

My main motivation for donating to charity is that I want to do as much good as I can. Because of that motivation, I care about which charities have the most impact. When I know the charity I'm giving to is highly effective and endorsed by organisations I trust, it gives me the confidence I need to donate more.

I think government policies that focus on impact and increase confidence in that impact are the key to achieving the goals of this inquiry.

In this Submission I raise 4 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)
4. The importance of policy advocacy by charities. (Terms of reference 3.i, 5, 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, its members of the community like me that Government wants to donate more and be more involved in community organisations.

## **1. Animal welfare and global catastrophic risk reduction should be DGR classes (Information request 4)**

As I see it, the most important issue is that DGR status needs to be broadened to include things that young people today care about – specifically reducing global catastrophic risks and supporting the well-being of animals.

If organisations working on reducing the risk of catastrophic disasters had DGR status they would be better able to find ways for me to connect with my peers and volunteer to do good. I know, post-COVID and given the war in Ukraine, that a lot of my peers are really worried about worse future pandemics and the need to reduce the risk of a nuclear war. These are modern concerns, but DGR regulation hasn't kept up.

In the same way, my peers and I care deeply about the welfare of animals. While the animal charities I support can be "charities" under the *Charities Act*, they can't get DGR status under the *Tax Act*. I understand that this is because DGR status is limited to things like the short-term direct care and rehabilitation of lost or mistreated animals. While any animal suffering is a tragedy, it's obvious to me that it would be far more effective to give DGR status to charities that are seeking to

prevent animals from needing this kind of direct care in the first place. Everyone knows prevention is better than cure, so why should the law incentivise treatment over prevention?

I really think the exclusion of these two cause areas from DGR status hurts our ability to do good. These causes are recognised by sophisticated charity evaluators as being high-impact and allowed to accept tax-deductible donations internationally, but excluded here in Australia. If Government wants to increase donations to charities and increase the ability of charities to build social connections, it needs to give DGR status to these high-impact cause areas that today's Australians are so passionate about.

## **2. 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, encouraging more impactful donations, running educational events, and helping people find impactful careers. But Effective Altruism Australia's status as a "Public Benevolent Institution" limits the work of its community builders to EAA's work on global health and poverty and work that's "incidental or ancillary to" this topic.

But this severely restricts the ability of EAA to help out other EA community and university groups. 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.

## **3. Charity evaluation is a practical change that could make a big difference (Information request 7)**

There's a right balance between money spent on marketing and fundraising, operations, and charitable interventions themselves. I want to donate to charities that get that balance right. But currently, I have almost no information about the impact that most Australian charities achieve. Absent that information, it's difficult to know how best to direct my donations.

I worry that some well-known charities spend large proportions of their donations on building their brand, but may ultimately be having little positive impact on the issues that they purport to care about. When I buy a service for myself I can judge if it's good. But if I buy a service for someone in need, I don't get any feedback.

A robust charity evaluation system would allow donors to sort the "wheat from the chaff" and make donations to organisations having a significant positive impact on the world. It would also decrease cynicism around charity more generally and lead to a higher overall degree of trust and support for charity in the community.

Talking to my friends and family, they're often excited to learn about organisations like GiveWell, Animals Charity Evaluators, Giving Green, and Founders Pledge because of the robust, evidence-based assessments that they make of the actual impact of charities and their initiatives. The problem is that many people haven't heard of these evaluators, and they haven't evaluated many Australian charities.

I think an Australian Government funded or endorsed charity evaluator could transform philanthropy in Australia.

I understand that there might be some practical concerns with charity evaluation of this kind. A few specific observations could alleviate most of those concerns. Specifically:

- **Practicality.** While a decade ago the practicality of charity evaluation may have been in question, a range of charity evaluators are now operating and have developed mature models to conduct evaluation. The Australian Government now has several practical options to implement charity evaluation, including building off existing expertise in the field or contracting with a proven company.
- **Resourcing requirements.** Based on public materials, and converted to Australian dollars, Charity Navigator's budget is in the order of \$6m per year and GiveWell's is in the order of \$15m per year. ACNC reports that donations to Australian charities increased to \$12.7b dollars in 2022, and Government aspires to double giving. On that basis, Australia could have a well-resourced charity evaluator for roughly 0.1% of the value of the sector. Given overseas charity evaluators have the ability to make their users' donations orders of magnitude more impactful, this is a bargain. Additionally, this isn't a zero-sum issue. Increasing the amount of reliable information on the effectiveness of Australian charities will plausibly increase the overall amount of donations, and benefit the sector as a whole.
- **Opt-in model.** If evaluation was opt-in, charities that don't think they have the resources to measure their impact, or otherwise have concerns about evaluation, could choose not to participate. This could facilitate a graduated rollout of evaluation.

Overall, charity evaluation is a mature field, it's affordable, and it can greatly increase the good work done by philanthropy in Australia. In the same way governments should do evidence-based policy, it should help Australians to do evidence-based charity.

#### **4. The Role of Charities in Shaping Public Policy (Information request 4, 5)**

In many cases, and particularly in the area of averting catastrophic risks, engaging with the government on policy is a crucial component of achieving better outcomes for the world.

For example, while there is a valuable role for non-government organisations like the International Campaign Against Nuclear Weapons to play in reducing nuclear risk, at the end of the day, it is governments that possess the nuclear weapons stockpiles, set the rules about the acquisition of fissionable material and nuclear technology, and ratify international treaties.

Charities have real value to add to these conversations. Including investing resources in policy analysis, accessing global talent, and progressing the public policy conversations. In many ways, the activity of the not-for-profit sector on a topic reduces the burden on governments. Historically, many important policy ideas that have shaped modern society have emerged from outside of government - like the 40-hour work week or approaches to tobacco safety.

While charities are allowed to participate in policy discussions, many charities that focus on policy change as a primary means of achieving their goals are excluded from DGR status. This exclusion should be reconsidered, as charities that work to prevent catastrophic disasters or promote animal welfare through policy change have a valuable role to play in the public policy conversation.

#### **Summary**

Overall, Australian charity regulation has become outdated. Charities with DGR status are the lion's share of the sector, but DGR status is not aligned with my values or the values of my peers. This means that charities aren't focusing on many of the things I care about, and aren't providing the community support and volunteering opportunities that are meaningful to me.

The Productivity Commission has a chance to make recommendations that realign the sector with the values of today's Australians. Applying the lens of impact could greatly increase the amount of good that the sector can achieve, which in turn would drive donations and build the community supports that younger Australians need. I've seen too many talented Australians whose values align with mine leave for the UK or USA to do high-impact charity work because Australia doesn't have a workable ecosystem for their values. This is hurting our community, our democracy and our future.