

Dear Productivity Commission,

My name is Chelsea Liang, I am a person in my 20s and find a lot of community and meaningfulness in philanthropic efforts. I wish more of my peers had this and importantly felt less nihilistic about our world and future. Altruism could make a huge difference in the world, especially as some donations can be hundreds of times more effective than others however I don't think people know this. Opt in government evaluation could help with this and avoid greenwashing or feel good nothingness that folks see to go nowhere and then lose trust in philanthropy as a concept entirely. As a policy professional I also know how powerful the voices of stakeholders are and therefore how important policy advocacy is. They are able to amplify the voices of communities and busy individuals about huge, complicated and often international issues like climate change and existential risks like pandemics and nuclear wars. Correspondingly, I wish to submit my final response to your draft report on philanthropic giving in Australia, with a focus on expanding Deductible Gift Recipient (DGR) status and encouraging impact evaluation within the sector.

I previously submitted a response to your initial call for submissions, advocating for the expansion of DGR status to include a wider range of impactful causes, particularly those focused on preventing animal suffering and catastrophic risks. It was heartening to see that the draft report acknowledged this argument, and I remain hopeful that the final recommendations will resist any potential resistance from powerful incumbent organisations.

However, my review of the draft report highlighted some concerns regarding the Commission's discussion of impact evaluation in response to terms of reference 3.ii. The terms of reference direct the Commission to consider how proven overseas charity evaluators operate, which typically involves opt-in models where evaluators cooperate to understand the theory of change, the relevant evidence, and how it can be best collected and evaluated. This approach seems more aligned with the terms of reference than the "universal, mandated standardised quantitative measures" suggested in the draft report.

The draft report correctly identifies a market failure in charity; there is a disconnect between the donor and the beneficiary. It also observes a skills gap among many charities in impact evaluation and notes that many donors do not prioritise net benefit to the community when making their donations. These findings underscore the need for government involvement to ensure that it achieves value for money for the subsidy from our tax dollars and that charities achieve the greatest net benefit.

The draft report sets the bar for impact evaluation impractically high. However, there are viable alternatives which do not require mandating standardised measures across all charities. The key insight here is that highly impactful interventions can often do 10 or 100 times more than average interventions, a disparity far wider than in typical markets.

In light of this, I would recommend the Commission review the following 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? A collection of all the studies we could find." by Benjamin Todd. These works highlight the need for both donors and government to focus on achieving maximum net benefit from their respective subsidies.

To address these issues, I propose the following actions:

1. Address the identified skills gap by providing guidance and toolkits to charities that want to improve their impact.
2. Encourage government involvement in impact evaluation using “optional, opt-in measures that suit participating organisations”.
3. The final report should recommend that Government offer grants to organisations that can conduct impact assessments of services delivered in Australia.

I am also excited about the potential expansion of DGR status to charities working on policy advocacy. This move would empower people and communities to engage more deeply with our democracy and could facilitate a stronger response to pressing societal challenges. However, I recommend that the final report clarify that the proposed expansion of DGR status to advocacy activities also extends to policy development and other supporting activities, including research, policy development and community engagement.

I have no doubt that incumbent for-profit organisations may attempt to counteract such an expansion of DGR status. To mitigate this, I recommend that the Productivity Commission anticipate possible opposition strategies and provide pre-emptive discussion and recommendations to address potential issues that may arise with the broadening of DGR status to include policy advocacy organisations. Fundamentally, it is not fair that corporate lobbying for specific issues can be a tax deductible expense but citizens in a democracy have the blunt tool of voting for multi-issue political parties but have no such equivalent issue specific levers.

Thank you for considering my feedback. I look forward to the final recommendations and the subsequent growth and evolution of the philanthropic sector in Australia.

Regards,
Chelsea Liang