

Hello,

I feel like charity law has fallen out of step with what my peers and I care most about, and that my generation doesn't have the same kinds of philanthropic organisations supporting us and our values as older generations do.

To achieve goals like growing donations and increasing community engagement, charity laws should build incentive structures that foster organisations that work on the kinds of issues that younger generations of Australians care the most about.

I would like to raise the following:

1. The availability of DGR status for high impact cause areas (Terms of reference 2.ii, 3.ii, 5, 6)
2. The potential good that could be achieved by Australian based charity evaluation (Terms of reference 3.ii, 6.iii)

Although I'm a member of the community, not a charity, my views are representative of many of my peers. Further, I think the Productivity Commission should weigh the views of community members. Community members aren't bound by constitutions to make particular kinds of arguments and, ultimately, its members of the community like me that Government wants to donate more and be more involved in community organisations.

Animal welfare and global catastrophic risk reduction should be DGR classes (Information request 4)

As I see it, the most important issue is that DGR status needs to be broadened to include things that young people today care about – specifically reducing global catastrophic risks and supporting the well-being of animals.

I want to engage with my community around the reduction of catastrophic disaster risks, but currently, the community organisation around these kinds of risks seems limited to things like my local volunteer fire brigade. I of course support the work of the local fire brigade, but it's not a fit for my skills and interests. If organisations working on reducing the risk of catastrophic disasters had DGR status they would be better able to find ways for me to connect with my peers and volunteer to do good. I know, post-COVID and given the war in Ukraine, that a lot of my peers are really worried about worse future pandemics and the need to reduce the risk of a nuclear war. These are modern concerns, but DGR regulation hasn't kept up.

In the same way, my peers and I care deeply about the welfare of animals. While the animal charities I support can be "charities" under the *Charities Act*, they can't get DGR status under the *Tax Act*. I understand that this is because DGR status is limited to things like the short-term direct care and rehabilitation of lost or mistreated animals. While any animal suffering is a tragedy, it's obvious to me that it would be far more effective to give DGR status to charities that are seeking to prevent animals from needing this kind of direct care in the first place. Everyone knows prevention is better than cure, so why should the law incentivise treatment over prevention?

I really think the exclusion of these two cause areas from DGR status hurts our ability to do good. These causes are recognised by sophisticated charity evaluators as being high-impact and allowed to accept tax-deductible donations internationally, but excluded here in Australia. If Government wants to increase donations to charities and increase the ability of charities to build social connections, it needs to give DGR status to these high-impact cause areas that today's Australians are so passionate about.

"Greenwashing" shows how evaluation is necessary to prevent market failure in the philanthropic sector (Information request 7)

I'm glad that the Australian Competition and Consumer Commission (ACCC) has started taking fraud associated with "Green Washing" seriously.

The ACCC acknowledges that environmental claims can be a powerful marketing tool; that companies are increasingly using environmental claims in an attempt to differentiate themselves and their products from the competition; and that many consumers consider environmental claims as a major factor when evaluating products to purchase.

While I appreciate that the ACCC is taking its function of tackling these most egregious examples seriously, the underlying problem is much broader. First, the issue obviously is not limited to the environment – all kinds of ways of “doing good” are used for marketing. Second, the legal threshold of “misleading or deceptive conduct” is very high. There is a range of ways that carefully worded materials can suggest a product or initiative is doing good, where in reality the extent of that good is marginal. Third, a fundamental market failure is the underlying problem and it should be addressed.

We know from extensive charity evaluation overseas – supported by methodologically similar evaluations of social programmes – that the most impactful initiatives are orders of magnitude better at achieving their desired outcome (like saving a life, or preventing an animal from suffering) than the average initiative. In the case of consumer goods, a person might be persuaded to buy one product over another, but if they get home and find out that the product they purchased was 100 times worse than a competitor’s product for the same price, the feedback loop is short enough that the better product would rapidly win out in the market. It’s hard to imagine what a car or t-shirt or bar of soap that is 100 times better than another product of the same price would even look like. Certainly, such products aren’t readily available on the market.

However, in the charity marketplace, widely divergent initiatives do coexist. Fundamentally, this is because donors do not have a direct feedback loop with their donations. Donors assume that charities vary in quality in a similar magnitude that other products vary in quality. Metaphorically, “any bar of soap on the shelf is probably going to be fine”. But this isn’t the case.

Market failure runs deeper than the misleading and deceptive conduct that the ACCC is rightly addressing. Instead, it is proper that the Australian Government lead the way by establishing a charity evaluator that helps communicate to Australians how wide the variance in charity impact is and guides Australians towards increasing their impact. Importantly, governments already do this in sectors that lack this kind of feedback loop. For instance, the Australian Tax Office has created a YourSuper comparison tool. Why not do the same for charities?

Conclusion

Australia has the potential to create a world-leading philanthropic sector. We already know that the most effective charities can have a substantially greater impact than the average charity, but currently, there are no mechanisms in place to incentivise impact or empower donors to choose the best charities based on their impact.

By implementing the recommendations outlined in this submission, Australia can become a global leader in philanthropy. This could reverse the brain drain and attract more impact-focused charities to Australia, further enhancing the country's ability to make a positive impact on the world.