

Communities built on philanthropy are bedrocks of social cohesion. Historically, institutions such as RSLs and Rotary Clubs were centres of community identity. They provided an outlet for generosity, a space for altruistic activity, and a place where people feel like they belonged.

Young Australia is much less engaged with these groups. Their place in our cultural identity has slipped significantly, and unless charity incentive structures are updated to align with what motivates younger Australians, we risk losing these kinds of institutions and the community value they create.

This is not to say that philanthropy no longer plays a role in modern Australia's community structure. It just comes in a different form. 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.

In this Submission I raise 3 issues:

1. The availability of DGR status for high impact cause areas (Terms of reference 2.ii, 3.ii, 5, 6)
2. Removing arbitrary restrictions on Public Benevolent Institutions so they can better work across causes and support community groups (Terms of reference 2.iii, 3.i)
3. 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.

Animal welfare and global catastrophic risk reduction should be DGR classes

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.

In the same way, my peers and I care deeply about the welfare of animals. While the animal charities I support can be "charities" under the *Charities Act*, they 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, 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 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"

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. This is not helpful for organisations, communities, or their ability to do charity in an impactful way. The legal conversation has lost track of the policy intent.

An obvious example of this lack of focus on outcomes is the dispute over the meaning of "dominant purpose". Without re-stating legal arguments, 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 is just one example, and who is "right" doesn't matter. What matters is that having critical definitions about how a charity can do its business buried in arcane case law that doesn't have a clear reading and isn't aligned with the Government's policy intent is not efficient or effective.

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 this has real-world implications for how PBIs can engage in fundraising, do impactful work, and support their communities.

“Dominant purpose” is just one example of common law that is no longer helpful. There is also confusion around other phrases like “direct relief”.

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

There’s a right balance between money spent on marketing and fundraising, operations, and charitable interventions themselves. I want to donate to charities that get that balance right. But currently, I have almost no information about the impact that most Australian charities achieve. Absent that information, it’s difficult to know how best to direct my donations.

I worry that some well-known charities spend large proportions of their donations on building their brand, but may ultimately be having little positive impact on the issues that they purport to care about. 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.

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 rollout 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.

Summary

Overall, Australian charity regulation has become outdated. Charities with DGR status are the lion's share of the sector, but DGR status is not aligned with my values or the values of my peers. This means that charities aren't focusing on many of the things I care about, and aren't providing the community support and volunteering opportunities that are meaningful to me.

The Productivity Commission has a chance to make recommendations that realign the sector with the values of today's Australians. Applying the lens of impact could greatly increase the amount of good that the sector can achieve, which in turn would drive donations and build the community supports that younger Australians need. I've seen too many talented Australians whose values align with mine leave for the UK or USA to do high-impact charity work because Australia doesn't have a workable ecosystem for their values. This is hurting our community, our democracy and our future.