



Submission on Tax Deductible Gift Recipient Reform Opportunities Discussion Paper June 2017

Introduction

We appreciate the opportunity to contribute to the discussions on opportunities to reform Deductible Gift Recipient (DGR) status.

As a general principle, we support the efforts to identify and remove unnecessary inefficiencies in any administration or assessment process within the broader charities sector. We also support efforts to hold charities to an appropriately high standard those charities who as part of their purposes are interacting with and represent the interest of individuals who are marginalised, vulnerable or experiencing poverty.

We would like to specifically comment on:

- a. Recognising the importance of the Overseas Aid Gift Deductible Scheme (OAGDS) in maintaining standards and managing risks inherent in conducting international aid and development programs; and
- b. Discussion question 7, "What are the stakeholders' views on the proposal to transfer the administration of the four DGR Registers to the ATO? Are there any specific issues that need consideration?"

About ACCIR

ACC International Relief (ACCIR) is an Australian based International NGO which operates development and humanitarian response projects in 22 different countries. ACCIR is an ACFID member organisation and operates an Overseas Aid Fund under the Overseas Aid and Gift Deduction Scheme (OAGDS).

One of ACCIR's core thematic areas is care reform/deinstitutionalisation, which comes under ACCIR's Kinnected Program. Kinnected seeks to reduce the overuse of residential care in low and middle income countries and ensure that children's right to be raised in a family and connected to a community is respected and realised. ACCIR has Kinnected programs in 11 countries and engages in extensive donor education and advocacy work, both in Australia and globally.

ACCIR has provided technical support to over 60 residential care institutions in various countries. Through this aspect of our work that we have become aware of countless situations in which Australian run and funded overseas programs are institutionalising children in contravention to international child rights law and causing significant harm. This is largely due to a lack of awareness of and poor adherence to programmatic standards, best practice and the human rights based approach to development. In more extreme cases, Australian charities are encouraging and directly contributing towards the trafficking of children into institutional care for financial profit.

ACCIR's experience has highlighted the critical need to ensure the Australian charities sector is held accountable to high standards of practice in all areas, including the design and delivery of their overseas aid activities. This is particularly important due to the underdeveloped regulatory frameworks in many low and middle income countries where Australian charities implement development activities.



Importance of OAGDS

Under the OAGDS, there are four criteria that an organisation must demonstrate that they meet in order to be recommended as an approved organisation. These criteria cover the aid activities delivered, the capacity of the organisation to deliver the activities, principle of partnership and the organisation having appropriate safeguards to manage the risks associated with child protection and terrorism.

The OAGDS Frequently Asked Questions document further states that:

*...OAGDS seeks to ensure that organisation applying for OAGDS have good governance structures in place and a **high standard of international development practice**, based on their track record'.¹*

The OAGDS provides an important check on standards and ethics for overseas aid and development work, and provides an important risk management framework for the Government and Australian charities. Like the ACFID Code of Conduct, it has been developed by highly experienced practitioners working in international settings. There are real and significant risks to working in every developing country, which is why it is essential that we ensure all agencies involved in international aid and development work continue to meet agreed standards.

Most importantly, these standards help to protect the people whom Australians seek to assist through humanitarian and international development work, including the protection of children.

The effectiveness of having these checks and standards in place should not be lost in the pursuit of efficiency.

Response to Discussion Question 7

In regards to discussion question 7, being the proposal to move all four DGR Register's under the ATO, we have a number of strong concerns from the OAGDS perspective.

- a. The proposal makes no mention of the types of **risks inherent to international development** or to how **a high standard of international development practice could be maintained**;
- b. The proposal does not address the implications for the assessment of eligibility under the OAGDS criteria;
- c. The ATO does not have staff with the technical expertise to assess international development standards or to proactively manage risks, such as child protection overseas;
- d. Neither the ATO or the ACNC have the capacity or mandate to maintain these international development standards;
- e. There is no evidence of the diminishing relevance or importance of these high standards of international development;
- f. DFAT currently has a team of development qualified staff who already works with Australia's Aid partners to maintain these high standards and manage risk.

¹ DFAT 2016, Overseas Aid Deduction Scheme: Frequently asked questions, p. 2, February 2016.



The required expertise and mandate to monitor and assess international development standards and manage the associated risks on behalf of Australia's overseas aid programs rests with DFAT, and we would have serious concerns for the quality of the OADGS program if its administration was moved from DFAT to the ATO.

The specific issues of maintaining **high standard of international development practice and addressing risks inherent to international development** must be addressed in consultation with the sector.

Recommendations

We support the recommendation made by our ACFID as our peak body.

We strongly recommend that: the current standards for assessing eligibility for OAGDS are maintained with DFAT until an alternative model—with sufficient detail as to how it will manage risks, maintain standards and hold charities accountable to the standards—is prepared and consulted on with the relevant sectors.²

We recommend that: process efficiencies in the assessment and sign-off processes of OAGDS are sought to support eligible charities to be better able to access the OAGDS regime, where the eligibility criteria are met, as well as to manage DFAT's workload.³

We would be happy to provide additional clarity on anything contained in this submission. Follow up requests can be directed to:

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Yours respectfully,

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² ACFID Submission on Tax Deductible Gift Recipient Reform Opportunities Discussion Paper June 2017, Recommendation 1a

³ ACFID Submission on Tax Deductible Gift Recipient Reform Opportunities Discussion Paper June 2017, Recommendation 1b