

Dear Productivity Commission,

My name is Evan, I am a software engineer with a significant capacity for donation and a keen interest in philanthropy. My primary concern is to ensure that my contributions, as well as those of my community, make a tangible impact on society's most pressing issues. I was happy to skim the draft report, particularly because I believe that the proposed changes to Deductible Gift Recipient (DGR) status could bring fundamental transformation to the for-purpose sector in Australia.

The draft report's discussion on impact evaluation as part of its response to terms of reference 3.ii left me somewhat surprised. The focus on "universal, mandated standardised quantitative measures" seems to be a diversion from what the terms of reference actually ask for, which is a consideration of how proven overseas charity evaluators operate. These evaluators, in my understanding, use opt-in models, cooperating to understand the theory of change and decide on the most relevant evidence and the best methods of its collection and evaluation.

The draft report rightly identifies a kind of market failure in charity. The disconnect between the donor and the beneficiary is a key issue, and the government's role in ensuring subsidies deliver value for money and charities achieve the greatest net benefit is crucial. The report's specific findings, such as the skills gap in impact evaluation among many charities and donors' lack of prioritisation of net benefit to the community, strongly make the case for the government's involvement in impact evaluation.

However, the bar for impact evaluation seems to be set too high in the report's summary and finding 9.1. A range of viable alternatives exist that don't necessitate "mandating standardised measures or metrics of charity effectiveness across all charities". It's important to realise that highly impactful interventions can often do much more than average ones, sometimes to the tune of 10 or 100 times more. This disparity in impact is far greater than what we usually witness in typical markets.

I would recommend the Commission to review several pieces of literature, including "Donors vastly underestimate differences in charities' effectiveness" by Caviola, et al., "Don't Feed the Zombies" by Kevin Star in the Stanford Social Innovation Review, and "How much do solutions to social problems differ in their effectiveness? A collection of all the studies we could find" by Benjamin Todd. These works highlight the importance of impact-focused evaluation and the potential for significant improvements in the for-purpose sector.

To address the concerns raised in the draft report about practicality, cost, and unintended consequences, I propose that we look to overseas charity evaluators for guidance. Their methodologies could serve as a model for Australia, and help us set more realistic goals. The following proposals could help boost the sector's net benefit without incurring undue costs or risks:

1. **Proposal:** Tackle the skills gap by offering guidance and toolkits to charities keen on improving their impact. This could involve developing their theory of change, collecting evidence, and conducting evaluations.

2. **Proposal:** Instead of "universal, mandated standardised quantitative measures", we could focus on "optional, opt-in measures that suit participating organisations". This would involve the government in impact evaluation, but with a goal of incrementally encouraging impact thinking across the sector.

3. **Proposal:** Offer grants to organisations capable of conducting 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 stimulate Australian charity evaluators to focus on domestic charities.

I was particularly excited about the proposal to extend DGR status to advocacy activities. This would empower charities and the Australian's that support these charities to engage more deeply in our democracy and tackle pressing problems such as global catastrophes and animal welfare. However, I believe the report could clarify that this expansion of DGR is not limited to advocacy activities, but extends to surrounding and supporting work, including policy development, policy research and community engagement.

I recommend that the Productivity Commission clarify in its final report that granting DGR status to charities undertaking advocacy activities extends to policy development and other supporting activities and isn't limited only to advocacy itself.

Lastly, I foresee potential resistance from for-profit industries to the extension of DGR status to advocacy organisations. I recommend that the Productivity Commission anticipate potential challenges and expand its recommendations to address these issues proactively. This could involve a more detailed and pre-emptive discussion of disqualifying purposes, public benefit, or other areas of law that may become more contested if the recommendations are adopted.

In conclusion, it is crucial that the government pilots different approaches to encourage the for-purpose sector to focus on increasing its impact. With the evidence indicating substantial room for improvement, it would be unwise to simply say we're out of ideas. This is a valuable opportunity for positive change, and I am confident that with careful thought and action, we can make a significant difference.

Regards,
Evan