

Dear Productivity Commission,

I am writing in response to your draft report on Philanthropic Giving in Australia. As a mature-aged student aspiring to work in the charity sector, I have a keen interest in this area. I support charities whose likely impact is remarkably high and have been closely analysed, and it has been a source of frustration that many of these charities are not eligible for tax deductions. In this letter, I will discuss impact evaluation and the reformation of the Deductible Gift Recipient (DGR) system.

Last year, I submitted a response to the Commission's initial call for submissions. My main argument centred on the importance of broadening the reach 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 the draft report echoing these sentiments, for which I sincerely thank you.

## **Impact Evaluation**

The Commission seems legitimately concerned about the practicality and unintentional consequences of mandating standardised quantitative measures. However, the terms of reference do not call for such extreme measures, but instead that the Commission consider how overseas charity evaluators operate using opt-in models (3.ii).

The report acknowledges a market failure where donors are disconnected from beneficiaries of charities. It also recognises that the government has an interest in ensuring value for money and the greatest net benefit from its subsidies. Specific findings, such as the skills gap in impact evaluation among many charities and donors' lack of prioritisation of net community benefit, further strengthen the case for government involvement.

It is crucial for donors and charities to understand that highly impactful interventions often yield 10 or 100 times more results than average interventions. Research reveals a misconception among donors who believe that impactful charitable programs are only 1.5 times better than average ones. The disparity in impact is far wider in the for-purpose sector compared to typical markets. For insights on this issue, see "*Donors vastly underestimate differences in charities' effectiveness*" (Caviola et al., 2023)<sup>1</sup>, "*Don't Feed the Zombies*" (Starr, 2023)<sup>2</sup> and "*How much do solutions to social problems differ in their effectiveness? A collection of all the studies we could find*" (Todd, 2023)<sup>3</sup>. These publications highlight the importance of

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<sup>1</sup> [Donors vastly underestimate differences in charities' effectiveness](#)

<sup>2</sup> [Don't Feed the Zombies](#)

<sup>3</sup> [How much do solutions to social problems differ in their effectiveness? A collection of all the studies we could find](#)

governments being involved in educating donors and charities of the importance and value of impact evaluations.

I understand the concerns raised in the draft report about practicality, cost, and unintended consequences. However, I believe that the methodologies used by overseas charity evaluators can help navigate these concerns. I propose a few ways in which the government can enhance the impact of charities, without significant cost or risk:

- provide guidance and toolkits for charities looking to improve their impact;
- an opt-in measure to impact assessment services for interested organisations, as opposed to anything mandated;
- government grants to organisations capable of conducting impact assessments.

### **Reformation of the DGR System**

I agree with the draft report's finding that the current DGR system is in need of reform.

I am pleased to see the report's proposal to extend DGR status to policy advocacy activities. Such charities have enriched my engagement with our democracy. I believe that granting DGR status to a wider range of policy-focused organisations can significantly aid in tackling pressing issues.

The report could benefit from clarifying that the proposed DGR expansion encompasses not only advocacy activities themselves but also supporting work. Examples of supporting work include providing specialist advice on animal welfare, collaborating with government organisations on global health initiatives, researching and exposing illegal practices, and investigating non-compliance with regulations and welfare standards.

I also agree with the proposed expansion of DGR status for animal welfare charities. The current exclusion of animal welfare charities that do not provide direct care or rehabilitation of animals from DGR status has limited their ability to attract donations and apply for grants. Extending DGR status to the entire sector could significantly improve the effectiveness and impact of animal welfare charities.

In conclusion, I thank the Commission for this inquiry and the promising draft report. I look forward to seeing a reformed and more effective charity sector.

Yours Sincerely,  
Scott Smith

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