

Dear Productivity Commission,

My name is Olivia Zago, a senior brand manager at Procter & Gamble. I'm also an active participant in philanthropic giving in Australia. I appreciate the opportunity to review and provide comments on the draft report, which has put forth some significant recommendations that could potentially transform the for-purpose sector in Australia.

A notable area of interest for me is the potential for my community and myself to impact society's most pressing issues. The proposed changes to Deductible Gift Recipient (DGR) status—specifically, its expansion to charities working to prevent harm—could make a significant difference.

I agree with the draft report's conclusion that the current DGR system requires reform, echoing the sentiments in Draft Recommendation 6.1. The suggestion to extend DGR status to animal welfare charities is particularly welcomed. Until now, many charities conducting vital policy and advocacy work, significantly improving animal welfare on a large scale, have been unable to attract significant donations or apply for grants due to the lack of DGR status.

By removing these barriers, we can ensure that donors to these causes are supported in their charitable giving. It is crucial to create a level playing field for animal charities, allowing for more funding to be directed towards high-impact activities that aim to improve the lives of millions of animals in currently underfunded areas such as farmed animals, wildlife, and animals in research.

Presently, animal welfare policy and advocacy charities are disproportionately affected by their lack of DGR status as they receive very little government funding. Extending DGR status to this sector will significantly increase the effectiveness and impact of animal welfare charities. I believe that this change will resonate positively with Australians from diverse backgrounds, many of whom are passionate about animal welfare.

The draft report's discussion on impact evaluation in response to terms of reference 3.ii was surprising. There's room for improvement, particularly by setting a more realistic goal that aligns better with the terms of reference. The draft report concurs with the notion of a market failure in charity, where the donor is disconnected from the beneficiary and the government's interest in achieving value for money from its subsidy.

The report also acknowledges that many charities lack skills in impact evaluation, and many donors do not prioritise the community's net benefit when making their donation. This indicates a strong case for government involvement in impact evaluation to ensure the sector is impactful.

I would like to encourage the Productivity Commission to review the following resources that provide valuable insights into the effectiveness of charitable programs:

- "Donors vastly underestimate differences in charities' effectiveness" by Caviola, L; Schubert, S; Teperman, E; et al.
- "Don't Feed the Zombies" by Kevin Star in the Stanford Social Innovation Review
- "How much do solutions to social problems differ in their effectiveness? A collection of all the studies we could find" by Benjamin Todd

These resources offer a compelling argument for government to aim for subsidies that achieve significantly higher net benefits. Kevin Star's article illuminates the market failure in charity that disconnects donors from the beneficiaries.

I understand the draft report's concerns about practicality, cost, and unintended consequences. However, the methodologies of overseas charity evaluators can help navigate these concerns. I propose that the government takes a more realistic target than "universal, mandated standardised quantitative measures" and pilots different approaches to encourage the for-purpose sector to focus on increasing its impact.

The expansion of DGR status to charities working on advocacy is a crucial recommendation in the draft report. However, I anticipate potential opposition from for-profit industries with a significant policy influence. They may argue against organisations with alternative views gaining DGR status.

To pre-empt this, I recommend that the Productivity Commission consider a broader range of issues that may arise if more policy advocacy organisations obtain DGR status. This includes a more detailed discussion on potential arguments that might be put forth by incumbent for-profit organisations.

In conclusion, the draft report has provided a roadmap for significant reform in the for-purpose sector. It is essential to consider and pre-empt potential roadblocks to the successful implementation of these recommendations. By doing so, we can ensure the most effective use of our philanthropic efforts to address societal issues.

Regards, Olivia Zago