



This is a joint submission from **Effective Altruism Australia** and **Effective Altruism Australia: Environment**.

- Effective Altruism Australia (**EAA**) is a large Australian Public Benevolent Institution (PBI) that has provided more than \$20m in grants since 2017. The grants support the most impactful interventions that improve global health and alleviate poverty, like providing insecticide-treated bed nets. EAA has been evaluated as highly cost-effective and recommended by international evaluators Founders Pledge and Giving What We Can.¹ We are the only Australian charity to meet this bar.²
- Effective Altruism Australia: Environment (**EAA:Environment**) is a newer charity listed on the Register of Environmental Organisations that has partnered with the world's most impactful environment charities³ to deliver interventions to protect the natural environment. EAA:Environment, in partnership with Giving Green Australia,⁴ is assessing the impact of different approaches Australian charities are taking to combat climate change. Through our delivery partnerships and research, EAA:Environment aims to be Australia's highest-impact environment charity.

We have heard from members of the Australian community that they are excited about the range of ongoing efforts to modernise Australia's regulation of the philanthropic sector – including the work of the Productivity Commission and the Blueprint Expert Reference Group. We thank the Commissioners and the team at the Productivity Commission for the considerable effort that has gone into the well-considered draft report.

This submission:

- **Affirms** our support for expanding DGR status to animal welfare and catastrophic risk reduction charities.
- **Affirms** our support for expanding DGR status to policy advocacy efforts.
- Recommends a **clarification** so that the final report is explicit that expanding DGR status to catastrophic risk reduction charities is not just limited to policy advocacy on those topics, but also includes research, policy development, direct action and other efforts aligned with that purpose.
- Recommends a **clarification** to the proposal to legislate a definition of PBI to be explicit that part of the legislative change should ensure that PBIs can work across multiple other charitable purposes.

¹ [Global Health and Development | Founders Pledge](https://www.givingwhatwecan.org/charities/effective-altruism-australia)
<https://www.givingwhatwecan.org/charities/effective-altruism-australia>

² [Cause Area Report: Giving Multipliers | Founders Pledge](#)

³ As assessed by a number of external evaluators

⁴ [Australian climate policy | Giving Green](#)

- Recommends a **clarification** to the discussion of policy advocacy as a charitable purpose that pre-empts narrow interpretations of other requirements like “disqualifying purposes” or “contrary to public policy” that could limit the practical impact of policy advocacy charities.
- **Suggests** that the Productivity Commission has misunderstood the position in favour of increased government involvement in impact evaluation. The draft report incorrectly focuses on an argument that impact evaluation would substantially increase donations. The draft report also unfairly, and inconsistent with the terms of reference, sets the bar at “mandated standardised measures or metrics of charity effectiveness across all charities” (page 30).

Instead, we explain that Government’s interest in impact evaluation emerges from its recognised interest in getting value for money from its subsidy and achieving net benefit for society. Terms of reference 3.ii asks the Productivity Commission to consider overseas approaches – which are overwhelming “opt-in” and bespoke based on the particular cause and the theory of change of each charity being evaluated. We recommend several approaches that are consistent with the terms of reference and could achieve positive change while being more practical.

- **Suggests** that the Productivity Commission has overlooked arguments in our original submission regarding the Conduit Policy in *ITAA Section 30-270 (2)*. The conduit policy is an arbitrary restriction on a minority of charities, is inconsistent with other regulations, and serves no policy purpose.
- **Suggests** that the Productivity Commission could go further in its support of policy advocacy. The Government is closely integrated with the for-purpose sector in other contexts – from social services to disaster relief. Exploring similar modes of integration between government and policy charities could help Government realise value from their work and minimise unproductive philanthropic spending on “lobbying” activities.

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Summary of Recommendations

- We recommend that the commentary on DGR status for charities seeking to reduce catastrophic and existential risks be made clearer. The text of the final report should be explicit that charities working to reduce catastrophic and existential risks, including through advocacy, research, policy development and direct action, should be eligible for DGR status.
- We recommend that the final report should include a specific reference to the relevant case law regarding PBIs and “ancillary or incidental” purposes and that a proposed legislative definition of PBI should explicitly intend to overturn this caselaw, rather than importing it into a new regime.
- We recommend that the Productivity Commission’s final expand the discussion in Box 2.4 and elsewhere to more actively pre-empt the tension between DGR for policy advocacy charities and existing ambiguous requirements regarding “public benefit” as well as disqualifying purposes and activities “contrary to public policy”. Pre-emptive guidance about how these competing interests should be understood and navigated would make the final report more robust.
- We recommend that the final report should recognise that increasing the impact of the sector would help Government get value for money for its subsidy of the sector via DGR status and achieve more good for Australians.

The final report should propose pilots of at least three different methods of improving impact, including:

1. Creating an equivalent of the Australian Centre for Evaluation⁵ that addresses skill gaps and supports the not-for-profit sector to develop theories of change, collect evidence and conduct evaluations.
2. Fund a pilot of an Australian organisation that does opt-in charity evaluation and promotes its findings.
3. Provide grants that help build and support the nascent ecosystem of charity evaluation in Australia and attract organisations that are experienced at reviewing consumer products into evaluating charities.

The final report should require the evaluation of these evaluation pilots. By piloting several methods of evaluation and impact assessment, including those above, and assessing what works, refinements can be made over time that increase benefits while avoiding risks

- We recommend that the final report find that the “conduit policy” serves no positive purposes and can harm donors. On the basis of that finding, the conduit requirement should be removed.
- We recommend that the Productivity Commission propose mechanisms for charity engagement with the Government on policy that are equivalent to established mechanisms in other spheres, like emergency management.

⁵ [Australian Centre for Evaluation | evaluation.treasury.gov.au](https://www.evaluation.treasury.gov.au)

Support

Deductible Gift Recipient Reforms

We welcome the draft report's finding that the DGR system is not fit for purpose as a mechanism for determining which entities undertaking activities that benefit the community should receive tax-deductible donations from individuals (pg 15). In our original submission, we pointed to the International Campaign to Abolish Nuclear Weapons (ICAN) – the only Australian charity to receive a Nobel Prize – as an example of a worthy cause currently ineligible for DGR status. We note that ICAN was subject to a specific listing after we drafted that submission. We think this supports the arguments on page 16 of the draft report that seeking a specific listing should not be the normal way for charities of this kind to obtain DGR status. We think that all charities pursuing preventative methods to avert global catastrophic risks should be eligible for DGR status without having to navigate the process that ICAN has. An organisation should not have to receive the highest form of global recognition before Australian donors can support it with tax-deductible donations.

We also stand by our previous comments regarding animal welfare charities focused on approaches other than direct care. Many members of our community express deep compassion for the unnecessary suffering of all conscious creatures. Our community is concerned about the cost-effectiveness of all interventions. The scale and degree of animal suffering means that a range of cost-effective interventions – from the adoption of alternative proteins to changes in animal welfare standards – could make a big difference. We think empowering a wider range of animal welfare charities could help make the world a substantially better place for all.

Advocacy

We welcome the draft report's findings about the ways in which philanthropy can support advocacy to convey the perspectives of communities and facilitate their input into democratic processes (pg 7). In particular, we support this as it relates to those charities that advocate for policies to reduce the risk of major global catastrophes (pg 205). We agree that encouraging robust debate and enabling groups within the community to convey their perspectives on issues affecting them, as well as issues they assess as important, serve the public good and could help restore trust in democracy, particularly among younger Australians (pg 193).

Clarifications

DGR for existential and catastrophic risk reduction

The draft report states (pg 17), “Charities undertaking advocacy activities related to most charitable purposes would also become eligible for DGR status” and (pg 205) “[a]dvocacy activities to further a charitable purpose, such as social welfare, would become eligible. This would expand DGR access to a range of charities that are currently ineligible for DGR status, such as those advocating for policies they believe are necessary to avert major global catastrophes, as well as social welfare and human rights organisations.”

This extract on page 205 could be read such that charities working to avert major global catastrophes would only receive DGR status if, or to the extent that, the charity pursues that goal specifically via advocacy – rather than other means like research, policy development or various kinds of direct action.

For instance, we support the work of the Alliance to Feed the Earth in Disasters (ALLFED). ALLFED works to address food security challenges that could occur during a major global catastrophe. They do this via advocacy – but also research into topics like crop resilience and direct action, such as piloting scalable food production.

ALLFED Australia is a charity but does not currently have DGR status. We think the case is clear that efforts to avert major global catastrophes – like the efforts of ALLFED Australia – should attract DGR status even when that work goes beyond advocacy.

We recommend that the commentary on DGR status for charities seeking to reduce catastrophic and existential risks be made clearer. The text of the final report should be explicit that charities working to reduce catastrophic and existential risks, including through advocacy, research, policy development and direct action, should be eligible for DGR status.

Public Benevolent Institutions reform – working across multiple purposes

In our initial submission we explained that EAA, as a PBI, has been subject to significant cost and regulatory burden by being limited in the extent that it can work across multiple charitable purposes. We explained that – in addition to cost and burden – this makes our community-building efforts challenging. For instance, it is unclear whether a community builder employed by EAA could host a reading group on animal rights, nuclear war prevention, or other topics less directly connected to global health and poverty.

The origin of this concern is specific case law, which the ACNC’s Commissioner’s Interpretation Statement regarding PBIs summarises as (emphasis added):

The main purpose of a PBI must be to provide relief to people in need. If an entity has other purposes that are not benevolent, it will be ineligible to be a PBI unless those purposes are ancillary or incidental to the main benevolent purpose. The ACNC notes that some

interpretations use the term “minor” in relation to purposes or activities. It is the view of the ACNC Commissioner that the correct enquiry is as to whether any purposes that are not benevolent are incidental or ancillary, rather than enquiry as to whether the purposes are “minor”.⁶

We support the draft report’s acknowledgement of the challenges of working across multiple purposes (pg 172). We also support the overall view that PBIs should be able to undertake activities that would otherwise be outside scope (pg 201):

“All PBIs will be eligible for DGR status, including where they undertake activities that would otherwise be outside the proposed scope of the DGR system, including education, childcare and aged care activities.”

We also support draft recommendation 6.2, which calls for a legislative basis for the meaning of PBI.

However, the draft report does not explicitly engage with the case law regarding purposes that are “ancillary or incidental” to the main benevolent purpose. **We recommend that the final report should include a specific reference to the relevant case law regarding PBIs and “ancillary or incidental” purposes and that a proposed legislative definition of PBI should explicitly intend to overturn this caselaw rather than importing it into a new regime.**

Animal advocacy and “disqualifying purposes” or lacking “public benefit”

Sometimes policy advocacy can be uncomfortable for incumbents. From cigarettes to slavery, major policy changes that have improved society have come at a cost to incumbent industries. The draft report acknowledges the importance of policy advocacy (pg 17) and the inherent tensions involved (pg 7):

*Philanthropy can also support advocacy that conveys communities’ perspectives, facilitating their input into democratic processes and policy outcomes. **This can include expressing views on policy issues which are different from the government or the wider public.***

In the context of animal advocacy, EAA is aware that a claim is made that animal welfare charities have a “hidden purpose” of opposing animal agriculture. By extension, the argument is made that this alleged hidden purpose is either a “disqualifying purpose” or a purpose that is not in the “public benefit” (see box 1.1 pg 54 and box 2.4 on page 78). We understand that the argument involves the claim that animal agriculture is a substantial part of the Australian economy, is supported by a range of government policies or provides various benefits to the public – so opposition to animal agriculture is contrary to public policy or not in the public benefit and, therefore, leads to ineligibility.

We anticipate that the animal agriculture industry may try to make an argument of this kind either in submissions to this process, to the Government in response to this process, or to

⁶ ACNC CIS 2016/03 at 5.5.2

Parliament during the implementation of any recommendations that the Government decides to proceed with. More broadly, we anticipate that any number of sectors that are currently dominant in the public conversation may try to make arguments to the detriment of charitable organisations seeking to engage in policy development and advocacy on topics in which they are interested.

The draft report acknowledges that disqualifying purposes should remain, including disqualifying policy advocacy charities from obtaining DGR status in certain circumstances (page 54):

Disqualifying purposes include activities that are unlawful or contrary to public policy, or purposes that promote or oppose a political party or candidate for political office (Charities Act 2013 (Cth) Part 3, Division 1).

While we think that the concept of disqualifying purposes is valid, we think the final report would benefit from a more detailed discussion about applying disqualifying purposes to charities with DGR status on the basis of conducting policy advocacy. EAA's view is:

- A disqualifying purpose regarding promoting a particular political party or a candidate for public office is likely appropriate. However, the Productivity Commission may wish to include in the final report some nuanced discussion about the acceptable degree of policy alignment between a charity and a candidate. Specifically, an increase in minor parties focused on “single issues” increases the likelihood of a charity and a party or candidate being highly aligned. This is most obviously the case in the animal welfare space and increasingly in the environmental space – but if part of the theory of expanding DGR status to policy advocacy is to increase engagement in democracy, we could expect it to occur more often.
- A disqualifying purpose regarding engaging in, or promoting, unlawful activities is likely appropriate.
- A disqualifying purpose regarding promoting activity contrary to public policy is ambiguous. The ACNC's factsheet⁷ on the topic gives relatively uncontroversial examples like opposition to the rule of law, the constitutional system of government, the safety of the general public and national security. However, even these clear examples may not be as clear as they seem. For instance, an argument could be made that ICAN's efforts to abolish nuclear weapons could impinge on Australia's “nuclear umbrella” arrangement with the US and, therefore, be contrary to our national security and disqualifying. Similarly, many members of the community are concerned about the importance of AI being developed in a way that is safe and responsible and preserves human well-being and autonomy. Conversely, some argue that AI safety is contrary to public policy on the basis that it would slow growth.⁸

⁷ [Charity advocacy | ACNC](#)

⁸ For the avoidance of doubt, these examples are not something EAA believes, but arguments that we can conceive of being made. We think arguments like these illustrate that “contrary to public policy” is not currently a clear concept and could be contentious in the future.

The draft report also acknowledges that, consistent with the *Aid/Watch Incorporated v Commissioner of Taxation* [2010] HCA 42, public debate provides a public benefit (a separate concept from “public policy”). Similar to the above commentary on “contrary to public policy, the current law around “public benefit” would also benefit from further discussion about compatibility with challenging policy advocacy (and how the two tests are similar or different from one another). By way of example, the final report should include more detailed discussion of why public debate provides a “public benefit” and consider what, if any, limits or boundaries policy should impose and how they could be defined. A concern is that unreasonable or extreme examples could be used to generate uncertainty or confusion about the underlying policy recommendation. Pre-empting these concerns and providing recommendations about how policy could navigate them would make the final report more robust.

Overall, EAA's view is that important and difficult conversations are essential to a vibrant democracy. Fostering these conversations by giving DGR status to policy advocacy charities is important for restoring trust in democracy and improving democratic participation. To ensure a change to DGR status is sustainable and can be implemented in practice, it needs to come with a clear articulation of the overall policy, including limitations on the extent to which policy advocacy is curtailed by arguments that it is contrary to “public policy” or does not serve a “public benefit”. This draft report’s proposed expansion of DGR status to policy advocacy charities will potentially invite significantly more public debate and litigation than concepts like “public benefit”, “disqualifying purpose” and other concepts in law and policy have attracted previously. The Productivity Commission should pre-empt this discussion to the greatest extent possible.

We recommend that the Productivity Commission’s final report would benefit from expanding the discussion in Box 2.4 and elsewhere to more actively pre-empt the tension between DGR for policy advocacy charities and existing ambiguous requirements regarding “public benefit” as well as disqualifying purposes and activities “contrary to public policy”. Pre-emptive guidance about how these competing interests should be understood and navigated would make the final report more robust.

Changes

A better way to think about fostering an impact-focused culture

The Productivity Commission's draft report rightly observes a 'market failure' in charity. Conventional markets give buyers direct feedback about the good or service they paid for and allow for meaningful price signals. This is not the case for most charities.⁹ The Productivity Commission is also right that all Australian taxpayers co-invest in charities via DGR and that the Government, therefore, is interested in ensuring the greatest net benefits to the community from that investment.

With that context, the draft report misunderstands the arguments in favour of the Government playing a more active role in impact evaluation. EAA's initial submission argued that work on impact is critical because the most impactful interventions can be 10x or 100x more impactful than average interventions, and some interventions can even do harm.

This significant disparity is possible because of the 'market failure' that the Productivity Commission is right to identify. It is impossible to imagine that, in a well-functioning market, two comparable products of the same price would vary by 100x in performance. Evaluators like Choice typically measure the difference between consumer products at a few percentage points, never orders of magnitude. If a consumer product was 100x worse than other products of the same price, it would likely be seen as "not fit for purpose" and become a matter for consumer law. However, as the draft report notes, most donors do not even consider the performance of the good or service they are donating to provide.

The Government's interest in addressing the disparity results from the fact that it subsidises charities and is interested in pursuing net benefit to the community. The draft report dismisses a focus on impact evaluation with four main arguments that we will address individually and then set out more specific recommendations that navigate the concerns.

The draft report also misunderstands what the Government playing a more active role in impact evaluation could look like. The draft report states (pg 30):

"Although there is scope to enhance public information sources, such as the charity register, mandating standardised measures or metrics of charity effectiveness across all charities would be impractical, could lead to unintended consequences and may not increase giving."

EAA agrees that setting the bar at "universal, mandated and standardised measures" likely is impractical and could risk unintended consequences. However, neither terms of reference 3.ii or any submission to the Productivity Commission proposes such a high bar. Terms of reference 3.ii directs the Productivity Commission to consider the work of overseas impact evaluation comparison sites. As the only Australian charity that has undergone such evaluations, we can advise:

- Evaluations are typically opt-in, and are never mandatory or universal.
- The evaluation process involves a discussion of your theory of change, how you think that theory of change is best measured, and your evidence against those measures.

⁹ At EAA, our donors are members of the Australian community and our beneficiaries are typically people at risk of malaria who live in sub-Saharan Africa. However, this is not universally the case. For instance, a "men's shed" is likely to be accessed by a substantial portion of its donors. Charities where this direct feedback loop exists may perform more similarly to typical markets.

The process typically also accounts for what might have happened in the absence of your program.¹⁰

- Comparison is typically “like for like”. While comparison across causes can raise challenging philosophical issues, comparing similar programs has substantial utility without such challenges.
- Not everything is boiled down to a number. Just like in reviews of consumer products, evaluators can detail both qualitative and quantitative differences.
- Methodologies are transparent and aware of “Goodhart’s law” (when a measure becomes a target, it ceases to be a good measure) – and so strive to avoid unintended consequences.

Government playing a more active role in evaluation would not have to look like standardised data collection by the ACNC and would not have to impose any burden on charities that do not choose to participate. In the recommendations below, we set out three ways that Government could play a more active role in evaluation that are reasonable and practical. No doubt there are many more possibilities. In brief:

1. Government could address the identified skills gap and help build a culture in the sector that cares about effectiveness by providing tools and education to the sector – such as helping charities develop a robust theory of change and collect evidence relevant to that theory.
2. Government could pilot charity evaluation, based on overseas best practices, that works on an opt-in basis, makes like-for-like comparisons and is tasked with publishing methodologies designed to navigate concerns around practicality and unintended consequences.
3. Government could run a competitive grant round for organisations to conduct and publish evaluations of Australian charities. Such grants could be attractive to proven evaluators who have not yet evaluated charities (like Choice) overseas evaluators who don’t operate, or have limited operations, in Australia (like Charity Navigator or GiveWell) or existing Australian charity evaluators who typically only evaluate overseas charities (like The Life You Can Save).

To make this argument in more detail, the following section extracts key arguments from the draft report supporting the view that evaluation is impractical, and explains why we think there is a better view.

“Most donors don’t prioritise impact”

The draft report says: People have varying reasons for donating (pg 294), and motivation to achieve impact is only important to some, often larger, donors (pg 293). The draft report cites Berman et al 2018 and Metzger and Günther 2019 to argue that effectiveness has only limited influence for a minority of donors, and that donors are often unwilling to pay for information on effectiveness.

We think:

- 1) While many donors may not currently value effectiveness, evidence shows that informing donors about the disparities between different charities can make them value effectiveness highly. Behaviour change is desirable and achievable.
- 2) While many donors may not currently value effectiveness, government should and does value effectiveness. The gap between donor preferences and government

¹⁰ [Impact & Results | Charity Navigator](#)

preferences is the key justification for government action.

Government's key motivation for being more involved in impact evaluation should be to get value for money for its subsidies of charities and to improve the net benefit to society. Evidence shows that impactful interventions can be 10x or 100x more impactful than the average intervention – far more than in normal markets. This means there is a significant benefit to government from being involved in impact evaluation. Without impact evaluation, some charities are likely to be unknowingly causing harm. Helping to motivate donors and build trust is a co-benefit, not the key reason.

That said, we think the co-benefit is important and that changing the culture among donors and charities might be easier than expected. For instance, a paper titled “The Many Obstacles to Effective Giving” tested misconceptions about charity effectiveness (like the overheads myth) and found that:¹¹

“[T]hese misconceptions could substantially be debunked by providing people with information, and that affected participants’ donation choices. These simple information interventions increased the proportion of participants interested in giving to an effective charity.”

And, perhaps unsurprisingly:

“[P]roviding [participants] with information about which option is most effective made them donate more effectively.”

A paper titled “Donors Vastly Underestimate Differences in Charities’ Effectiveness”¹² affirmed our discussion above that lay people estimate that the most effective charities are 1.5x more effective than the average charity, while experts estimate that 100x is more likely. When informed about the large difference in effectiveness, the authors “found that participants donated more to the most effective charity, and less to an average charity”.

Overall, the Productivity Commission’s finding that most donors are not naturally focused on impact is a reason that government should be **more** involved. Evidence shows that the sector is currently dramatically less impactful than it could be. Achieving impact is objectively important to the Government’s desired outcomes. This includes getting value for money for its subsidy of the sector, as well as achieving net benefit for society. To do the most good, some elements of the system must focus on impact – given that the evidence presented shows that donors and charities often do not focus on impact, Government must fill that gap.

“The potential benefits of impact evaluation are already realised”

The draft report says: Donors have alternative ways of accessing information about effectiveness (pg 295). The potential increase in giving from a focus on impact may have already been achieved through alternative sources of information. GiveWell and The Life You Can Save are examples of organisations providing this information.

We think: The main objective of impact evaluation is an increase in the benefit that the sector achieves for society and an increase in the value for money from the Government’s

¹¹ Caviola L, Schubert S, Nemirow J. The many obstacles to effective giving. *Judgment and Decision Making*. 2020;15(2):159-172. doi:10.1017/S1930297500007312

¹² Caviola L, Schubert S, Teperman E, Moss D, Greenberg S, Faber NS. Donors vastly underestimate differences in charities’ effectiveness. *Judgment and Decision Making*. 2020;15(4):509-516. doi:10.1017/S1930297500007452

support of the sector. Satisfying the minority of donors who focus on this issue is not the core goal.

While GiveWell and The Life You Can Save demonstrate that impact evaluation is possible, they only evaluate a tiny minority of charities and are not focused on cultural change across the sector or achieving value for money from the DGR system. Indeed, the reference to GiveWell and The Life You Can Save is misleading in this context because, as far as we are aware, GiveWell and The Life You Can Save have never evaluated any charities that operate primarily in Australia.¹³ Further, The Life You Can Save is bound by law to work on global health and poverty and would likely be prohibited from evaluating most Australian charities. We are not aware of any impact-focused charity evaluators currently providing this service in respect to a broad range of Australian charities.

The potential benefits of impact evaluation are well established and supported by mature methodologies – but are not yet realised in Australia. As the primary beneficiary of this work, the justification for Government involvement is clear.

“Impact evaluation is too hard”

The draft report says: The NFP sector is diverse and measures of success can vary widely (pg 295). Focusing on impact could impose a regulatory burden and many charities lack the skills and resources to measure their impact (pg 296). Even governments can struggle with the evaluation of their programs (pg 296).

We think: the potential benefit is so large that it is worth at minimum piloting ways to realise it. Because of the inherent ‘market failure’ involved in charitable interventions, impact evaluation in this context could yield much larger benefits than in other contexts (including government services and the for-profit sector) even if not universal in scope. For that reason, we recommend that the Productivity Commission should instead consider ideas that fall below the bar of “standardised measures or metrics of charity effectiveness across all charities” (pg 30). We see hurdles that the draft report identifies, like a lack of skills (pg 296), as opportunities for targeted interventions. These are explored in more detail in our recommendations. While it is true that measures of success vary widely, impact evaluation is a mature field and has a wide range of tools and techniques suitable for different theories of change.

“Impact evaluation isn’t value for money”

The draft report says: Increasing focus on impact has a potentially unacceptable upfront and ongoing cost and may divert the regulator’s resources away from other activities (pg 296).

We think: Given the NFP sector is so large, even a marginal improvement in impact would almost certainly exceed the upfront and ongoing costs of associated government effort. For instance, the recent Issues Paper from the Blueprint Expert Reference Group notes that the NFP sector directly contributes to social inclusion and creates at least \$12.7 billion annually through higher productivity and better employment and health outcomes. And that this is just one way that the sector does good. Consistent with the framing of the Productivity Commission Inquiry, the Issues Paper observes that the sector has more than \$422 billion in assets and employs nearly 11% of the Australian workforce. We think the evidence shows that impact evaluation can help make interventions 10x or 100x more impactful. Even if we

¹³ We note that some evaluated charities, like Oxfam and the Against Malaria Foundation, can directly accept donations in Australia.

are wrong, and impact evaluation made the sector only 1% more impactful, and that increase was limited only to the measured productivity, employment and health outcomes – that would create \$127m in increased value annually. The ACNC’s total budget is about \$18m. Even on these pessimistic estimates, efforts to increase sector impact are overwhelmingly justified.

By moving away from the idea of “universal standardised measures” to cooperative, educational, and opt-in approaches, more benefits could be achieved with greatly reduced cost, regulatory burden and risk.

Overall, we think the Productivity Commission’s view that impact evaluation doesn’t represent value for money is only plausible if it is aiming for a “gold-plated” form of evaluation (“universal, mandated and standardised measures”) and if it thinks the potential gain is more akin to a layperson view that the best programs are 1.5x as impactful as the average program, rather than the expert view that the best programmes are 10x or 100x as impactful as the average program.

Evaluation at EAA: Environment

At EAA: Environment, in collaboration with Giving Green Australia, we are conducting targeted evaluations on climate change-focused charities in Australia to assess which approaches might be the most impactful. Our first report, which will soon be published, makes the following findings:

1. Work to accelerate greening heavy industry exports is the most promising philanthropic strategy for carbon reduction in Australia.
2. Policy change efforts targeting these export industries could allow Australia to have a significantly higher impact on global emissions than comparable efforts targeting domestic emissions.
3. A number of specific organisations in Australia are engaging in effective strategies to cause significant change.

Our report demonstrates several things:

- There is a big difference in the potential impact of different approaches. This is consistent with international findings in other for-purpose causes that the range of impact in the not-for-profit sector can vary widely.
- Contrary to the draft report’s argument about the limitations of impact analysis, our evaluation navigates issues with both time scale and less tangible theories of change, such as advocacy. The draft report says (page 297) that “*biodiversity and conservation outputs can take a lot of time and require advocacy with different jurisdictions, while outputs of other charities, such as food provision, might be specific to an individual or group in need at a particular time and scale.*” Our experience is that evaluation techniques can navigate these issues.
- Evaluation matters. The success of our efforts to combat climate change will have ramifications for generations. To the extent that evaluation can help our efforts to be much more effective, we must rally behind it.

The Productivity Commission’s draft report also argues that evaluation is less necessary because some organisations are already doing this work and that the minority of donors

who focus on impact can access the information. This is unpersuasive for two reasons. First, we think this is the first report of its kind in Australia, and it only provides an initial, point-in-time evaluation of a single cause area. Second, because evaluation efforts are funding-constrained, it is almost certain that we are missing important insights. Additionally, while evaluation shows that some programs are highly impactful, those programs themselves remain significantly funding-constrained.

Supporting evaluation might become less important in a future where the most impactful programs are fully funded - but we are a long way from that being the case.

Recommendations regarding practical impact evaluation

Based on the above arguments, we recommend that:

The Productivity Commission should recognise that increasing the impact of the sector would help Government get value for money for its subsidy of the sector via DGR status and achieve more good for Australians.

The final report should propose pilots of at least three different methods of improving impact, including:

1. **Creating an equivalent of the Australian Centre for Evaluation¹⁴ that supports the not-for-profit sector to develop theories of change, collect evidence and conduct evaluations.** The draft report notes that many charities lack the skills to engage with impact – this is an opportunity not a challenge. The Australian Centre for Evaluation addresses a similar problem by helping public service evaluation by providing templates, tool-kits, examples of best practices in different contexts, and other support. Offering this kind of help to charities voluntarily and cooperatively could encourage and promote genuine evidence collection and evaluation among charities with little risk. The self-initiated and cooperative nature of this approach would navigate risks flagged in the draft report (including Box 9.2 pg 297). The team could also conduct or commission randomised control trials and share lessons with the sector.
2. **Fund a pilot of an Australian organisation that does opt-in charity evaluation and promotes its findings.** GiveWell, a US charity, has demonstrated that impact-focused charity evaluation is a mature field capable of navigating the concerns raised in the draft report. An Australian equivalent that evaluates Australian charities on an opt-in basis and publishes its findings could begin changing culture while avoiding obvious risks and offering a tangible benefit to those who participate. This approach would impose no burden on charities that choose not to participate and could scale to different degrees of government funding. This new organisation could be tasked with increasing the sector's impact as a whole and navigating the challenges associated with diverse theories of change while minimising

¹⁴ [Australian Centre for Evaluation | evaluation.treasury.gov.au](http://evaluation.treasury.gov.au)

regulatory impact or unintended consequences. This could have elements in common with the Office for Impact Analysis.¹⁵ The team could also conduct or commission randomised control trials and share lessons with the sector.

- 3. Provide grants that help build and support the nascent ecosystem of charity evaluation in Australia and attract organisations that are experienced at reviewing consumer products into evaluating charities.** Some charities, including The Life You Can Save and EAA: Environment are already conducting impact evaluations and reporting their outcomes. Other organisations could also provide this service, including overseas evaluators (like GiveWell or Charity Navigator) or consumer product evaluators (like Choice). Given that the ultimate beneficiary of evaluation is the Australian Government, through increased value from its subsidy of the sector via the DGR system, it is appropriate that the Australian Government supports this work. This argument is made stronger by the observation in the draft report that charities and donors are often less motivated to achieve impact. A grant program could assist existing assessors in reviewing a wider range of interventions and promoting their findings while encouraging other organisations to join the field. Grants rules and guidelines could specify that successful applicants must put forward processes to navigate the risks identified in the report. Further, the draft report argues that there is a clear role for government in supporting philanthropy to provide activities that are valuable but where constraints on government mean it would otherwise be underfunded, or to complement other efforts by government (pg 9). This is one such example.

The final report should require, in turn, the evaluation of these evaluation pilots. By piloting several methods of evaluation and impact assessment, including those above, and assessing what works, refinements can be made over time that increase benefits while avoiding risks

Conduit policy

EAA's initial submission raised concerns with the "conduit policy" (ITAA Section 30-270 (2)). Subsequent to our submission, the *Treasury Laws Amendment (Refining and Improving Our Tax System) Act 2023 (Cth)* has come into force and abolished the Register of Environmental Organisations, but the conduit policy was imported into the *Income Tax Assessment Act 1997*.

In brief, the "conduit policy" is a specific rule that applies only to environmental organisations and harm prevention charities. The "conduit policy" prohibits those charities from taking into account donor intent when making grants to further their purpose.

The conduit policy means that EAA: Environment is not free to operate in the same way as EAA, a PBI. EAA offers two main services to donors:

¹⁵ [Home | The Office of Impact Analysis \(pmc.gov.au\)](https://www.pmc.gov.au)

1. Four times per year, we conduct an assessment of the world's global health and poverty charities on evidence-based metrics of impact (how much good a donation could do via a particular program) and need (based on funding gaps and evolving global conditions – where is the need the greatest). After this evaluation, we make a large grant to the charity that can do the most good with that funding. This approach allows donors to defer to our research on evidence and need. The approach suits donors who want to establish recurring donations and have confidence that their donations will continue to go to the most impactful programs as conditions change.
2. We assess charities for impact and, where we identify one of the world's most impactful charities, we conduct due diligence and form a partnership agreement with that charity. The EAA website then offers our donors an option to make a donation to EAA, which we will subsequently grant to that specific charity. This approach allows donors who have conducted their own research or have different views and experiences to direct their donations based on their own findings, values and preferences.

While EAA:Environment is free to adopt the first approach,¹⁶ the “conduit policy” arbitrarily prevents EAA:Environment from also adopting the second approach. That is, the conduit policy explicitly prevents a small group of charities from listening to their donors' intent, findings, values or preferences.

In our original submission, we argued that the conduit policy serves no positive function and causes frustration and confusion to donors. The draft report acknowledges the importance of donor choice (pg 29). We think no policy purpose is served by taking autonomy away from Australians seeking to donate to charitable causes. The Productivity Commission's report agrees with the donor autonomy principle but does not appear to engage with the fact that the conduit policy is contrary to the principle.

We recommend that the final report find that the “conduit policy” serves no positive purposes and can harm donors. On the basis of that finding, the conduit requirement should be removed.

Go further on policy advocacy

As above, we welcome the draft report's findings about the ways in which philanthropy can support advocacy to convey the perspectives of communities and facilitate their input into democratic processes (pg 7).

Without detailing the arguments in favour of policy advocacy, the key point is that policy research, development and advocacy can achieve tremendous positive impact by identifying and developing proposals that policymakers may otherwise neglect. It is often the case that for-profit organisations have a significant voice in our democracy, meaning that opportunities that serve them are rarely missed. However, for-purpose organisations often have a quiet voice, meaning that opportunities without profits can be forgotten. This means there's no

¹⁶ With minor variations to the operation of partnership agreements, detailed in the initial submission.

effective mechanism to pinpoint where there are better policy options that would better serve the needs of Australians.

Since making our previous submission, this dynamic has played out in the first impact report of EAA: Environment, discussed above. One thing our report shows is that advocacy has significant potential for positive impact – particularly where an advocacy organisation identifies a significant gap in existing government frameworks that means a promising approach or technology is neglected. In the case of EAA: Environment's report, the finding is that substantial government effort is aimed at reducing greenhouse gas emissions that "count" towards Australia's national emissions (like rooftop solar or electric cars), whereas little effort is aimed towards reducing emissions that do not "count" towards our national emissions (like ore exports or international flights and shipping). This investment disparity occurs despite the second category being a much larger source of emissions than the first. This area of neglect makes organisations seeking to draw attention to proposals that address the second class of emissions highly impactful.

DGR status for policy advocacy organisations is a powerful first step in the right direction. However, given the merit of the arguments in favour of policy advocacy, we think that the final report should consider going further. Specifically, in other contexts, a range of mechanisms integrate government with the for-purpose sector. This is perhaps most pronounced in areas like disaster relief and social welfare, where the public service and for-purpose organisations work together through formal processes, like the National Coordination Mechanism, to achieve shared outcomes. In our experience, overseas governments (in particular, the UK) work much more closely with the for-purpose sector and academia in policy development than is the norm in Australia. With that in mind, the Productivity Commission should aim for a future where the for-purpose sector has a voice in democracy equivalent to, or louder than, the for-profit sector.

DGR for policy advocacy is a first step in that direction. However, the Productivity Commission should propose mechanisms for charity engagement with the Government on policy that are equivalent to established mechanisms in other spheres, like emergency management. This could include consultation mechanisms on specific policy topics, grants programs to support policy advocacy organisations working on neglected issues, a system to alert public servants to the policy advocacy charities working in their sphere, or a transparency regime that encourages public servants, advisers and decision-makers to spend a proportionate amount of time talking to the for-purpose sector as they spend talking to the for-profit sector. Without these kinds of supporting policies, it could be that small policy advocacy charities spend most of their time and money trying to be heard in the way that large for-profit organisations are. Money spent trying to be heard is less efficient than money spent developing good policy.