

Dear Productivity Commission,

I am writing to provide feedback on the draft report recently released by the Commission. My name is Benjamin Hesp, an Electrical Engineer based in Perth, Western Australia. I am greatly invested in moral philosophy, which naturally extends to issues pertaining to the welfare of farmed animals in Australia. I was taken aback to learn that organisations like "Animals Australia", despite their significant contributions to raising awareness about the plight of farmed animals, are not eligible for tax exempt charity status due to outdated legislation. I am hopeful that through this inquiry we can revisit these issues and drive meaningful change.

Last year, I submitted a response to the initial call for submissions highlighting the importance of expanding Deductible Gift Recipient (DGR) status to a broader range of impactful causes, particularly those focused on preventing animal suffering. This year, I am heartened to see the Commission's draft report echoing these sentiments. However, I remain cautious, as history has shown that powerful and well-funded incumbent organisations often obstruct necessary change.

The draft report's recommendation for a simpler DGR system is one I stand behind, particularly its suggestion to expand DGR status to animal welfare charities. This change would level the playing field for such charities, enabling them to attract more significant donations and apply for grants. This could, in turn, lead to more funding for high-impact activities aiming to improve the welfare of animals in areas which are currently underfunded.

The extension of DGR status to the entirety of the animal welfare sector could fundamentally alter its effectiveness and impact. The sector currently relies heavily on donations and bequests, with very little government funding. By extending DGR status, we would significantly broaden the funding channels for animal welfare charities, enabling them to reach new communities and amplify their impact.

Regarding the discussion on impact evaluation in response to terms of reference 3.ii, I believe there is room for a more realistic goal. Rather than considering "universal, mandated standardised quantitative measures", we should take cues from successful overseas charity evaluators, which utilise opt-in models to understand each charity's unique theory of change, evidence, and evaluation methods.

The draft report acknowledges that a disconnection often exists between the donor and the beneficiary in charity, leading to a kind of market failure. I agree with the report's assertion that government intervention is needed to ensure value for money and to maximise net benefit. However, the bar for impact evaluation set by the Commission seems excessively high. In reality, impactful interventions often outperform average interventions by a factor of 10 or even 100. This dramatic disparity in impact, which is far wider than in typical markets, urges the government to focus on maximising net benefit.

To boost the net impact of the sector, I propose the following measures:

1. Address the skills gap in the charity sector by providing charities with guidance and toolkits on developing their theory of change, collecting evidence, and conducting evaluations.
2. Instead of “universal, mandated standardised quantitative measures”, adopt “optional, opt-in measures that suit participating organisations”.
3. Encourage the provision of effectiveness information about Australian charities by offering grants to organisations that conduct impact assessments of services delivered in Australia.

The expansion of DGR status to include advocacy is particularly noteworthy. I believe that this would enrich the ecosystem of for-purpose organisations, empowering them to address pressing societal issues. However, I recommend that the Commission clarify that the proposed expansion of DGR status extends to advocacy-related work, such as policy development and community engagement, not just advocacy itself.

In anticipation of resistance from incumbent for-profit organisations, I urge the Commission to prepare for potential roadblocks. It is crucial to consider the range of issues that may arise if a larger range of policy advocacy organisations obtain DGR status. I recommend that the Commission include more pre-emptive discussion in the final report, addressing potential arguments that might be used to oppose this expansion.

I am optimistic that the Commission will take into account these recommendations and continue to strive for a more equitable and effective approach to philanthropy in Australia.

Regards,

Benjamin Hesp.