

Dear Productivity Commission,

I am Steven Merriel, a Victorian resident with a background in corporate governance, management, and leadership. I have considerable experience volunteering for various charities and have had the privilege of sitting on the board of multiple charitable organisations. I am writing to provide my feedback on the draft report regarding motivations for philanthropic giving in Australia and opportunities to grow it further.

My interest in this report stems from my belief in the potential benefits of allowing charities working in the advocacy and policy space to obtain deductible gift recipient (DGR) status. As a board member of various charities, I understand the impact DGR status has on directing donations. My concern for animal welfare also informs my support for these recommendations, as it is likely to drive improved outcomes in this area.

I was pleased to see the positive recommendations in the draft report and the potential they hold to transform the for-purpose sector in Australia. I fully support the proposal to expand DGR status to charities aiming to prevent harm, which I believe will have a significant impact on society.

I am in agreement with the draft report's recommendation for the reform of the current DGR system (Draft Recommendation 6.1). The expansion of DGR status to animal welfare charities, in particular, is a much-needed change. The current exclusion of animal welfare charities that do not provide direct care or rehabilitation of animals from DGR status has been detrimental to their cause. This change will allow them to attract significant donations and apply for grants where DGR status is required.

This reform will remove the existing barriers to many animal charities and ensure that all donors to this cause are supported in their charitable giving. A level playing field for animal charities will enable more funding to be directed towards high-impact activities aimed at improving the lives of millions of animals in currently underfunded areas such as farmed animals, aquatic animals, wildlife, and animals in research.

The lack of DGR status has had a disproportionate effect on animal welfare policy and advocacy charities, as the sector receives very little government funding. Most major animal welfare charities that do not provide direct care to animals rely on donations and bequests for between 70-99% of their income. Extending DGR status to the whole of this sector will significantly increase the effectiveness and impact of animal welfare charities working to improve societal treatment of animals.

Animal charities are consistently among the top three causes that Australian donors support. This change will not only have a positive impact on the sector but also help charities reach new communities. Expanding DGR eligibility criteria will open up new fundraising channels such as workplace giving, corporate fundraising, major donor and philanthropic giving, Instagram and Facebook fundraisers, PayPal Giving Fund, and various third-party fundraising and crowd-funding platforms currently inaccessible without DGR status.

I was surprised by the Commission's discussion of impact evaluation in response to terms of reference 3.ii. It appears there is a misalignment here with the goal and the terms of reference, which does not ask the Commission to consider "universal, mandated standardised quantitative measures". Instead, the terms of reference direct the Commission to consider how effective overseas charity evaluators operate. These evaluators use opt-in models where they cooperate to understand the theory of change, what evidence is relevant, and how it can best be collected and evaluated.

The draft report acknowledges the disconnect between the donor and the beneficiary and the government's interest in ensuring value for money. It also notes gaps in skills and donor priorities, which strengthens the case for government involvement in impact evaluation. However, I believe the Commission's summary (page 30 and finding 9.1) sets the bar for impact evaluation too high. There are many viable options that do not require “mandating standardised measures or metrics of charity effectiveness across all charities”.

Research shows that high impact interventions can do 10 or 100 times more than average interventions. The dramatic disparity in impact is far wider than in typical markets. This is particularly prevalent in the for-purpose sector. I would encourage the Commission to review the works of Caviola, L et al. (<http://hdl.handle.net/10871/122268>), Kevin Star in the Stanford Social Innovation Review (https://ssir.org/articles/entry/do_they_still_need_our_money), and Benjamin Todd which explore this issue.

To address these issues, I propose the government provide charities wanting to improve their impact with guidance and toolkits relating to developing their theory of change, collecting evidence, and conducting evaluations. Additionally, the government should be actively involved in impact evaluation, adopting an incremental approach to encouraging impact thinking across the sector. Furthermore, the final report should recommend the government offer grants to organisations that can conduct impact assessments of services delivered in Australia. This could attract overseas charity evaluators to Australia, encourage non-charity evaluators to work in this space, or encourage Australian charity evaluators to work on domestic charities.

I believe that expanding DGR status to charities working on advocacy is one of the most important recommendations in the draft report. However, I anticipate that for-profit industries that currently have overwhelming or even unopposed policy influence in certain fields will actively oppose organisations with alternative views gaining DGR status. I recommend that the Commission consider the range of issues that may arise if a larger range of policy advocacy organisations obtain DGR status, and include more pre-emptive discussion, including any consequential recommendations relating to disqualifying purposes, public benefit or other areas of law that may become more contested if the recommendations are adopted.

The proposal to include advocacy activities under DGR is an excellent change but I suggest a minor clarification to include surrounding and supporting work, not just advocacy activities. This would encompass policy development and community engagement, which are vital to advocacy efforts. The final report would benefit from adding examples of the type of supporting work that would be included in the definition of advocacy.

Finally, I welcome the recommendation to expand the types of charities eligible for DGR status to include public interest journalism. However, I believe a more detailed justification for this decision would be beneficial. Public interest journalism plays a crucial role in providing accurate, reliable, and independent information to the public, acting as watchdogs, focusing on marginalised communities or neglected issues, and challenging powerful individuals or institutions. Therefore, the final report should contain a clear statement about the reasons why public interest journalism should be eligible for DGR and a clear definition of public interest journalism.

Thank you for the opportunity to provide feedback on the draft report. I look forward to seeing these recommendations implemented for the betterment of our society.

Regards,
Steven Merriel