

Thank you for the opportunity to provide feedback on the Commission's draft report.

My name is Mitchell. I'm 23, a graduate of the University of Queensland, a resident of the electoral division of Grayndler, and currently working at the Australian Department of the Treasury.

I have drafted this submission in my capacity as an individual and my views do not represent that of my employer. I am grateful for the support of The Good Ancestors Project and the Australian Alliance for Animals in drafting this submission.

I am passionate about the ability of my community and myself to make a difference in addressing the most pressing societal problems. The proposed changes to the Deductible Gift Recipient (DGR) status, particularly expanding it to charities working to prevent harm, seem to be particularly impactful.

DGR status should be expanded to a wider range of animal welfare charities

I concur with the draft report's assertion that the current DGR system requires reform. The suggested replacement is a simpler system, offering more fair and consistent outcomes (Draft recommendation 6.1). The plan to extend DGR status to animal welfare charities is a welcome move. The current exclusion of such charities that do not provide direct care or rehabilitation to animals from DGR status has limited the ability of many charities to attract significant donations or apply for grants. These charities carry out crucial policy and advocacy work that improves animal welfare on a large scale.

By removing the barriers faced by many animal charities, we can ensure that all donors to this cause are supported in their charitable giving. It also prevents them from being disadvantaged for prioritising preventative activities over meeting the immediate needs of animals in care. Creating a level playing field for animal charities will help ensure that more funding can be directed at high-impact activities. These aim to improve the lives of millions of animals in areas that are currently underfunded, such as farmed animals, aquatic animals, wildlife, and animals in research.

The lack of DGR status disproportionately affects animal welfare policy and advocacy charities. They receive very little government funding, far less than the 50% average cited in the draft report. Most major animal welfare charities, which do not provide direct care to animals, receive no government funding and depend on donations and bequests for between 70-99% of their income. Therefore, extending DGR status to this sector will significantly increase the effectiveness and impact of these charities.

Animal charities consistently feature in the top three causes that Australian donors support. I know that many Australians from diverse backgrounds – including young Australians – are particularly passionate about animal welfare. This positive change

will not only enhance the impact of their efforts but also help charities reach new communities. By expanding DGR eligibility criteria, new fundraising channels such as workplace giving, corporate fundraising, major donor and philanthropic giving, Instagram and Facebook fundraisers, PayPal Giving Fund, and various third-party fundraising and crowdfunding platforms will be opened up.

On impact in philanthropy

In evaluating the Productivity Commission's discussion on impact evaluation in response to terms of reference 3.ii, I believe there is room for improvement. The terms of reference do not expect the Productivity Commission to consider "universal, mandated standardised quantitative measures". Instead, they direct the Commission to consider how proven overseas charity evaluators operate, using opt-in models for a cooperative understanding of the theory of change, relevant evidence, and best methods for collection and evaluation.

The draft report acknowledges that charity experiences a form of market failure, where the donor is disconnected from the beneficiary. It also acknowledges that the government has an interest in ensuring value for money and maximising the net benefit from charity activities. These findings, combined with observations that many charities lack skills in impact evaluation and that many donors don't prioritise community net benefit when donating, make a strong case for government involvement in impact evaluation.

The draft report's setting of the bar for impact evaluation is too high. Many viable alternatives do not require "mandating standardised measures or metrics of charity effectiveness across all charities". It's crucial to realise that highly impactful interventions can often do 10 or 100 times more than average interventions. Research shows that the average donor believes impactful charitable programs are only 1.5 times better than average programs. This dramatic disparity in impact is much wider than in typical markets. It's inconceivable that two different cars or computers could offer vastly different performance at the same price. Yet, this is normal in the for-purpose sector.

I would encourage the Productivity Commission to review the following:

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

These publications highlight the dramatic differences in the effectiveness of various interventions. They also provide insight into the market failure in charity identified by the Productivity Commission. The articles outline how an impact-focused evaluation

approach could achieve a significant leap towards a better world. This effect occurs across a range of causes, and given that donors and charities often lack the focus on impact, government intervention is necessary to ensure value for money.

I understand the draft report's concern about practicality, cost, and unintended consequences. However, overseas charity evaluators have successfully navigated these concerns. Australia could also overcome these issues by using them as a model and adopting more realistic targets than "universal, mandated standardised quantitative measures".

I propose the government address the identified skills gap by providing guidance and toolkits to charities willing to improve their impact. These resources would help charities develop their theory of change, gather evidence, and conduct evaluations. For a more realistic and achievable goal, the government could opt for "optional, opt-in measures that suit participating organisations". This approach is more aligned with the terms of reference and less likely to lead to unintended consequences.

Finally, while the draft report notes that donors can already access effectiveness information from non-government sources like The Life You Can Save and GiveWell, neither evaluator has ever assessed an Australian charity. This shows that donors cannot access effectiveness information about charities operating in Australia, and the current incentive structure is insufficient to generate that information. Hence, the final report should recommend that the government offer grants to organisations that can conduct impact assessments of services delivered in Australia.

DGR status for policy advocacy should also include policy research and development

Expanding DGR status to charities involved in advocacy is one of the most crucial recommendations in the draft report. This change allows for a more diverse and robust ecosystem of for-purpose organisations working on a range of issues. However, the final report would benefit from a minor clarification that the proposed expansion of DGR is not limited only to advocacy activities but also includes surrounding and supporting work.

In conclusion, I recommend that the Productivity Commission consider the potential issues that may arise from expanding DGR status to a larger range of policy advocacy organisations. The final report should include more pre-emptive discussion and any consequential recommendations relating to disqualifying purposes, public benefit, or other areas of law that may become more contested if the recommendations are adopted.

Thank you once again for the opportunity to contribute to this important discussion.

Regards,
Mitchell Laughlin