

5 February 2024

Dear Productivity Commission Philanthropy Inquiry,

I live in Sydney and think that charities that reduce the most amount of suffering per dollar donated are extremely important to our country and the world. It was with great anticipation that I read the draft report recently released by the Commission, a comprehensive study on philanthropic giving in Australia and the possibility of its expansion. As the final submissions are due by 9th February 2024, I would like to present my arguments, echoing the concerns I raised in my initial submission last year.

Having previously emphasised the importance of extending Deductible Gift Recipient (DGR) status to a wider range of impactful causes, I find myself in agreement with the Commission's draft findings that endorse this expansion. However, I harbour concerns regarding potential resistance from well-funded incumbent organisations. History suggests that such entities may attempt to halt change, either by challenging the Commission's approach or exploiting ambiguities within the draft report.

In terms of impact evaluation (specifically in response to terms of reference 3.ii), I believe the Commission could adopt a more aligned and realistic goal. Instead of mandating "universal, standardised quantitative measures", it would be more feasible to consider proven overseas charity evaluators' opt-in models, as suggested by the terms of reference.

The draft report acknowledges the market failure in charity, pinpointing the disconnect between donors and beneficiaries, and emphasising the government's interest in value for money and maximum net benefit. However, I believe the Commission has set the bar too high for impact evaluation. There are many viable options that do not necessitate universal mandates or standardisation across all charities.

Research has shown that highly effective interventions can yield 10 to 100 times more benefit than average interventions, sometimes even causing harm. This disparity in impact is far greater than what we see in regular markets. It's important that both donors and the government recognise this. I encourage the Commission to review works by Caviola, Star, and Todd, which underline this disparity and advocate for greater effectiveness in charitable work.

The draft report's concern about practicality, cost, and unintended consequences is understandable. Nonetheless, by adopting a more realistic target than "universal, mandated standardised quantitative measures" and looking to overseas charity evaluators for inspiration, we can navigate these concerns.

I propose addressing the identified skills gap by providing charities with guidance and toolkits for improving their impact. Furthermore, instead of mandating standardised measures, we could opt for "optional, opt-in measures that suit participating organisations". Lastly, considering the lack of effectiveness information about Australian charities, I propose offering grants to organisations that can conduct impact assessments of services delivered in Australia.

As for the expansion of DGR status, I am in full agreement with the report's findings. This change will level the playing field for animal welfare charities, allowing them to focus on high-impact activities and reach new communities. However, I anticipate opposition from powerful for-profit

industries and encourage the Commission to pre-emptively address possible ways its proposals could be thwarted.

I also welcome the report's suggestion to include public interest journalism in the DGR eligibility criteria. This sector plays a pivotal role in society, providing accurate information, holding institutions accountable, and promoting fairness. However, a more detailed justification for this decision is needed to ensure its successful implementation.

In conclusion, I urge the Commission to review its stance on impact evaluation, consider my proposals for improvement, and provide a more detailed justification for expanding DGR status to include public interest journalism. I look forward to seeing these changes reflected in the final report.

Regards,

Tharun Sonti