

An Expanded Scope of Australian Philanthropic Activity
PC's Philanthropy Inquiry – Submission for review
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Introduction

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

It's obvious that young Australians are much less engaged with these groups. Their place in our cultural identity has waned, 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.

It is not the case that philanthropy no longer plays a role in modern Australia's community structure, it just exists in a different form. A key example of these new networks are [Effective Altruism](#) groups, which have communities that are both *active* and *engaged* in major universities and cities nationwide – demonstrable purchase with younger Australians. 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.

Reforms that seize on these trends are needed to make sure the effective altruism clubs of today can become the Rotary clubs of tomorrow. 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.

Terms of Reference

In this Submission I raise four issues I would like the Inquiry to consider:

1. The realignment of DGR status with the values of today's Australians (Terms of reference 2.ii, 3.ii, 5, 6).
2. Allowing Public Benevolent Institutions to properly support their communities (Terms of reference 2.iii, 3.i).
3. The benefits of rigorous charity evaluation (Terms of reference 3.ii, 6.iii)
4. How DGR-status charities shaping Government policy can improve democracy for communities (Terms of reference 3.i, 5, 6.iii).

Even as a student, I choose to donate a portion of my measly income to effective charities, and spend my time supporting local philanthropic and community groups. I think this is a good thing to do, I'd like to do much more of this in the future, and encourage others to as well. I think the changes I recommend in this submission would make it easier for me to be more involved in these spaces, and also help other Australians to donate and participate more in their communities. These changes could dramatically increase the good we achieve through this work.

Issue One: Expanding DGR status in alignment with the values of today's Australians.

Key point: Animal Welfare as a whole should be a DGR class, not just short-term direct care of animals.

Animal welfare is a cause my peers and I care deeply about. I have been a vegan for nearly 8 years now, motivated primarily by concerns for animal welfare and the environment. I know, both from public polling and my local networks (friends, family, and community) that this concern is widely shared by Australians.

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 laudable concept. However, the way the Tax Act (4.1.6) narrows that down to organisations whose principal activity is "*providing short-term direct care to animals [...] that have been lost, mistreated or are without owners*" is obviously unreasonable.

The unnecessary suffering of animals is bad. However, the more impactful way to help animals is a holistic approach that seeks to *prevent* such 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. Limiting DGR status – a significant boost to the efficacy of charities who can access it – to only short term, 'band aid' solutions limits the impact of the cause overall.

I am sympathetic to the concern that a dramatic expansion of DGR status could have impacts on the tax base. If DGR is going to be expanded, I think 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.

Issue Two: Allowing Public Benevolent Institutions to properly support their communities

Key point: 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.

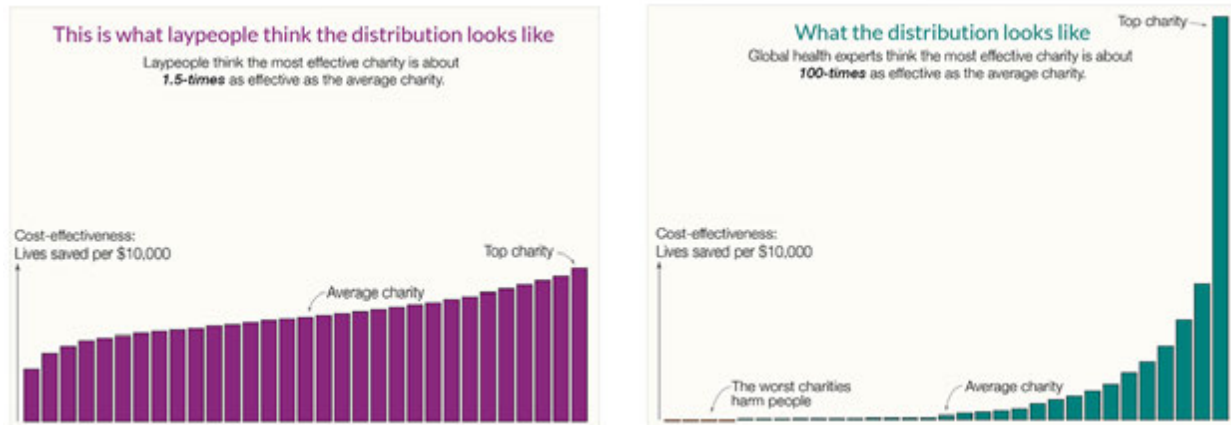
This is just one example, and who is "right" doesn't matter. What matters is that having critical definitions about how a charity can do its business buried in arcane case law that doesn't have a clear reading and isn't aligned with the Government's policy intent is not efficient or effective.

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.

Issue Three: Support for rigorous charity evaluation

Key point: Charity evaluation is a practical change that could make a big difference

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 personally know of many people who have expressed such reservations with respect to philanthropic giving. I value 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 on a per-dollar basis (some charitable programs can even do harm). This point is usefully summarised in the following two illustrations that depict how different the view of the impact of charity is between lay people and experts:



Source: *"Don't Feed the Zombies"* by Kevin Starr in the Stanford Social Innovation Review, available online at https://ssir.org/articles/entry/dont_feed_the_zombies.

Kevin Starr'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. 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 there has been much progress in the last 10 years on charity evaluation.

Australia funding and promoting charity evaluation has the potential to fix the market failure and help Australian charities do far more good.

Issue Four: Democracy and the DGR Status Barrier

Key point: DGR Status for charities can improve our democracy

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 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, but people in the community who are passionate about certain causes often lack the bodies to organise around. 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 would result in animals not needed rehabilitation in the first place don't get DGR status, and are therefore limited in their ability to advocate.

This change would make democracy fairer, help to connect and organise communities around the things they care about, and encourage donations. I'd personally 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: A leading role for the Australian Government

Key point: In addition to the above arguments, if the Australian Government has as a priority to double philanthropic giving and increase impact (both of which I support), it should lead by example.

Australia's Overseas Direct Aid (ODA) as a proportion of Gross National Income (GNI) 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. Given our immense national wealth, that's shamefully low; we can and should do much better. For context, the UN's ODA target is to spend 0.7% of GNI on ODA every year.

If the Australian Government wants encourage it's citizens to double their giving, it should lead by example and double its own giving. At the same time, it should focus on using evidence to double the per-dollar impact of that giving.

I hope this information and perspective provides some positive value to Productivity Commission. Australia is my home. I love this country. The Productivity Commission has a chance to make recommendations that realign the sector with the values of today's Australians. Let's work to create a more inclusive, fairer, better future for Australians and Australian philanthropy.

Thank you.

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