

# Philanthropy Inquiry

Submission from Nathan Sherburn

## Introduction

I firmly believe that fostering a healthy culture of giving and social connectedness in Australia depends upon our ability to bring communities together around shared ideals. In the past, institutions like churches and local community groups (e.g. CWA and Rotary) played an important role in connecting our communities - but Australia is changing. New communities are forming around the shared ideals of modern Australians and, as someone who recently created a charity to build one of these communities, I was frustrated to realise that Australian charity law has not kept pace with the concerns of modern Australians. If we want to connect communities and incentivise people to donate, we need to create a fertile ground for groups to develop around the charitable causes that people care about *today*.

While our current, parochial laws may have made sense for the Australia of the 1900's, modern Australians care about both local and *global* causes. A growing number of people feel that the ones most in need of charity today are often voiceless future generations and animals. As membership among traditional community groups like churches is declining,<sup>1</sup> high impact causes like preventing global catastrophes and animal welfare are growing and bringing more and more Australians from all walks of life together.

In order to incentivise giving and foster connection, we need reforms that encourage these communities to form and prosper.

In my submission, I want to raise two key points relevant to the terms of reference:

1. The potential of expanding DGR status to the cause areas that modern Australians care about (i.e. future generations and animal welfare) (relevant to the Terms of Reference points 2.ii, 3.ii, 5, 6)
2. The value that could be offered by an Australian charity evaluator (relevant to the Terms of Reference points 3.ii, 6.iii)

## Expansion of DGR Status

As a donor, I primarily care about four broad areas of charitable concern:

1. Global health and poverty
2. Mitigating catastrophic risks (e.g. climate change, nuclear war, etc)
3. Animal welfare (e.g. improving conditions for animals in factory farms)
4. Social cohesion and epistemology (e.g. protecting democracy and thwarting misinformation)

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<sup>1</sup> See:

<https://mccrindle.com.au/article/a-demographic-snapshot-of-christianity-and-church-attenders-in-australia/>

Of these causes, only *one* generally fits cleanly into our existing charity law. In fact, most of the charities that I have wanted to donate to across all of these cause areas were either:

- a) Not able to apply for DGR status (e.g. ALLFED, ICAN, Animals Australia) or
- b) Hamstrung by existing laws that prevent them taking on more than one purpose (e.g. Effective Altruism Australia).

This is a significant frustration to me as a donor and, more importantly, a barrier that prevents many others from donating to these causes at all. And not only because of the tax deductibility benefits - for many, DGR status is a basic requirement for people to even consider a charity to be legitimate.

From my work setting up a charity focused on advocating for future generations, I can also say that the lack of DGR status made it more difficult for us to raise funds from Australians and attract staff. We found that these challenges went on to cause many second and third order effects too. For example, without DGR status we were unable to provide the same security and benefits to our staff as other DGR charities are able to. In turn, this meant that we were only able to attract candidates who were in more privileged positions where job security and employment benefits were less important. While we have still managed to create a strong community around these ideas, these challenges have certainly hampered us in our goal of building a broad and inclusive community.

I would like to strongly encourage the commission to explore the idea of very slightly expanding DGR requirements and using a *principle-based* approach to decide which charities deserve this status. More concretely, I would like to advocate for DGR status being expanded to two highly impactful yet neglected causes: 1) mitigating existential and catastrophic risks and 2) animal welfare. There is an abundance of research arguing for the importance<sup>2</sup> of these two charitable causes and I feel we have a huge opportunity to encourage a culture of giving and community around them.

## Charity Evaluation

In addition to the opportunity above, I was excited by the Productivity Commission's Terms of Reference 3.ii request to consider charity evaluation that gives donors the ability to “assess and compare charities based on evidence of effectiveness”. To promote trust in the sector, increase donations, and maximise overall impact, I would like to strongly advocate for the Australian government to establish and promote a charity evaluation system based on best practices. Charity evaluation is a well established field occupied by many highly respected organisations such as GiveWell, Founders Pledge, Animal Charity Evaluators, Giving What We Can, and The Life You Can Save.

I feel this is particularly important for the charity sector because, unlike other markets, there is no feedback mechanism built into the charity “market”. If I were to spend \$25 on a

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<sup>2</sup>See <https://80000hours.org/articles/future-generations/> for research and arguments for the importance of mitigating existential risk and <https://80000hours.org/problem-profiles/factory-farming/> for research and arguments for improving animal welfare.

disappointing meal at a restaurant, I would know immediately that I didn't get my money's worth. If I were to donate \$25 to an ineffective or even damaging charity though, I would very likely never find out that my money was wasted or perhaps actually doing harm. This dynamic creates a lack of confidence that is perhaps one of the largest hurdles that prevents people from making donations. I strongly believe that a trusted charity evaluator can provide confidence in the opaque charity world where the market is unable to operate efficiently.

Overseas charity evaluators have been successful in providing rigour and trust around impact and I would like to encourage the Productivity Commission to consider reviewing research on the surprising differences<sup>3</sup> in effectiveness between charities' and the market failure in the charity sector. I note that similar evaluation systems are already in place for superannuation funds and power companies in some parts of Australia.

## Conclusion

The existing regulation of charities in Australia is, in places, quite archaic and excludes charities working on almost all of the charitable causes I care about from DGR status. This hampers the communities that form around these causes, limits volunteering opportunities and disincentivises donations.

The Productivity Commission has an opportunity to propose revisions that would bring the sector back in line with the values that are relevant to modern-day Australians. By adopting a principle-based approach and implementing charity evaluations, Australia could greatly amplify the impact of its charities, generating more donations and constructing the supports needed for strong communities and a positive culture of giving.

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<sup>3</sup>See <https://www.givingwhatwecan.org/charity-comparisons> for the differences between effective and non-effective charities