

Dear Productivity Commission,

My name is Manisha Lishman and I am the Head of the Effective Altruism Community in Sydney. Prior to working for Effective Altruism I worked in the corporate sector for ten years, most recently at PepsiCo Australia in Commercial Strategy. I also have an honours degree in Economics and Philosophy from the University of Bristol in the UK. I studied moral philosophy including the work of my favourite Australian, Peter Singer and firmly believe that the effectiveness of charities in reducing suffering matters. I am thus writing in response to the Commission's draft report, which seeks to understand and grow philanthropic giving in our country.

In my previous submission, I highlighted the significance of expanding Deductible Gift Recipient (DGR) status to a broader range of impactful causes, particularly preventive ones. I am thrilled to see that the Commission acknowledges the merit of this argument in the draft report, recognising the potential of a wider range of charities, including those focused on animal welfare and disaster risk reduction. However, I am cognisant of the potential for well-funded incumbent organisations to resist this positive change, possibly by identifying and exploiting ambiguities in the draft report.

The draft report's discussion on impact evaluation, in response to terms of reference 3.ii, was surprising. I believe a more realistic goal, better aligned with the terms of reference, is attainable. This would involve examining the operation of proven overseas charity evaluators, who use opt-in models to collaborate and understand what evidence is relevant and how best to collect and analyse it.

I concur with the draft report's recognition of a market failure in the charity sector, specifically, the disconnect between the donor and the beneficiary. This disconnect, along with the skills gap in many charities' ability to evaluate impact, creates a strong case for government involvement. The government has a vested interest in guaranteeing value for money and ensuring charities maximise net benefit.

The draft report sets an unnecessarily high bar for impact evaluation. Rather than mandating standardised measures across all charities, viable alternatives exist that do not necessitate such a stringent requirement. The key insight is that highly impactful interventions can often do dozens or even hundreds of times more than average ones. In fact, some charitable programs can even do harm. This dramatic disparity in impact is far wider than in typical markets and is a reality we must confront in the for-purpose sector.

I encourage the Commission to review the following resources: '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. Each of these works underscores the need for governments and donors to focus on impact and effectiveness.

I appreciate the draft report's concern about practicality, cost and potential consequences. However, the methodologies of overseas charity evaluators address these concerns effectively. I propose three ideas that could enhance the sector's net benefit without undue cost or risk:

1. **\*\*Address the identified skills gap:\*\*** Provide guidance and tools to charities looking to improve their impact. This could be achieved through developing their theory of change, collecting evidence, and conducting evaluations. The government could pilot initiatives to tackle this skills gap.
2. **\*\*Opt-in measures:\*\*** Instead of universal, mandated standardised quantitative measures, introduce optional, opt-in measures that suit participating organisations. This would involve the government playing an active role in impact evaluation and fostering a sector-wide focus on impact.
3. **\*\*Provide grants for impact assessments:\*\*** The final report should recommend that the government offer grants to organisations capable of conducting impact assessments of services delivered in Australia. This could encourage overseas charity evaluators to work in Australia or stimulate local charity evaluators to work on domestic charities.

The Commission's discussion on DGR for policy advocacy resonated with me. Expanding DGR to include advocacy activities empowers individuals to engage with the democratic process on a deeper level and outside the typical election cycle. I would, however, suggest that the final report clarify that the proposed expansion of DGR is not limited to advocacy activities alone, but also includes supportive work, such as policy development and community engagement.

Expanding DGR status to advocacy charities is one of the most critical recommendations in the draft report. However, I anticipate resistance from incumbent for-profit organisations that may see their policy influence challenged. It is essential, therefore, that the Commission pre-emptively address potential issues that could arise and provide comprehensive discussion and recommendations to circumnavigate these potential obstacles.

I wholeheartedly support the draft report's conclusion that the current DRG system requires reform. The proposal to expand DGR status for animal welfare charities is particularly welcome. Ensuring that DGR status is extended to the whole animal welfare sector will significantly increase the effectiveness and impact of these charities, opening up new fundraising avenues and enabling them to reach new communities.

I look forward to seeing the final report and the positive changes it will bring to philanthropic giving in Australia.

Kind regards,

Manisha Lishman