

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 with the Inquiry:

1. The need to realign DGR status with the values of today's Australians (2.ii, 3.ii, 5, 6)
2. Allowing Public Benevolent Institutions to properly support their communities (2.iii, 3.i)
3. The maturity of international approaches to charity evaluation (3.ii, 6.iii)
4. The way in which DGR-status charities shaping Government policy can make democracy work better for communities (3.i, 5, 6.iii)

I have donated to effective charities, and work to support local philanthropic and community groups. I'd like to do more of this over time. I think the changes I recommend in this submission would make it easier for me to be involved, and also help other Australians to donate more and participate more in their communities. The changes could almost dramatically increase the good we achieve through this work.

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.

The way Public Benevolent Institutions are regulated is outdated and should be absorbed into the *Charities Act*. The Law Council of Australia and the ACNC are regularly debating the meaning of the cases from the 1930s and 1940s that define how PBIs can operate. This is not helpful for organisations, communities, or their ability to do charity in an impactful way. The legal conversation has lost track of the policy intent.

An obvious example of this lack of focus on outcomes is the dispute over the meaning of “dominant purpose”. Without re-stating legal arguments, the ACNC seems to think that a charity that is a PBI has to have its PBI-purpose as its “overriding” purpose, and therefore it can’t also have other purposes from the *Charities Act*. The Law Council thinks this reading is a misunderstanding of the meaning of “dominant purpose” and that having a purpose from the *Charities Act* shouldn’t disqualify a PBI.

This is just one example, and who is “right” doesn’t matter. What matters is that having critical definitions about how a charity can do its business buried in arcane case law that doesn’t have a clear reading and isn’t aligned with the Government’s policy intent is not efficient or effective.

In the case of “dominant purpose”, it’s clear that Government policy has no concern with a charity pursuing multiple purposes. This is clear because the *Charities Act* allows a charity to have multiple purposes. This is common sense – no public policy purpose is served by requiring separate organisations for separate charitable purposes (indeed, the administrative inefficiencies that it creates are contrary to good public policy). And this has real-world implications for how PBIs can engage in fundraising, do impactful work, and support their communities.

“Dominant purpose” is just one example of common law that is no longer helpful. There is also confusion around other phrases like “direct relief”.

The Productivity Commission should recommend amendments to the *Charities Act* to override the common law and create a new charity type that is not mutually exclusive with other charity types. The precise details can be resolved by ACNC-led consultation and Government decision.

There’s a right balance between money spent on marketing and fundraising, operations, and charitable interventions themselves. I want to donate to charities that get that balance right. But currently, I have almost no information about the impact that most Australian charities achieve. Absent that information, it’s difficult to know how best to direct my donations.

I worry that some well-known charities spend large proportions of their donations on building their brand, but may ultimately be having little positive impact on the issues that they purport to care about. When I buy a service for myself I can judge if it’s good. But if I buy a service for someone in need, I don’t get any feedback.

A robust charity evaluation system would allow donors to sort the “wheat from the chaff” and make donations to organisations having a significant positive impact on the world. It would also decrease cynicism around charity more generally and lead to a higher overall degree of trust and support for charity in the community.

Talking to my friends and family, they're often excited to learn about organisations like GiveWell, Animals Charity Evaluators, Giving Green, and Founders Pledge because of the robust, evidence-based assessments that they make of the actual impact of charities and their initiatives. The problem is that many people haven't heard of these evaluators, and they haven't evaluated many Australian charities.

I think an Australian Government funded or endorsed charity evaluator could transform philanthropy in Australia.

I understand that there might be some practical concerns with charity evaluation of this kind. A few specific observations could alleviate most of those concerns. Specifically:

- **Practicality.** While a decade ago the practicality of charity evaluation may have been in question, a range of charity evaluators are now operating and have developed mature models to conduct evaluation. The Australian Government now has several practical options to implement charity evaluation, including building off existing expertise in the field or contracting with a proven company.
- **Resourcing requirements.** Based on public materials, and converted to Australian dollars, Charity Navigator's budget is in the order of \$6m per year and GiveWell's is in the order of \$15m per year. ACNC reports that donations to Australian charities increased to \$12.7b dollars in 2022, and Government aspires to double giving. On that basis, Australia could have a well-resourced charity evaluator for roughly 0.1% of the value of the sector. Given overseas charity evaluators have the ability to make their users' donations orders of magnitude more impactful, this is a bargain.
- **Opt-in model.** If evaluation was opt-in, charities that don't think they have the resources to measure their impact, or otherwise have concerns about evaluation, could choose not to participate. This could facilitate a graduated rollout of evaluation.

Overall, charity evaluation is a mature field, affordable to do, and can greatly increase the good work done by philanthropy in Australia. In the same way governments should do evidence-based policy, it should help Australians to do evidence-based charity.

In many cases, and particularly in the area of averting catastrophic risks, engaging with the government on policy is a crucial component of achieving better outcomes for the world.

For example, while there is a valuable role for non-government organisations like the International Campaign Against Nuclear Weapons to play in reducing nuclear risk, at the end of the day, it is governments that possess the nuclear weapons stockpiles, set the rules about the acquisition of fissionable material and nuclear technology, and ratify international treaties.

Charities have real value to add to these conversations. Including investing resources in policy analysis, accessing global talent, and progressing the public policy conversations. In many ways, the activity of the not-for-profit sector on a topic reduces the burden on governments. Historically, many important policy ideas that have shaped modern society have emerged from outside of government - like the 40-hour work week or approaches to tobacco safety.

While charities are allowed to participate in policy discussions, many charities that focus on policy change as a primary means of achieving their goals are excluded from DGR status. This exclusion should be reconsidered, as charities that work to prevent catastrophic disasters or promote animal welfare through policy change have a valuable role to play in the public policy conversation.

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.