

Australian International Development Network

Summary Report

Australian International Development Philanthropy & Impact Investing

Prepared by Millwood Consulting
March 2020

Contents

Contents	2
Introduction	3
Key findings	4
International philanthropy	4
<i>Australia's international development sector</i>	4
<i>Total revenue of Australian international development sector</i>	4
<i>Total revenue of Australian international development sector</i>	4
<i>Income streams of Australian international development sector</i>	5
<i>Trends</i>	7
<i>Quantum of international philanthropy</i>	8
International impact investment	9
<i>Defining impact investment</i>	9
<i>The emergence of impact investment in Australia</i>	9
<i>Australian market participants in impact investment abroad</i>	10
<i>Quantum of international impact investment</i>	11
Recommendations	12
International philanthropy	12
<i>Data</i>	12
<i>Enhancing the role of Australian foundations in the intentional development space</i>	12
<i>International reporting and collaborative frameworks</i>	12
International impact investment	13
<i>Data</i>	13
<i>Definitional issues</i>	14
<i>Ecosystem-building</i>	14
<i>Philanthropic innovation to unlock flexible capital</i>	15
<i>Impact Capital Australia</i>	15

Introduction

The Australian International Development Network (“AIDN”) was established in 2019 as a Chapter Committee of Philanthropy Australia with the purpose to “promote more and better philanthropy and impact investing abroad”. The network is a collaboration between private sector individuals, philanthropists, donors, corporates and government agencies looking to grant or invest funds to advance the social and environmental conditions of people and communities abroad.

The AIDN has conceptualised international development through giving and impact investing as representing “the flow of grants, investment, skills and resources to support and build the capacity of deserving people and communities outside Australia. It operates alongside the mainstream commercial activities of the private sector and the development activities of government agencies like DFAT, and through international NGOs with experience delivering programs in-country.”¹

In September 2019 Millwood Consulting was commissioned by the AIDN Committee to undertake a research project into the scale and scope of international philanthropy and impact investing by Australians.

The aim was to collate into one report the many disparate sources of information in this area, and make a ‘best efforts’ estimate of international philanthropy and impact investing by Australians. It was envisaged that the research would provide a baseline for AIDN’s core purpose, and highlight the structure, stakeholders, flows, trends and issues relating to international philanthropy and impact investing abroad.

Very little holistic research has previously been undertaken into the scale and scope of international philanthropy or international impact investing from Australia. While there are a large number of relevant reports and studies available, in both Australian and internationally, this research has revealed that the data that is available has significant limitations, is not easily comparable, nor collected and published in a timely fashion. In addition, international reports detailing global private philanthropy and impact investment unfortunately provide very little insight into the Australian scenario.

Following below is a summary of the key findings from this research project, together with some recommendations to address identified gaps. Further details about the methodology utilised and the resources consulted can be found in the full report provided to AIDN.

¹ Australian International Development Network (AIDN), *‘More & Better’ International Development from Australians: A Manifesto for Action*, 6 September 2018.

Key findings

International philanthropy

Currently the most reliable source of information in relation to international philanthropy from Australia is the Annual Information Statement (AIS) collected from charities registered with the Australian Charities and Not-for-profits Commission (ACNC), alongside ACFID's analysis of the 2016 AIS in their *State of the Sector* report.

Australia's international development sector

- The Australian international development sector comprises around 500-600 not for profit organisations and charities:
 - 489 charities indicated "international activities" as their main activity in their 2017 AIS, around 1.1% of all charities registered with the ACNC²
 - 55.6% of these charities had DGR status.³
- The Australian international development sector is dominated, by revenue, by one very large charity (World Vision Australia) and 20 extra large charities⁴ but there are many more smaller NGOs. In 2016 nearly 80% had income less than \$1 mil.⁵

Total revenue of Australian international development sector

- The 489 charities who indicated "international activities" as their main activity in their 2017 AIS had a total revenue of \$1.37bil in 2017.⁶

Total revenue of Australian international development sector

- Half of the 10 largest charities who identified international activities as their "main activity" in their 2017 AIS, including the four largest, make grants and donations both within and outside Australia.⁷

² ACNC interactive data

³ ACNC interactive data. Note that only 43% international development organisations who are current members of ACFID identified "international activities" as their main activity in their 2017 AISs. This cohort excludes large organisations such as Australian Red Cross, Australia for UNHCR, CARE Australia and Save the Children Australia who nominated other areas as their main activity. ACFID in their *State of the Sector* report estimated that approximately 600 registered not for profit organisations in Australia in 2016 "might reasonably be described as development NGOs"

⁴ ACNC interactive data

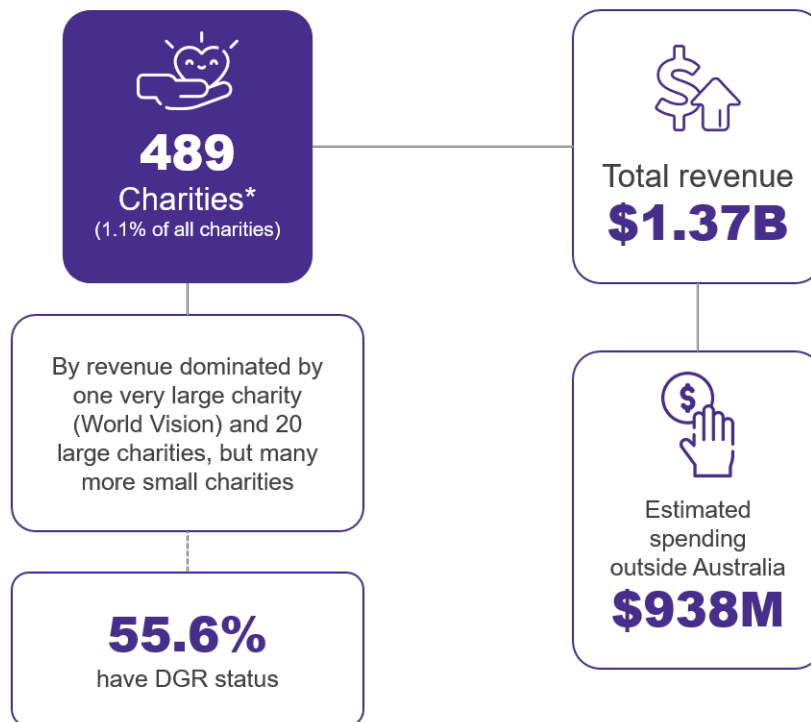
⁵ ACNC Australian Charities and Not-for-profits Commission (ACNC), *Australian Charities Report 2017*, May 2019, accessed at <https://www.acnc.gov.au/tools/reports/australian-charities-report-2017>

⁶ Based on "international activities" organisations in 2017 Annual Information Statements in ACNC interactive data. This figure broadly aligns with ACFID's estimate of \$1.8bil in revenue in 2016, based on their analysis of 2016 Annual Information Statements and its member records, but based on a larger group of organisations: Wood, T. and Lans, R., Australian Council for International Development (ACFID), *State of the Sector Report 2018*, <https://stateofthesector.acfid.asn.au/wp-content/uploads/2018/10/ACFID-State-of-the-Sector-Report-2018.pdf>

⁷ Analysis of Annual Reports of largest 10 "international activities" cohort. ACFID, in their *State of the Sector* report, noted that Reflecti larger NGOs on average spend a higher share on international aid programs (70%) than medium NGOs (62%) and small NGOs (60%), reflecting their economies of scale: ACFID, *State of the Sector Report 2018*, *op cit*.

- Extrapolating from information provided by 10 largest charities who identified their main activity as “international activities” in their 2017 AISs and provided their financial information to the ACNC, spending outside Australia in 2017 is estimated to be around \$938mil.⁸

2017 Annual Information Statement (ACNC) “International Activities” as main activity



*only 43% of international development organisations who are current members of ACFID identified their main activity as ‘international activities’! These figures exclude the Australian Red Cross, Australia for UNHCR, CARE Australia and Save the Children Australia

Income streams of Australian international development sector

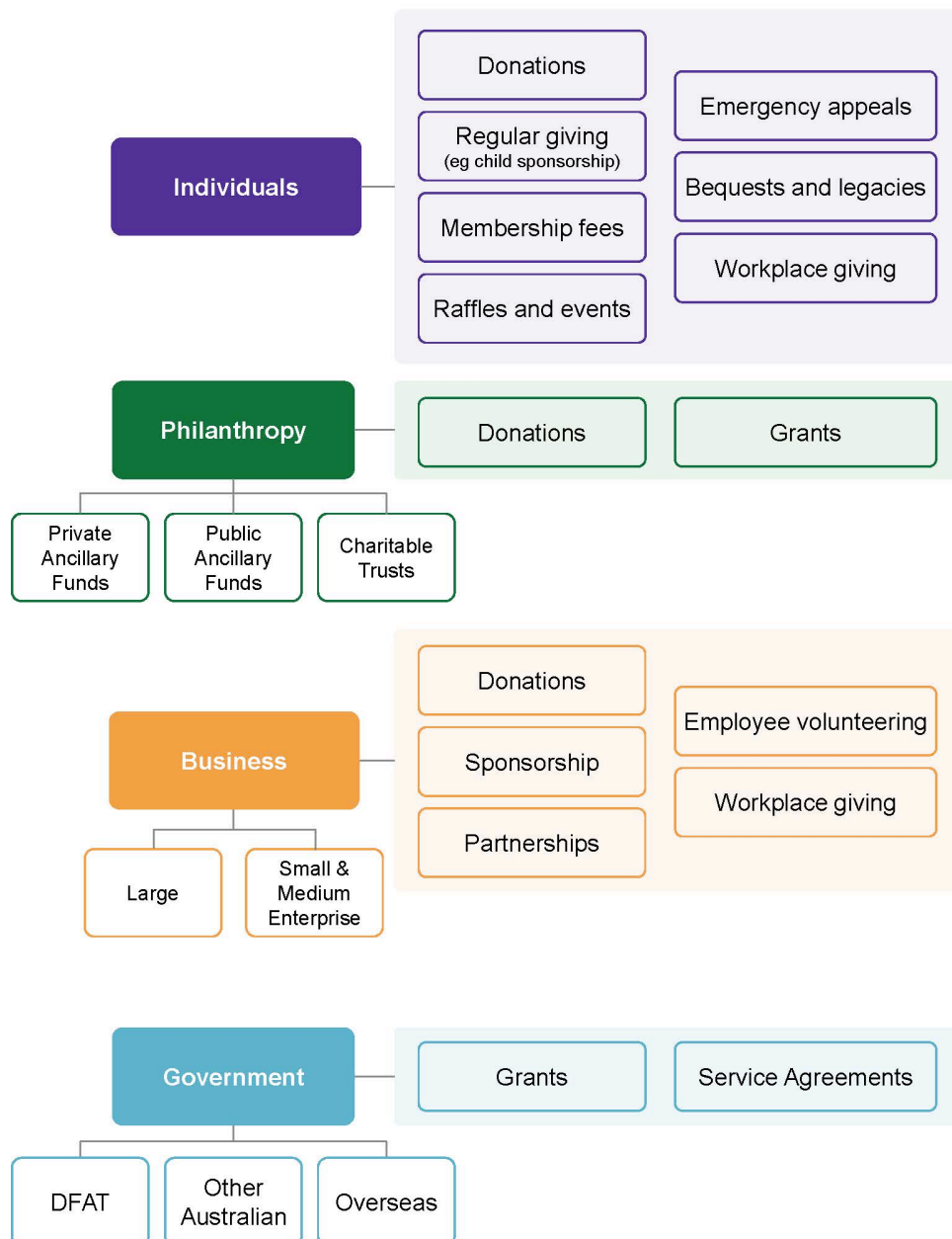
- Charities involved in international development report a variety of income streams, including donations, bequests and legacies, direct marketing and emergency appeals, government grants (DFAT, other Australian government sources and overseas governments), goods and services, investments and social enterprises.
- Amongst largest charities identifying international activities as their main activity in their 2017 Annual Information Statement there is a high reliance on child sponsorship and similar regular giving programs.⁹
- There are considerable differences in income streams between large charities identifying international activities as their main activity in their 2017 Annual Information Statement.

⁸ Analysis of Annual Reports of largest 10 “international activities” cohort and application to 2017 Annual Information Statements in ACNC interactive data

⁹ Analysis of Annual Reports of largest 10 “international activities” cohort

Sponsorship arrangements, bequests and legacies and funding from DFAT all featuring strongly for many of these organisations.¹⁰

International Philanthropy: Contributors and Pathways



¹⁰ This is also reflected in ACFID's findings in their *State of the Sector* report: there are appreciable differences in income streams between large, medium and small charities in the sector, with large NGOs receiving a greater proportion of funding from DFAT grants and overseas grants. Further, large and small ACFID members have very different donor profiles, with small NGOs typically supported by a few donors contributing large amounts, and large NGOs typically having many donors who each give comparatively modest amounts each year: ACFID, *State of the Sector Report 2018, op cit.*

Trends

- There appears to have been a slight deterioration in international development organisations' income, donations and bequests and spending outside Australia over the last several years.¹¹

Support for international development

Australia's international development organisations rely heavily on mass market donations, with a significant contribution of Australian government support for international development initiatives, particularly for larger organisations. Only fragmented information is available concerning the contribution of individual foundations, charitable trusts and family offices who are active in this area, largely due to their own reporting reticence. The research suggests that corporate donations and partnerships towards international philanthropy is negligible. Bequests and legacies appear to be important to some large development organisations but it is unclear if this extends across the sector.

According to *The Cause Report* the "International activities" subsector has a very high reliance on donations and bequests (74%) with Government grants at 14% and self earned income at 12%.¹²

Mass market gifts and donations

- Around a quarter of Australians support "international activities" in their giving.
- International aid is second only to religious causes in terms of mass market donors, accounting for just under 20% of donations.¹³
- International development organisations rely on donations for around three quarters of their total income.¹⁴

Bequests

- While only 7.4% of adult Australians have included a charitable bequest in their will,¹⁵ bequests are a significant income stream for several of the large charities identifying international activities as their main activity in their 2017 Annual Information Statement.¹⁶

Trusts and Foundations

¹¹ Analysis of 2017, 2018 and 2019 Annual Information Statements of largest 10 "international activities" cohort.

¹² McLeod, J. for JBWere, *The Cause Report: 20 years of (r)evolution in the not for profit sector*, April 2016, accessed at <https://www.jbwere.com.au/content/dam/jbwere/documents/the-cause-report.pdf>

¹³ McLeod, J. for JBWere, *The Support Report: The changing shape of giving and the significant implications for recipients*, June 2018, accessed at <https://www.jbwere.com.au/content/dam/jbwere/documents/JBWere-Support-Report-2018.pdf>

¹⁴ *The Support Report*, op cit; Scaife, W., McGregor-Lowndes, M., Barraket, J. and Burns, W. (eds), *Giving Australia 2016: Literature Review*, Brisbane, Queensland: The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Centre for Social Impact Swinburne University of Technology and the Centre for Corporate Public Affairs, December 2016, accessed at

https://www.communitybusinesspartnership.gov.au/wp-content/uploads/2016/12/giving_australia_2016_literature_review.pdf; analysis of ACNC 2017 data

¹⁵ *Giving Australia 2016*, op cit.

¹⁶ Analysis of Annual Reports of largest 10 "international activities" cohort

- International activities benefited from approximately 4% of distributions from charitable trusts in 2016.¹⁷
- The international aid sector is more significant to PAFs than PuAFs¹⁸ and “International affairs” accounted for 7% of PAF distributions between 2001 and 2013.¹⁹

Business

- International aid is a miniscule part of giving by large enterprises and a slightly larger proportion of small and medium enterprises’ (SME) giving.²⁰
- None of the top 50 companies contributing to the community in 2018 identified international causes as a priority area.²¹
- SMEs are more likely to give donations than larger businesses: monetary donations accounted for 60% of all giving by SMEs.
- Donations to the international sector account for only 3.8% of these SME donations.²²
- Given Australian business gave \$17.5bil, including \$6.2bil in donations, to nonprofit organisations in 2015-16²³ an estimate of SME giving to international sector is \$235.6mil.

Quantum of international philanthropy

A conservative estimate of total donations and bequests to charities involved in “international activities” in 2017 amounted to just under \$1 billion.²⁴

¹⁷ *The Support Report, op cit.*

¹⁸ *ibid.*

¹⁹ *ibid*, extrapolating from ATO reporting.

²⁰ *ibid*

²¹ *Giving Australia 2016*

²² *Giving Australia 2016*

²³ *ibid*

²⁴ Extrapolating the revenue findings related to the top 10 charities to the total revenue of the 480 charities who identified their main activity as “international activities” in their 2017 AISs and provided their financial information to the ACNC. This aligns with findings in *The Cause Report, The Source Report* and *Giving Australia 2016* that the international sector relies on donations and bequests for around 75% of their income: 75% of total revenue in 2017 AIS “international activities” cohort is just over \$1 billion.

International impact investment

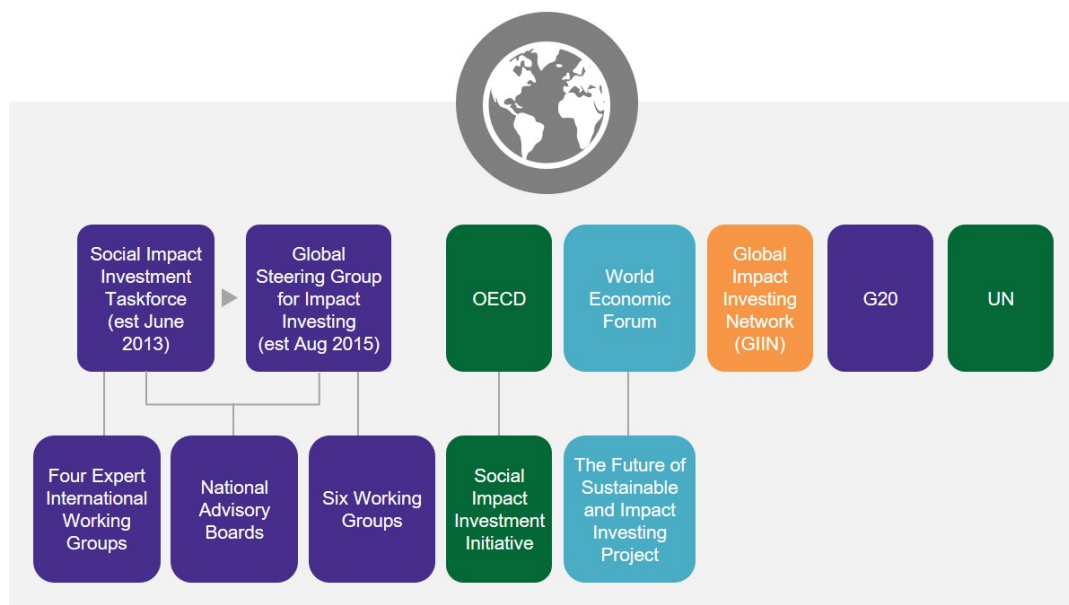
Defining impact investment

The Global Steering Group for Impact Investing and the Australian Advisory Board on Impact Investing, for example, utilise the following definition: “Impact investment optimizes risk, return and impact to benefit people and the planet. It does so by setting specific social and environmental objectives alongside financial ones, and measuring their achievement.”²⁵ The Global Impact Investing Network defines impact investing as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”²⁶

The emergence of impact investment in Australia

The impact investment sector in Australia has developed alongside and in close alignment with the emergence and expansion of impact investing internationally. The key international actors and initiatives over the past decade provide critical context to the development of the Australian market.

Impact Investing: Key International Impact Investment Actors

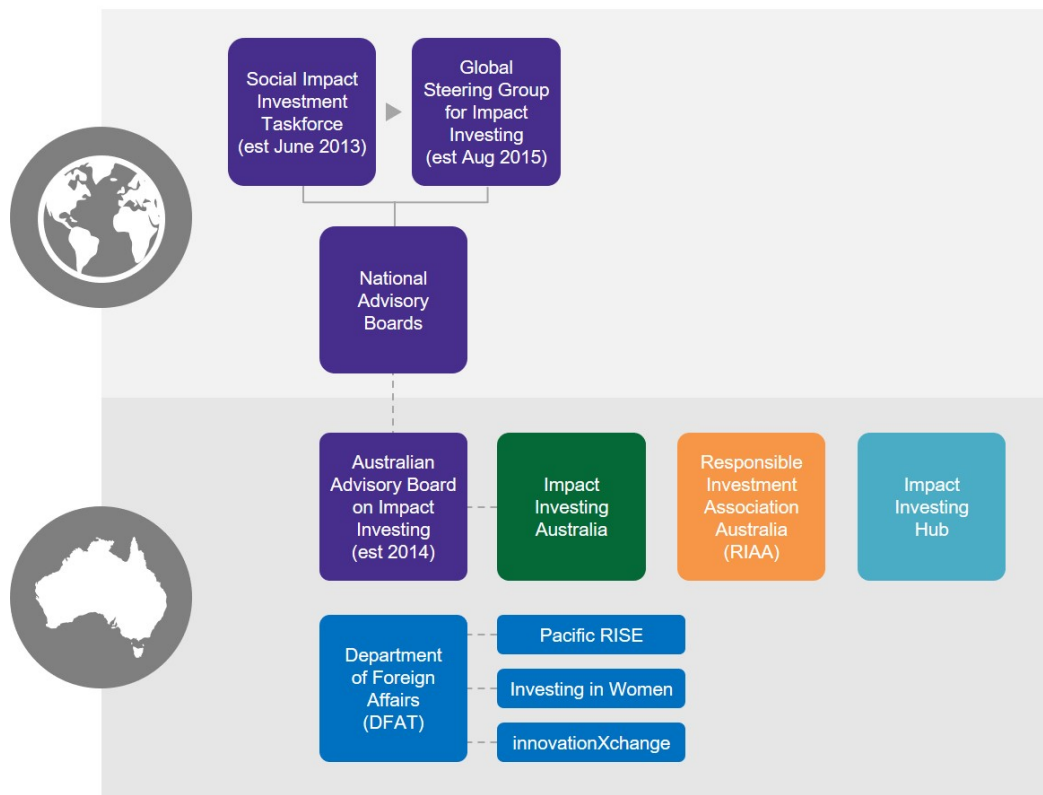


Several key organisations have championed the development of the Australian impact investing environment, most notably the Australian Board on Impact Investing and the Responsible Investment Association Australasia. The Department of Foreign Affairs has played a pioneering role in promoting impact investment internationally, particularly in the Asia Pacific region.

²⁵ Global Steering Group for Impact Investing (GIIN), *Driving Real Impact*, undated, accessed at <https://gsgii.org/wp-content/uploads/2018/08/Learn-more-about-GSG.pdf>

²⁶ Global Impact Investing Network (GIIN), *Sizing the Impact Investment Market*, April 2019, p.5, https://thegiin.org/assets/Sizing%20the%20Impact%20Investing%20Market_webfile.pdf

Impact Investing: Key Australian Impact Investment Actors



Australian market participants in impact investment abroad

Drawing on Australian impact investment reports, DFAT’s Pacific Rise initiative and informants consulted for this research, the following market participants in impact investment abroad have been identified.

Impact activities	Intermediaries	Investment Managers	Investors
Alina Vision	Real Impact	Impact Investment Group	Community Impact Foundation
Barefoot Power	Social Outcomes	Australian Impact Investments	Christian Super
GAVI Alliance	The Difference Incubator	Brightlight	The English Family Foundation
Opportunity International Australia	Good Return	LeapFrog Investors*	QBE (Premiums for Good)
	Spark Strategy	Patamar*	Wise Foundation
	YGAP		HESTA

* not domiciled in Australia

Quantum of international impact investment

While impact investment has enjoyed significant momentum over the past decade, there is limited availability of reliable data around the volume of impact investing in Australia generally.²⁷ These challenges are compounded when attempting to filter and aggregate data around international development initiatives.

Leaders in the Australian impacting investing sector variously described Australia's record to date in this area as "dismal" and "woeful" and it appears there are currently only a small number of Australian investors engaged in impact investing abroad.

²⁷ For example, the Australian Advisory Board on Impact Investing noted in 2017: "Many people observed that getting access to data to baseline, benchmark and monitor impact is (still) hard. People told us this contributes to the time and cost of structuring investments and can make or break an investment opportunity": Hiill, R. and Addis, R., (Australian Advisory Board on Impact Investing), *Views from the impact investing playing field in Australia on what's happening and what's needed next*, December 2017, p.13, accessed at https://impactinvestingaustralia.com/wp-content/uploads/20171215_Views-from-the-Field-2017_FINAL-1.pdf

Recommendations

International philanthropy

Data

This research project highlighted significant limitations in the availability of specific publicly available data about philanthropic resources directed towards international development goals, as well as the challenges associated with reporting frameworks that are highly reliant on voluntary and public reporting by philanthropic entities, consistent reporting from charities to the ACNC, and thorough annual reporting by development aid organisations.

To address these gaps, make better use of existing frameworks, and provide a basis for more thorough, consistent and comparable data the AIDN should:

- 1. Request that Philanthropy Australia amend its existing Directory of Funders function to:**
 - a. add “international” to the field of funding criteria**
 - b. add a development aid orientated criteria to the target group field**
- 2. Collaborate with Philanthropy Australia and other funding networks to encourage donors involved in international philanthropy to submit detailed reports to Philanthropy Australia’s Directory of Funders and Foundation Maps platforms**
- 3. Collaborate with ACFID to encourage their members to:**
 - a. use “international activity” as their main activity and “overseas communities or charities” as their main beneficiary on their Annual Information Statements to the ACNC**
 - b. add or enhance their reporting on regional expenditure flows in their Annual Reports**

Enhancing the role of Australian foundations in the intentional development space

The OECD in its recent *Private Philanthropy for Development* report suggested that the donor community could adopt more systematic approaches to engagement with foundations.

- 4. To enhance the role Australian foundations can play in the international development space, AIDN should consider collaborating with ACFID to encourage and build the capacity of their members to adopt strategies to enhance engagement with foundations.**

International reporting and collaborative frameworks

Australia’s private philanthropic flows for development appear to be largely invisible in the international arena. As this area develops it would be beneficial for AIDN to collaborate and feed information into existing initiatives – such the OECD’s Development Assistance Committee statistics on development finance, the Hauser Institute’s Global Philanthropy reporting, 360giving and the International Aid Transparency Initiative (IATI) – to address this visibility issue.

It is clear that the challenges experienced in Australia in relation to the availability of data are experienced across the globe and that organisations such as the OECD's Network of Foundations Working for Development (netFWD) offer a crucial platform for dialogue and co-operation

- 5. To increase the visibility of Australia's efforts internationally, and build on international innovation, collaborate on AIDN should reach out and collaborate with key international initiatives.**

International impact investment

Data

Given limitations in data currently available, it is essential that data collected to determine current market volumes and activities is undertaken in a manner that promotes rather than undermines future comparability.

The OECD has developed a framework of transaction-based indicators to serve as a basis for their future global reporting framework. It is envisaged that this framework will also include financial and impact performance data in the future.

- 6. To progress the immediate task to access greater information about current international impact investment flows from Australia, the AIDN should:**
 - a. build on the findings in this report to design and administer an online survey – aligned with the OECD's reporting framework for transaction data – for known institutional, corporate and philanthropic donors and known intermediaries in the international investing space, to try and ascertain more detailed data about current investment flows and projects, and future intentions; and / or**
 - b. seek to collaborate with Impact Investing Australia and Responsible Investment Association Australasia on their next benchmarking survey, to extend the coverage of their next survey and report to entities domiciled beyond Australia, and covering international impact activities, international development outcome areas and beneficiary groups including overseas populations.**

The OECD is leading international work to ensuring comparability of impact investment data systems through the development of data standards and linking the evidence base to the Sustainable Development Goals. Within Australia, the Australian Advisory Board on Impact Investing, supported by Impact Investing Australia, has endorsed the OECD's work as well as advocated to the Australian Government on data needs for the emerging impact investing market.²⁸

²⁸ See in particular: Australian Advisory Board on Impact Investing supported by Impact Investing Australia, *Data Availability & Use: Submission to the Australian Productivity Commission*, July 2016, accessed at https://www.pc.gov.au/_data/assets/pdf_file/0020/204194/sub111-data-access.pdf and Impact Investing Australia and the Australian Advisory Board on Impact Investing, *Impact Investing: Submission to the Australian*

7. To ensure that medium term data collection measures adopted in Australia are intentionally designed and aligned with international best practice the AIDN should collaborate with the Australian Advisory Board on Impact Investing, and through the Advisory Board with the OECD, to support existing efforts to develop a roadmap towards an internationally comparable data framework.

A key issue in accessing and sharing data relates to the sensitivity of investors in disclosing organisational demographic and financial performance data. The OECD Group of Social Impact Investment Experts has developed a set of transparency principles to “make transparency an industry norm for all actors working to scale their impact and improve the efficiency with which they deploy their capital.”²⁹

8. To encourage greater transparency amongst Australian institutional and philanthropic impact investors, the AIDN should:

- a. consider endorsing the OECD’s Social Impact Investment Transparency Principles;**
- b. consider mechanisms to promote, amongst its networks, the Principles and the benefits of comparable, accessible data for the growth of future international impact investment;**
- c. collaborate with the Australian Advisory Board on Impact Investing to continue to advocate to Government around the development of data protocols and information sharing systems to build confidence of the sector in contributing their data.**

Definitional issues

There is lack of common understanding around the language of impact investing.

9. To advance clarity and recognition of impact investing, the AIDN should collaborate with the Australian Advisory Board on Impact Investing to develop deeper alignment around language in relation to the Australian impact investment sector.

Ecosystem-building

The Australian Department of Foreign Affairs’ Pacific RISE initiative has been working to develop expertise in local markets and social needs, support and develop the capacity of intermediaries, strengthen local capabilities and build the pipeline for future impact investment projects in Pacific countries. The Australian Advisory Board on Impact Investing and Impact Investing Australia have suggested that the Australian Government can continue to promote and develop these sorts of policies to “build investor awareness around impact investing and opportunities for investment *from* Australia into the region” and as a means of tackling the SDGs in the Asia Pacific.³⁰

Government on Social Impact Investing Discussion Paper, 27 February 2017, accessed at <https://treasury.gov.au/sites/default/files/2019-03/c2017-183167-Impact-Investing-Australia.pdf>

²⁹ OECD, *Social Impact Investment 2019: The Impact Imperative for Sustainable Development*, *op cit*, p.220.

³⁰ Impact Investing Australia and the Australian Advisory Board on Impact Investing, *Impact Investing from Australia: Tackling the SDGs in the Asia Pacific*, *op cit*, p.8.

10. To promote the development of impact investment in the region, AIDN should encourage the Australian Government to continue its support for international impact investment initiatives eg Pacific RISE.

Philanthropic innovation to unlock flexible capital

Many of the reports consulted in this research promoted the potentially catalytic role that philanthropy could play in the nascent impact investment market.

11. To promote the development of international impact investment from Australia, AIDN should pursue opportunities to promote, amongst its networks, the specific potential that philanthropy can offer in navigating flexible and innovative capital.

Impact Capital Australia

Although the focus to date has predominately been on domestic markets, it is important to acknowledge that there is already considerable expertise in the Australian impact investment sector that AIDN can draw on. Over recent years the Australian Advisory Board for Impact Investing has been developing and promoting the establishment of a new independent financial institution, Impact Capital Australia (ICA), “with a mission to create impact for society and a unique mandate to drive development of impact investment.”³¹ Importantly for the current context Impact Investing Australia has stated that ICA would operate “in and from Australia.”³²

12. To ensure alignment with the broader Australian impact investment sector, AIDN should collaborate with and support the Australian Advisory Board on Impact Investing’s efforts to establish Impact Capital Australia.

³¹ Impact Investing Australia and the Australian Advisory Board on Impact Investing, *Impact Investing: Submission to the Australian Government on Social Impact Investing Discussion Paper*, 27 February 2017, pp.150-151, accessed at <https://treasury.gov.au/sites/default/files/2019-03/c2017-183167-Impact-Investing-Australia.pdf>

³² Impact Investing Australia, *Impact Investment: Pre-Budget Submission 2017-18*, op cit, p.4,