

Dear Productivity Commission Philanthropy Inquiry,

As a young Australian I am very aware of the numerous challenges our society is facing, both nationally and globally, causing enormous suffering in the present and threatening our future. Whilst solving these problems would be of tremendous benefit to society, in many cases they are not being tackled by governments or for-profit organisations due to politics or because the benefits are distributed and do not generate profit. Thus it is imperative that we have a strong for-purpose sector to take on these issues. For this reason I am an active member in the Effective Altruism community and frequently donate to charity and advocate relevant policy change.

I previously submitted a response to the initial call for submissions last year, focusing on the importance of expanding Deductible Gift Recipient (DGR) status to include a broader range of impactful causes, particularly preventing animal suffering and catastrophic risks. I commend the effort put into the draft report and was delighted to see the Commission's agreement on expanding DGR status to encompass a wider range of charities working on animal welfare and catastrophic risks. However, I am concerned that powerful organisations with vested interests may attempt to halt this progressive change or exploit any ambiguities in the draft report to prevent its implementation. I also request that the Commission reconsider its assessment on the viability of impact evaluation.

Impact Evaluation

In the discussion of impact evaluation in response to terms of reference 3.ii, I was somewhat disappointed by the Commission's response. Terms of reference 3.ii does not ask the Productivity Commission to narrowly consider “mandating standardised measures or metrics of charity effectiveness” (page 30). I believe the objective could be more realistic and better aligned with the terms of reference. Proven overseas charity evaluators operate with opt-in models, working collaboratively to understand the theory of change and determine what evidence is relevant and how best to collect and evaluate it.

The report rightly identifies a market failure in charity, where the donor is often disconnected from the beneficiary. Additionally, the government has a vested interest in ensuring it achieves value for money for its subsidy and that charities deliver the greatest net benefit. The case for government involvement in impact evaluation is, therefore, strong. However, I feel that the bar for impact evaluation set on page 30 and in finding 9.1 of the draft report is unnecessarily high. There are viable alternatives that do not require mandating standardised measures across all charities.

A key insight that should guide both donors and the government is that highly impactful interventions can often do 10 or 100 times more than average interventions. Unfortunately, research indicates the average donor thinks that impactful charitable programs are only 1.5 times better than average programs.

This disparity is far wider than in typical markets, and it is vital that we address it. It would be inconceivable that two different cars or computers could offer orders of magnitude different performance at the same price. Yet this is normal in the for-purpose sector.

I recommend that the Commission review the following resources for a deeper understanding:

- “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 highlight the necessity for both donors and the government to focus on achieving the most significant net benefit. Given that donors and charities often lack the skills or incentives to prioritise impact, the government must step in to ensure it gets value for money.

I understand the concerns raised in the draft report about practicality, cost, and unintended consequences. However, I believe Australia can navigate these concerns by learning from overseas charity evaluators and setting more realistic targets. I propose several ideas that could increase the sector's net benefit without undue costs or risks:

- Address the skills gap by providing charities with guidance and toolkits on developing their theory of change, collecting evidence, and conducting evaluations. Government could pilot approaches to this end, similar to how it provides this internally through the Office of Impact Analysis and the Australian Centre of Evaluation.
- Rather than “mandating standardised measures or metrics of charity effectiveness”, provide opt-in measures that suit participating organisations. The government would be actively involved in impact evaluation, but the goal would be an incremental approach to encouraging impact thinking across the sector.
- The draft report mentions on page 295 that donors currently have the option to obtain information on effectiveness from non-governmental sources such as The Life You Can Save and GiveWell. It is important to highlight that neither evaluator has evaluated any Australian charity to date. In contrast to the conclusions drawn in the draft report, these observations actually indicate that donors face challenges in accessing effectiveness information about charities operating in Australia, and the existing incentive structure is inadequate to foster the generation of such information. The Government should offer grants to organisations that can conduct impact assessments of services delivered in Australia. This would attract overseas charity evaluators and encourage Australian ones to work on domestic charities.

DGR for Animal Advocacy

I strongly support the draft report's finding that the current DRG system requires reform and should be replaced by a simpler system that yields fairer and consistent outcomes (Draft recommendation 6.1). I am particularly supportive of the proposal to expand 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 means that many charities doing important policy and advocacy work to improve animal welfare on a large scale have been unable to garner significant donations or apply for grants where DGR status is required.

By removing the barriers currently faced by many animal charities, we can ensure that all donors to this cause are supported in their charitable giving, rather than being disadvantaged for prioritising preventative activities over the immediate needs of animals in care. Levelling the playing field for animal charities will help channel more funding towards high-impact activities aimed at improving the lives of millions of animals in currently underfunded areas such as farmed animals, aquatic animals, wildlife, and animals used in research.

DGR for Policy Research, Development and Engagement

Another of the highlights for me in the draft report was the expansion of DGR status for policy advocacy. This expansion of DGR to include advocacy activities is a welcome development. Engaging with policy advocacy charities has deepened my participation in democratic processes, empowering me on a range of topics, including efforts to prevent global catastrophes and promote animal welfare. I believe that granting DGR status to these organisations will enhance the ecosystem

of for-purpose organisations and support government and societal efforts to address these critical issues.

However, I would like the Commission to include a minor clarification for the final report. The proposed expansion of DGR should not be limited to advocacy activities, but also extend to encompass surrounding and supporting work. The draft report seems to overly focus on advocacy and neglects associated works, such as policy development and community engagement. Advocacy charities often conduct a range of supporting work, including developing policies they advocate for. This supporting work is critical to the success of advocacy efforts and should be recognised for DGR status.

DGR for Public Interest Journalism

I am particularly pleased to see the recommendation to extend DGR status to include public interest journalism. Public interest journalism is a vital public good. Yet, I believe the final report needs to provide a more detailed justification for this expansion of DGR status. A comprehensive justification will facilitate a better understanding of the argument's merit and increase its chances of successful implementation.

Public interest journalism plays a pivotal role in fostering a healthy democracy by providing accurate, reliable and independent information to the public. This enables citizens to make informed decisions, hold institutions accountable and actively participate in democratic processes. Public interest journalists serve as watchdogs, investigating and revealing corruption or wrongdoing in society, thereby enhancing transparency, accountability and the overall functioning of a democratic society.

Often, public interest journalism brings attention to marginalised communities or neglected issues that might not receive adequate coverage from commercial media outlets. This helps to address social inequalities and promote fairness. Journalists focusing on matters of public interest frequently challenge powerful individuals and institutions. Preserving their autonomy by means of charitable status can serve to protect freedom of expression and guarantee the amplification of diverse perspectives.

Given the potential opposition from powerful interests, it would be beneficial if the final report included a clear statement on why public interest journalism should be eligible for DGR status. A clear definition of public interest journalism would also be helpful in creating a new category of charity, as proposed in the Public Interest Journalism Initiative (PIJI) submission (submission 192).

Conclusion

In conclusion, the draft report demonstrates commendable progress in recognising the need for charity law reform, particularly in expanding DGR status for impactful causes such as animal welfare, policy advocacy, and public interest journalism. I encourage the Commission to make explicit the need for DGR status to include policy development and engagement, as well as providing a more detailed argument for DGR status for public interest journalism so that it cannot be easily dismissed by those in positions of power who fear increased accountability. Lastly, I recommend a more pragmatic opt-in approach to impact evaluation, incorporating lessons from successful overseas models providing tailored evaluations. The proposed reforms have the potential to create a fairer and more inclusive charitable landscape, fostering innovation and addressing pressing societal issues.

Kind regards,
Ethan Watkins