

**Productivity Commission Philanthropy Inquiry**

Submission from the Australian Environmental Grantmakers Network, 25 May 2023



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# Executive summary

The Australian Environmental Grantmakers Network welcomes the Productivity Commission Inquiry into philanthropy and supports the policy goal of doubling giving by 2030. We support the submission of Philanthropy Australia, which outlines a comprehensive strategy to achieve these goals, as well as the submissions from the Community Council of Australia and Lord Mayor's Charitable Foundation.

As well as providing support for these submissions, we wish to raise seven key issues that pertain specifically to environmental giving and environmental non-government organisations (eNGOs) in Australia.

Given the relevance of our work to this Inquiry, we welcome further engagement with the Productivity Commission and would be delighted to organise an opportunity to continue the conversation through roundtable discussions with our members.

Several AEGN members will also be making submissions to the Inquiry, providing an individual foundation or funder perspective on giving. In addition, organisations funded by members of the AEGN will be making submissions.

## About the AEGN

The Australian Environmental Grantmakers Network (AEGN) is Australia's premier network for philanthropists, philanthropic foundations and other giving vehicles funding in climate change and environmental protection. Established in 2008 we are an independent, trusted, member-based organisation of 187 philanthropists. Our mission is to drive a rapid step change in effective giving to climate and environment by providing trusted connections and information, tailored to our diverse members, to maximise the impact of their giving. This includes developing funding tools and frameworks to help inform effective giving.

Our latest [organisational strategy](#) outlines a goal to quadruple giving to the environment by 2030, delivering \$2.5 billion to environmental charities, in recognition of the immense funding gap for environmental protection and restoration, and action to secure a safe climate. In financial year 2022 our members gave more than \$137 million to climate change and environmental protection and our membership has a collective corpus of more than \$3.6 billion.

## The context

The AEGN understands "environmental giving" as being philanthropy that responds to a particular environmental issue. These include:

- Climate change
- Nature
- Indigenous land and sea management
- Sustainable food systems

As documented by the *State of the Environment report*,<sup>1</sup> **the state and trend of the environment of Australia are poor and deteriorating** as a result of increasing pressures from climate change, habitat loss, invasive species, pollution and resource extraction. **Social, environmental and economic impacts are already apparent.**

At the same time, successive governments have under-invested in environmental protection, management and sustainable solutions. The repair bill continues to grow; for example, \$10 billion is required for habitat restoration and threatened species recovery<sup>2</sup> and the impact of climate change is increasingly being felt across every facet of our community.

At present, it is estimated that only 0.5% of the income flowing to the charitable sector in Australia is directed to eNGOs, and that around 2% of structured giving is directed to environmental causes (noting some shortcomings with the available data that is outlined later in this submission).

There are signs of another story, however, where high net worth individuals are increasing their funding in line with the sense of urgency building from climate change. Internationally, [climate philanthropy is gathering pace](#), growing several times the rate of total philanthropy. The AEGN sees this occurring in real time, such as with the establishment of Boundless Earth by Mike and Annie Cannon-Brookes. Between 2019 and 2023, AEGN member numbers have grown by 31%, with many new members motivated by the climate crisis.

The other impact of climate change on some newer philanthropic donors is the shift towards distributing funds in line with the urgency of action. This means many AEGN members are considering spending down their foundations rather than establishing them in perpetuity. In addition, AEGN members are likely to consider investing their corpus in alignment with their environmental aspirations, including decarbonisation or divestment strategies.

**Yet the scale of giving is still vastly inadequate to meet the scale of the challenges we face. Philanthropy has an important role to play in protecting and restoring nature and mitigating against environmental harm, but it can't be a replacement for adequate government funding.**

Better collaboration and coordination between government, philanthropy and the eNGO sector will be vital for greater effectiveness, bearing in mind the crucial importance of this work, and the unique strengths different parties can bring to the table. We must get this right, because a healthy natural world and stable climate underpins human wellbeing and survival.

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<sup>1</sup> <https://soe.dcceew.gov.au/overview/key-findings>

<sup>2</sup> *Australia State of the Environment 2021* [Resources chapter](#).

# Issues for consideration

We urge the Productivity Commission to consider the following seven key issues:

## 1. Building trusted, impactful government and philanthropic partnerships

Philanthropy's contribution will always be a "drop in the ocean" when compared to government spending capacity. The environmental philanthropic sector is acutely aware of its role: to be the risk capital for environmental solutions and to fund things that government is often not able to such as advocacy, innovation and seed funding, relationship development and backbone organisations, and providing hope and inspiration. Philanthropy must not and should not take over the role of government but rather work in partnership with government capital in a way that uses each sector's strengths.

We note the importance of learning from past attempts at collaboration that yielded few real outcomes. The AEGN has taken part in several initiatives where government departments have sought philanthropic participation, including the Threatened Species Commission, Reef Trust and programs run by the Federal Department of Environment and state government departments following the 2019–20 bushfires. These attempts at collaboration were largely unsuccessful, time consuming and demonstrated a deep lack of understanding of each sector's roles and capacity.

With this in mind, we support Philanthropy Australia's recommendation of an Environment Sector Giving Council to enable environmental philanthropy and government to work more closely together on addressing climate change (mitigation and adaptation) and the protection, conservation and management of nature. We also suggest that a climate and environmental lens should be applied to all Giving Councils (more information on this follows later in this submission).

The AEGN would be most interested in working with the Productivity Commission on co-designing further ideas and mechanisms that could be trialled as examples of building trusted, useful and impactful government and philanthropic partnerships.

## 2. Understanding environmental giving trends and motivations

The AEGN publishes an [Environmental Giving Trends](#) report annually. In addition to this report, anecdotal evidence tells us that with the emergence of new tech and business donors and the intergenerational wealth transfer, giving to the environment and climate change is increasingly important within the philanthropic sector. This is also due to the urgency of the issues and clear evidence of the climate and environmental devastation. The AEGN's most recent and yet unpublished survey of our membership shows that giving to the environment continues to increase from 2020/21 and evidence indicates that this will continue to grow.

Environmental donors are driven by the following motivations:

- Personal values
- Making a difference
- Legacy

Therefore, being inspired by stories and peers that demonstrate these motivations are key to increasing giving. The AEGN's model of a network of funders with shared personal values and a commitment to making a difference has been essential to growing giving to the environment.

The AEGN also collates and publishes case studies and examples of different funding approaches and outcomes via our [podcasts](#) and [member story](#) series and we can provide additional information to the Productivity Commission if required.

Another trend that the AEGN has tracked is the increasing use of private ancillary funds (PAFs) and subfunds as giving vehicles. We believe this represents an increase in sophistication and effectiveness of the sector and we note the importance of vehicles that offer a more structured approach to giving.

### **3. Raising the profile of the environment as having a charitable purpose**

Traditionally, the environment has not always been recognised as having a “charitable purpose”, consequently restricting the support that eNGOs get from philanthropy and their access to taxation concessions and other mechanisms that could bolster their funding and effectiveness.

Ensuring narratives on philanthropy include the environment is key to addressing this issue, alongside support for broadening public understanding of the intertwined nature of environmental and human wellbeing. In addition, although environment groups are registered with the ACNC and under the Register of Environmental Organisations and are recognised as charitable institutions by the ATO, they do not receive Fringe Benefits Tax rebates as they are not recognised as Public Benefit Institutions (PBIs). Ensuring that all organisations registered as charities are also recognised as PBIs will improve the recognition of giving to the environment as having a charitable purpose.

Further, we note that the [Stronger Charities Alliance](#) (pdf) has suggested in their submission that the Charities Act be amended to clarify that advocacy in furtherance of a charitable purpose is itself a charitable purpose and that no weighing of benefit or detriment is therefore required in relation to the outcome of that advocacy. We think this is worthy of further consideration, noting that advocacy has been among the most effective tools for the protection of nature and positive action on climate change.

### **4. Enabling the eNGO sector to flourish**

The environmental movement is wide and diverse. However, compared to the wider charitable sector, environmental charities are tiny in both number (646<sup>3</sup> of 38,872 charities) and revenue (\$0.9 billion of \$173 billion).<sup>4</sup>

Like all charities, environmental charities can only function and thrive if they are able to generate income to support their activities. According to ACNC return data, environment-only charities received just under \$1 billion in revenue in 2020 (around a third of this revenue was received by just one organisation, Container Exchange Qld Limited, which was established to

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<sup>3</sup> This number refers to charities that self-identify as having only an environmental sub type. Many charities have two or more sub types.

<sup>4</sup> From the interactive dataset, Australian Charities Report 8<sup>th</sup> edition, ACNC.

manage Queensland's Container Deposit Scheme). Of the environment-only charities classified by the ACNC as "very large",<sup>5</sup> most earned under \$20 million in revenue.<sup>6</sup> However, many organisations receive little or no government funding, relying upon philanthropy, small grants, membership fees and sponsorship to fuel their work.

According to the *2021 Australia State of the Environment* report, "current funding allocated by the Australian, state and territory governments for environmental protection, including heritage and threatened species, is inadequate for the task and generally lacks accountability."<sup>7</sup> The 2023/24 Federal Budget was heavily criticised by environmental groups for not going far enough to address the myriad environmental challenges we face.

The massive and growing gap between resource needs and government spending on the environment is a significant concern for the AEGN and the lack of investment has been a barrier to the development of a closer working relationship between government and philanthropy.

Foundations needing to give to organisations with DGR status can choose from around 700 organisations on the Register of Environmental Organisations and 13 specifically listed in the *Tax Act*.<sup>8</sup> They may also support environmental research and programs undertaken by universities, some of which are highly regarded by donors. (For instance, AEGN members played a central role in the establishment of ClimateWorks Australia hosted by Monash University and more recently the Biodiversity Council hosted by University of Melbourne).

Donations from members of the public are an important and reliable source of funding for many environmental charities. The organisations most successful at attracting donations from the public tend to:

- be older, with decades behind them to build their lists and long-standing relationships with supporters. These organisations are in a good position to receive bequests as well as donations;
- have a known brand, which usually requires working at an international or national level and getting regular media coverage for their work;
- make investments in fundraising and taking a strategic and growth-based approach to raising funds from their supporters; and
- work in areas that are compelling to the public, such as iconic species protection, or where there is a simple and persuasive argument they can make for their work, such as the purchase of private land to conserve endangered species.

We note the submission of the Community Council of Australia and its statement that it takes five years for a charity to build a fundraising program. Many environmental organisations are young and working on urgent issues, meaning they have neither the time nor resources to build strong fundraising programs, making philanthropic support especially important in these early stages.

Environmental charities particularly value philanthropic funding when their organisations are new and their purpose doesn't align to an area of government funding. Philanthropic funding is

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<sup>5</sup> Very large charities earn from \$10 million to \$100 million in revenue.

<sup>6</sup> From the interactive dataset, Australian Charities Report 8th edition, ACNC.

<sup>7</sup> *Australia State of the Environment 2021*, [Resources chapter](#).

<sup>8</sup> Department of Climate Change, Energy, the Environment and Water, [Deductible Gift Recipients](#).

also important for advocacy and campaign activities, and to support work that is innovative or difficult to articulate the value proposition to the wider community (such as with internal capacity costs or supporting backbone organisations).

Philanthropy tends to fund organisations that:

- have DGR 1 status (although not all foundations require this);
- have a public presence in addition to the excellent information that is provided by the ACNC Charities Portal;
- are not predominantly a vehicle of government (such as natural resource management organisations that state governments have created to deliver government programs using government funding);
- are led by inspiring, trustworthy individuals who are excellent at communicating the case for their organisation; and
- keep the donor informed about the impact their donation made, in ways that suit the needs of the donor.

We recognise the important role played by the Register of Environmental Organisations, enabling environmental charities on the Register to seek philanthropic funding and our members who need Deductible Gift Recipient (DGR) status to support those organisations. All charities should be entitled to DGR status, with safeguards in place as recommended by the Not-for-profit Sector Tax Concession Working Group.

We note current shortcomings of the DGR system include that the complexity of the system places a costly burden on charities and that Indigenous organisations often fall through the cracks. We support the Community Council of Australia's recommendations in this area.

## **5. Applying a climate and environmental lens to all giving**

As noted earlier, a healthy natural world and stable climate underpins human wellbeing and survival. It is therefore critical that climate change and environmental protection are understood as essential government priorities with impacts across other portfolio areas including foreign affairs and trade, health, agriculture and housing.

To help shed light on the intersectional considerations for philanthropy, the AEGN has developed a [Climate Lens](#), helping funders to see climate change's pervasive impacts on the people, places and causes they serve. It focuses on seven issue areas where climate change is deepening inequalities and compounding existing challenges:

- Aboriginal and Torres Strait Islander justice
- Health and wellbeing
- Children and young people
- Women's rights and gender equality
- Disadvantage in Australia
- Disasters and emergency management
- Nature and biodiversity

We strongly support the idea of Giving Councils outlined in the Philanthropy Australia submission to this Inquiry and suggest that structures are put in place to encourage a climate and environmental lens to be applied to these Councils.

## 6. Strengthening the knowledge base on environmental giving

Quantifying the amount of philanthropic funding that flows to environmental issues and organisations is very important for the AEGN. However, there is no single source of data we can use to ascertain this.

The AEGN tracks [environmental giving](#) by analysing:

- Private Ancillary Fund (PAF) and Public Ancillary Fund (PubAF) distributions published by the Australian Centre for Philanthropy and Nonprofit Studies at the Queensland University of Technology;
- Australian Charities and Not-for-profits Commission (ACNC) charity data reports;
- Register of Environmental Organisations (REO) data, which shows the donations received by environmental organisations on the REO;
- environmental organisation accounts published on the ACNC Charity Portal; and
- regular AEGN member surveys.

There are significant shortcomings with the data available:

- There is no central source of information on *all* foundation giving (i.e., foundation giving in addition to those foundations using a PAF or PubAF legal structure).
- The REO data does not include environmental organisations that receive DGR through being individually listed in the *Tax Act* (some of which are large).
- Neither the REO nor ACNC includes separate information on the environmental organisations that sit within universities.
- Not all AEGN members respond to surveys on their giving.

Given these challenges, we largely use the proportion of PAF grants made to the DGR category of environment as a proxy measure of philanthropic giving to the environment. While this is not a complete data source it has been a consistent and regular source of information. However, the recent addition of a “general category” of giving for PAF reporting has skewed data collection, making comparison to previous years difficult.

Since 2016/17, PAFs have distributed less than 3% to environmental DGRs annually and only 2.1% in the most recent reporting year 2019/20 (not with-standing the “general” category).

Government support for meaningful and consistent data collection on environmental giving would strengthen the knowledge base used to plan and coordinate government and philanthropic funding efforts.

## 7. Other measures to support potential donors

We note that some excellent suggestions have been provided by Philanthropy Australia, Paul Ramsay Foundation and Start Giving in regard to growing a culture of giving in Australia and we strongly endorse these as applicable for environmental giving as well.

We also note that — taking the lead of several large foundations — government and philanthropy worked together to create the Foundation for Rural and Regional Renewal (FRRR) in response to economic and social decline in rural Australia. In 2003, the Australian Government established the Australian Cultural Foundation to raise private funds for the arts.



Similar investment in the environment sector would be most welcome, and we note that the submissions from the Australian Land Conservation Alliance and Trust for Nature outline some areas where government investment has encouraged co-investment from other sectors, including philanthropy.

Using these examples as inspiration, the AEGN would welcome the opportunity to talk with the Productivity Commission about ways of providing mechanisms and opportunities to build trusted and transparent relationships so that more funding can be generated for the environment.

## **Conclusion**

We reiterate our support for the submissions of colleagues in the philanthropy and environment sectors, referenced throughout this submission, and encourage the Commission to consider the information outlined under the seven key themes we've noted above. We would welcome further discussion on any of these items and thank you for taking the time to review this document.

# Appendices

## Appendix 1: AEGN membership benefits and profile

The AEGN was born out of recognition that philanthropic funders needed support and capacity to change historic low levels of philanthropic support for environmental issues and charities. AEGN membership has since grown to 187 members from across the country and has become the go-to place for people who want to use their wealth to tackle the environmental crisis.

There are equivalent organisations in other countries including the US, Canada, UK and China.

To be eligible for membership, a foundation or individual needs to be capable of giving at least \$25,000 per annum to the environment. Organisations that are predominantly fund-seeking are not eligible for membership. This creates a space that is conducive for members to have honest and open exchanges with each other.

A primary benefit of membership is the ability to share and receive information on funding opportunities. Members who make their own funding decisions without the support of paid staff receive valuable insights into what other members are funding and have the opportunity to support projects and organisations where due diligence has been undertaken by a trusted person or entity. They can also encourage other members to co-fund projects and organisations whose work they value.

The main vehicle for sharing funding opportunities is the Project Clearinghouse, which allows members to post a project or campaign on the member-only section of the AEGN website with a promotional email.

The two key “rules” for posting are that the project will be of benefit to the environment and that the member posting is also making a financial contribution. AEGN members may be asked to support the total cost of the project, or to partially fund the project.

The Clearinghouse creates a level of visibility around fundraising that is often absent when members are working individually with environmental organisations. Members will often reply to the initial promotional email expressing their support and this builds interest and excitement.

## Members by location

Victoria	89
New South Wales	66
Queensland	15
Tasmania	1
Western Australia	9
Australian Capital Territory	2
South Australia	4
Northern Territory	0
International	1
Total	187

## Members by giving vehicle

Private Ancillary Fund	75
Individual	54
Private Trust	22
Sub-Fund (including of community foundations and trustee companies)	14
Body Corporate	5
Public Ancillary Fund	7
Other	10

## Appendix 2: Case studies on impactful environmental philanthropy

These case studies are just some of the examples where AEGN members have provided timely support to environmental initiatives that have resulted in major environmental benefits.

### Environmental Defenders Offices

In December 2013, the Commonwealth Attorney General at the time, Senator George Brandis, announced that the network of state and territory based Environmental Defenders Offices (EDOs) would cease to receive community law service funding. Important legal services were in jeopardy and EDOs in smaller population states were likely to close.

The AEGN partnered with the Reichstein Foundation to convene a dialogue between members of the AEGN and representatives of the EDOs. The foundations were not able to replace the funding withdrawn by government. Instead, they agreed to develop the business case to support the EDOs to transition to a more sustainable funding model and provided funding to kickstart this process. The EDOs ultimately decided to amalgamate and “[One EDO](#)” was launched in 2019. The Purves Environmental Fund was a key supporter of the new model and actively recruited other AEGN members to co-fund the new amalgamated organisation.

Not only has the EDO network flourished, but the organisation has also played a crucial role in a number of critical environmental law cases supporting local communities to represent their concerns, and is playing a critical role in the development of new environmental laws for Australia.

### Invasive Species Council

Invasive species are a major threat to Australia’s biodiversity. The [Invasive Species Council](#) (ISC) was formed 21 years ago to fill a major gap in the campaign profiles of the larger environmental organisations. Like many start-ups, it had few resources to draw upon in its early years and philanthropic support was essential to its existence, particularly small grants as well as occasional project funding.

At the AEGN conference six years ago, a member showed a video produced by ISC that highlighted the devastation to wildlife, people and pets caused by the yellow crazy ant in Queensland. This stimulated an increase in AEGN member support for ISC, including multi-year funding. These funds enabled ISC to achieve \$25 million over five years in government funding for yellow crazy ant eradication programs. This success was followed by \$411 million in government funding over four years to eradicate red fire ants. ISC has now received \$2.5 million from the Ian Potter Foundation to build capacity and accelerate growth over five years. It does not receive government funding.

## **Australian Land Conservation Alliance**

Around 70% of Australia is private or freehold land (including Indigenous Protected Areas). Relying on national parks and reserves is not enough to reverse species decline and meet Australia's responsibilities to nature and future generations as state government conservation reserves are mostly less than 20% of each state; for several states it is less than 10% of the area.

The [Australian Land Conservation Alliance](#) (ALCA) is the peak national body representing organisations that work at scale to conserve, manage and restore nature on privately managed land. Collectively, ALCA's members invest in excess of \$280 million annually in nature conservation. Most of this is non-government funding, demonstrating the critical role that philanthropy has and continues to play in supporting outcomes for our natural environment, as well as the people and communities that manage and rely upon it.

AEGN members supported the early days convening work that led to the inception of ALCA around five years ago, and continue to support ALCA as it grows. AEGN members also support ALCA's member organisations.

## **Ocean Impact Organisation**

Philanthropy is often less risk averse than government, funding untested technology and innovation. By example, the [Ocean Impact Organisation](#) (OIO) is a start-up accelerator that transforms ocean health through innovation, helping people start, grow and invest in business solutions for marine conservation. With philanthropic and corporate funding, the OIO offers a range of programs from start-up coaching and mentoring to business investment. Various AEGN members give to OIO. Some also provide business finance as investors, getting emerging innovations to market.