

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 key to achieving the goals of this inquiry. I donate to charities and work to support local philanthropic and community groups. I'd like to do more of this. 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 dramatically increase the good we achieve through these efforts.

My submission raises the following items:

1. Why DGR status should be realigned to match the values of today's Australians (ToR 2.ii, 3.ii, 5, 6; information request 4)
2. Allow Public Benevolent Institutions to properly support their communities (ToR 2.iii, 3.i; information request 6)
3. Greenwashing is the tip of the iceberg when looking at charity evaluation (ToR 3.ii, 6.iii; information request 7)
4. DGR-status charities that shape Government policy can make democracy work better (ToR 3.i, 5, 6.iii; information request 4 & 5)

Item 1: Why DGR status should be realigned to match the values of today's Australians (relates to ToR 2.ii, 3.ii, 5, 6; information request 4).

DGR status needs to be broadened to include things that young people today care about: reducing global catastrophic risks and supporting the well-being of animals.

For example, I want to engage with my community around the reduction of catastrophic disaster risks, but my current viable options seem limited to things like my local SES or volunteer fire brigade. While I support this work, 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. I know that since Covid-19, a lot of my peers are really worried about worse future pandemics. The war in Ukraine is also driving fear in my community of the risk of a nuclear war. These are just two examples of modern concerns that DGR regulation hasn't kept up with.

A third example of concerns that DGR has not kept up with is animal welfare. Many of my peers and I support animal charities that are "charities" under the Charities Act, but 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, granting DGR status to charities that seek to prevent animals from requiring direct care in the first place is much more effective. The law should not incentivise treatment over prevention (prevention is cheaper than the cure, right?)

Having these examples – catastrophic risk and animal welfare –excluded from DGR status hurts our society’s ability to do good. These causes are recognised by sophisticated charity evaluators as being high-impact. Charities in these fields are allowed to accept tax-deductible donations internationally, but are excluded from doing so 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.

Item 2: Allow Public Benevolent Institutions to properly support their communities (relates to ToR 2.iii, 3.i; information request 6).

I support Effective Altruism Australia (EAA) and the work they do to help effective altruism community groups in universities and major cities. These EA groups get people excited about doing good, help them think about impactful donations, run reading groups, and give 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. 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 these Terms of Reference are framed around building social connection, I encourage the Inquiry to consider recommending that the Government removes 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 friends 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.

Item 3: Greenwashing is the tip of the iceberg when looking at charity evaluation (relates to ToR 3.ii, 6.iii; information request 7).

I’m glad the ACCC is taking “Green Washing” fraud seriously. The ACCC acknowledges that environmental claims can be a powerful marketing tool: many consumers consider environmental claims as a major factor when evaluating products to purchase. While this work by the ACCC is a good start (especially to target the worst examples of this), the underlying problem is much broader in three ways:

- 1) the issue is not limited to the environment – all kinds of ways of “doing good” are used for marketing.
- 2) the legal threshold of “misleading or deceptive conduct” is very high. There are many ways to carefully word products or initiatives to claim it is doing good, where in reality the extent of that good is marginal.
- 3) a fundamental market failure is the underlying problem and it should be addressed.

We know from extensive charity evaluation overseas – supported by methodologically similar evaluations of social programs – that the most impactful initiatives are orders of magnitude better at achieving their desired outcome (like saving a life, or preventing an animal from suffering) than the average initiative.

There are no examples of this kind of performance difference in consumer products. Say a person is persuaded to buy one similarly-priced product over another. If they find the product performs 100 times worse, the feedback loop is short enough that the better product would rapidly win out in the market. It’s hard to imagine a car, t-shirt or bar of soap that is 100 times better than another product of the same price.

However, in the charity marketplace, widely divergent initiatives do coexist. Fundamentally, this is because donors do not have a direct feedback loop with their donations. Donors assume that charities vary in quality in a similar magnitude that other products vary in quality. Metaphorically, “any bar of soap on the shelf is probably going to be fine”. But this isn’t the case.

So, this market failure runs deeper than the misleading and deceptive conduct that the ACCC is rightly addressing. Instead, the Australian Government should lead the way by establishing a charity evaluator. This evaluator would communicate to Australians on how wide the variance in charity impact is and guide Australians towards increasing their impact. Governments are already doing this kind of service 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?

Item 4: DGR-status charities that shape Government policy can make democracy work better
(relates to ToR 3.i, 5, 6.iii; information request 4 & 5).

I believe more charities with DGR status being involved in the public policy conversation would make our democracy work better.

Big business has easy access to government and regularly exerts influence over policy outcomes. Often to the detriment of society – with challenges facing the environment being an obvious example. I understand that companies can often tax-deduct spending on lobbying. I think it’s perverse that those with a profit-motive have an incentive structure and open door to government, while groups working for a better future through policy change typically aren’t eligible for DGR status. This hurts our democracy.

The loudest voice in public policy should be the public. The public are concerned about issues like global catastrophic disasters and animal welfare – but currently DGR status is not available to charities that want to build community engagement and engage in the policy debate on those topics. More involvement by better-funded charities would increase community engagement and allow a more sophisticated and inclusive public conversation.

In summary, 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.