



REPORT

GIVIT: value through coordination

*Prepared for
GIVIT*

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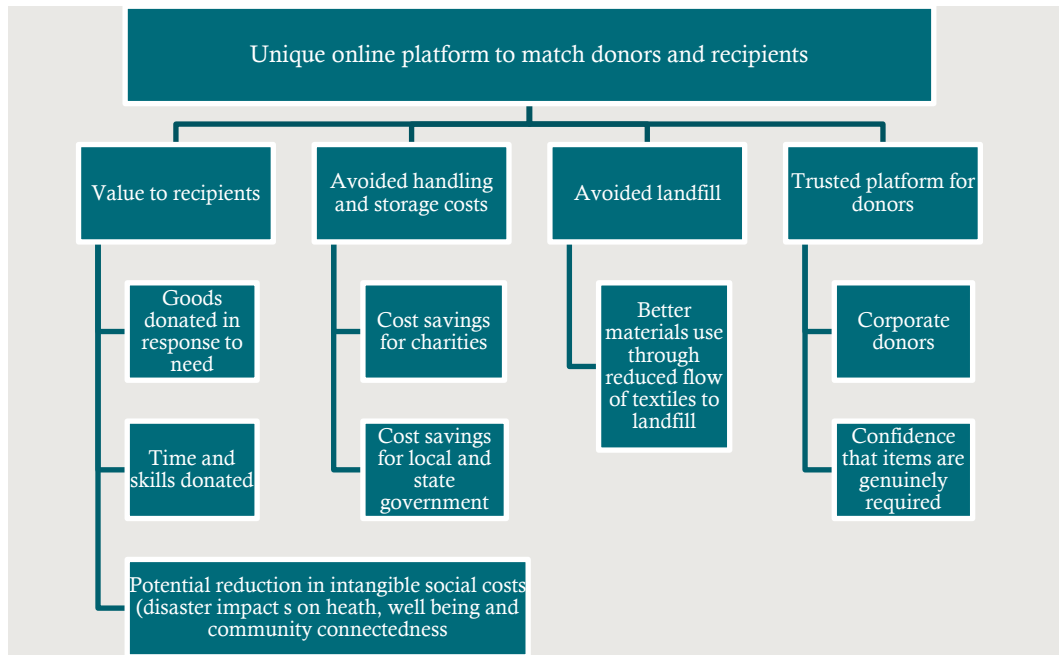
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Summary

Value through coordination

- In essence, GIVIT generates a range of values through its unique approach to the coordination of donation efforts.
- Four key features of GIVIT are particularly important:
 - First, GIVIT has developed a unique online platform which links donors and recipients to ensure that donated goods will be valued by recipients as they are provided in response to an actual need. This solves a major coordination problem, particularly in disaster response and recovery.
 - Second, GIVIT works with on the ground, local charities, councils and relevant groups. This ensures that local knowledge forms part of responding to needs.
 - Third, GIVIT's platform includes a virtual warehouse whereby goods stay with donors until they recipients are ready to use them. This has the potential to eliminate the potentially substantive costs that plague the management of donated goods.
 - Fourth, GIVIT ensures that all donated goods are used for recipients and not sold to fund ongoing operations. This has potential to create trust with donors. This combined with other features noted above means that GIVIT is a trusted platform for both household and corporate donors.
- Chart 1 summarises the key pathways through which GIVIT is able to generate value.

1 The value of GIVIT arises through a number of channels



Data source: CIE

Solving coordination and knowledge problems

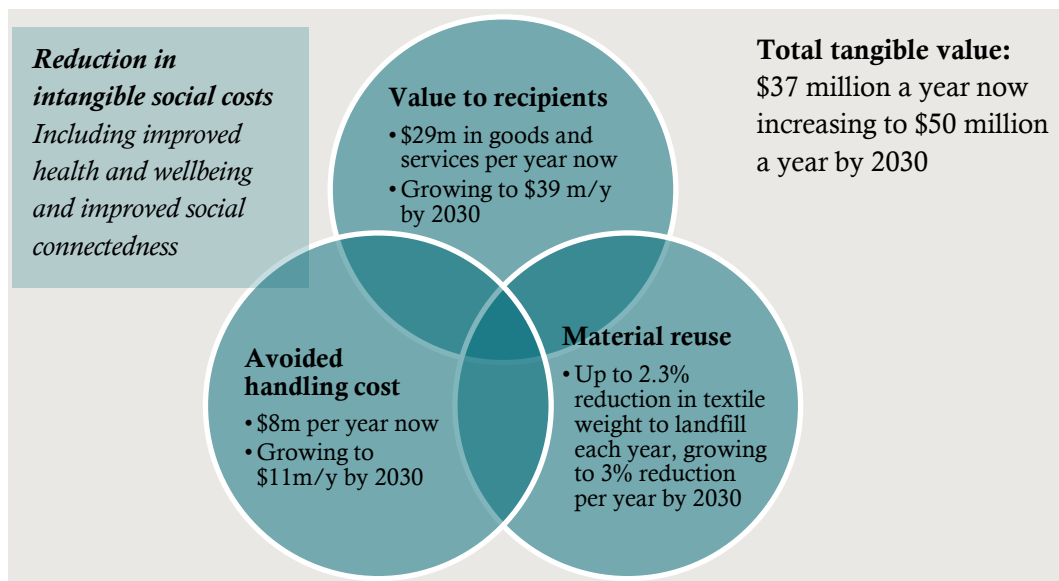
- Numerous reviews of disaster management (reflected and summarised in the recent final report of *The Royal Commission into National Natural Disaster Arrangements*) have noted the importance of communication and coordination in the response and recovery phases of a disaster.
- Communications are crucial because of a key knowledge problem of disaster response: the needs of those affected are not ‘centrally’ known. Rather, they emerge from the individual experiences of the families, households and businesses in the affected area. Needs, particularly in terms of essential goods, can only be assessed ‘on the ground’.
- In the past, a key challenge in the donation of goods has been the unsuitability of many of the items donated and the large costs in storing them. This has led to a strong official preference for donation of cash (as reflected, for example, in the 2011 *National guidelines for managing donated goods* prepared by the Attorney General’s Department).

The value of coordination of donated goods and funds

- The value of coordination arises through both tangible (able to be quantified) and intangible benefits.
 - Intangible benefits include the potential reduction in a variety of social costs which emerge following disasters including in health, wellbeing and community connectedness.

- Using a number of data sources, it is possible to estimate the tangible value of the coordination provided by GIVIT in terms of
 - The value of the goods and services donated themselves.
 - The avoided costs of handling donated goods through use of the online platform
 - Avoided landfill quantities.
- These benefits are summarised in chart 2.

2 Summary of the value of GIVIT

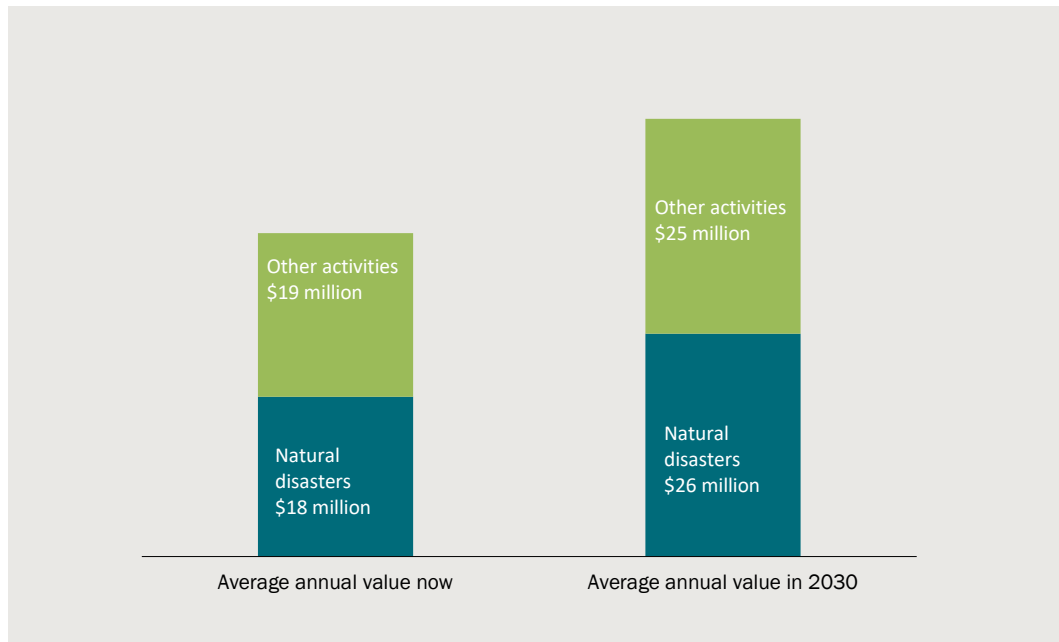


Data source: CIE

Benefits by source of activity

- Chart 3 breaks down these benefits into two major categories of activity: natural disaster responses and other general hardship responses.
 - Currently, benefits are equally divided between disaster and other activities
 - By 2030, natural disasters are expected to be slightly larger.

3 Summary of tangible benefits by activity type

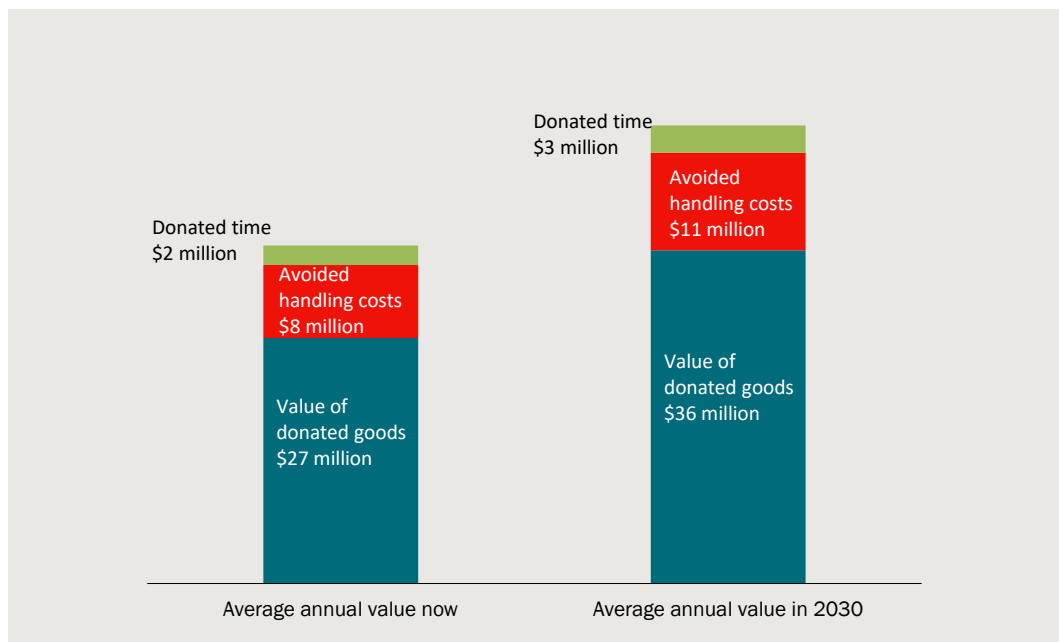


Data source: CIE estimates

Benefits by type

- Chart 4 divides total benefits (across both categories) into the three main types of benefit (the value of donated goods, avoided handling costs and the value of donated time).

4 Summary of tangible benefits by type



Data source: CIE estimates

Benefits compared with costs

- GIVIT's current operational costs are around \$3 million per year.
- With benefits of \$37 million a year, this implies a benefit-cost ratio of GIVIT's activities of around 12:1.
 - By most standards, this is a very healthy benefit cost ratio.
- Incremental funding to help GIVIT to achieve expected 2030 benefits of \$50 million could be expected to achieve a similar, or higher, benefit-cost ratio.

These benefits will grow over time

- Each of the chart above show growth in benefits from the average annual now to average annual results in 2030.
- There are two reasons for this growth
 - First, the underlying need is expected to grow along with growth in population and the expected growth in natural disasters.
 - Second, it is anticipated that GIVIT's platform will continue to expand, leading to an increase in its reach for a given set of needs.

These benefits require advanced planning

- Because charitable responses to disasters are so rapid (often within 24 hours) there is little time in the course of a disaster to arrange coordination arrangements and to provide messages to donors about the best way to donate.
- Rather, the most effective response is to have a plan already in place.
- This means that States need to establish well in advance of any disaster how charitable responses will be coordinated.
- The different responses of Queensland and NSW to the recent flood events illustrates the advantage of advanced planning.

1 *GIVIT: value through coordination*

GIVIT is a donation coordination agency which through a unique online platform and a close relationship with individual charities is able to ensure that donations arising through the generosity of Australians meet a real need.

The simplest way to summarise GIVIT's activities is to say GIVIT *generates value through coordination*.

Of course, this value is in the context of very negative circumstances; disasters and other forms of human difficulty.

In responding to demand for assistance, particularly in the context of natural disasters but also in response to other forms of hardship, this value is generated by four key features of GIVIT's operations.

- First, GIVIT has an online platform to link the donors and recipients to ensure that the donation of goods will be valued by recipients. This solves a major coordination problem in disaster response and recovery.
- Second, GIVIT works with on the ground, local charities, councils and other relevant stakeholders. This ensures that local knowledge forms part of responding to needs.
- Third, GIVIT's platform includes a virtual warehouse whereby goods stay with donors until they can actually be used. This has the potential to eliminate costs that often plague the management of donated goods.
- Fourth, GIVIT ensures that all donations are used for recipients and not to fund ongoing operations. This has potential to create trust with donors.

Goods donation is a typical part of Australian responses to natural disasters

It is a feature of almost all natural disasters in Australia that one of the most immediate responses from the wider community — often spontaneously and uncoordinated — is to donate a wide variety of goods, all intended in some way to alleviate the suffering of victims (who are intended to be donation recipients).

The strength of this response can be seen in the 2022 floods in Lismore (NSW). Donated goods were arriving at an evacuation centre within 24 hours of the flood — indeed before the flooding event was over or the full emergency response was complete.

This rapid response, along with other uncoordinated donation efforts, imposed a major cost on local agencies. In effect, resources were diverted to manage the flow of goods to be physically handled from other activities that were potentially more valuable.

The challenge of donated goods is such a common feature of disasters that many relief agencies and charities strongly discourage such donations, and donated goods are officially discouraged in disaster response guidelines.

The donated goods coordination paradox

When donated goods are coordinated, they generate value, potentially very large value.

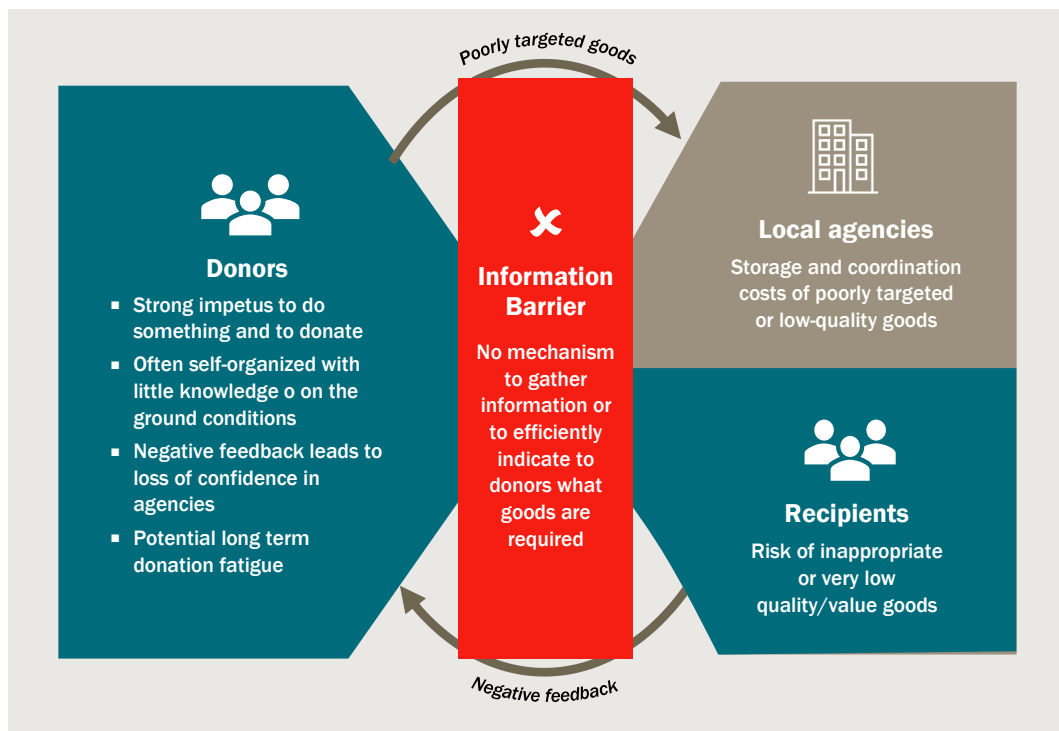
When donated goods are not coordinated, they generate costs — potentially significant costs which are incurred at a time when communities and agencies find these costs harder to bear.

Poor coordination leads to a negative spiral where recipients are frustrated, and donors receive negative stories. A potential long-term cost of this is donor fatigue or even indifference.

GIVIT: removing an information barrier

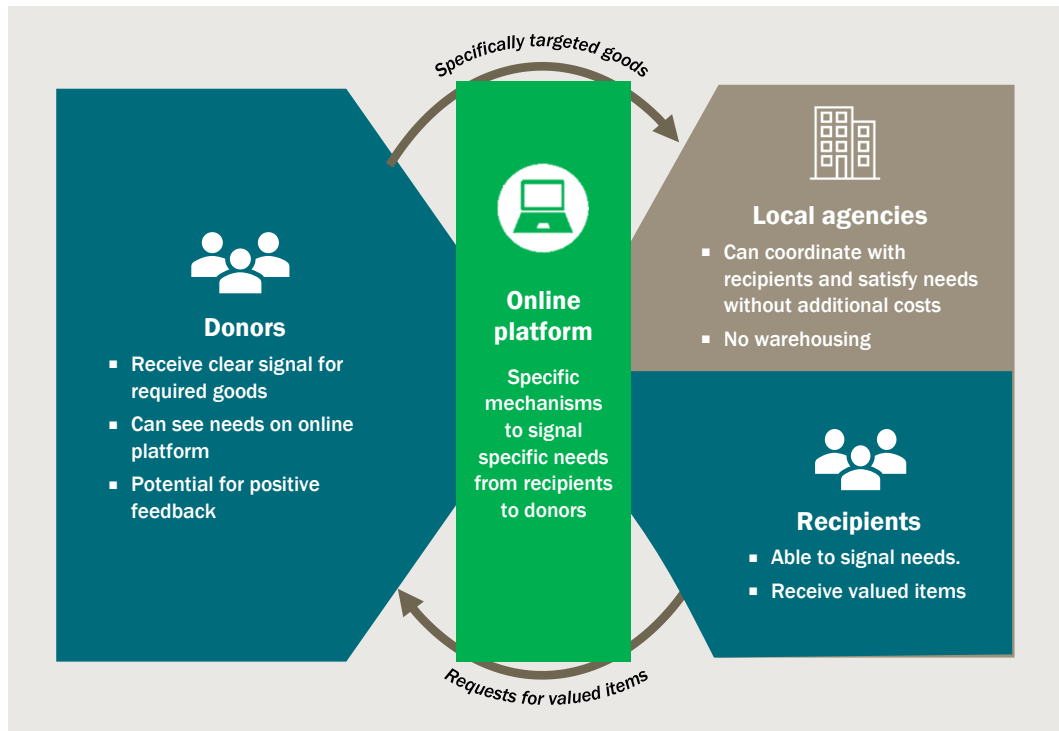
GIVIT's operations can be seen as removing an information barrier, going from a negative cycle of unwanted and costly goods (chart 1.1) to one of positive reinforcement for effective giving (chart 1.2).

1.1 Barriers to effective goods donation



Source: CIE

1.2 GIVITs platform eliminates information barriers



Source: CIE

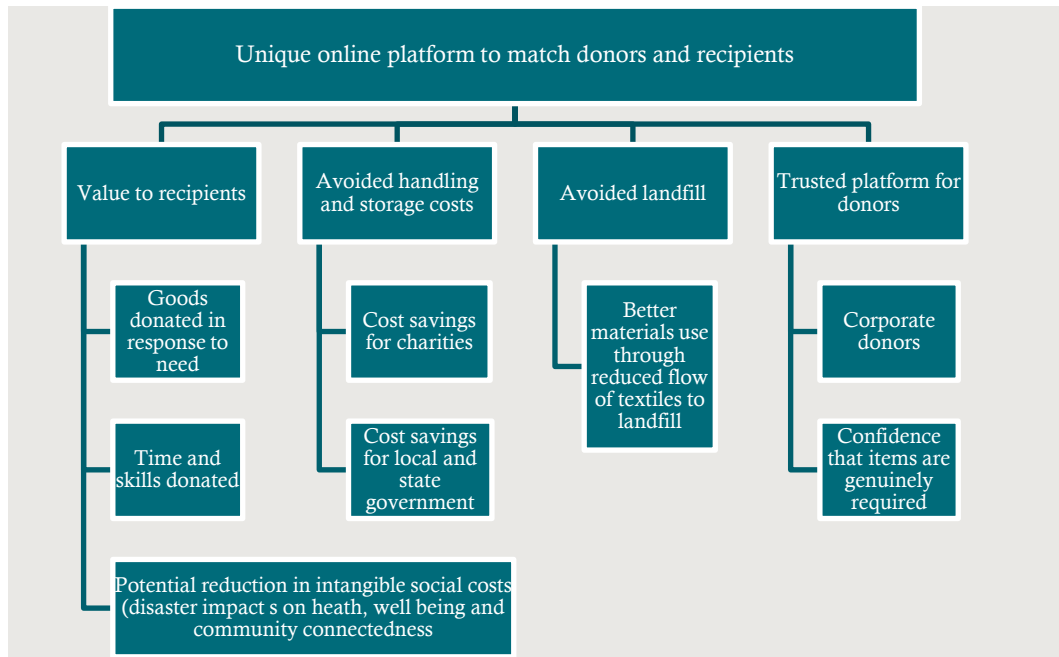
Overall value of GIVITs activities

GIVIT's unique approach and the use of the online coordination platform creates a series of pathways of benefit which effectively generate value by allowing the advantages of well targeted goods (along with donated time and expertise) to accrue to recipients in their time of need.

At the same time, the coordination costs of donated goods are avoided both through the coordination and as a result of the fact that the donated goods are not centrally stored and are only shipped when needed, or when they can effectively be used.

Chart 1.3 illustrates these pathways of benefit.

1.3 Pathways to benefits from GIVIT



Data source: CIE

One way to think about the value of GIVIT’s operations is to compare the world ‘with’ and ‘without’ GIVIT’s operations. This is done in table 1.4 which illustrates how the benefit from GIVIT can arise in terms of value to recipients and in terms of avoided handling costs.

1.4 Estimating value from GIVIT’s operations

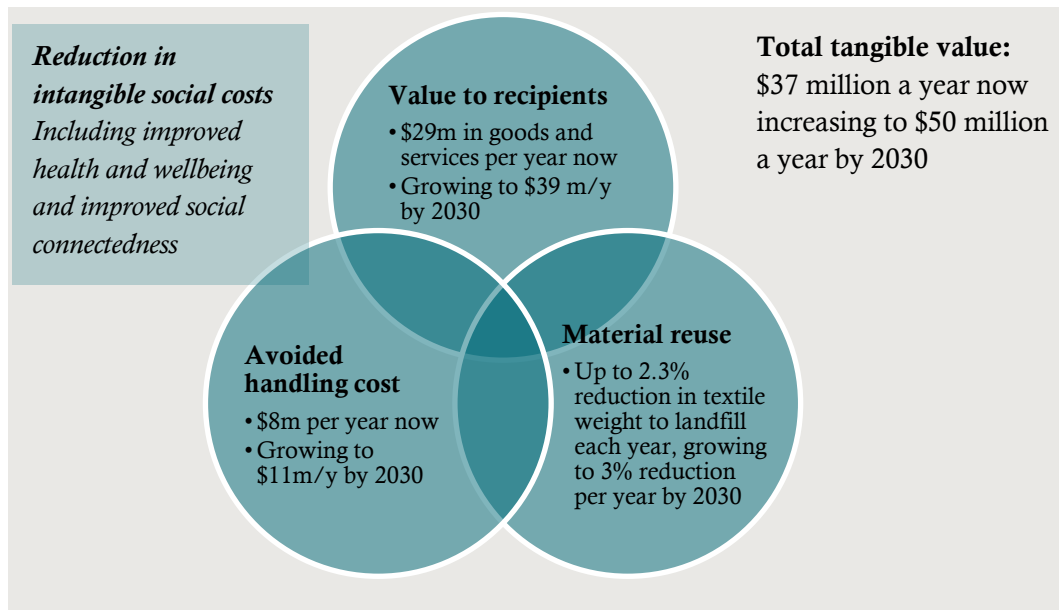
Item	Without GIVIT	With GIVIT	Difference
Value to recipients	Relatively low given lack of targeting. Uncoordinated donates usually found to be unsuitable or very poorly suited to actual needs	Higher value targeted items designed for needs of recipients,	GIVIT results in increase in value to recipients as measured by the replacement cost of goods relative to value of second-hand goods
Handling, storage and management costs	Substantial handling and storage costs, particularly at a time when local agencies are least able to cope	Zero or minimal storage and handling costs. Items are not delivered until needed and no handling by agencies is required.	GIVIT generates value by eliminating the handling and management costs that would otherwise be incurred.
Implications for landfill	Substantial risk of items ending up in landfill as seen in many cases in recent natural disasters	Zero or minimal diversion to landfill.	GIVIT generates value by avoiding the cost of landfill and contributes to better material usage.

Source: CIE

Chart 1.5 illustrates the total value of benefits estimated in line with table 1.4. Overall, GIVIT generates benefits of \$37 million a year, made up of \$29 million a year in donated goods and services, and \$8 million a year in avoided handling costs.

These values are expected to grow over time — in line with population growth, expected increases in natural disasters and the continued expansion of GIVIT’s platform. By 2030 annual benefits are expected to be \$50 million a year, made up of \$39 million a year in goods and services donations and \$11 million a year in avoided handling costs.

1.5 Summary of benefits



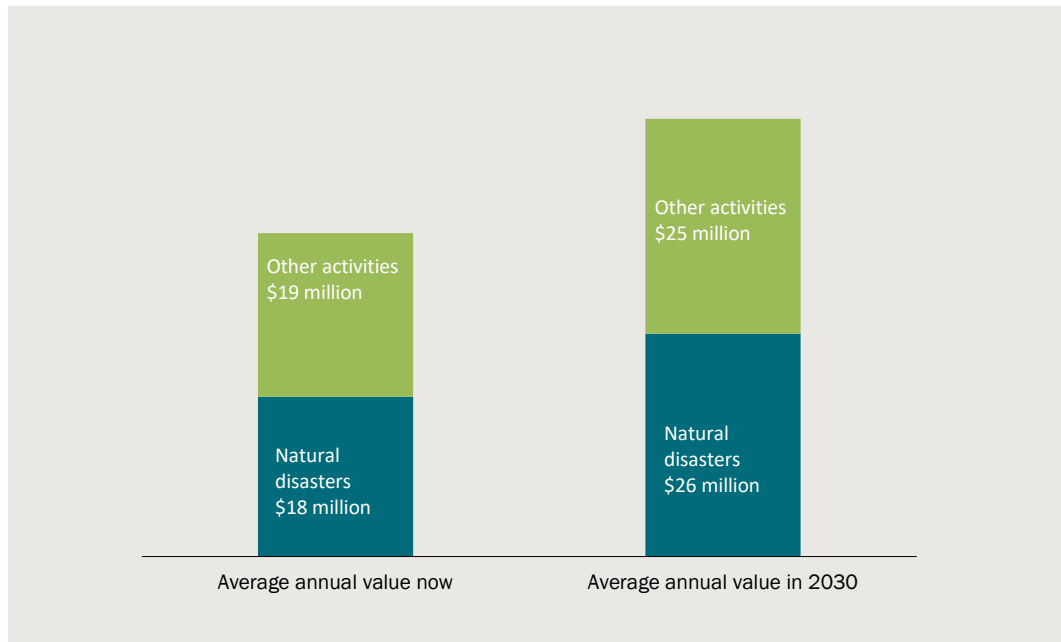
Data source: CIE

Chart 1.6 splits this total value into two broad components:

- Natural disasters (which includes flood, bushfires and storms as well as COVID); and
- Other donation activities which includes response to various forms of hardship (such as domestic and family violence, economic hardship, homelessness and so on).

These two broad activity areas are roughly of equal value currently, although the average annual value of natural disasters are expected to grow more rapidly by 2030.

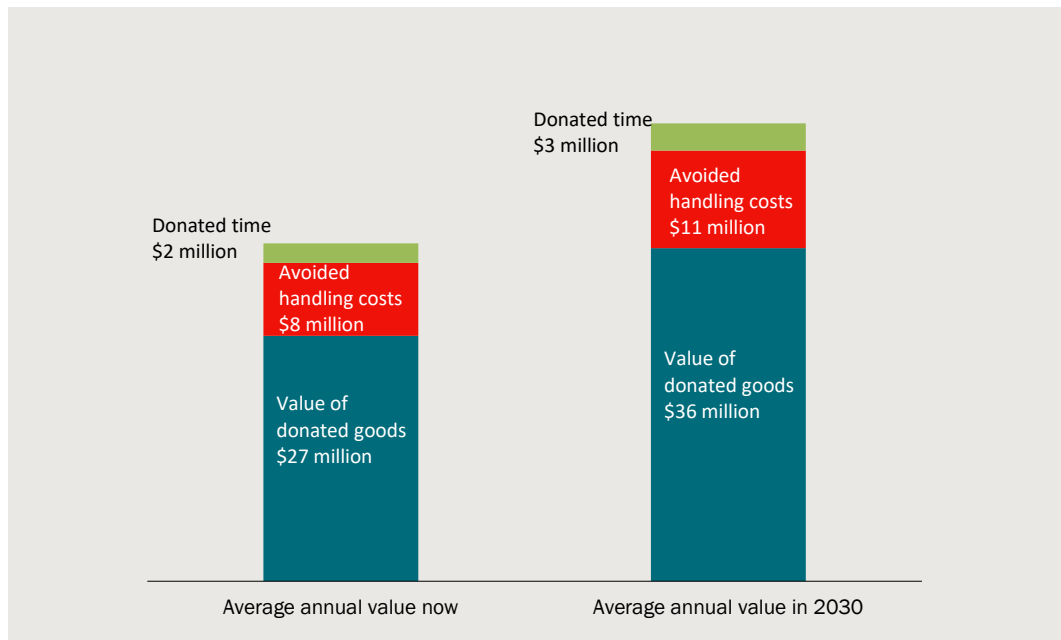
1.6 The value of GIVIT's activities by broad area



Data source: CIE estimates

Chart 1.7 divides GIVIT's value into three broad types: the value of donated goods, the value of donated time and avoided handling costs.

1.7 GIVIT value by type



Data source: CIE estimates based on GIVIT data

A note on 'average annual' values

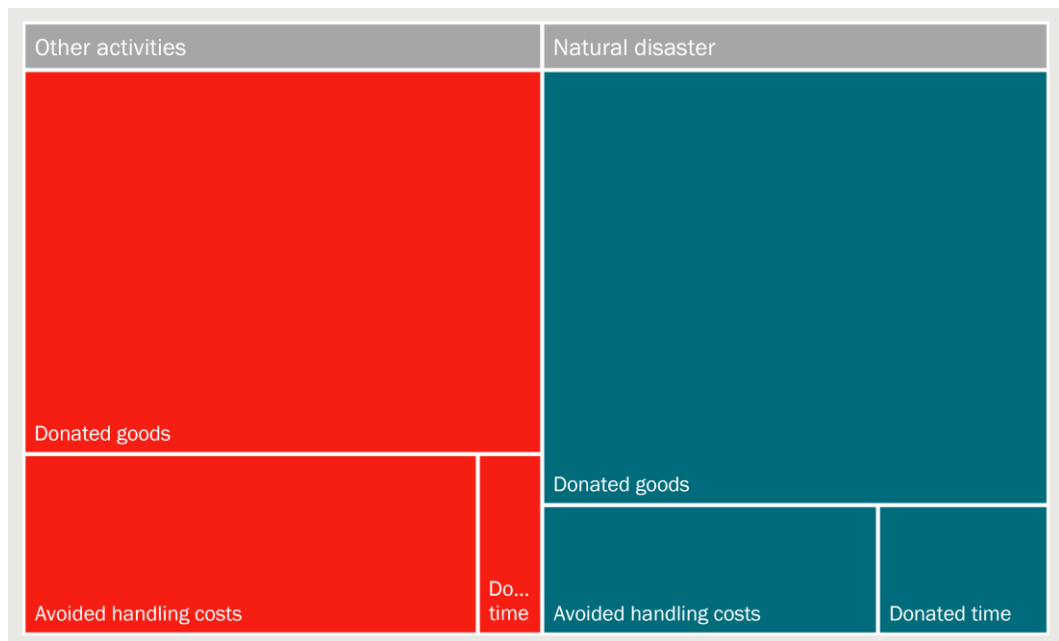
Charity demands, particularly from natural disasters, are not uniform over time. Natural disasters, while regular, have varying frequencies.

All the estimates presented here are based on average annual values. The current estimates refer to average annual values over the past two years. The future estimates refer to an expected average annual value by applying growth factors to the current estimate. Future estimates are not a forecast, but are designed to be a reasonable average annual expectation given historical disaster frequencies.

Relative magnitude of benefits across categories and time

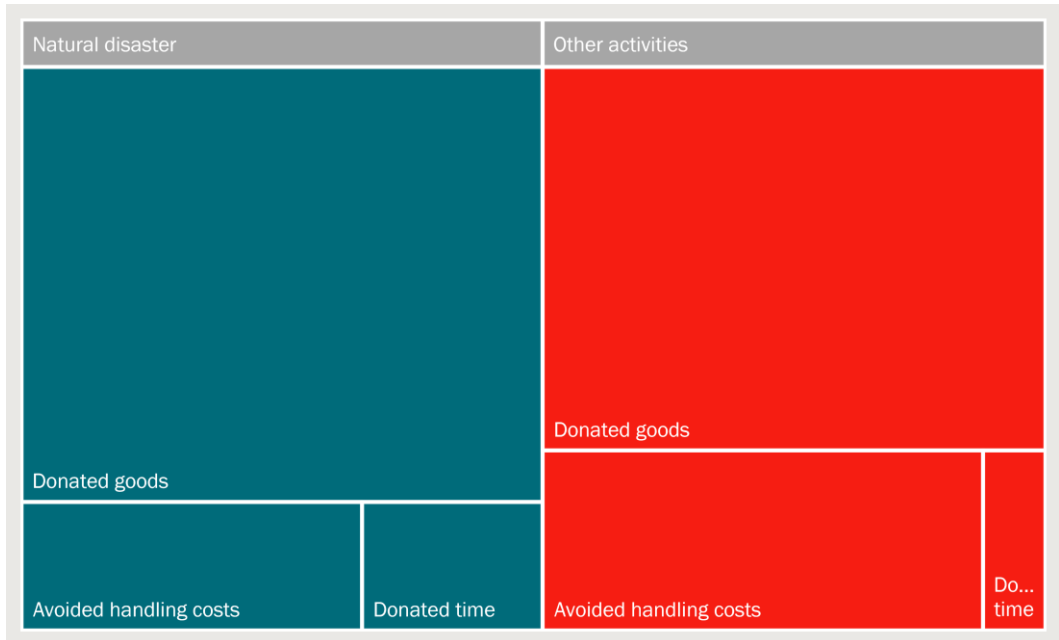
Charts 1.8 and 1.9 present this data in an alternate form showing the relative magnitude of the various components currently and projected by 2030.

1.8 Comparison of benefit categories: current



Data source: CIE estimates

1.9 Comparison of benefit categories 2030



Data source: CIE estimates

2 *Value to recipients*

Valuing donated items

There is a long history of unwanted goods appearing in disaster areas, sometimes very quickly after the disaster occurs. While these donations reflect generosity and a need to ‘do something’, an unintended consequence is that in many cases donated items are not useful or are not valued by recipients.

This reflects a fundamental information gap; donors are only dimly aware of the situation on the ground and have no straightforward way of obtaining detailed information about needs.

GIVIT’s donation platform, and the underlying relationship with local charities, fundamentally changes this dynamic. It reverses the lack of value in donated goods and generates a positive value for recipients.

Goods donated via the platform are in response to a need evaluated at the ground level through the involvement of recipients themselves as well as local charities. This means that donated items will be very high value.

The dollar value of the gain to recipients is an effective increase in income equal to the opportunity cost of the items that are donated (that is, the cost of replacing these items by other means).

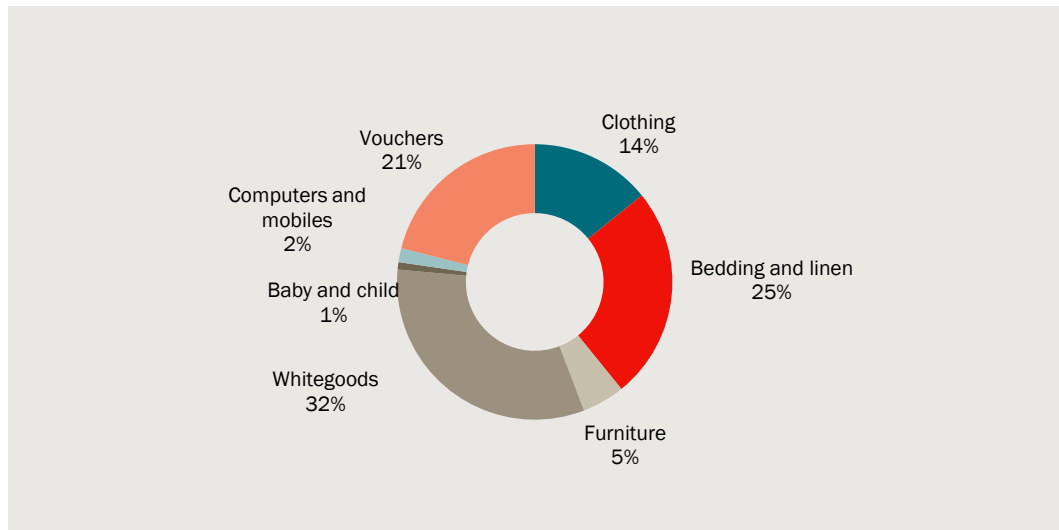
- Some donations provided to the recipients are in the form of vouchers which also reflect an effective increase in income and can be directly valued at the voucher face value.
- In addition, some donations are in the form of time and expertise — offerings of services to undertake particular tasks such as repair and damage clean up. Details on the valuation of these is set out further below

Diversity of donated goods

The responsiveness of GIVIT to differing demands in different settings can be seen by looking at the broad composition of donations under different circumstances.

Chart 2.1 shows the composition of donated items in response to needs identified in flooding disasters over the past two years. White goods and bedding and linen are key items, with clothing and vouchers following after that.

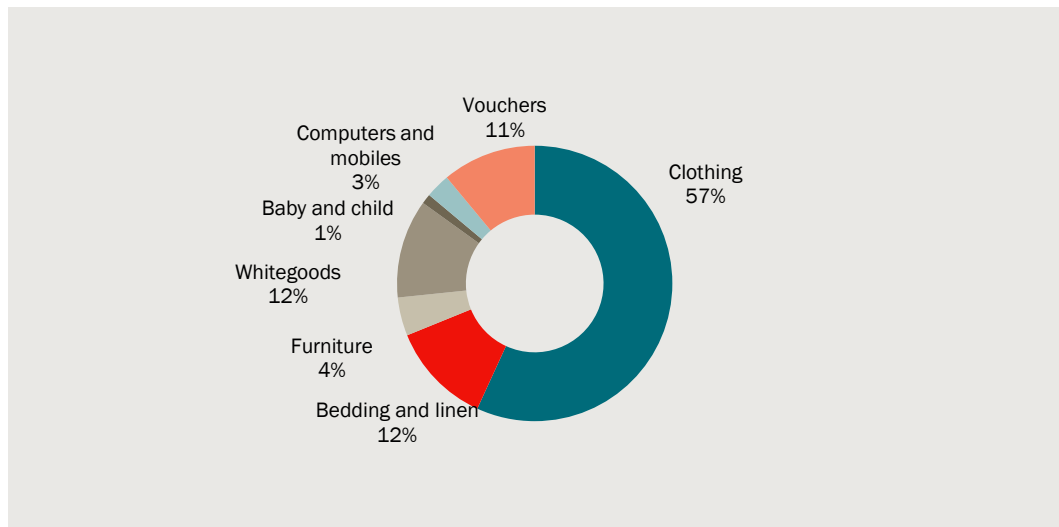
2.1 Composition of donations: flooding response (share of value)



Data source: CIE estimates based on GIVIT database

This contrasts with items donated for all of GIVIT's activities (chart 2.2). Across all activities, clothing is the most important item, followed by whitegoods and bedding. Vouchers are less important across all activities compared with the specific needs for flooding.

2.2 Composition of donations: all activities (share of value)



Data source: CIE estimates based on GIVIT database

Valuing donations of time and skills

Donations on the GIVIT platform also include donations of time and skills. The value of this is harder calculate as there is no direct market price for comparison.

To estimate the amount of time associated with items in the GIVIT database, we note that on average, individuals who donate time donate 25 hours per month¹. We assume that each time donation item on the GIVIT platform represents 3 months of time (75 hours), which is a reasonable time frame to consider an initial response to a disaster.

We value this time in line with the practice adopted in the State of Volunteering Report, which is to use an hourly rate based on average weekly earnings², plus 15 per cent in additional on-costs.

Projecting growth over time

The average annual value that GIVIT is able to provide to recipients is expected to increase over time. The source of this increase has three key components.

First, general demand for charity services is expected to increase as the population growth. To estimate this component we have used Australia Bureau of Statistics population projections³.

Second, the cost of natural disasters themselves is expected to increase over time. To estimate this component of growth we have used estimates provided in chapter 2 of the Royal Commission into Natural Disaster Arrangements⁴.

Third, benefits provided by GIVIT are expected to increase over time as GIVIT's platform itself expands. To estimate the effect of this component of growth we have divided GIVIT's past growth (using donated items as a measure) into demand and supply components and used this to project forward.

Chart 2.3 illustrates projected growth divided into growth and platform expansion components.

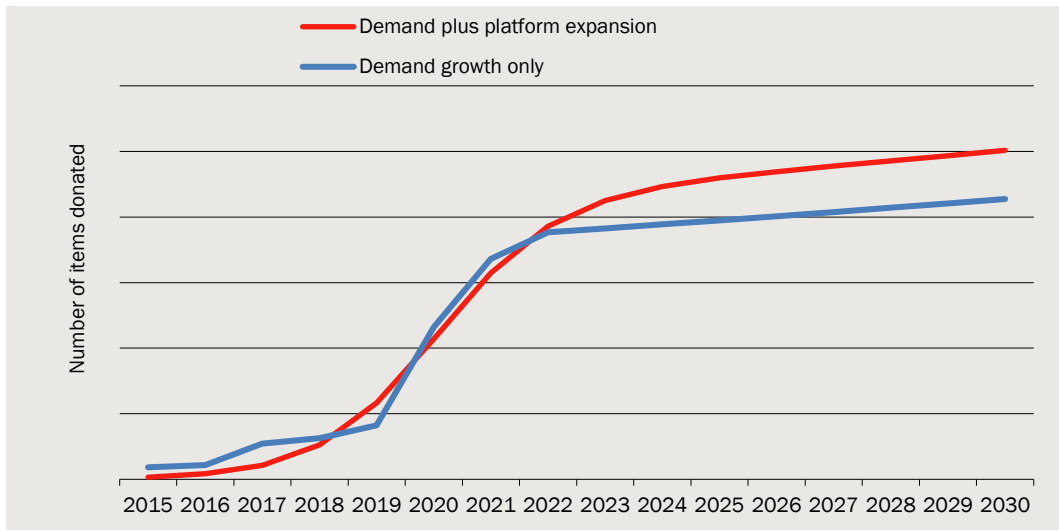
¹ See NSW *State of Volunteering Report*, <https://www.volunteering.com.au/wp-content/uploads/2021/07/NSW%20State%20of%20Volunteering%20Report.pdf>.

² See Australian Bureau of Statistics, *Average Weekly Earnings*, <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release>.

³ See Australia Bureau of Statistics, *Household and Family Projections, Australia*. <https://www.abs.gov.au/statistics/people/population/household-and-family-projections-australia/2016-2041>.

⁴ <https://naturaldisaster.royalcommission.gov.au/publications/html-report/chapter-02#:~:text=Australia's%20disaster%20outlook%20is%20alarming&text=2.74%20Direct%20and%20indirect%20disaster,without%20accounting%20for%20climate%20change>.

2.3 Historical and projected growth in donated items



Data source: CIE estimates.

3 *Value for charities, councils and government*

Avoided handling and management costs

There are substantive costs associated with managing and handling donated items. The burden of this cost varies by circumstance but is initially borne by on the ground communities and local councils, with many of the costs subsequently being passed on to State and Commonwealth governments.

Handling of donated materials represents a genuine opportunity cost to local charities and communities as it results in the diversion of effort towards handling and away from other activities.

Estimating the avoided costs

To estimate the time associated with managing a particular tonnage of donated items, we use the estimates provided in a 2021 report from MRA Consulting Group⁵ which presents a survey of costs faced by charities.

To value this, we use the standard adopted by in the NSW *State of Volunteering Report* of average weekly earnings plus 15 per cent in on-costs.

Overall, this comes to a handling cost of \$12 700 per tonne of donated items. The value that GIVIT generates is equal to this amount applied to the tonnage of items delivered through GIVIT's platform.

Avoided landfill

To understand the relative magnitude of items diverted from landfill, we compared diverted tonnes (from the GIVIT database) with the flow of waste estimated in the National Clothing Product Stewardship Scheme's *Clothing Data Report*⁶. The maximum value of the avoided diversion assumes that textile products donated to GIVIT would otherwise have moved down a landfill pathway.

⁵ *Measuring the Impact of the Charitable Reuse and Recycling Sector*, <https://www.charitablerecycling.org.au/wp-content/uploads/2021/06/Charitable-Recycling-Australia-Recycled-Clothing-Impact-Assessment-240521.pdf>.

⁶ Available at: <https://drive.google.com/file/d/1KjX6pRsPI9WPjFW1ANJXz0o4XNyigoCB/view>.

4 *Advanced planning and communication key*

Challenges in dealing with donated goods have been well understood in Australia for many years. The 2011 *National Guidelines for Managing Donated Goods* set out a number of principles for managing donated goods. The GIVIT platform and overall approach satisfies all of these principles. For example:

- **Understand the needs and communicate clearly.** The GIVIT process and coordination with charities clearly provides a mechanism to understand these needs and translate them into requests to donors.
- **Establish and effective donations managements system.** The GIVIT platform clearly provides this.

There is, however, a key principle outlines in the guidelines that is not yet fully implemented:

- *‘Plan ahead — arrangements for donated goods should be encapsulated in national, state/territory and regional/local policy and planning.’*

Because charitable responses to disasters are so rapid (often within 24 hours) there is little time in the course of a disaster to set out coordination arrangements and to provide messages to donors about the best way to donate.

Rather, the most effective response is to have a plan already in place.

In the recent flood events in northern NSW and south Queensland (generated by essentially the same weather system) there was a stark difference between the preparedness in Queensland and that in NSW.

In Queensland, GIVIT has a standing arrangement with the state government to be a primary response agency. This means that within a short period consistent messages were transmitted — including by the Premier — indicating how donated goods were to be coordinated.

In contrast, in NSW there is no similar standing arrangement and there was no consistent messaging about the coordination of donated goods.