

My peers and I care deeply about doing the most good we can do when donating to charity.

Therefore, I care about which charities have the most impact per dollar spent. When I can research the charity I'm giving to through organisations such as GiveWell, I feel confident about donating. And when I'm confident that a charity is highly effective, I'm motivated to donate more.

Government policies focussed on impact and cost-effectiveness with increased confidence that impact is being achieved are vital to achieving the goals of this inquiry.

**My submission raises four issues:**

1. Benefits of thorough charity evaluation & impact analysis (3.ii, 6.iii)
2. Expanding DGR status to the high impact cause areas that align with the values of modern Australians (2.ii, 3.ii, 5, 6)
3. Allowing Public Benevolent Institutions to work across causes areas (2.iii, 3.i)
4. How policy advocacy can restore trust in democracy (3.i, 5, 6.iii)

**Charity evaluation & impact analysis in Australia will help build confidence in donation decisions**

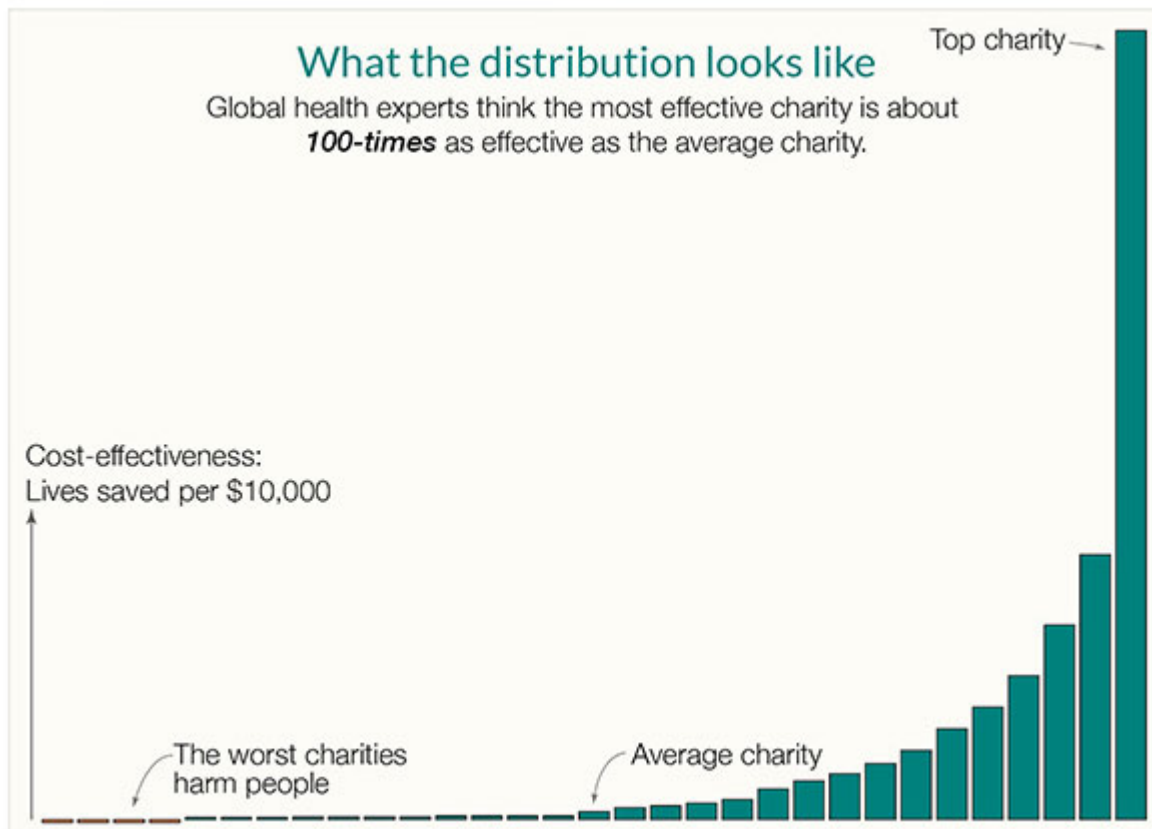
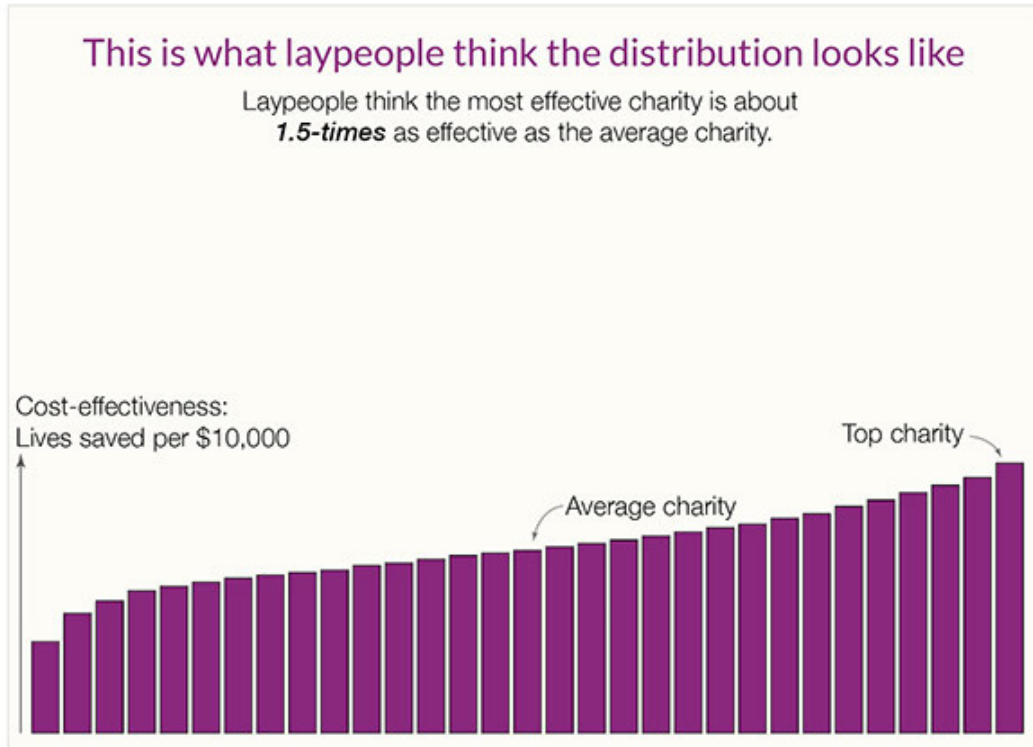
I'm excited by the terms of reference about charity evaluation. But unfortunately, people can be pessimistic when it comes to charity. And part of the reason is that it's difficult to know whether your donation has actually had an impact.

I've valued the work of overseas charity evaluators such as GiveWell and Animal Charity Evaluators because they provide trusted rigour around impact. Impact evaluation and thorough research are essential because high-impact charities can be 10 or 100 times more impactful than average charities. Conversely, some charitable programs can even cause harm.

I would encourage the Productivity Commission to review:

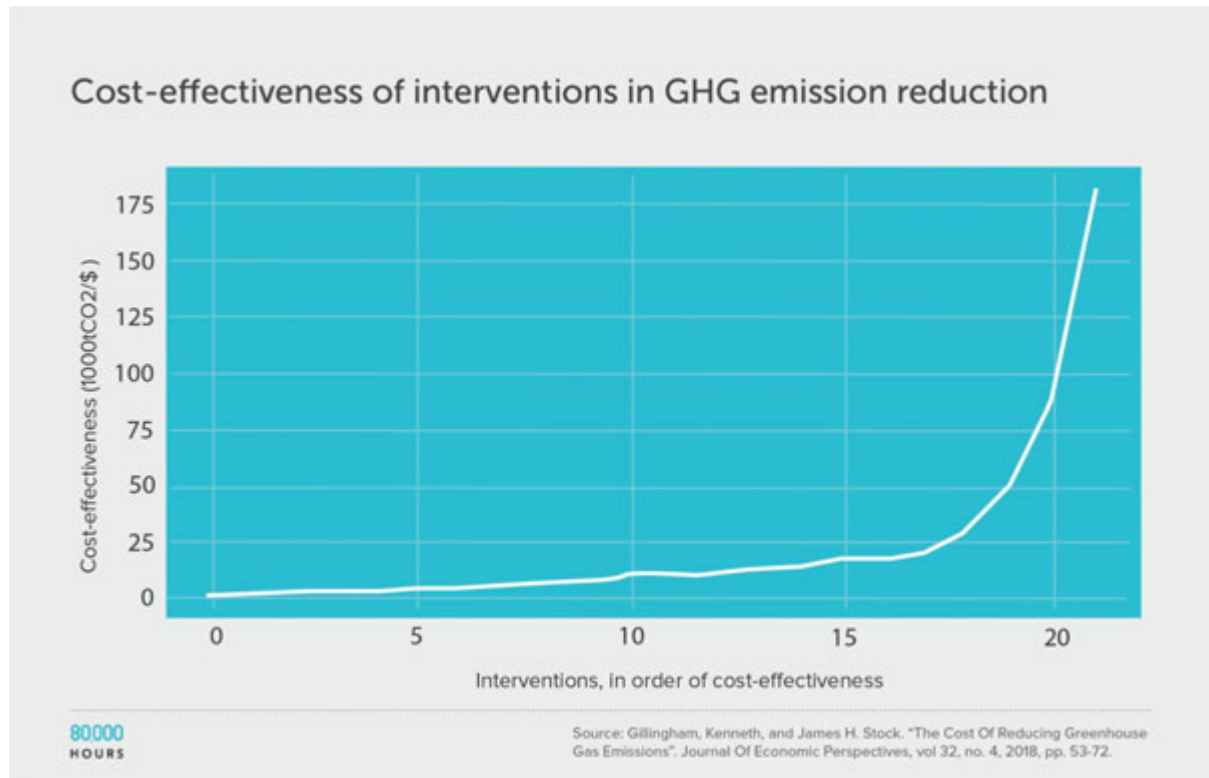
- *Donors vastly underestimate differences in charities' effectiveness* by Caviola, L; Schubert, S; Teperman, E; et al. available online at <http://hdl.handle.net/10871/122268>, and
- *Don't Feed the Zombies* by Kevin Star in the Stanford Social Innovation Review, available online at [https://ssir.org/articles/entry/dont\\_feed\\_the\\_zombies](https://ssir.org/articles/entry/dont_feed_the_zombies)

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:



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. The article outlines how an approach to impact-focused evaluation which he persuasively explains could achieve a "quantum leap toward a better world".

While the above two sources focus on global health, the same effect occurs across countries and across causes. By way of illustration, Benjamin Todd's recent article on 80,000 Hours shows a similar distribution of the impact of climate interventions (<https://80000hours.org/2023/02/how-much-do-solutions-differ-in-effectiveness/>) :



This insight is essential. While donors don't and can't understand how impactful their donation is, and charities have to raise funds in a market that doesn't function, the sector will struggle. This problem is long-standing, but progress in the last 10 years on charity evaluation means it doesn't have to continue.

Australia funding and promoting charity evaluation has the potential to fix the market failure, help Australian charities do far more good, and potentially make us a world leader.

## **Animal Welfare as a whole should be eligible as a DGR, not just short-term direct care of animals**

I am concerned about animal welfare, especially when it comes to factory farming in our agricultural sector. I know, both from public polling and from interactions with my friends, family and community, that this concern is widely shared by Australians and only growing.

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 sympathise with concerns that a dramatic expansion of DGR status could have impacts on the tax base. I think, if DGR is going to be expanded gradually, prioritisation should be based on where the most positive impact can be achieved per dollar, and with a view to aligning DGR status with the values of modern Australians.

Charity evaluators, in their work assessing the potential good that could be achieved by working on different causes, consistently agree that animal welfare is one of the most impactful ways to do good. As a proxy for interest in the community, Roy Morgan has found that the trend in vegetarian eating continues to grow, with 2.5 million people in Australia (over 12% of the population) now eating all or almost all vegetarian. About 1 Australian decides to go meat-free every 5 minutes. Obviously, not everyone who cares deeply about animal welfare is a vegetarian, but this indicates that a very significant portion of the Australian population is motivated by this concern. Despite how widespread this view is, the community is currently underserved by charity law. This limits the extent to which we can make tax-deductible donations and limits the positive impact we can achieve through our donations.

## **PBI rules should not discourage community building**

I support the work of Effective Altruism Australia and believe that the work they’re doing to help effective altruism groups in universities and major cities is important. 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 (EAA) 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 welfare because the wellbeing of animals isn’t “incidental or ancillary” to global poverty. I find it hard to understand why the law would stop the peak body of effective altruism in Australia from properly supporting effective altruism clubs in universities. I understand that a charity shouldn’t just be able to do anything, because that would open up the system to abuse, but

supporting university clubs and city groups with the same philosophy and philanthropic goals is well within the normal operation of philanthropy. 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.

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. But we need regulatory changes now so that we and these organisations can grow together.

### **The DGR Status Barrier: Why Advocacy-Focused Charities Are Left Out**

I understand that the ACNC’s view is that a charity can promote or oppose a change to law, policy or practice, provided its advocacy is aligned with a charitable purpose.

That is a good policy, but it largely misses the real problem. The real problem is that DGR status is almost essential to effectively being able to raise funds and employ talented staff, but the gateways to DGR status are narrow and typically exclude any framings around policy or advocacy.

So, while it’s technically true that a charity can engage in advocacy, DGR charities largely monopolise fundraising and staff attraction, and DGR status is not available to organisations that prioritise advocacy.

In practice, this hamstringing advocacy-focused charities and creates an asymmetry in our democracy. For-profit companies have significant amounts of money to spend on lobbying and often get tax advantages for doing so. But people in the community who are passionate about certain causes often lack the bodies to organise around and certainly don’t get tax advantages. This should change, specifically by broadening out DGR classes so that advocacy-focused organisations can get DGR status. This problem is most obvious in the space of animal welfare, where DGR status is limited to certain kinds of animal rehabilitation. Charities that want to advocate for rules and approaches that mean animals don’t need rehabilitation in the first place don’t get DGR and are therefore limited in their ability to advocate.

This change would make democracy fairer, help connect communities around the things they care about, and encourage donations. I know I’d feel more confident in our democracy if there were organisations whose values I aligned with that had active and powerful voices in the policy conversation.

### **Conclusion**

Australia has the potential to create a world-leading philanthropic sector. We already know that the most effective charities can have substantially more impact than the average charity.

However, currently, no mechanisms exist 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 cynicism that some Australian’s approach the topic of charity with and attract more impact-focused charities to Australia, further enhancing the country’s ability to positively impact the world.