

Philanthropy Inquiry Submission

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Introduction

I'm passionate about using my career to create effective positive change in the world by helping to address some of the world's most pressing problems. I'm currently doing this through High Impact Engineers, an organisation I co-founded to help support engineers to maximise the positive social impact they can have through their careers. Through building a community of passionate individuals aspiring to build a better future for humanity I have become increasingly concerned that Australia's current charity laws are not fit for purpose.

My work at High Impact Engineers has left me with the feeling that charity law has fallen out of step with what my peers and I care most about, and that my generation doesn't have the same kinds of philanthropic organisations supporting us and our values as older generations do. To achieve goals like growing donations and increasing community engagement, charity laws should build incentive structures that foster organisations that work on the kinds of issues that younger generations of Australians care the most about. Additionally, I think government policies that focus on impact and increase confidence that impact is being achieved are the key to achieving the goals of this inquiry.

I would like to raise the following issues with the Inquiry:

- 1) The need to realign DGR status with the values of today's Australians (2.ii, 3.ii, 5, 6)
- 2) Allowing Public Benevolent Institutions to properly support their communities (2.iii, 3.i)
- 3) The maturity of international approaches to charity evaluation (3.ii, 6.iii)

I work to support both local and international philanthropic and community groups. I'd like to do more of this over time to maximise the positive change I can create in the world. I think the changes I recommend in this submission would make it easier for me to be involved, and also help other Australians to donate more and participate more in their communities. The changes could dramatically increase the good we achieve through this work and create a better tomorrow for Australians and all citizens of the world.

Realigning DGR status with the values of today's Australians

I want to donate money to reduce the risk of catastrophic disasters, but because of the limited availability of DGR status, there aren't that many organisations that work in this area and those that do can't accept tax-deductible donations.

For instance, I care about the work of the International Campaign to Abolish Nuclear Weapons (ICAN). I think the risk of nuclear weapons is largely ignored by society, despite it being catastrophic. Some experts think the yearly chance of a nuclear war could be as high as 1% – which seems scarily-plausible with the situation in Ukraine and elsewhere. If I want to live a long life, and have kids who grow old, a 1% chance each year of a nuclear war that kills billions is totally unacceptable. Despite ICAN winning a Nobel Peace Prize for its works, and being able to accept tax-deductible donations in many other countries, it can't do that in Australia.

ICAN is just one example. There are smaller organisations, like the Alliance to Feed the Earth in Disasters (ALLFED) who are similarly trying to reduce the risk of nuclear war and other global catastrophes, similarly accept tax-deductible donations in other countries, but also can't get DGR status in Australia.

I don't understand why a "defence charity" can have DGR status for the repair of war memorials (*Tax Act 5.1.3*) or the recreation of members of the armed forces (*Tax Act 5.1.2*), but not for the prevention of a nuclear war.

Overall I think that organisations working to reduce global catastrophic risk should have DGR status. Nuclear war is one example of such a risk. I also believe that pandemic prevention, bio-security and bio-risk mitigation, and catastrophic natural disasters should also be included. More work being done in these areas could have huge benefits for Australia and the world. I care about these issues – and so do my peers. We want to organise around them in our community and donate money towards them – but without them being included as a DGR class, that's really difficult.

PBI and community building

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 and I believe it is evidence that the laws that govern Australia's charities are not fit for purpose.

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.

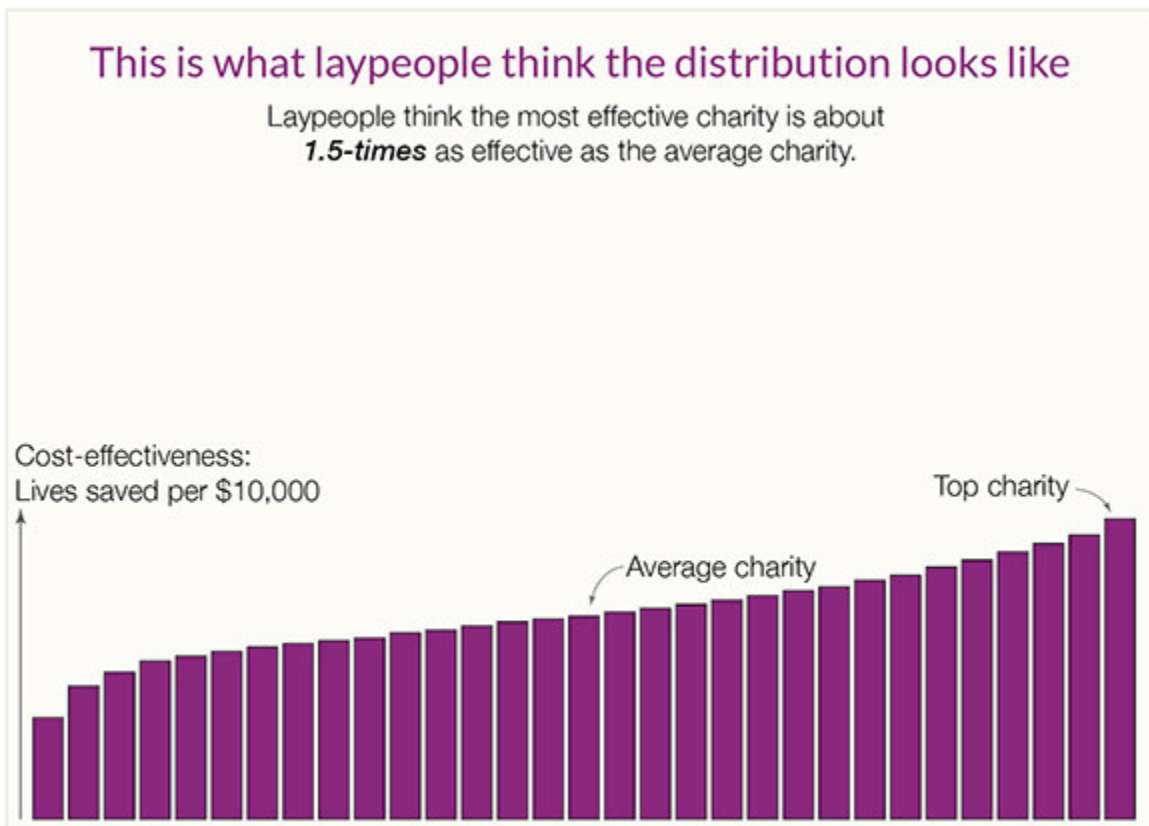
Charity evaluation

I'm excited by the terms of reference about charity evaluation. As a researcher and engineer who also completed an undergraduate degree in commerce, I am bewildered by the lack of financial and scientific rigour with which charity is performed on average. I think people can be cynical about charity because it's hard to know if your donation has actually had an impact. I've valued 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. Some charitable programs can even do harm.

I would encourage the Productivity Commission to review:

- *Donors vastly underestimate differences in charities' effectiveness* by Caviola, L; Schubert, S; Teperman, E; et al. available online at <http://hdl.handle.net/10871/122268>, and
- *Don't Feed the Zombies* by Kevin Star in the Stanford Social Innovation Review, available online at https://ssir.org/articles/entry/dont_feed_the_zombies

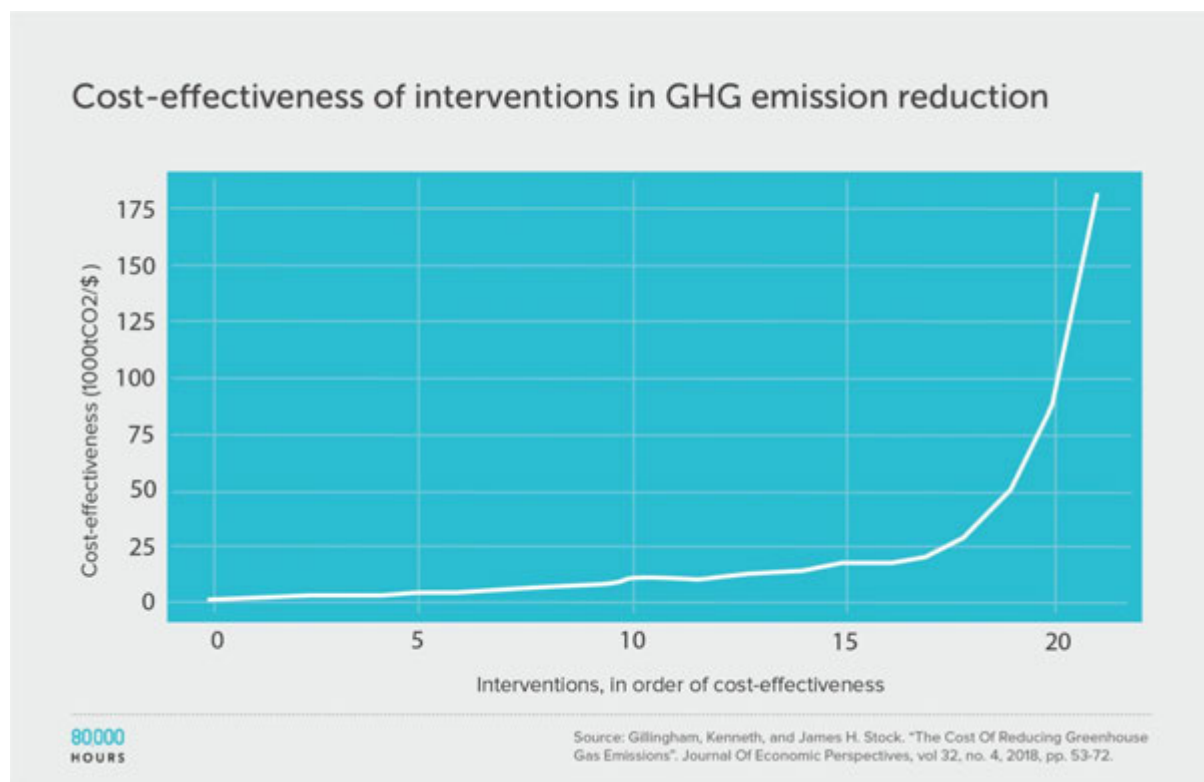
The research is usefully summarised in two illustrations that depict how different the view of the impact of charity is between lay people and experts:





Kevin Star'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. The article outlines how an approach to impact-focused evaluation which he persuasively explains could achieve a "quantum leap toward a better world".

While the above two sources focus on global health, the same effect occurs across countries and across causes. By way of illustration, Benjamin Todd's recent article on 80,000 Hours shows a similar distribution of the impact of climate interventions (<https://80000hours.org/2023/02/how-much-do-solutions-differ-in-effectiveness/>) :



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 progress in the last 10 years on charity evaluation means it doesn't have to continue.

Australia funding and promoting charity evaluation has the potential to fix the market failure, help Australian charities do far more good, and potentially make us a world leader. Just as engineering codes give consumers confidence that the products they purchase meet certain standards, charity evaluation can similarly assure donors that their contributions have a meaningful and measurable impact.

Conclusion

Australia has the potential to create a world-leading philanthropic sector. We already know that the most effective charities can have a substantially greater impact than the average charity, but currently, there are no mechanisms in place to incentivise impact or empower donors to choose the best charities based on their impact. Furthermore, some of these best charities are hamstrung by DGR status and outdated laws. Through realigning DGR status with the values of today's Australians and removing outdated restrictions, Australian charities can build communities of my peers who are passionate about creating a better world for Australian and global citizens.

By adopting the recommendations presented here, Australia can emerge as a global philanthropic leader. This change could not only retain skilled and passionate Australians seeking to maximise their social impact but also attract more impact-driven charities to the country, ultimately amplifying Australia's positive influence on the world.

I envision a future where Australia serves as the gold standard for other countries to emulate in the realm of philanthropy. This productivity commission instils hope in me that such a day may be closer than I thought.

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