

My main motivation for donating to charity is that I want to do as much good as I can. Because of that motivation, I care about which charities have the most impact. When I know the charity I'm giving to is highly effective and endorsed by organisations I trust, it gives me the confidence to donate more. I think government policies that focus on impact and increase confidence that impact is being achieved are the key to achieving the goals of this inquiry.

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.

A key example of these new networks are effective altruism groups, which are now at the helm of the philanthropic community amongst young Australians, with representation in major universities and cities. Effective altruism is not alone in being connected to these demographics, "One for the World" groups are similar. While tax-deductible donations can be made to Rotary, they can't be made to their modern equivalents.

Crucial for understanding the changing shape of the altruistic community is their shifting causes of interest. Rather than an internal or local focus, these groups consider global impacts and are concerned with long-term and catastrophic risk prevention. They also challenge the restrictive moral circles which governed historic philanthropic communities, by focusing on causes like animal welfare, the environment, and preventing human extinction.

We need reforms that seize on these trends and make sure the effective altruism clubs of today can become the Rotary clubs of the future. Strengthening community in this way requires reforming philanthropy to align with the interests and values of younger Australians. Recognising these shifting priorities is the key to both increased charitable donations and increased social cohesion.

This submission discusses:

1. Expanding DGR status to the high impact cause areas that align with the values of modern Australians (2.ii, 3.ii, 5, 6)
2. Allowing Public Benevolent Institutions to work across causes areas and to properly support their communities (2.iii, 3.i)
3. The benefits of rigorous charity evaluation (3.ii, 6.iii)

#### **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.

For instance, I care about the work of the International Campaign to Abolish Nuclear Weapons (ICAN). Despite ICAN winning a Nobel Peace Prize for its works, and being able to accept tax-deductible donations in many other countries, it can't do that in Australia. I don't understand why a "defence charity" can have DGR status for the repair of war memorials (Tax Act 5.1.3) or the recreation of members of the armed forces (Tax Act 5.1.2), but not for the prevention of a nuclear war.

In the same way, my peers and I care deeply about the welfare of animals, including in the agricultural sector. While the animal charities I support can be "charities" under the *Charities Act*, they can't get DGR status under the *Tax Act*. This is because DGR status is currently 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 think the phrasing of the charitable purpose regarding animals in the *Charities Act* makes sense. "*Preventing or relieving the suffering of animals*" is a clear and laudable concept. However, the way that 4.1.6 of the *Tax Act* narrows that down to organisations whose principal activity is "*providing short-term direct care to animals (but not only native wildlife) that have been lost, mistreated or are without owners*" or "*rehabilitating orphaned, sick or injured animals (but not only native wildlife) that have been lost, mistreated or are without owners*" is obviously unreasonable.

The more impactful way to help animals is a holistic approach that seeks to prevent cruelty from occurring, pursues sensible regulation about how society at large treats animals, and also provides direct care to animals that fall through the cracks. Complex problems have complex solutions. Limiting DGR – a significant boost to the efficacy of charities who can access it – to only "bandaid solutions" limits the impact of the cause overall.

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 *Charities Act* should be amended to resolve confusion about PBIs, including “dominant purpose”, which will also facilitate better community building (Information request 6)**

I support Effective Altruism Australia and the work they’re doing to help effective altruism groups in universities and major cities. These EA groups are getting people excited about doing good, helping them think about impactful donations, running reading groups, and giving advice about impactful careers. But Effective Altruism Australia’s status as a “Public Benevolent Institution” limits the work of its community builders to align with EAA’s work on global health and poverty and “incidental” topics. For instance, EAA community builders probably can’t facilitate a reading group on animal wellbeing because the wellbeing of animals isn’t “incidental or ancillary” to global poverty.

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, such as arguing over the meaning of “dominant purpose” and “direct relief”.

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 yet, 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 has real-world implications for how PBIs can engage in fundraising, do impactful work, and support their communities. A change to allow PBIs to also pursue other charitable purposes would help me and my group be more involved in our community and find more ways to do good. I think effective altruism clubs and similar groups, like One For The World, have the potential to be life-long sources of connection for younger Australians. Given the Terms of Reference are framed around building social connection, it would seem a simple change for a big improvement to recommend to Government to remove narrow, PBI-specific rules around “dominant purpose” that prevent PBIs from doing work in their communities. We need regulatory changes now so that we and these organisations can grow together.

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.

**Charity evaluation is a practical change that could make a big difference (Information request 7)**

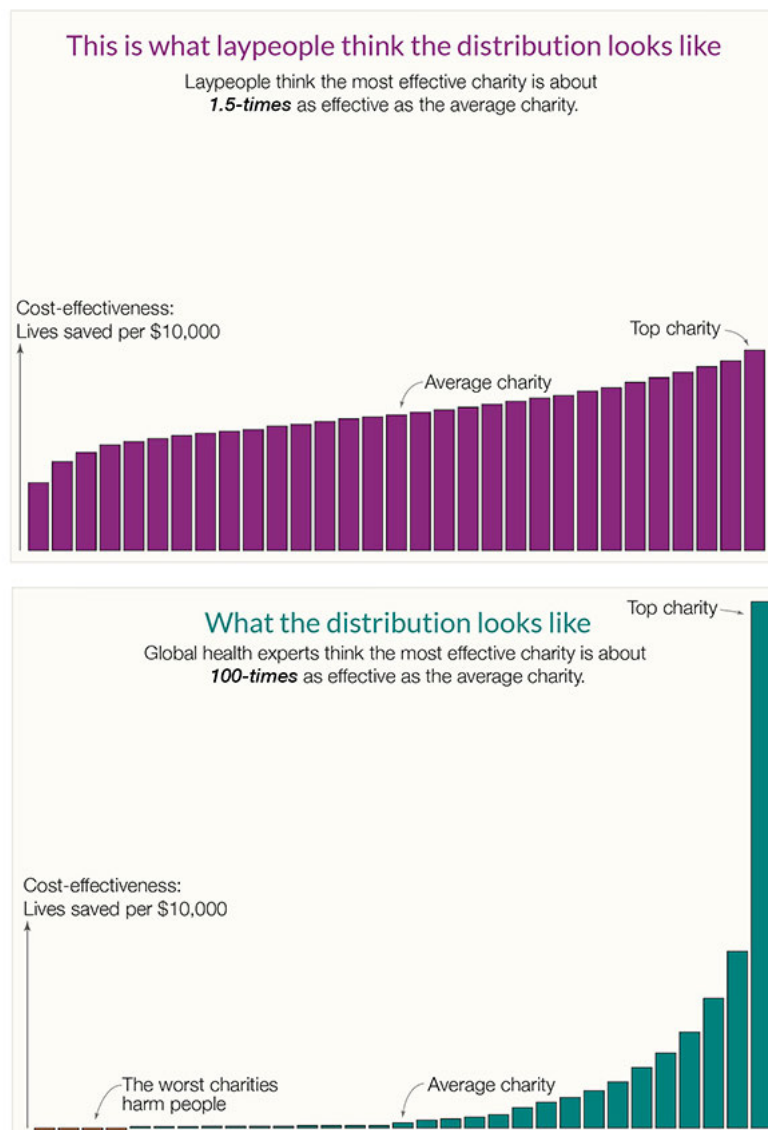
I’m excited by the terms of reference about charity evaluation. I think people can be cynical about charity because it’s hard to know if your donation has actually had an impact. I’ve valued the work

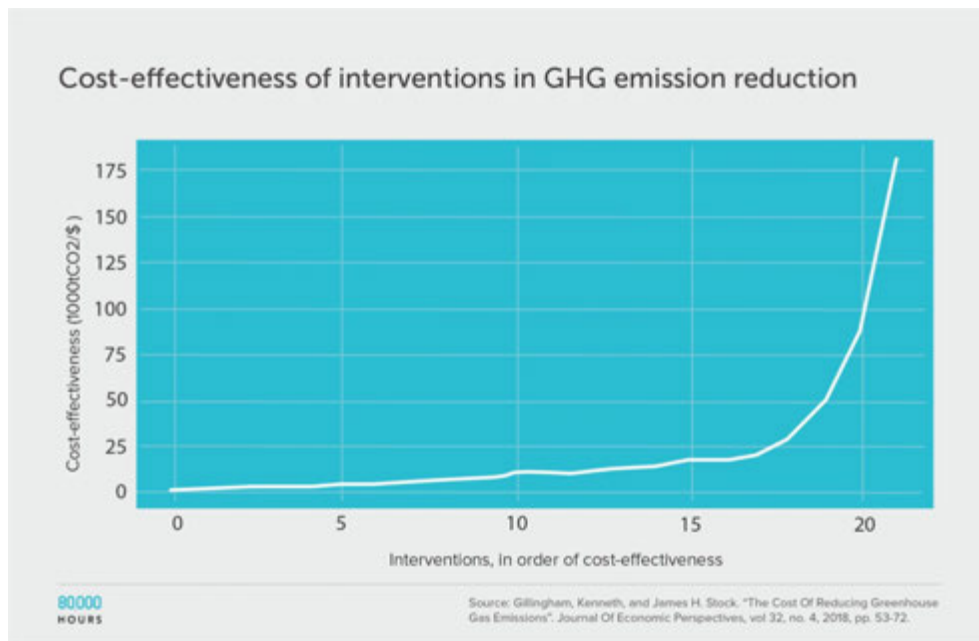
of overseas charity evaluators because they provide trusted rigour around impact. This is important because high-impact charities can be 10 or 100 times more impactful than average charities. Some charitable programs can even do harm.

I would encourage the Productivity Commission to review:

- *Donors vastly underestimate differences in charities' effectiveness* by Caviola, L; Schubert, S; Teperman, E; et al. available online at <http://hdl.handle.net/10871/122268>, and
- *Don't Feed the Zombies* by Kevin Star in the Stanford Social Innovation Review, available online at [https://ssir.org/articles/entry/dont\\_feed\\_the\\_zombies](https://ssir.org/articles/entry/dont_feed_the_zombies), and
- *How much do solutions to social problems differ in their effectiveness? A collection of all the studies we could find* by Benjamin Todd available online at <https://80000hours.org/2023/02/how-much-do-solutions-differ-in-effectiveness/>

The research is usefully summarised in two illustrations that depict how different the view of the impact of charity is between lay people and experts, and one example (of many in Benjamin Todd's article) that shows real cost-effectiveness data of charities following this trend:





Kevin Star’s article usefully explains that there’s a kind of market failure in the charity sector, where donors aren’t part of the feedback loop and often have no meaningful way of knowing how much value beneficiaries get from their donations. 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. 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?

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 roll-out 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.

## **Conclusion**

Overall, Australian charity regulation has become outdated. Charities with DGR status are the lion's share of the sector, but the DGR status eligibility criteria and the narrow restrictions on PBIs are stifling their ability to expand into new cause areas that stay in touch with the community's values. This means that charities aren't focusing on many of the things the my peers and I care about, such as animal welfare in the agricultural sector and reducing global catastrophic risk such as pandemics and nuclear war, and aren't providing the community support and volunteering opportunities that are meaningful to me.

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.

In addition to the above arguments, if the Australian Government wants to double philanthropic giving and increase impact, it should lead from the front. The United Nation's Overseas Direct Aid (ODA) target is to spend 0.7% of Gross National Income on ODA every year, whilst Australia is currently at just 0.2%, which is also below the OECD Development Assistance Committee (DAC) country average of 0.32%. If the Australian Government wants to double giving by its citizens, it should show that it means business by doubling its own giving and focusing on using evidence to double the impact of the giving that it does do.

Thank you for your time and attention. I trust this information and perspective has been valuable to the Productivity Commission. I appreciate your work in improving Australia's philanthropy sector.