was the issue raised by the Queensland Department of Education, that payment of such a stipend would have a flow-on effect on wage claims across the board. The initiative never got off the ground.

Take two

In 2008 CYP approached VFFF to transfer the funding to the training and development of four teachers in the program MULTILIT (making up for lost time in literacy), an evidence-based program developed by Macquarie University to tackle illiteracy among disadvantaged children. The funding was to be put specifically to support university fees and expenses for the teachers. Directors understood the challenges of the reform effort and approved the transfer of the funds to a new purpose.

However, this effort at improving teacher quality and experience by placing the specially trained teachers into four remote Cape York schools was also not successful.

A new way forward

It was early 2009 when the indefatigable Pearson and Denigan again briefed VFFF's CEO on a new way forward. Arguing that, "teacher quality is the single greatest determinant of student performance", Pearson described the work being undertaken by Cape York Partnerships, later to be titled *The Most Important Reform*. He requested VFFF permit the transfer of the balance of the original funding (which was almost intact, neither previous effort having been successful) to be put towards building a business case for 'Remote Education Options', engaging with key stakeholders, including Education Queensland and the federal Department of Education, Employment and Workplace Relations, along with Queensland's newly created Families Responsibilities Commission.

Geoffrey White advised Directors that Noel Pearson was in a good position to gain political support for the project, which sought to deal with the complexity and inadequacy of Indigenous education. From Board minutes, it seems that Directors were confident that the business case report could be delivered, but successfully addressing the underlying pedagogical issues was another matter and inherently risky. Nevertheless, while acknowledging that this was the third change to the purpose of the grant, they approved the transfer of the funds.

The Most Important Reform

By August 2009, VFFF received news that the policy paper prepared by Pearson, Denigan and Jan Gotesson was complete, and they briefed Directors in November, just prior to the November Board meeting.

The key messages of the report, *The Most Important Reform*, still make compelling reading:

- The chronic educational underachievement in Cape York.
- Indigenous parent communities must have the ability to stop failing school provision to their children.

Coen students performing Corroboree at their end of year performance 2011 (photo courtesy of Cape York Aboriginal Australian Academy).

Among the reform initiatives to instruction and school culture, three 'domains' were proposed: Class (the education program funded by State and Federal Government), Culture and Club. A fourth, Community, has been added. The business case was developed on the back of the report.

"Had VFFF walked away from Pearson in 2007 or 2008, would the business case have eventuated?"

VFFF's Directors acknowledged that the risks of supporting CYP had paid off and they were excited by what they perceived as opportunities for philanthropy to contribute to reform in the education in the Cape. Had VFFF walked away from Pearson in 2007 or 2008, would the business case have eventuated?

Learning to work with foundations

Thereafter began a process of discussion between other foundations, VFFF and CYP to develop the Cape York Aboriginal Australian Academy (CYAAA). CYP pitched the ideas to a number of foundations. I think they would be the first to admit that they tried to craft budgets to suit the funding appetites of different foundations. The result of this was a series of conflicting budgets which was not particularly comforting for a potential funder.

Finally, VFFF took the lead in negotiating a budget for the entire Culture Program[2], suggesting that foundations might fund a 'slice' of the program in accordance with their funding priorities. We insisted on seeing the budget for the three streams – Class, Club and Culture – so that we had a good appreciation of the scale of government contributions and the gap in funding.

In the end, the potential collaborations with other foundations came to naught and VFFF's Directors took the bold decision in 2010 to ensure that the Culture Program succeeded by funding it in its entirety for the first three years.

The Culture Program – the risks pay off

There were few guarantees that the methodology to be employed in Cape York would easily succeed. It sounded promising – monitors to ensure attendance, Direct Instruction as the means of addressing illiteracy, and the Culture Program to develop Indigenous pride and resilience. Although we were not funding Direct Instruction, we were aware of various criticisms of its approach to rote learning. However Denigan had studied its use in Indigenous communities during a study tour as a Churchill Fellow, so we felt the justification for its adoption was sound.

And three years later, what of the results? The Cultural Knowledge and Traditional Language Learning Program has been rolled out by the CYAAA, as described in the business case, now across four schools in the Cape – Aurukun, Coen, Hope Vale and Mossman Gorge – and a fifth school, Djarragun College, which has been added to the mix, taking the program to the secondary level. There have been a number of linguistic challenges in developing the program as there are a number of languages involved, some of which remain only in a fragmentary state. In line with ABS's recent research[3] showing the importance for Indigenous youth to understand their

Coen boys making spears with the help of Kalan rangers (photo courtesy of Cape York Aboriginal Australian Academy).

Indigenous culture, school attendance is improving and a significant number of students are at or above grade level in literacy and numeracy.

Philanthropy and risk

Philanthropy can fund risk in the hope that such audacious support will return great rewards. CYAAA is one such example. Making the first funding decision did not appear to be risky but it turned out to carry too much risk for a third party, so did not proceed.

The second funding decision was a way of recouping the loss, turning the funds to another purpose with the same organisation. While seemingly fairly risk free, this approach also failed.

"It was the fourth funding decision, by far the largest decision over the four year period, which was seminal."

At the time of the third funding decisions, questions were beginning to be asked not about the problem which was clearly evident but whether a solution could be found to address it, involving as it needed to all levels of government along with the remote Indigenous communities. Although the funding provided for a business case to be developed, which in itself was a project entirely within the capability of CYP, this third decision moved away from funding the problem directly.

It was the fourth funding decision, by far the largest decision over the four year period, which was seminal. Here, we were back to focusing on the problem and how it could be addressed. We knew CYP very well by this stage and although some of their initiatives had failed, they had learnt from each setback and become smarter in their strategies to address Indigenous education in the Cape. The various financial scenarios were not helpful but by the time a submission went to the Board, I was confident we had a real budget and that if we funded it in its entirety for three years we would be giving the program the best possible opportunity to bed in.

Time has proven that this series of decisions, backing again and again the expertise of Noel Pearson and his team, was a way to address illiteracy in these remote communities. It has required close cooperation between the Foundation and CYAAA, more detailed reporting than usual, particularly financial reports, and a number of site visits by Geoffrey White and myself.

Risk cannot be eliminated but it must be judged, weighed, managed – and taken – if we are to make a difference through philanthropy. ■

vfff.org.au

1. Bernardine Denigan received a Vincent Fairfax Ethics in Leadership Fellowship in 2004, undertaking the program funded by VFFF and delivered at that time by St James Ethics Centre.
2. The Culture Program is a comprehensive Indigenous culture and language program, adapted for each different location.
3. ABS 4725.0 Aboriginal and Torres Strait Islander Wellbeing: A focus on children and youth, Apr 2011 (First Issue) *http://www.abs.gov.au/ausstats/abs@.nsf/mf/4725.0?OpenDocument*

vfff
Vincent Fairfax Family Foundation

Growing a social enterprise

By **Matilda Langley**, Community Sector Banking.

As we all know, one of the most challenging things about social enterprise is growing the business while not losing sight of the social aims. This year marks the tenth birthday of Community Sector Banking, the only banking business in Australia solely dedicated to the not-for-profit sector.

South Coast Natural Resource Management undertaking conservation work in coastal WA.

It was 2000, and governments around Australia were contracting out their human services to not-for-profit and community organisations. Not-for-profits were suddenly more service providers than charities or community groups. Many were heavily reliant on grants and short term funding which, while gratefully received, were not sufficient to build self-sustaining organisations.

An audacious vision

When some sector stalwarts conceived the audacious plan of a sector-owned financial institution, they had an idealistic idea of trying to take control of their organisations' financial destiny. They approached the community-minded Bendigo Bank as partners, wanting to build a 'best of both worlds' hybrid – combining community spirit and business acumen, while harnessing the optimism and creativity of the community sector.

The founders pulled together a group of not-for-profits interested in being part of an experiment in social enterprise (then not a widely-used concept). There were 20 organisations who found the $20,000 investment, which for some was no small feat; this was a substantial amount of money, and a risky investment in a new world.

The 20 organisations formed a bold experiment called Community 21 – a for-profit consortium. They combined their stakes and matched the Bendigo Bank's investment to become a 50 per cent shareholder in Community Sector Banking.

"We did get some push-back; being for-profit, even for a good cause, was seen by many as an anathema to community spirit, while these entrepreneurially focused not-for-profits strained at the service delivery yoke," said Community Sector Banking Chairperson and one of its founders, David Thompson AM. "Today, Community Sector Banking has nearly 6000 not-for-profits banking with them. And in early 2012, shareholders were repaid their initial investment in full, making this a risk that paid off in dollars and in sense."

Competition sparks innovation

Ten years ago the majority of the banking system was largely uninterested in catering to not-for-profits and their unique circumstances. Now there are a number of banks and social finance organisations jockeying for position.

"We tend to think that this is the best kind of competition – stimulating creativity and innovation for good causes. We proudly feel a level of responsibility for this and we know that Australian not-for-profits are benefiting from competition," says Community Sector Banking CEO and Managing Director, Greg Peel.

Imagine… investing with your social conscience

Earlier this year Community Sector Banking took another risk by launching a product that proudly reflects these founding principles, the Social Investment Deposit Account. The account at first glance is a simple investment account. The difference is that Community Sector Banking gives away 50 per cent of account profits to social projects and organisations.

Secondly, this account can also be used by philanthropic organisations and not-for-profit organisations who become our Social Impact Partners, to offer their supporters a way to engage further. Community Sector Banking's 50 per cent account profit contribution will then be channelled to the Social Impact Partner organisations and their work.

This is the first in a range of products and initiatives that don't just operate on the 'do no harm' principles of ethical investment, but the social finance philosophy that aims for both social and financial returns. ■

www.communitysectorbanking.com.au

community sector banking

Sue Mathews

Sue Mathews is one of the Australia's quiet but courageous donors as a trustee of the Mullum Trust, which gives a small amount of money but in a high-impact, strategic way. She became a trustee of the Mullum Trust in 1996 and joined the Board of the Australian Environmental Grantmakers Network (AEGN) in March 2009. She spoke with Louise Arkles about her attitude to risk in grant-making.

The Mullum Trust was set up in the 1980s by my mother Rivkah Mathews with her inheritance. She was an active supporter of women in philanthropy and of the Victorian Women's Trust, and she established the Mullum Trust with three areas of focus – women, education and the environment.

When she died in 1998 my brothers and I had the choice of either winding the Trust up or keeping it going, and we chose the latter. However, our first 'brave' decision was to narrow the focus of our grant-making to concentrate on the environment. We're acutely aware of how minimal the funding going to the environment is (less than 7 per cent, and yet it's so urgent – we have the fastest rate of species extinction in the world), and we knew it had become increasingly important to our mother.

She had set the Trust up in a way which made it possible for us, after her death, to wind it up and access the money ourselves, if we wanted, as she had never claimed a tax deduction for the initial establishment grant. This means we have a lot of freedom in our granting, and flexibility to give to organisations that don't have DGR status.

Impact and advocacy

Because we strive to achieve as much impact as possible for the relatively small size of our Trust (granting approximately $60,000 each year), we do tend to look for projects which will yield a big return, which means they are sometimes fairly risky. We often support advocacy-based projects – we think the most effective way to achieve real impact is to help educate public opinion and influence public policy.

One of the critical factors in our decision-making is the credibility and track record of the organisation, and our confidence in the people who lead it. In a way, this is more important than the particulars of the project itself.

Unusually, we often give core funding to a trusted organisation, sometimes giving $10,000 per annum over a three year period. We recognise how important it is for not-for-profits to be able to undertake forward planning and have some flexibility with how they use grant money. I know from my own working life in the community sector that if *all* the money is allocated to projects, financial difficulties are likely to arise.

"A key lesson was that engaging and partnering with business is essential – the solutions to these problems cannot be solved by government and NGOs alone."

Innovation is clearly important. Some of these problems are so difficult, and we clearly don't have all the required solutions in place, so new ways of thinking about them are essential. For example there've been some recent innovations in the way we deal with the problem of cane toads – but we're not interested in innovation for its own sake. In terms of climate change, we as a community do know what needs to be done, and we have many great tools, but we need to see some new ways of making the required changes happen – such as community engagement and action by governments – which takes us back to the advocacy issue.

Funding core costs

We accept applications and occasionally initiate projects. Often we find ourselves rejecting applications because, good as they might be, their focus is just too local or too narrow to suit our approach. For example, we won't give money to restore a particular area of bushland, preferring to try to solve the problems that created that need in the first place. For example we have funded for several years, since its inception, the Invasive Species Council (ISC), a group of concerned people in science and ecology who are trying to combat the incredible damage being done by invasives – land and sea, plant and animal. These form one of the most damaging threats to the native environment, so we want to build the strength of the ISC, which undertakes research, comes up with solutions and advocates for the implementation of these solutions.

Other funders might see this approach as risky: we are supporting the core costs of an organisation and measuring what is achieved can be difficult, so it's much less tangible than restoring a particular block of land, but it's a risk we are prepared to live with.

Policy or politics?

We've always been comfortable with supporting advocacy, making the distinction between trying to influence policy and acting politically. We are not interested in party politics but we are interested in government policy. I was really struck when I went to the Environmental Grantmakers Association conference in the US – it's just not an issue for them. Many of these foundations have people permanently in Washington lobbying – not around party politics but around the issues and policy. I think it's a lack of clear thinking about the difference between policy and politics.

Evaluating outcomes

Our administration is provided pro bono by Deloitte, but we don't have any research capacity so are not able to do any formal assessment or evaluation at the end of a grant ourselves apart from reading what is provided to us by the organisations we support. We do evaluate, but not in a formal or structured way. Most of the organisations we support come and talk to us regularly so we get a good sense of how things are progressing.

Several years ago we helped fund an advocacy campaign in Queensland around land clearing. This was a massive environmental problem in terms of biodiversity and climate change, and we were approached by a coalition of environment groups who wanted to raise the issue in the run-up to a state election to try to influence all parties' policies on land clearing. So the Mullum Trust set up a meeting with other funders to hear presentations from trusted environmental activists, and that led to a campaign that was successful in changing party commitments and ultimately government policy. The result was new legislation limiting land clearing in Queensland, and we have been told that this has been the single greatest contribution made by Australia thus far to mitigating climate change. While this was a fantastic outcome, we must remember that we are starting from a pretty low base – Australia remains one of the worst per-head contributors to climate change.

Risk of failure

Risky grant-making increases the risk of 'failure', and we have had our share. One experience was an ambitious advocacy campaign – at an AEGN conference a few years ago, prior to any government policy on the issue, we had a presentation about the importance of communicating with the community about climate change. This was at a time when people saw action on climate change as being necessarily bad for the economy and jobs. The presentation was about reframing the way the issue was talked about to clarify that 'a healthy economy depends on a healthy environment'. A group of us decided this was really important to tackle so we aimed to fund a television campaign to change public consciousness. We raised philanthropic funds to research how to construct these messages more effectively, and at the same time we met with people in the business and finance sectors to generate some funding towards the advertisements. Ultimately we weren't successful in raising the money – there was a lesson there in biting off more than we could chew. People in business were not ready to stick their heads above the parapet and commit to the issue, although they would say privately that something needed to be done. A key lesson was that engaging and partnering with business is essential – the solutions to these problems cannot be solved by government and NGOs alone. It was also a good example of collaboration between funders, a group of whom came together to fund research into the best way to frame the messages. While the television ads did not eventuate, the thinking we did then has really influenced the messaging from NGOs and helped shift the debate, though not as much or as fast as we'd wanted.

While we didn't achieve what we had set out to achieve, we didn't feel we'd wasted the money. The only time we felt we wasted our money was when we gave a grant to an organisation who just didn't get around to actually doing the project they were funded for. We were pretty angry about that, but the lesson there was in the importance of having the right people at the helm. We've funded them subsequently: different people, better chance of success.

I honestly believe that the biggest risk in philanthropy is that we are doing so little in the environmental space and thereby jeopardising our capacity to mitigate climate change and preserve our earth for future generations. ■

aegn.org.au

Innovation doesn't grow on trees – the art of finding and funding new solutions

By **Brenton Caffin** CEO, The Australian Centre for Social Innovation (TACSI). TACSI is a not-for-profit organisation that exists to identify and promote innovative ideas, methods and people to contribute to and accelerate positive social change.

Since 2005 there has been a 50 per cent increase in children being removed from Australian families and placed in out-of-home care. Many child protection systems are in varying states of crisis as a result. If ever there were an area calling for innovative responses, it would be this one.

The Australian Centre for Social Innovation works with people to create and spread new ways to lead better lives. We heard the call from the child protection system and in response we undertook a project to explore ways of preventing families from spiralling into crisis and to enable more families to thrive. The result was Family by Family.

"Our Radical Redesign approach… blends design thinking, policy thinking, social science and business to solve social problems [with] a sociologist, an industrial and service designer, and a social worker."

Thriving, not just surviving

Family by Family is a new network of families helping families. It enables families to set and achieve their own goals with the support of families who have 'been there, done that'. Goals like improving kids' behaviour, making better friends, getting out more, or learning about Australia. The service finds and trains families who have made it through tough times, matches them with families who want things to change, and coaches family pairs through a 10-30 week link-up. The aim is to enable families to thrive, not just survive.

The project used our Radical Redesign approach, which blends design thinking, policy thinking, social science and business to solve social problems and demonstrate new ways of working with and for social services. Over 12 months, a dedicated team of three – a sociologist, an industrial and service designer, and a social worker – worked with over 100 families to explore what good outcomes mean for them and to prototype new and better ways to enable them to get there.

Since its launch in April last year, Family by Family has received national radio, television and press coverage and is even a finalist in the 2012 Australian International Design Awards. It has been fortunate to receive considerable – though still insufficient – investment from a range of government, community and philanthropic sources to further develop the model in a growing number of locations. And, most importantly, it is changing people's lives for the better.

Investing in trial and error

From our current viewpoint, it is tempting to be retrospectively complacent about the risks that we took in undertaking such a project. Not just the inevitable operational risks that all programs face, including in this case the risks associated with working with vulnerable families, but also the bigger risk of investing significant time and resources to create something new which may or may not work.

However, the nature of innovation is that if we want to create breakthrough solutions, we must be prepared to invest in trial and error, and accommodate the risk that such efforts may not bear fruit on every occasion.

While the outcome of our work to create Family by Family may initially have been – and to some degree still is – uncertain, our process of innovation itself is no accident. We used a rigorous methodology, with a dedicated team and invested considerable time to work through multiple iterations of potential solutions over a number of months. Twelve months on and we are still working with families to refine systems and practices, as well as the underlying business model to underpin its future spread around Australia.

A number of government and philanthropic funders have shared with me their frustration of setting up dedicated innovation funding rounds, only to be disappointed with the calibre of 'innovation' that emerges. I, in turn, have shared my frustration about innovation funding rounds that demand evidence of impact for solutions that have not yet been fully developed before they can be funded.

Innovation is a process

The fact is that *innovation is not just an end product; it is also a process*. And both need funding. Many funders when talking of their interest in innovation often talk about end solutions that have been created, rather than the process of creating them. We need to develop a more sophisticated understanding of the finance needs for innovation and to build more differentiated financial support for innovation over the course of its life cycle.

Family by Family at the 2012 Adelaide Fringe Festival opening parade.

A recent report for the European Commission on financing social impact identified the need for funding at different stages ranging from:

- Funding for fundamental research and development of concepts.
- Seed funding for promising ideas.
- Funding for pilots and prototypes as well as for evaluations.
- Finance for embedding successful models.
- Finance for growth.[1]

"I, in turn, have shared my frustration about innovation funding rounds that demand evidence of impact for solutions that have not yet been fully developed before they can be funded."

The selection criteria adopted and the metrics used to evaluate both applications and the projects that get funded will differ according to the stage of innovation that they are at. For example, the potential impact of a solution can't be realistically assessed before it's been developed; funders will therefore need to look at different criteria, such as the capability of the organisation to generate solutions in the past or the rigour of their approach.

Essential underpinnings

In addition to looking at the different stages of innovation, we also need to recognise that innovation needs infrastructure. If we look at medical or technological innovation, it doesn't occur in a vacuum. Instead we see dedicated R&D teams and laboratories, who are given the time and space to get beyond the next incremental improvement to create truly breakthrough innovation.

We believe that we need that same kind of infrastructure to create and grow new social solutions. In our most recent Radical Redesign project in the ageing and caring space, we have developed a number of individual solutions that we believe will enable great living for older Australians – solutions which open mindsets, activate relationships, build networks and shape services that are as interested in people's development as their immediate physical and material needs. Importantly, we have also proposed a new venture, The Great Living Co, to provide some of that infrastructure for sustaining breakthrough innovation for an ageing society by allocating the time, space and resources required for new social solutions to emerge.

We know that the philanthropic community fundamentally understands the need for sustained investment in the early stages of innovation; just look at the generous philanthropic support shown for medical research centres around the country. And just as early stage research into medical conditions can lead to tangible improvements to people's quality of life, so too we believe that better funding of early stage social innovation can make a lasting difference to the quality of lives in our community. ■

The Australian Centre for Social Innovation: *www.tacsi.org.au*
Family by Family: *www.familybyfamily.org.au*

1. Financing Social Impact Funding social innovation in Europe – mapping the way forward, European Union 2012, *http://socialinnovationeurope.eu/node/3149*

Eda Ritchie

The R. E. Ross Trust, funding across Victoria, is one of the most innovative and respected foundations in the country, showing leadership across grant-making, communications and transparency. **Eda Ritchie** joined the Trust as trustee in 1997 and **Louise Arkles** asked her about the importance of risk-taking in philanthropy.

What is the Trust's view on risk-taking in grant-making?

It's not so much risk, I think, as taking on issues that other funders have been reticent to support; such as asylum seekers, prisoners, or supporting Indigenous communities. These groups often find it hard to raise money from foundations, which are perhaps unsure of how the money will be spent. But if you back really good people who bring ability, common sense and the passion to do the job well, you really don't feel you're taking an undue risk.

There is a recurring theme in this edition that the key factor in grant-making is not the strength of the project, but the capacity of the people running it.

That's absolutely right. We have in our office at The Ross Trust some very experienced and skilled staff with a great deal of collective knowledge about who is doing what in the not-for-profit world, and what will achieve strong outcomes. This level of due diligence and research means we can have confidence in our granting decisions.

We have been prepared to go in early to some quite unknown organisations, but the risk has been mitigated by ensuring we are backing good people and sound projects, so we are sure there is a good chance of success.

A good example of this is STREAT, a social enterprise providing homeless youth with a supported pathway to long term careers in the hospitality industry. They run street cafes across Melbourne, including a mobile coffee cart in Melbourne Central, and many of their people have now gone into retail or hospitality jobs and in some cases full apprenticeships. We put $25,000 into STREAT in the early days as a capacity building exercise, and once they had that support and got a few runs on the board they were able to fundraise and bring in some government and philanthropic grants.

You could call it risk to support an organisation in the very early days, before they have something tangible to show, but otherwise how are they going to get started?

Is there something different about The Ross Trust that you are prepared to take an early-stage risk?

Maybe, because our trustees and staff have many years of experience, and because we don't require DGR. We've realised we can best help at an early stage, and for a long period – early intervention with a long time span.

For example, we've put a lot of time and money into a collaboration with the Indigenous education organisation Ganbina. What we were doing there was backing an outstanding leader called Adrian Appo, who was falling through all the cracks in terms of government funding, but has now demonstrated that what he was doing all along to support Indigenous students and communities has really worked.

> **"The things that go wrong in grants are often unpredictable factors or individual circumstances. There is no single model that will work for all, as it's always the people behind a project that make the key difference."**

It's taken 10 years, so funders have to hang in there for the long haul, but now he's got something like a 90 per cent retention rate at school and close to 100 young people employed. He's really turned lives around.

Asylum seekers is another issue that a lot of foundations have previously been reluctant to fund, but this seems to be changing now. We went in to help the Asylum Seeker Resource Centre early to support Kon Karapanagiotidis by funding a volunteer coordinator and a finance officer.

So you were supporting core costs?

Yes, I think it's very important to fund capacity building. I know that some trusts are much more comfortable funding programs, but core costs are an essential part of not-for-profits. We try to give a three year commitment. It's difficult because multi-year granting is in itself an operational risk, having forward spent a portion of your grants budget. But as a strategy it is just about managing our resources.

We have also been involved in environmental work, as Mr Ross' Will talks about the protection of flora and fauna. Most of these grants have gone to the purchase of private property with high conservation values, such as Ned's Corner on the Murray River about 90km west of Mildura. That was quite an innovative grant. We were very keen to help Trust for Nature secure Ned's Corner but didn't have the money to buy it outright for them. So instead we paid the deposit and guaranteed the mortgage repayments so that the purchase could go ahead, and meanwhile Trust for Nature could go out and seek funding from other sources towards covering the mortgage.

Looking at risk, I believe that a lot of trusts and foundations don't seek submissions, or 'open grants' as we call them. We have decided to allocate at least 60 per cent of our funding for

open grants. Being responsive to community requests means you get some fantastic applications from people who you would never have found otherwise.

Some foundations feel they can make a bigger difference if they don't accept applications but make fewer and larger grants.

To me that attitude rather assumes 'we know best', rather than learning about what's really out there and happening on the ground. For example, we have seen an increase in applications in from the more stressed regions across Victoria that we might not have recognised had we only done 'top down' research. We are very committed to emergency and material aid to which we give about $500,000 annually. It may not be strategic granting, but this money is literally keeping some people going.

The risk is that we are inward-looking at ourselves as philanthropists, and not looking at the people doing the work at the coal face. I love being a trustee, but it's really the people out there doing the work on the ground who are kicking the goals. There is a real risk of us thinking of philanthropy as the end, rather than the means. Being open to applications helps to mitigate that risk.

Does the Trust put much emphasis on conducting evaluations and sharing learnings?

Certainly, we have instigated a good reporting system for all our grants, with grantees reporting annually. Now and again formal evaluations are undertaken. Even those who have not achieved the expected outcomes have been very frank with us, so there have been clear learnings from most of our grants.

"A certain level of evaluation is valuable, of course, but excessive navel-gazing about what went wrong is unlikely to be helpful. Better to just get on with making the next grant."

In terms of sharing within the philanthropic sector, I'm a great believer in the grapevine – sharing what happened and why often takes place in an informal way among colleagues. I don't feel there is a need to formalise this - it's better to learn and move on, rather than revisiting old ground and trying to extract lessons.

Isn't there a risk that other foundations then have to recreate the wheel and make the same mistakes?

The wheel is so complex and each situation is unique, so similar situations almost never arise and true replication is extremely difficult. The things that go wrong in grants are often unpredictable factors or individual circumstances. There is no single model that will work for all, as it's always the people behind a project that make the key difference.

Putting people together is very helpful. Being referees for good organisations, and comparing notes on programs is always very valuable, but on a personal level. A certain level of evaluation is valuable, of course, but excessive navel-gazing about what went wrong is unlikely to be helpful. Better to just get on with making the next grant.

What other factors contribute to the The Ross Trust's success?

The most unusual thing about the Trust is that at least 60 per cent of our income comes from Hillview Quarries, left to the Trust in 1970 by Mr Ross in his Will. Talk about risk! We have asked ourselves 'what are we doing running a quarry?' But it is a fantastic business and every time we've thought about selling the quarry we look at the profits – our main source of income for the Ross Trust – and know we are very fortunate to have this business.

We have another unusual thing in our Trust, which is a real strength, which is that we take it in turns to be the Chairman. Knowing you are only going to be in this seat for a year you put everything into it. There is no hierarchy around the table at all, and every trustee knows their turn will come. We've also got an exit date, a retirement age, to ensure we get new blood on the Board. ■

rosstrust.org.au

John Kinghorn

Listed by *Forbes* magazine as one of Asia's 48 Heroes of Philanthropy in 2012*, one of only four Australians, John Kinghorn is an outstanding philanthropist. The Kinghorn Foundation was established by John and his wife Jill in 2005 with an initial donation of $5 million. This was augmented by a further donation of $295 million in 2007. The Foundation distributes approximately $15 million each year to Australian registered charities, and is administered by Perpetual Trustees. The Foundation's latest milestone was a $25 million grant towards the establishment of The Kinghorn Cancer Centre in Sydney, a joint venture between the Garvan Institute of Medical Research and St Vincent's Hospital, which opened in August 2012. **John Kinghorn** kindly responded to Philanthropy Australia's questions.

How did you come to create a PAF?

There are two reasons why my wife and I decided to create a charitable foundation: we believe it is our social responsibility, and we believe it is the best thing for our children.

Our children and their families are the most important things in our life. We want our children to have good health, a good education, good values, a debt free home and the opportunity to pursue whatever they wanted to do in life. To have any more, we believe, can be divisive and can inhibit the pride and joy of achievement.

A PAF is the vehicle we've chosen. It is the vehicle through which the Government permits successful people to be socially responsible in excess of the taxes they pay.

Why did you decide to give through a trustee company?

This was for practical reasons: they helped me set up the PAF; they do all the accounting and administration; and they shield me from enquiries.

How did you select the Foundation's four key areas, and what values were the drivers of these decisions?

You cannot do everything. You have to focus. In our society, the Government has been charged with the responsibility to support (through our taxes) the weak, the under-privileged and the needy. Also there are a number of excellent charitable organisations specialising in these areas. We wanted to focus on areas we were passionate about and where we believed we could make a meaningful contribution.

Our four main areas of focus are:

1. Talented youth
Social handouts rob people of pride, incentive and dignity. Our philosophy is to help those who have the ambition and desire to help themselves. Australia's youth are its future. We seek to assist talented youth through education scholarships, sporting scholarships and arts scholarships.

2. Poverty alleviation – microfinance and education
In our opinion, poverty is one of the world's greatest challenges. The two most powerful tools for the long term alleviation of poverty are *microfinance* and *education.*

Microfinance provides an opportunity for the poor to generate a sustainable income and to raise themselves out of poverty. Education similarly provides an opportunity for the poor to gain an income and to raise their standard of living. Both tools provide long term solutions with pride, dignity and independence. Social handouts, on the other hand, create dependence, loss of dignity and are not a long term solution. Microfinance and education meet the philosophy of the Kinghorn Foundation which is to assist those who have the pride, drive and ambition to help themselves.

We chose India firstly because the problem of poverty in India is so immense (850 million people earn less than $2 per day of whom 450 million earn less than $1 per day), secondly because India is important to Australia's future, and thirdly because I have quite a large business there. The microfinance entity we fund in India now has 1.4 million loan customers (families). Our immediate target is 5 million families out of poverty. We only lend to the poor and very poor. Our studies show that after three years, 40 per cent of our loan customers and after five years almost 70 per cent of our loan customers have raised themselves out of poverty. Microfinance is an extraordinarily powerful tool.

In Tanzania we support a remarkable young Australian girl who married a Tanzanian and has built a school, The School of St Jude, for children of the poorest families in Tanzania.

3. Medical research – Garvan & Kinghorn Cancer Centre
Australians generally are generous supporters of medical research. The standard and quality of medical research in Australia is high. In our opinion, there can never be too much medical research provided it is quality research.

We support the Garvan Institute of Medical Research. Garvan is a world leader in medical research with a focus on research

into the role of genes in health and disease. Our particular interest is Garvan's research into the causes of, and cures for, cancer and Parkinson's disease.

The Kinghorn Cancer Centre is a joint venture between the Garvan and St Vincent's Hospital and will provide for Australia a state of the art world's best practice cancer centre. Sydney will join Cleveland, Boston, Toronto and Cambridge (England) as one the five leading cancer research and cancer cure centres in the world.

4. Transparency in Government - Public Affairs Institute
I have not done anything about it yet but one of my concerns is the 'spin merchants' employed by nearly all of our leading politicians and by many businesses. If we are to have strong leadership and a strong democracy in Australia, I believe it vital that we have a knowledgeable and informed electorate. It is important that people know the real facts of an issue and not a 'spin doctor's' version of those facts.

You are obviously passionate about golf. What is your view on sport not being charitable?

Yes, I am a keen golfer. However this was not the primary purpose of our funding in this area. The primary purpose is to support talented youth. Golf was an easy choice as both Golf Australia and Golf NSW have programs specifically designed for talented juniors.

I actually think what the Government has done regarding sport makes sense. It uses the Australian Sports Foundation (ASF) to determine which sporting programs are charitable in nature and which ones are not. The ASF has clear guidelines and does an excellent job vetting the program. All the sporting programs we support are registered with the ASF.

What might your grant-making look like to achieve transparency in government? This sounds the most risky or 'brave' of your granting programs?

I am not yet clear in my thinking as to how best achieve this objective. I have a vision of a public affairs institute selecting topics of national interest and engaging experts in that topic to prepare documentaries and write papers. We would then air those documentaries and publish those papers in an attempt to generate public debate.

It will be important to be 'apolitical'. An example would be coal seam gas and fracking. The value to Australia of its coal seam and shale natural gas reserves is enormous… possibly thousands of billions of dollars. There is a lot of ignorance, emotion and misinformation about coal seam gas but no informed understanding by our politicians, the responsible press, farmers or the general public either of its technology or of its risks and benefits.

Do you view your own philanthropy as 'brave'?

I certainly do not see it as brave. There is nothing brave about giving money away. For the causes we have selected, I would like to think we are focused and commercial. We use normal cost/benefit business principles in selecting our causes and insist on measuring our results. The only difference is that our results are social outcomes not dollar 'profits'.

Regarding risk-taking, is it the raison-d'etre of philanthropy to fund something innovative and therefore risky to raise the impact stakes, or should prudence and caution be the order of the day?

With regards to investments, I do not believe in risk taking. I believe it is the responsibility of the Foundation to preserve its capital base. The normal rules of 'the prudent man' should apply to the investment of the Foundation's capital base.

Grant-making however is a different matter. Whilst the objective is to achieve as much social benefit as possible, it does not always achieve the desired results. I believe the important thing is to measure the outcomes and to quickly restructure or discontinue programs if they are not achieving the desired results. Some of our initiatives are low risk with highly predictable outcomes e.g. microfinance as a tool for poverty alleviation. Medical research on the other hand is high risk with a much more uncertain outcome.

What is your opinion of the generosity of the high-net-worth in Australia?

For a long time philanthropy in Australia was frowned upon and actively discouraged by the 'authorities'. This changed under Peter Costello with the introduction of PAF's. I believe there is a strong sense of social responsibility in Australia in general and by Australian HNWI's in particular and that this is growing rapidly.

The Kinghorn Cancer Centre in Sydney.

The Garvan Institute of Medical Research's Dr Alex Swarbrick showing Prime Minister Julia Gillard breast cancer cells under the microscope, when the PM visited the laboratories at the opening of the Kinghorn Cancer Centre.

We all think of the philanthropy of HNWI's in the US but in relative terms, per head of population, I believe Australian philanthropy is fast approaching and will soon exceed the US. Again on a relative basis, Australian philanthropy already exceeds most other countries. The two big differences between the US and Australia are:

- the US college alumni's which we do not have; and
- Australians are more private in that they do not seek the publicity often sought by US philanthropists.

What do you think is required to encourage Australians to give?

The example set by others. ■

www.kinghornfoundation.org.au

** http://www.forbes.com/sites/johnkoppisch/2012/06/20/48-heroes-of-philanthropy/*

The Kinghorn Cancer Centre

The vision of The Kinghorn Cancer Centre is to realise the promise of innovative personalised medicine for people affected by cancer. Focusing on translational research and personalised cancer care, its mission is to align world-class cancer research with rapid translation to the clinic to improve outcomes for cancer patients by:

- Building world-class facilities and strategic collaborations to enhance advances in science that translate into improved cancer diagnosis, treatment and prevention.
- Developing integrated, multi-disciplinary, multi-institutional approaches to cancer research and patient care to reduce the impact of cancer in the community.
- Providing a holistic, compassionate approach to cancer care throughout the entire cancer journey, from diagnosis to full recovery where cure is possible, and supportive care and information to all, with preservation of patient dignity.
- Establishing world-class educational and training programs to develop high quality researchers and clinicians to optimise translational outcomes.

The Kinghorn Cancer Centre aligns the Garvan Institute of Medical Research's internationally acclaimed cancer research with the best practice cancer services at St Vincent's Hospital. Bringing together researchers and clinicians onto a single site, The Kinghorn Cancer Centre will allow clinical challenges to directly drive laboratory research and enable research findings to be more rapidly translated into clinical application for the prevention, diagnosis and treatment of individual cancer patients, with the prospect of improving cancer outcomes for all Australians.

The Kinghorn Cancer Centre could not have been made possible without the generous support of many people. According to Mr William D Ferris AC, Chairman, Garvan Institute of Medical Research, "The Kinghorn Cancer Centre is a wonderful example of what can be achieved when private philanthropy and government funding combine in bringing a vision to life."

"John and Jill Kinghorn immediately understood the urgency and importance of this world-class facility. Their generous gift of $25 million increased our total private philanthropic support, including the hospital land of $10 million, to a total of $50 million. This in turn enabled us to present a very compelling 'skin in the game' case for Federal Government support," Mr Ferris said.

Dr Sam Prince

Picture this: a Scottish-born Australian doctor with Sri Lankan heritage running a chain of Mexican restaurants alongside his work in emergency medicine and doing aid work in Cambodia, Sri Lanka and Vietnam, and now in remote communities in the Northern Territory. Phew! **Dr Sam Prince** lives this life – he's a medical doctor, a business entrepreneur, and the founder of the charities Emagine Foundation and One Disease at a Time, and to top it off he's not yet 30. **Louise Arkles**, editor of *Australian Philanthropy*, asked Sam Prince about his philanthropy and his approach to taking risks and testing solutions.

Thinking about risk, what experience or precepts do you bring to your philanthropic endeavours?

For me, there is no real division between my entrepreneurial or business pursuits and my philanthropy, in that the essence of my philanthropy is not in giving away my money, but giving my time and skills, as in all my endeavours.

Philanthropic activity carries a lot of operational and reputational risks, just as in business. When I start something new, the initiation of a project is an active process, not just handing over money towards a cause. Rather it involves identifying a gap where needs are not being adequately addressed, creating a board and executive team to execute the vision, and then delivering on the day-to-day operations, run with the same rigour as any organisation.

We were quite audacious at One Disease at a Time, saying we would eliminate a disease, scabies, that is so endemic that it was regarded as normal – one of the most difficult areas of public health – so that carries a certain level of risk, that we might not achieve our target, but we choose to aim high and believe we will succeed.

In your philanthropic work, do you like to collaborate with other funders or prefer to work alone?

I'm often asked why we did not request government funding for One Disease, but very often government funding comes with strings attached – they need a clear plan of how the money will be spent, and they need to be answerable to their stakeholders.

It's very difficult, when you are starting an organisation, to have a very clear strategy that you know is going to work, especially when you are working up a new idea. A great analogy is going into surgery with a scalpel, thinking that you have to use that scalpel no matter what. It's important to have the ability, if things change, to be able to put that scalpel down and pick up a clamp, to employ a different strategy.

If we were to start off being funding by government we would have had to take on the best evidence at the time, but things changed as we learned more and we were able to be flexible to adapt to changing circumstances and new knowledge. John Maynard Keynes famously said, in reply to the criticism of having changed his position on monetary policy during the Great Depression, "When the facts change, I change my position. What do you do Sir?"

Funding your own charities must give you great freedom in planning your initiatives. How do you balance the ideal of creative innovation with the desire to evaluate the impact of your granting.

Evaluation is a core part of the practice, and pivotal to extending the work in the future, but it absolutely shouldn't be the main priority or you run the risk of becoming a research institute – which is fine if you are a research institute, but if you are a logistic organisation, forging change, then ensure that the right emphasis is put on your practice, with evaluation as a secondary component.

The focus should be on creating disruptive innovation, or an innovative approach that will achieve long-lasting change, rather than on creating a paper at the end of the project. It is hard for innovators to get funding, as funders often want to be able to anticipate, quantify and measure outcomes, and perceive the risks as too high.

I ask – am I happy to sink half a million dollars into what might become part of the collected wisdom around a problem, or do I want some certainty that this will directly impact the problem? Is this the right group of people, who have a proven track record, and have they made the right critical decisions? For me, it's absolutely about the people, and whether I have full confidence in their abilities, commitment and capacity to deliver.

Do you think it is hard for non-profits to ask high profile 'experts' to come onto their boards, harder than asking for money?

I completely agree with that. Whenever I'm approached by someone who wants to start a non-profit initiative, I talk about 'project hammer': that there is most likely someone in the world who has done this before you, has worked out the lay of the land and the necessary steps to achieve success. I say, "name those five people who have led the way and tell me how you are going to get in touch with them and introduce yourself and your project".

When you hold a hammer in your hand everything starts to look like a nail. When you actually meet people who have achieved what you are only dreaming of, you feel like you're empowered to act, and this is much more useful than calling 10 people and asking for money.

It's not just targeting, but pinpointing exactly who you need on your team. All not-for-profits should ask if they have 'hammers' on their board? Professor Frank Bowdon was my mentor and the one who suggested scabies as the inaugural target for One Disease at a Time, and it was his inspiration which fired my vision. He is now on the Board, and brings his own experience of leading a successful drive to eradicate a sexually transmitted disease, donovanosis, from Indigenous communities.

How much do you utilise social media – how important is technology to you?

Social media is definitely something here to stay. We've just employed a social marketing expert who has moved across from the business world to join us, so we are well equipped to make a significant change here.

One Disease at a Time will soon launch a new social marketing campaign aimed at Aboriginal communities to 'de-normalise' scabies. This will specifically target children who use are heavy users of mobile phones.

We also plan to use our social marketing to promote good new stories that come out of Aboriginal health, to combat the negative posture amongst the next generation of health care students who, oddly, start off their working lives erroneously believing that solving Aboriginal health problems is too hard and nothing can be done.

What challenges do you see for philanthropy in Australia?

Often I find people simply writing cheques when they could be engaged at a board level or volunteering. Giving of money is a fantastic thing to do, but backing an idea with your time and your skillset, that's even more powerful. Philanthropy has always been an active process for me, a full body contact sport, where I put my heart and soul into creating something, not only capital but my time and effort, my skills and business experience, tenacity – every ounce of effort and skill I have.

Another challenge is that there is a trend in vogue now for donors to want 90-100 per cent of their donations to go to very specific and tangible outcomes – food handouts in Africa for example – but try running these not-for-profit organisations and you'll soon realise that you need to cover transport costs, electricity bills, staff salaries. These people are doing some of the hardest jobs on earth and we need them to be well supported to avoid staff burnout and high staff turnover.

A better way of giving, to my mind, is to find an organisation that you trust, where the governance is visionary and management sufficiently controlled on costs, and appreciate that they are going to make costs decisions based on that vision, rather than trying to scrutinise how many of your donation dollars are going into bowls of food in Africa. This kind of thinking is very disruptive and disconnected with reality.

The Emagine Foundation

The Emagine Foundation was established by Sam Prince in 2008, and is funded primarily through his healthy Mexican food chain. The Foundation has set up 15 schools to date, 12 in Sri Lanka, two in the Philippines and one in Australia. One of its initiatives is Emagine Education Everywhere, which aims to transform the lives of children by giving them basic IT literacy skills, and thereby move towards closing the digital divide. "Unlike in my mother's day, when she could use a public library to educate herself, the dominance of technology has created a growing digital divide between poor and affluent communities."

www.eee.org.au/about/

If you had not made your fortune through your business initiatives, would you have started on your philanthropic journey so early? Is secure private financial backing a prerequisite for undertaking a substantial social enterprise?

It's certainly easier to take things to scale when you have some funding behind you, and gives you the ability to have an expansive vision for change. But it's not a prerequisite. I went to uni with Hugh Evans who started the Oaktree Foundation and the Global Poverty Project, and he has been able to make a huge impact without his own private wealth or a business that backs him.

What does having your own funding mean? It means you can get initiatives off the ground much faster, and provides strength when leveraging further funding, showing you believe in the initiative enough to commit your own money.

How concerned are you with potential loss of privacy, a big risk for others?

I never felt that was my role to speak about human rights or health, but someone said to me that if you really believe in this stuff then don't shy away from people who ask you questions. I don't chase the limelight for the work we do, but if someone asks me to talk about Aboriginal Health or education in Asia then I am happy to give my perspective.

With the work we have done so far there has been some press coverage, and I have felt ready to let go of some of that personal privacy. For me that is my comfort level. ■

ONE DISEASE AT A TIME

One Disease at a Time has a simple but ground-breaking vision: to systematically target and eliminate one disease at a time. The first initiative is to eliminate scabies as a health issue in Australia. Scabies is a highly contagious skin disease, which has reached epidemic proportions in many remote Aboriginal communities. The tiny scabies mite gets under the skin of an estimated 70 per cent of remote community children within their first year of life, and the itch and resulting persistent bacterial breach of the body's defence system exposes sufferers to the risk of rheumatic heart disease, chronic illness and early death. Starting with a three-year Healthy Skin Program in East Arnhem Land, One Disease intends to demonstrate a best-practice model of work in Indigenous Australian health.

http://1disease.org/

Georgina Byron, CEO of the Snow Foundation speaking about Dr Sam Prince and One Disease at a Time.

It was mid-2010 when I first heard Dr Sam Prince speak about his exceptional, jam-packed life as a doctor, aid worker, entrepreneur and philanthropist, still in his 20s. I was inspired to find out more about his projects, especially as at the time the Snow Foundation was seeking larger grants for greater impact. By early 2011, we began to seriously discuss the idea of supporting One Disease at a Time.

Our Board knew that One Disease was a standout project with real tangible outcomes for the Indigenous community led by an extremely talented leader. Sam and his team were tackling a mammoth health issue but the people, the project and the approach of focusing on one disease at a time was innovative and attractive. Whilst there were risks with re-infection of scabies and securing further funding, we knew Sam had great foresight and willpower to get it right and he was committing much of his own money and time, plus he was supported by a strong Board and team.

At the Snow Foundation, we always said that if the right opportunity came up to do more for the Indigenous community we would. So in April 2011 we decided to give an initial $100,000 as a one-off to kick start the pilot and help secure further funding. We saw it as an opportunity to make an impact on something very specific. One Disease was just on the starting blocks, ready for implementation. All the leg work was in place; good Board governance, medical research, the right partnerships with the NT Government, Miwatj Health and Menzies School of Research and excellent resources including a new, experienced, on-the-ground project manager.

Importantly, the team are extremely sensitive to Indigenous culture. They work with remote communities, waiting to be asked to help, rather than impose on the communities. Sam believes they have saved up to 500 children's lives already.

Supporting One Disease at a Time was a bit out of the ordinary for the Snow Foundation. Geographically it wasn't within our usual Greater Canberra area and we didn't have a specific focus on Indigenous health or issues. Certainly the fact that the initiative is driven by Dr Sam Prince, a brilliant Canberran, and a largely Canberra Board was a positive influence. Interestingly I later found out that my father Terry Snow (Chairman of the Snow Foundation) had met and offered Sam some business advice a few years ago.

We have been delighted with the progress of One Disease and their engagement with us along the way. It made for an easier decision to continue our commitment with a further $200,000 over the next two years. In August I will be heading to Arnhem Land to meet the people delivering the program on the ground. I feel very privileged to be given this opportunity.

Georgina Byron
Chief Executive Officer
The Snow Foundation

snowfoundation.org.au

Risk taking in arts funding: the Sidney Myer Creative Fellowships

Arts funding has always been a central focus of the Sidney Myer Fund. From the building of the Sidney Myer Music Bowl, to support of the Kenneth Myer Asian Theatre Series at the Arts Centre, the arts was a passion of Sidney Myer, as it has been for his children, grandchildren and great-grandchildren. **Debra Morgan**, Program Manager at the Sidney Myer Fund, explains how the Fund moved to a new grant-making model supporting individual artists.

Distributing approximately $1.5 million annually through the Arts and Humanities program, the Trustees of the Sidney Myer Fund make grants across art forms and across the country. In 2010, a review of the program found that, while we were supporting some outstanding artists and projects, we were not being as effective as we could be.

In 2006-07, we received 134 applications, and funded close to 30 per cent of those applications. In 2009-10 we received 440 applications, and funded less than 10 per cent.

Over that period, we had worked to better define our funding priorities to ensure that organisations were clear about what we would and wouldn't fund. We hoped to ensure that only those applicants with a reasonable chance of success would apply, but in fact applicants were responding with stronger applications which better met our guidelines. Whatever we did to change our funding guidelines, applicants responded accordingly.

To see if we were filling a gap in the sector, we undertook a scope of what other arts funders were supporting. We found that the Sidney Myer Fund was supporting the same organisations as other funders, even those with vastly different funding priorities, and there was significant overlap with government funding initiatives.

We were supporting some outstanding projects and meeting our funding objectives, but realised we could be smarter with our grant-making, by:

- minimising the application process, which we saw as a drain on administrative resources of an already resource-constrained sector; and
- capitalising on the particular strengths of the Sidney Myer Fund, being the willingness to take risks, and a legal structure that allowed us to make grants to individuals.

Ultimately the Trustees felt the most effective use of resources would be to provide untied support to individual artists. We decided on two criteria for the grants – talent and courage – which reflected the motivation of the program, and the ambition to truly unbridle artists from the usual funding constructs. The recipients would be decided by a peer review panel, drawn from across art forms and from around the country.

In considering support for individual artists, we looked at where they could receive support. Government funding to individual artists had fallen by a third since the mid 1990s (*Arts Plus, New Models New Money*, Arts Queensland and the Centre for Social Impact). In addition, many philanthropic funders are not able to, or choose not to, support individual artists. This is because individual artists cannot achieve the tax deductibility status required by most philanthropic funders, and because funding individuals is often considered more risky than supporting an organisation, which has the security net of governance structures and legislated fiscal reporting requirements.

The untied cash grants of $160,000 ($80,000 per year for two years) allow up to 12 artists annually to create, in their own time and in their own way, freeing them from the burden of seeking other paid employment. It also frees artists from tailoring their creative practice to the outcomes of a particular grant-making program, allowing them true creative liberty.

We received much positive feedback from the arts sector on the new model of funding, possibly best summed up by the following:

"This is just a note to congratulate you and send the Myer family my heartfelt thanks on the initiative behind this new model for encouraging talented and courageous artists and arts workers. It will take an organisation like yours, with the knowledge and resources, to break the pattern of timidity and short term energy that has grown up in recent generations who have been defined, supported and directed by funding guidelines."

In implementing the new model of funding, we acknowledge that we may not see its outcomes for many years to come. We don't know what the untied support will bring, and what 'success' might look like. The inherent risk in the model means that we have taken a long term view, consistent with the notion of patient and far-sighted philanthropy. ■

The inaugural recipients of the Sidney Myer Creative Fellowships were announced in December 2011. Further information on the recipients is available at *www.myerfoundation.org.au*

SIDNEY MYER FUND

Stepping into the unknown: philanthropy and the pioneer gap

Donkey Wheel supports high impact social projects and programs that are sustainable and make a different difference locally, nationally or globally. They invest in and provide support for individuals and organisations, allowing them to address the root causes of social and economic inequalities. By **Bessi Graham**, Donkey Wheel.

We live and operate in a complex system that requires great acts of bravery, creativity and fresh approaches to entrenched social problems. At Donkey Wheel our mantra is: 'think different. act different. make a different difference.' Each part of this mantra is critical, and our desire to operate with it in mind means that the complexity of the system in which we operate provides exciting opportunities and challenges to put this mantra into action.

Embracing innovative new approaches that push the boundaries, exploring how we can leverage what we have, and maximising our impact through enabling others is what we love to do.

Marrying impact investing and social enterprise

Recently Donkey Wheel sought ways to leverage our corpus funds to generate blended value returns through an integrated approach. For us that integration comes through combining impact investment and social enterprise with ongoing grant-making. Impact investment does not diminish the need for philanthropy, in fact we would argue it both increases the need for it, and creates great synergistic opportunities for leverage.[1] Social enterprise, through marrying profit and purpose, is positioned perfectly to deliver the blended value returns we seek.

At this point a caveat is necessary. This is a new space and is in its early days here in Australia. As Donkey Wheel have become more committed to impact investment and social enterprise as the most effective conduits for us to achieve our social aims, we have come to find that the social enterprise sector is not yet mature enough to produce the commercial returns necessary to generate true blended value.

Paul Steele, Donkey Wheel CEO (left), Nic Brunner, Donkey Wheel Trustee and Bec Scott, STREAT CEO on the morning of our first equity investment into Melbourne based social enterprise STREAT.

"How will promising… business models get to later stages where they become investable without support earlier on in their journey? We call this critical gap in support the 'pioneer gap', and we believe that this is a key factor constraining the availability of investment opportunities for impact investors.

"Unless we address this pioneer gap, much impact capital will continue to sit on the sidelines or be deployed into sub-optimal opportunities for impact, and fail to achieve its potential in driving powerful new market-based solutions…"
From Blueprint to Scale, p.15

Philanthropy and the 'pioneer gap'

The pioneer gap is uniquely suited to a philanthropic approach. It requires a long term vision, relationship and commitment and a desire to use time, talent and treasure in areas that demonstrate potential to generate positive social impact.

Identifying potential high-impact individuals, organisations and ideas then intentionally building their capacity is a crucial element of building a robust sector.

A step-down granting approach is needed that identifies the stages of development that require granting and then ensures that during that supportive, nurturing phase the necessary business skills are injected that will form a solid foundation for the ongoing, sustainable success of the organisation.

Donkey Wheel's response to the 'pioneer gap'

Our response to the pioneer gap has been to initiate The Difference Incubator (TDi). TDi will develop 'investment ready' enterprises that create positive social impact and are financially sustainable, freeing them from ongoing reliance on grants.

This initiative will alter the current environment in the social economy in Australia and open a whole new market for Impact Investors to inject previously unavailable funds into the social sector.

Social problems, traditionally seen as the responsibility of the Government, will be addressed in new and innovative ways as a mature market of social enterprises attract capital from investors.

TDi addresses both supply and demand in the social sector in a unique, holistic way, which will deliver true blended value resulting in positive social and financial return on investment. This approach to balancing supply and demand is a critical element in cracking the code on this challenge.

Through a number of different initiatives, capital flows have recently begun opening up in an attempt to support the social enterprise sector. One of the biggest challenges is that most of this capital is available in the form of debt finance, and the market is generally not yet mature enough to take debt on.

The underestimation of the time and resources needed to build the capacity of the market leaves these funds open to the risk of continuing to "…sit on the sidelines or be deployed into sub-optimal opportunities for impact…" as mentioned above. We do not want to see that happen.

We are driven to formalise, prove and scale a model that shifts social enterprise from a grant-reliant, NFP mindset into high-impact, sustainable businesses that are for profit so that they can be for purpose. ■

www.donkeywheel.org

1. This argument is also made in a recent piece of research, '*From Blueprint to Scale*', funded by The Bill & Melinda Gates Foundation put out by Monitor Group in collaboration with Acumen Fund. *www.mim.monitor.com/blueprinttoscale.html*

donkey wheel

The Difference Incubator.

Michael Fallon

At the Connecting Up conference 2012 Philanthropy Australia's Web & Technology Manager **Joanna Fulton** spoke with **Michael Fallon**, Chairman of Trustees of The CM & JA Whitehouse Foundation. Inspired by his foundation's support for charities' technology infrastructure, we sought to learn more.

Tell us about The CM & JA Whitehouse Foundation.

The Foundation was established by the late Mac and Jan Whitehouse for the benefit of a diverse range of charities predominately in Queensland, Being a private foundation, we have the advantage of being able to respond to unmet needs that are being addressed by some of the smaller grassroots charities within our society.

In the not-for-profit environment, where administrative costs are, of necessity, kept to a bare minimum, it is often difficult for small charities to obtain sufficient funds to undertake their core work. We believe that, by close liaison with a number of these organisations, the CM and JA Whitehouse foundation has been able to deliver assistance to enable them to function optimally and deliver on their objectives.

For example, we sometimes fund IT infrastructure or equipment, as these are key resources which underpin the charities' ability to deliver, and for which funding often cannot be found.

How did you become involved with the foundation?

I knew Mac and Jean Whitehouse for a number of years and indeed acted as an adviser to them. Additionally, I have been involved in a number of community organisations, including a period of some 12 years as a director (including periods as Treasurer and President) of MontroseAccess, (Queensland Society for Crippled Children, as it was known in earlier times), and I think it was because of this involvement in the community that Mac approached me to undertake the role of Foundation trustee.

What is the focus of your grant-making?

The Foundation has been able to distribute funds to a broad variety of charities for a range of purposes, particularly in rapid response to pressing needs. These include:

- quick funding for emergency water storage on the Atherton tablelands during the 2011 floods;
- funding for replacement of basic carpentry tools for qualified carpenters who had lost all their tools in the Victorian bushfires, thereby enabling them to assist the community to rebuild; and
- involvement with the likes of Karuna Hospice Service, where funding has been able to be provided for urgent needs in that area. Karuna Hospice services provides in home holistic care for the terminally ill.

Our support has enabled these and other charities to press forward without the delays that might otherwise have occurred through waiting on funding from other sources. It is of concern that delivery of some of the larger government-based relief funds have been delayed, whereas the Whitehouse Foundation has been able to distribute grants promptly, understanding how important speedy support is to communities in distress. ■

whitehousefoundation.org.au

Social enterprise solutions

Just eight months after its launch, Social Enterprise Solutions has had contact with over two hundred and twenty social enterprises across Australia, who all see the potential of community finance to fund growth and development. By **Belinda Drew**, CEO Foresters Community Finance.

Social Enterprise Solutions provides finance products for social, cultural and environmental enterprises in Australia. Delivered by Foresters Community Finance (Foresters), the aim of the program is to provide access to capital for property, business development and equipment purchase.

Foresters established Social Enterprise Solutions in October 2011 as a result of a successful tender under the Federal Government's Social Enterprise Development and Investment Fund (SEDIF) program. We have engaged the social enterprise market through awareness-raising workshops and other marketing strategies designed to stimulate interest in community finance as a form of funding.

"The challenge ahead is to coordinate activities between philanthropy and the community finance sector so that the value of both forms of funding can be realised for social enterprises."

The social enterprises range in type from those emerging from the tenacity of not-for-profits to those who are driven by passionate social entrepreneurs. Some are in a start-up phase, others in a growth phase, and some are well-established and looking to deepen their social impact.

They all have in common an objective to solve a social problem and see enterprise as part of the solution. They range in focus across the great breadth of social issues including the needs of Indigenous Australians, homelessness, people with a disability, the arts and the environment, to name just a few.

One of the offerings of Social Enterprise Solutions is an unsecured business development loan and in response we have seen significant demand from social enterprises, representing about one third of the total pipeline. Many of these enterprises have previously relied on philanthropy in their start-up phase and finance represents another option as they move their enterprise forward.

In their stories there is evidence of the potential value of philanthropy and community finance in action together: for example, an enterprise that has had large scale growth using philanthropy to underwrite the risky phase of start-up, in turn accessing community finance once cash-flow has stabilised; or a social enterprise that uses a philanthropic grant for a feasibility study as leverage to make an application for finance viable.

The challenge ahead is to coordinate activities between philanthropy and the community finance sector so that the value of both forms of funding can be realised for social enterprises.

One way of approaching this might be to co-design grant-making strategies that require the social enterprise to co-fund using community finance. Alternatively, a philanthropist might provide funding in circumstances where there is a deficit in equity that prevents a loan being made.

Taking this further into the broader social investment market there would also be significant value in social investors and philanthropists working together through investment structures that provided a financial return as well as maximising social impact. Using combined funding capacity to achieve more than can be achieved separately.

In the international context proactive partnerships have been achieved through the efforts of large scale foundations such as Rockefeller in the United States and Esmee Fairbairn in the United Kingdom. A further and significant contribution has come from the efforts of individual philanthropists exploring ways to extend the value of their philanthropy through community finance and social investment.

In Australia, the community finance and social investment sector is in the early stages of development and like in these other contexts will benefit from a close partnership with philanthropy. The articulation and pursuit of common goals will be central to the success of this partnership, which will thrive on constructive open dialogue across the sectors. ■

foresters.org.au

http://www.foresters.org.au/about/our-programs/social-enterprise-solutions.html

Foresters Community Finance

High risk/high gain? Why isn't this more appealing to foundations?

By **Caroline Hartnell**. This article was first published on the '*Latest from Alliance*' blog at *http://philanthropynews.alliancemagazine.org* on 18 June 2012 by *Alliance* magazine. Discover more about *Alliance* at *www.alliancemagazine.org*

'High risk/high gain? Opportunity, risk and global development' was the topic for discussion at a panel discussion in Belfast on 5 June preceding the EFC conference which started the following day. This was also the topic of the special feature in the recently published June issue of *Alliance*, and the session was facilitated by guest editor Peter Laugharn of the Firelight Foundation. Brief reports from two surveys of foundations' and philanthropists' attitudes to risk (risk-taking is clearly a hot topic for foundations at the moment!) provided some context for the discussion.

The general consensus seems to be that most foundations are not very willing to take risks. An EFC survey of its members found that foundations mostly feel that risk should be part of foundation programming but very few take risks in practice, reported Barry Knight of Centris – a phenomenon the report writers, of whom Knight is one, call 'cognitive dissonance'. "People are fooling themselves talking about supporting innovators on the frontiers of change," he said. Smaller foundations and foundations involved in social justice seem to be more willing to take risks.

One surprise coming out of interviews with 25 philanthropists commissioned by the Rockefeller Foundation following November's Bellagio Summit was that new philanthropists appear to be more risk-averse than others. One possible explanation is that people coming from the private sector, where they have clear measures of success, become more risk-averse, preferring to forgo opportunities when they don't understand the risks involved. Weighting of risk over opportunity would be easier to overcome if there was more of a learning environment, suggested Rockefeller's Rob Garris.

How can this risk aversion be overcome? Panellists Stephen Pittam of Joseph Rowntree Charitable Trust (JRCT) and Lisa Jordan of the Bernard van Leer Foundation agreed that foundations not taking risks are not doing their jobs properly.

"Rob Garris, too, felt the need to create stronger relationships between programme officers and board members so programme officers can bring risky ideas to the board. Barry Knight talked of breaking down the barriers between foundations and grantees – 'funding with' rather than 'funding over'."

Who is empowered to take risks?

Lisa Jordan homed in on the way foundations operate. Who is empowered to take risks, she asked. Family members, board members and CEOs are empowered to take risks; programme officers are not. We need to get rid of hierarchy, get rid of middle management, she said. We need a learning rather than a hierarchical culture. We should put programme officers in the field so they have direct experience of risk.

Stephen Pittam agreed about the importance of these issues. At JRCT, he said, the relationship between board members and programme officers is very close, and board members also meet grantees. Having an activist board who know what they are doing is crucial for a risk-taking culture. 'Why haven't we been challenged by the Charity Commission recently?' their board chair asked on one occasion. 'What are we not doing?'

Rob Garris, too, felt the need to create stronger relationships between programme officers and board members so programme officers can bring risky ideas to the board. Barry Knight talked of breaking down the barriers between foundations and grantees – 'funding with' rather than 'funding over'.

The importance of communications strategy

Stephen Pittam emphasized the need to communicate clearly that the foundation is willing to take risks. "Foundations should be shouting from the house tops that we are in a position to take risks," he said. On JRCT's website, "we place ourselves deliberately at the cutting edge of difficult and contentious issues. We want to be on the outside track with new, innovative and creative thinking. We need to give out that message."

Several other session participants made the point that if things go wrong for a foundation, it needn't be disastrous. If foundations take risks, they need to be prepared for the possibility that it won't work out, and know how they will respond if it doesn't. Communications strategy is key. "We don't do anything we don't think is right and important," said Pittam. "We don't go beyond our

comfort zone. And we would always stand alongside our grantees if there are difficulties."

Pittam also made a plea for unfashionable grant-making: "you need to have the facility to be a responsive grant-maker," he said. "Social change comes from people on the ground with a passion to do something, not from foundations." He cited their High Pay Commission initiative: the idea came from others but JRCT put in £100,000, and it has done a huge amount in terms of moving the dialogue. Being a responsive grant-maker goes with signalling risk tolerance: you are reaching out to those with risky ideas to come to you.

How can foundations be persuaded to focus more on opportunity? Rob Garris mentioned that the Rockefeller Foundation has three phases of any initiative: search, development and execution – and the first of these is about looking for opportunities.

"Don't build logframes", was one suggestion from Lisa Jordan. "Tools matter," she said, "and the idea that you can predict the outcome before you start is inimical to risk-taking."

Is impact measurement getting in the way of risk and innovation?

A similar issue was raised by Lisa Philp of GrantCraft: "is impact measurement getting in the way of risk and innovation," she asked, "resulting in foundations operating in a more constrained way?" But Jordan didn't agree here: in her view impact measurement gives foundations opportunities to adjust their course on the basis of evidence. In fact it empowers foundations to take risks by allowing them to see how things are going.

But Stephen Pittam wasn't so sure. JRCT funded an organisation campaigning for a freedom of information act for 18 years before the legislation was passed and it was another three years before it was implemented. After 25 years, the MPs' expenses scandal came out because of the existence of the act. At what point would you have evaluated this funding, he asked. JRCT trustees stuck with it because they thought it was important.

Where would we like to be in 10 years' time?

Lisa Jordan would like to see a shift in awareness about risk being part of foundations' DNA, an understanding that big foundations are there to solve big problems. Rob Garris would like to see foundations to see their role as constantly scanning the globe for opportunities and organizations wanting to create change. Barry Knight didn't want to see 'loads of toolkits that don't work'.

He also raised a note of caution: "do foundations want change or do they want to administer the status quo, delivering the social services desired by society?" "Given their origins," thought Terry Odendahl of Global Greengrants Fund, "it might be more realistic to see them as vehicles for maintaining the status quo." ■

Editor's note: *Alliance* magazine offers Philanthropy Australia members a 10 per cent discount on subscriptions.

Resources on brave philanthropy

Compiled by **Mary Borsellino**, Assistant Editor.

Alliance, June 2012

This issue of *Alliance* looks at opportunity and risk, and what philanthropy can gain from taking calculated risks. Guest editor Peter Laugharn concludes that foundations should push themselves further to identify the most promising opportunities and take risks to attain them.

http://www.alliancemagazine.org/en/content/june-2012

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Risk and philanthropy – systemisation, education and professionalisation

From The Resource Alliance, supported by the Rockefeller Foundation.

This paper explores how risks are defined, assessed and managed in the philanthropic field. It then draws together the learnings gained through this exploration and offers a series of recommendations. In particular it identifies the need for the development of a support infrastructure that would expose new philanthropists to a body of knowledge designed to improve their chances of achieving sustainable impact, and to develop support networks to help philanthropists more accurately assess/manage risk and thereby optimise their decision-making.

http://www.resource-alliance.org/data/files/medialibrary/2883/Risk-and-Philanthropy.pdf

The importance of taking risk in philanthropy

By Arti Freeman & Violetta Ilkiw.

"Since innovations, large or small, help make things better, funders have a responsibility to invest in new ideas that can be tested and further developed. Acting boldly, however, does not mean throwing caution to the wind. The risk of investing in an idea needs to be measured against the potential impact it could have. The opportunity to evaluate the risk and document the experiment as a learning activity can help inform the future of our own grant-making and policy decisions, and the changes we wish to contribute to in society."

http://www.thephilanthropist.ca/index.php/phil/article/view/928/790

For ambitious non-profits, capital to grow

By David Bornstein, New York Times Commentator.

This article discusses why project- and outcome-based funding models restrict the growth capacity of social organisations, and explores ways in which this program might be addressed. One suggestion is for funders to view grants as a way to invest in an organisation, rather than as a way of purchasing the desired outcomes in a sales transaction.

http://opinionator.blogs.nytimes.com/2012/06/27/fixes/?hp

Philanthropy should be a risky business

By Adrian Sergeant.

"In fundraising, we draw a distinction between restricted and unrestricted funds, where monies are either directed to specific projects or fall into a general pot. As a consequence, we carefully keep our records and ensure that the donor's wishes are respected. So here's a radical thought. If it is easy to keep such records, why not offer donors a different choice? Just as financial service marketers have been doing for decades, why don't we explicitly ask them to reflect on their risk profile and take an investment decision? How much risk would you be willing to let us take with your gift?"

http://www.guardian.co.uk/global-development/poverty-matters/2011/nov/22/philanthropists-should-take-more-risks

How philanthropy taught me to embrace failure – a precondition to success

By Richard Marker.

"By definition, risk means some possibility of failure. Good grant-makers needs to develop a tolerance that some percentage of their grants will not accomplish everything that they wished or that their grantees strived to do. Grant-makers who support start-ups, early stage organizations, new approaches to almost anything, need to accept that – if they are doing it right – some failure is not only inevitable but indeed desirable."

http://wisephilanthropy.com/how-philanthropy-taught-me-to-embrace-failure-a-precondition-to-success/266

Why 'risk' is an unloved word in philanthropy

By Derrick Feldmann.

"Many problems today – whether social, environmental, or economic – are every bit as large and complicated as finding the cure for cancer. And the only way we're going to solve them is to take our approach to medical research and apply it to other areas. In other words, we need funders and individual donors who are truly willing to embrace risk and invest significant dollars in potential solutions that may not yield immediate results but get us closer to our ultimate objective, even if it's only by demonstrating what doesn't work."

http://pndblog.typepad.com/pndblog/2012/08/why-risk-is-an-unloved-word-in-philanthropy.html

The role of failure in philanthropic learning

This commentary, from The Robert Wood Johnson Foundation Anthology, makes the case that, difficult as it may be, recognising failure and calling it by its proper name is imperative if foundations are to learn from their program experiences. The article provides case studies of failures and explores how evaluation can be undertaken in order to help organisations learn.

http://www.rwjf.org/pr/product.jsp?id=51031

Report from Indiana University researchers addresses need to grow philanthropy

A recent report by Indiana University faculty members evaluates the state of philanthropy and sets forth recommendations for increasing giving with measures that include improving relationships with donors, strengthening public awareness and reaching new audiences.

http://newsinfo.iu.edu/news/page/normal/20212.html

Philanthropists and foundations are 'unnecessarily risk-averse'

By Jenna Pudelek, Third Sector Online.

Neelam Makhijani, chief executive of the Resource Alliance, says philanthropists should identify initiatives that reflect the level of risk they are prepared to take. One of the Resource Alliance's findings is that many philanthropists prefer 'easy wins' that bring evidence of success quickly, rather than giving more difficult projects a better chance of long term success.

http://www.thirdsector.co.uk/bulletin/third_sector_fundraising_bulletin/article/1138191/philanthropists-foundations-unnecessarily-risk-averse-says-report/?DCMP=EMC-CONThirdSectorFundraising

Hard Lessons about philanthropy and community change

By Prudence Brown and Leila Fiester.

"What went wrong? How can the William and Flora Hewlett Foundation and its colleagues in the community and philanthropy learn from the failure of the Neighborhood Improvement Initiative? Those are the central questions the Hewlett Foundation sought to answer in a report called Hard Lessons about Philanthropy and Community Change from the Neighborhood Improvement Initiative."

http://www.hewlett.org/what-we-re-learning/evaluating-our-work/hard-lessons-about-philanthropy-community-change/

The wrong risks

By Sheela Patel.

"Why this new obsession with logical frames and business plans? For many years, the World Bank has applied business practices to the housing problem in India—and failed miserably. Yet now, for far smaller amounts of money than the World Bank spends, grantees are expected to produce change through business planning. As a result of this mind-set, we now have to pretend that, in a period of two years, we can implement perfect strategies and produce complete solutions. Equitable solutions take trial, error, and time."

http://www.ssireview.org/articles/entry/the_wrong_risks

Adopting failure and risk in the non-profit world

By John Rougeux.

"Donors aren't yet comfortable with their dollars being used for experiments, which means non-profits are less likely to try unproven ideas. And there's no forum for failures to be widely publicized, so logistically, sharing failures in the non-profit community would be hard to pull off anyway. Admitting Failure addresses the problem of 'private failures' in the non-profit community primarily by addressing the logistical issue – no common forum for non-profit failures to be disclosed and discussed. But while Admitting Failure solves an important part of the problem, real change won't happen until donors begin to act differently."

http://evolutionofphilanthropy.com/2012/03/30/failure-and-risk/

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