

Dear Philanthropic Inquiry team,

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, it is members of the community like me that Government wants to donate more and be more involved in community organisations.

Animal Welfare as a whole should be a DGR class, not just short-term direct care of animals (Information request 4)

I am concerned about animal welfare, including in our agricultural sector. I know, both from public polling and from interactions with my friends, family and community, that this concern is widely shared by Australians and only growing.

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 clear and laudable concept. However, the way that 4.1.6 of the Tax Act narrows that down to organisations whose principal activity is "providing short-term direct care to animals (but not only native wildlife) that have been lost, mistreated or are without owners" or "rehabilitating orphaned, sick or injured animals (but not only native wildlife) that have been lost, mistreated or are without owners" is obviously unreasonable.

The more impactful way to help animals is a holistic approach that seeks to prevent 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. Complex problems have complex solutions. Limiting DGR – a significant boost to the efficacy of charities who can access it – to only "bandaid solutions" limits the impact of the cause overall.

I sympathise with concerns that a dramatic expansion of DGR status could have impacts on the tax base. I think, if DGR is going to be expanded gradually, 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.

Charity evaluators, in their work assessing the potential good that could be achieved by working on different causes, consistently agree that animal welfare is one of the most impactful ways to do good. As a proxy for interest in the community, Roy Morgan has found that the trend in vegetarian eating continues to grow, with 2.5 million people in Australia (over 12% of the population) now eating all or almost all vegetarian. About 1 Australian decides to go meat-free every 5 minutes. Obviously, not everyone who cares deeply about animal welfare is a vegetarian, but this indicates that a very significant portion of the Australian population is motivated by this concern. Despite how widespread this view is, the community is currently underserved by charity law. This limits the extent to which we can make tax-deductible donations and limits the positive impact we can achieve through our donations.

PBI rules should not hamper community building (Information request 6)

I support Effective Altruism Australia and the work they're doing to help effective altruism groups in universities and major cities. These EA groups are getting people excited about doing good, helping them think about impactful donations, running reading groups, and

giving 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 the Terms of Reference are framed around building social connection, it would seem a simple change for a big improvement to recommend to Government to remove 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 group 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.

"Greenwashing" shows how evaluation is necessary to prevent market failure in the philanthropic sector (Information request 7)

I'm glad that the Australian Competition and Consumer Commission (ACCC) has started taking fraud associated with "Green Washing" seriously.

The ACCC acknowledges that environmental claims can be a powerful marketing tool; that companies are increasingly using environmental claims in an attempt to differentiate themselves and their products from the competition; and that many consumers consider environmental claims as a major factor when evaluating products to purchase.

While I appreciate that the ACCC is taking its function of tackling these most egregious examples seriously, the underlying problem is much broader. First, the issue obviously is not limited to the environment – all kinds of ways of "doing good" are used for marketing. Second, the legal threshold of "misleading or deceptive conduct" is very high. There is a range of ways that carefully worded materials can suggest a product or initiative is doing good, where in reality the extent of that good is marginal. Third, 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 programmes – 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. In the case of consumer goods, a person might be persuaded to buy one product over another, but if they get home and find out that the product they purchased was 100 times worse than a competitor's product for the same price, the feedback loop is short enough that the better product would rapidly win out in the market. It's hard to imagine what a car or t-shirt or bar of soap that is 100 times better than another product of the same price would even look like. Certainly, such products aren't

readily available on the market.

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.

Market failure runs deeper than the misleading and deceptive conduct that the ACCC is rightly addressing. Instead, it is proper that the Australian Government lead the way by establishing a charity evaluator that helps communicate to Australians how wide the variance in charity impact is and guides Australians towards increasing their impact. Importantly, governments already do this 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?

The Australian Government needs to lead the way

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.

For A Brighter Future,
Kramer Thompson