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**Founding Members**  
The Australian Government  
The Sidney Myer Fund

11 June 2009

The Commissioners  
Contribution of the Not for Profit Sector  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2601

Dear Commissioners

### **FOUNDATION FOR RURAL & REGIONAL RENEWAL (FRRR) SUBMISSION**

Thank you for the opportunity to make a submission to the Contribution of the Not for Profit Sector study. I appreciate the extended timeframe to 12 June 2009.

I will make comments and provide information against the stated objectives of the study.

*Assess measures of the contribution of the not for profit sector and how these can be used to improve government policy and programs and optimise the sector's contributions*

- FRRR is a national philanthropic organisation for the benefit of rural, regional and remote Australia. As such it enables other not for profit organisations to help them, help themselves, by forming partnerships with business, governments, other trusts and foundations and communities.
- Through this partnership model of philanthropy FRRR has contributed grants into rural Australia since 2000 to the actual value of \$25 million, which has a leverage value of 1:9 and therefore a created value of \$225 million. This would not have happened unless FRRR had been created.
- FRRR has chosen to work in a manner which is complementary to other programs and works in the niche area of small grants to small rural communities, typically with a population of 5,000 people or less. FRRR has given over 2500 grants in its nine years of operation.
- FRRR uses information gained from applications to the Foundation to identify trends and develop new partnerships and programs. FRRR has on occasions used this information to influence government policy, though sometimes has been reluctant to encourage government involvement because of the tendency for government to dictate rather than partner.
- The philanthropic sector is one small part of the overall not for profit sector, yet can be an influential and impactful. An example of this can be seen in FRRR's response post natural disasters, when FRRR has worked in

PO Box 41, Bendigo  
Victoria Australia 3552  
Ph: (03) 5430 2399  
Fax: (03) 5443 8900

ABN: 27 091 810 589

**Grant Information**  
Ph: 1800 170 020  
[www.frrr.org.au](http://www.frrr.org.au)  
[info@frrr.org.au](mailto:info@frrr.org.au)

partnership with others to assist in filling gaps left for small rural communities after government, insurance and appeal funds have been applied. FRRR is taking a lead role within the philanthropic sector in response to the Victorian bushfires.

*Identify unnecessary impediments to the efficient and effective operation of not for profit organisations and measures to improve their contributions*

- A major issue for the efficient operation of the Foundation as a national body is the need to have fundraising permits in each state and territory of Australia. And each state and territory have different requirements in terms of what they expect and then on how the permit is maintained and reported against. In one instance FRRR had to request a Ministerial exemption as it was unable to fulfil the strict eligibility requirements of that State. This represents an onerous burden on small not for profit organisations such as FRRR. A uniform system would be wonderful.
- The taxation and therefore structural requirements for community foundations is unduly complex and an impediment to their success in Australia. As a newly emerging form of philanthropy in Australia, community foundations work despite the system not because of it. The need for a dual company structure makes it extremely complex for volunteer boards to function within and prone to errors being made unintentionally. FRRR has the capacity to work with community foundations to assist their development activities and also in aiding their grant making capabilities. This role can make it difficult to explain to potential donors how the system operates. Philanthropy is a little understood concept within Australia and would benefit from simplicity not complexity.

*Consider ways in which the delivery and outcomes of government funded services by not for profit organisations could be improved*

- FRRR is not in the business of direct service provision but does see the impact of government on not for profit services. Many projects FRRR supports receive some form of government support. Typically governments expect that other funders will commit before they consider a partnership formed. This implies a hierarchy of funders with governments assuming the most important role, it does not operate on a partnership model, no matter how this may be expressed.
- Not for profit community organisations are often impacted upon by changing government policy, especially when there is a change of government. At a local level projects are often delayed in the time taken to make planning decisions. Organisations dependent on funding from other sources can sometimes lose the funding due to delays caused by government decision making. Timely decision making by governments is critical to good management and planning for not for profits.

*Examine recent changes in the relationships between government, business and community organisations and whether there is scope to enhance these relationships so as to improve outcomes delivered by the sector*

- FRRR now has almost 10 years of experience in fulfilling its mission, which is 'To champion the economic and social strength of Australia's regional, rural and remote communities through partnerships with the private sector, philanthropy and governments.' This model of working for not for 2

profits must not be seen as a means by which governments can transfer responsibility to others but rather develop more sophisticated ways of working that create partnerships of equality and reciprocity.

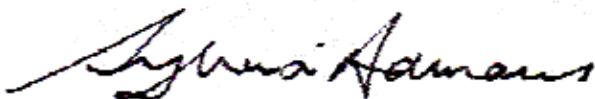
- FRRR is living proof that by creating the right set of conditions (cause, tax effectiveness and need) then new ways of working can come into effect. By not working like governments FRRR has differentiated itself to be a responsive, low cost, efficient organisation which has stayed focussed on its mission.
- The lack of recognition and reward by the Australian Government of this model of working between sectors, has meant a decline in focus. In addition the global financial crisis has the potential to impact on giving to not for profits and therefore the weakening of this way of working.
- Not for profits are well aware of the need (as is any business) to not be dependent on any one source of income and have therefore diversified. A consequence of this is the resources needed to manage the multiple relationships and varied reporting requirements. FRRR finds its reporting to government far in excess of requirements of reporting to business, and often business has given larger sums of money to the Foundation.

*Examine the impact of the taxation system on the ability of not for profit organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality*

- Rural Australia represents a particular case in respect of the raising of tax deductible funds and then applying them locally. The absence of deductible gift recipient organisations in rural Australia is one of the reasons FRRR was created with a specific listing to allow the receipt of tax deductible donations and the ability to grant to not for profits for charitable purposes.
- FRRR's experience is there are many not for profits in rural Australia which may be eligible to receive deductible gift recipient status but lack the knowledge to apply and then find the application process onerous. This ends up precluding genuine not for profit organisations being able to benefit from funding by philanthropy except from FRRR. This places an additional burden on FRRR in that it receives many more applications than other trusts and foundations.
- The issue of competitive neutrality seems to be an area where perceptions are strongly held but whether they are borne out by research is another issue. On my recent Churchill Fellowship, I became aware in the USA of low profit businesses which can be eligible to receive support from philanthropy in certain States. This is a particular issue for rural communities where many essential businesses are only just viable and either have to close or go into not for profit ownership arrangements. It is an area which warrants further examination.

I would be happy to expand further on any of this information if required.

Yours sincerely



CEO