

## Submission to the Philanthropy Enquiry

3 February 2024

Dear Sir/Madam,

I am writing to you as an impassioned animal advocate and supporter of numerous organisations serving the interests of animals, who cannot advocate for themselves. I am deeply concerned that animal welfare organisations are not granted tax-deductible status, an oversight that I find unfortunate. I believe their work is essential to the well-being of our planet, its population and the non-human species we share it with. I find our current attitude towards animals to be speciesist and our treatment of them indefensible, unsustainable, and morally repugnant.

I am grateful for the opportunity to provide my comments on the draft report, which I found to be encouraging in its recommendations and optimistic in its potential to transform the for-purpose sector in Australia. I greatly value my involvement in this sector, particularly the capacity it provides for myself and my community to address the most pressing issues our society is facing. The proposed changes to Deductible Gift Recipient (DGR) status for charities focused on preventing harm would have a monumental impact.

I concur with the draft report's assertion that the present DGR system is in dire need of reform, and that a simpler, fairer, and more consistent system should replace it. The recommendation to extend DGR status to animal welfare charities is particularly appreciated. The current exclusion of animal welfare charities that do not provide direct care or rehabilitation of animals from DGR status has deprived many charities carrying out crucial policy and advocacy work of significant donations or the ability to apply for grants that require DGR status.

Disassembling the barriers currently faced by many animal charities would allow all donors in this cause area to be supported in their charitable giving. It would also prevent them from being disadvantaged for prioritising preventative activities over meeting the immediate needs of animals in care. Establishing a level playing field for animal charities would ensure more funding can be directed towards high-impact activities aimed at improving the lives of millions of animals in underfunded areas such as farm animals, aquatic animals, wildlife, and animals in research.

Animal welfare policy and advocacy charities are disproportionately impacted by their lack of DGR status, as the sector receives significantly less government funding than the 50% average. Most major animal welfare charities that do not provide direct care to animals do not receive government funding and rely on donations and bequests for between 70-99% of their income. Extending DGR status across this sector would greatly enhance the effectiveness and impact of animal welfare charities endeavouring to improve societal treatment of animals.

Animal charities consistently rank among the top three causes supported by Australian donors. I am aware that many Australians, including younger ones, are particularly

passionate about animal welfare. Expanding DGR eligibility criteria will open up new fundraising channels such as workplace giving, corporate fundraising, major donor and philanthropic giving, Instagram and Facebook fundraisers, PayPal Giving Fund, and various third-party fundraising and crowd-funding platforms that are currently inaccessible without DGR status.

The draft report's discussion of impact evaluation, in its response to terms of reference 3.ii, took me by surprise. I believe a more realistic goal that aligns better with the terms of reference could be adopted. The terms of reference do not ask for the consideration of "universal, mandated standardised quantitative measures". Instead, they direct the Productivity Commission to consider how proven overseas charity evaluators operate. These evaluators utilise opt-in models, where cooperation is key to understanding the theory of change, relevant evidence, and how it can best be collected and evaluated.

The draft report acknowledges a form of market failure in charity, namely, the disconnect between the donor and the beneficiary. It also recognises that the government has an interest in ensuring the value for money for its subsidy and achieving the greatest net benefit. However, the report also points out that many charities lack the skills for impact evaluation and many donors do not prioritise net benefit to the community when donating. Therefore, government involvement in impact evaluation is crucial. The government has an interest in impactful charities, but many donors and charities lack the interest, skills or incentives to prioritise impact.

The Productivity Commission's summary on page 30 and in finding 9.1 sets a high bar for impact evaluation. There are several viable options that do not require "mandating standardised measures or metrics of charity effectiveness across all charities". The key insight is that highly impactful interventions can often do 10 or 100 times more than average interventions, a disparity that is far wider than in typical markets. Some charitable programs can even have negative impacts.

I urge the Productivity Commission to review the following articles: "Donors vastly underestimate differences in charities' effectiveness" by Caviola, L; Schubert, S; Teperman, E; et al, "Don't Feed the Zombies" by Kevin Star in the Stanford Social Innovation Review, and "How much do solutions to social problems differ in their effectiveness? A collection of all the studies we could find." by Benjamin Todd.

These articles provide valuable insights into the ineffective nature of certain charitable programs and the need for a more impact-focused evaluation approach. They argue that the government should aim to provide subsidies that achieve significantly more net benefit.

The draft report's concerns about practicality, cost, and unintended consequences are understandable. However, the overseas charity evaluators referred to in the terms of reference have methodologies that navigate these concerns. Australia can also overcome these concerns by modelling them and setting a more realistic target than "universal, mandated standardised quantitative measures".

I propose that the government addresses the identified skills gap by providing charities that wish to improve their impact with guidance and toolkits related to developing their theory of change, collecting evidence, and conducting evaluations. I also suggest the consideration of “optional, opt-in measures that suit participating organisations” instead of universal, mandated standardised quantitative measures.

The draft report notes that donors can access effectiveness information from non-government sources like The Life You Can Save and GiveWell. However, neither evaluator has ever assessed an Australian charity. This shows that donors cannot access effectiveness information about charities operating in Australia and that the current incentive structure is insufficient to generate that information. I recommend that the government offer grants to organisations that can conduct impact assessments of services delivered in Australia.

I believe that expanding DGR status to charities working on advocacy is one of the most crucial recommendations in the draft report. However, for-profit industries that currently have overwhelming or even unopposed policy influence in certain fields will likely oppose this change. I recommend that the Productivity Commission consider the range of issues that may arise if a larger range of policy advocacy organisations obtain DGR status. It should include more pre-emptive discussion and any consequential recommendations relating to disqualifying purposes, public benefit, or other areas of law that may become more contested if the recommendations are adopted.

Thank you for considering my thoughts on this matter.

Regards,

Katie Flannigan