

Dear Productivity Commission,

My name is Kieren Watkins, a PhD student with a passion for animal welfare, and I am writing in response to your inquiry into philanthropic giving in Australia. As an individual who has pledged to donate 10% of my pre-tax income to effective organisations focused on preventing suffering and enhancing the welfare of all sentient beings, I am keenly interested in the Commission's work and the potential for significant reform in Australia's charity laws. I would love for a culture of philanthropy to spread in Australia, both for the effect it would have on the recipients, and for the joy it can bring to donors to make a positive impact.

I previously submitted a response to your initial call for submissions, and I was pleased to see that many of my concerns were reflected in the draft report. Specifically, I appreciate the Commission's agreement on the necessity to expand Deductible Gift Recipient (DGR) status to include a wider range of impactful causes, particularly those focused on preventing animal suffering and catastrophic risks.

However, I am aware that incumbent organisations with significant resources and influence may resist these changes. My hope is that any ambiguities in the draft report will not be exploited to undermine its implementation, and that the Commission will remain steadfast in its commitment to broadening the scope of DGR status.

The draft report's identification of the need for reform in the current DGR system is commendable, particularly the recommendation to extend DGR status to animal welfare charities (Draft recommendation 6.1). The current exclusion of organisations that do not directly rehabilitate or care for animals has hindered many charities from receiving substantial donations or applying for grants. By removing these barriers, we can ensure equitable support for donors and direct more funding towards high-impact activities that can significantly improve the lives of animals in underfunded areas.

The draft report also highlights the lack of government funding for animal welfare policy and advocacy charities. The majority of these charities rely heavily on donations and bequests, with many receiving no government funding at all. By extending DGR status to all organisations within this sector, their effectiveness and impact can be significantly amplified, leading to marked improvements in societal treatment of animals.

The discussion on impact evaluation in the draft report, however, diverges from the direction outlined in terms of reference 3.ii. I believe a more realistic goal should be set that aligns better with the terms of reference, rather than considering "universal, mandated standardised quantitative measures". Overseas evaluators adopt opt-in models that focus on understanding the theory of change, the relevance of evidence and the best methods for data collection and evaluation. Furthermore, the government should encourage charities to opt-in, and for donors to

consider effectiveness when choosing charities, whilst appreciating that it is not always feasible for charities to have statistics on efficacy.

The draft report correctly identifies a sort of market failure in charities, where the donor is disconnected from the beneficiary. It also acknowledges the government's interest in ensuring value for money and maximising net benefit. However, the bar for impact evaluation is set too high in the report's summary on page 30 and in finding 9.1. There are viable options that do not require mandating standardised measures or metrics of charity effectiveness across all charities.

Impactful interventions can often achieve ten or even a hundred times more than average interventions. This disparity in impact is far greater than in typical markets, yet it is the norm in the for-purpose sector. I encourage the Commission to review the articles "Donors vastly underestimate differences in charities' effectiveness" by Caviola et al., "Don't Feed the Zombies" by Kevin Star, and "How much do solutions to social problems differ in their effectiveness?" by Benjamin Todd. These works highlight the potential for significant improvement in the sector.

I understand the concerns raised in the draft report about practicality, cost and unintended consequences. However, by following the methodologies of overseas evaluators and adopting a more realistic goal, these concerns can be navigated. A few proposals I believe could boost the impact of the sector without undue cost or risk include:

- Providing charities with guidance and toolkits to improve their impact and address the identified skills gap.
- Encouraging an incremental approach to impact thinking across the sector through optional, opt-in measures that suit participating organisations.
- Offering government grants to organisations that can conduct impact assessments of services delivered in Australia.

I also welcome the report's recommendation to expand the types of charities eligible for DGR status to include public interest journalism. However, I believe the final report should provide a more detailed justification for this decision. Public interest journalism plays a crucial role in society, providing accurate, reliable and independent information to the public, acting as watchdogs, highlighting marginalised communities or neglected issues, and protecting freedom of expression. However, as shining light on dodgy behaviour is often disadvantageous to advertisers in traditional media outlets, it is unlikely to be funded through the private sector. And without DGR status, there is less appetite from private donors to fund public interest journalism.

Finally, I believe that expanding DGR status to charities working on advocacy is a crucial recommendation in the draft report. Given the potential for opposition from powerful for-profit industries, I urge the Commission to further strengthen its justification for this change and anticipate possible counterarguments. This will involve a more detailed and pre-emptive discussion of the issues that may arise if a larger range of policy advocacy organisations obtain

DGR status, including any consequential recommendations relating to disqualifying purposes, public benefit or other areas of law.

Thank you for considering my feedback and I look forward to seeing the final report.

Regards, Kieren Watkins