

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.

In this Submission I raise 2 issues:

- 1) The availability of DGR status for high impact cause areas (Terms of reference 2.ii, 3.ii, 5, 6)
- 2) The potential good that could be achieved by Australian based charity evaluation (Terms of reference 3.ii, 6.iii)

Although I'm a member of the community, not a charity, my views are representative of many of my peers. Further, I think the Productivity Commission should weigh the views of community members. Community members aren't bound by constitutions to make particular kinds of arguments and, ultimately, its members of the community like me that Government wants to donate more and be more involved in community organisations.

### **Issue 1**

I want to donate money to reduce the risk of catastrophic disasters, but because of the limited availability of DGR status, there aren't that many organisations that work in this area and those that do can't accept tax-deductible donations.

For instance, I care about the work of the International Campaign to Abolish Nuclear Weapons (ICAN). I think the risk of nuclear weapons is largely ignored by society, despite it being catastrophic. Some experts think the yearly chance of a nuclear war could be as high as 1% – which seems scarily-plausible with the situation in Ukraine and elsewhere. If I want to live a long life, and have kids who grow old, a 1% chance each year of a nuclear war that kills billions is totally unacceptable. 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.

ICAN is just one example. There are smaller organisations, like the Alliance to Feed the Earth in Disasters (ALLFED) who are similarly trying to reduce the risk of nuclear war and other global catastrophes, similarly accept tax-deductible donations in other countries, but also can't get DGR status 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.

Overall I think that organisations working to reduce global catastrophic risk should have DGR status. Nuclear war is one example of such a risk, but pandemic prevention and catastrophic natural disasters should also be included. More work being done in these areas could have huge benefits for Australia and the world. I care about these issues – and so do my peers. We want to organise around them in our community and donate money towards them – but without them being included as a DGR class, that's really difficult.

### **Issue 2**

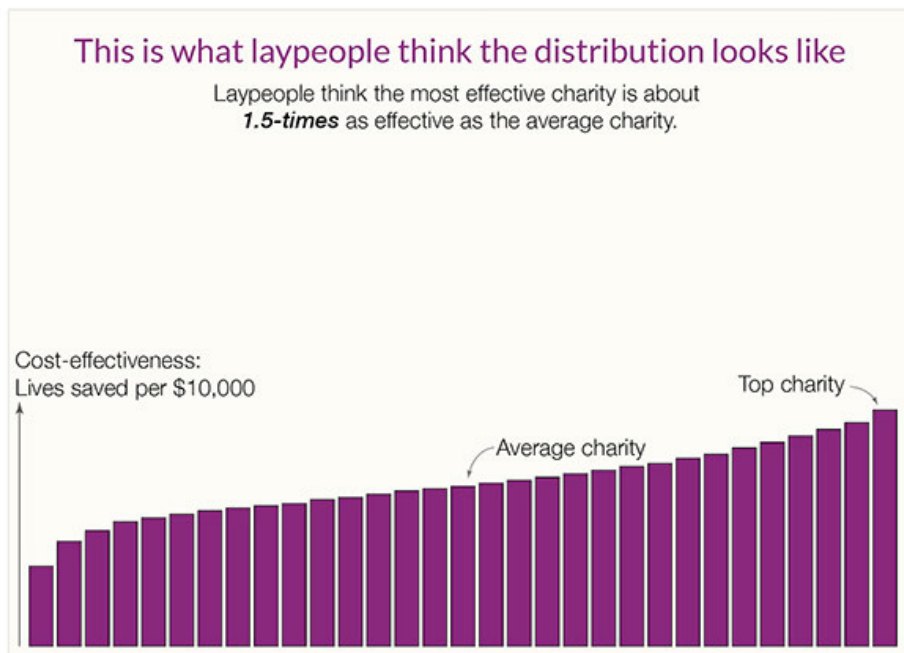
I'm excited by the terms of reference about charity evaluation. I think people can be cynical about charity because it's hard to know if your donation has actually had an impact. I've valued the work of overseas

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)

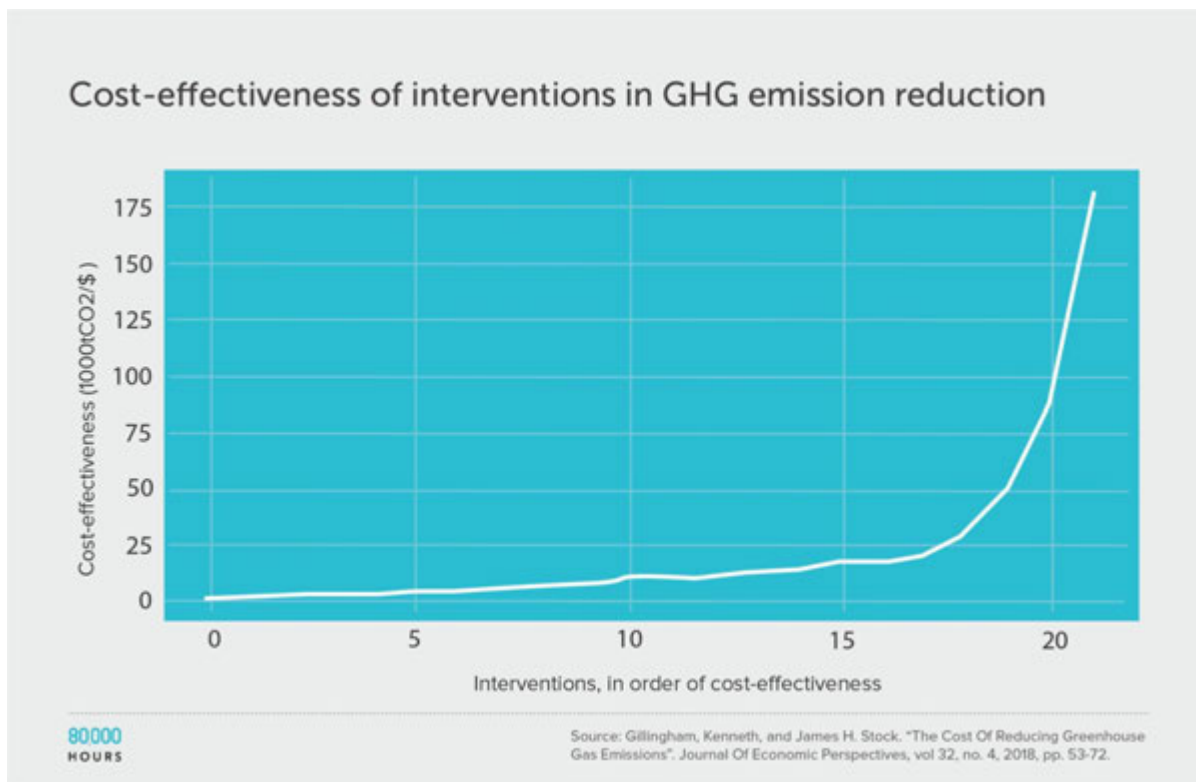
The research is usefully summarised in two illustrations that depict how different the view of the impact of charity is between lay people and experts:



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.

## Conclusion

In addition to the above arguments, if the Australian Government wants to double philanthropic giving and increase impact, it should lead from the front.

Australia's Overseas Direct Aid as a proportion of Gross National Income (GNI)—the official measure of development assistance—is expected to remain at the 2021–22 level of 0.20%.

This continues to place Australia well below the OECD Development Assistance Committee (DAC) country average of 0.32%.

In 2020 Australia ranked 21 out of 29 OECD DAC countries on the generosity of its aid, measured by the ODA-to-GNI ratio. On current estimates, Australia's ODA-to-GNI ratio is expected to tail off to 0.17% by 2025–26.

The UN's ODA target is to spend 0.7 per cent of GNI on ODA every year. 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.

I trust this information and perspective has been valuable to the Productivity Commission.