

Give third sector higher priority

Not-for-profit service providers should be involved in policymaking, writes **Peter Shergold**.

Last week I attended the launch by Tim Costello of a new organisation, the Community Council of Australia. He argued that the federal government should establish an Office of the Third Sector.

I needed no persuasion of the need for governments to recognise the increasing importance of the multifarious not-for-profit organisations (NFPs) that comprise that sector. As a seasoned but retired public servant I was less sure of whether an additional bureaucracy was the right answer. On reflection I think it is, at least in the short term. I can see no other way to give teeth to voice.

The manifold failures of the home insulation program have served to focus the public mind on the importance of the manner in which public policy is delivered. Less visible to most people is the fact that the design of program implementation has been transformed over the last 15 years.

Most public services now require contracted providers for policy execution. Often Commonwealth programs are delivered, and need to

be monitored, by State and Territory public services. Other programs, including about half of employment services, are delivered by private sector businesses. In the area of human services, delivery is mainly undertaken by not for profits which, by grant application or contract tender, win service agreements from governments.

The government has become the service purchaser, public servants have become contract managers and community organisations have taken on the role of providers. A market has been created for the delivery of public services. It is a place of opportunity and challenge.

The scale of government transformation is incredible. In January a research report was released by the Productivity Commission on the contribution of the NFP sector. It indicated that a total of \$25.5 billion of funding went to NFPs in 2006-07 (more than 150 per cent increase since 1999-2000). Most of that outlay was to buy or subsidise the delivery of public services.

As a public servant I was a strong supporter of this emerging symbiotic relationship between the public and "third" sectors. I still am. Services can be implemented more cost effectively by organisations that care about those to whom they deliver. Yet the problems of the outsourced arrangements, although less stark than those epitomised by

batts and foil, are no less challenging. NFP deliverers feel burdened by a level of bureaucratic red tape far greater than is necessary for public accountability purposes. Micromanagement of their business by public servants stifles social innovation. Funding is often inadequate. There is a danger that community organisations, in the attempt to win government business, will end up undermining their distinctive mission and values. Their advocacy voice may be self-

NFP deliverers feel burdened by a level of bureaucratic red tape far greater than is necessary.

censored by a desire not to upset the governments who fund them.

It would be wrong to over-emphasise the problems. A recent report indicated that 69 per cent of NFP organisations thought that their relationship with governments was good or excellent. Yet one does not have to attend many NFP meetings to find that there are significant tensions in their contracted relationship with public services.

Senator Ursula Stephens, as parliamentary secretary for the voluntary sector, has done a sterling job in negotiating a National Compact to govern the framework of the relationship. After 20 months

public discussion it is to be released on 17 March.

NFPs need to be engaged at a higher stage of the public policy value-chain than is generally the case today. They need to be given the opportunity to contribute to the development of policy that gives rise to programs and to negotiate the administrative guidelines under which they will be delivered.

An Office for the Third Sector, established in the Department of the Prime Minister and Cabinet, and sitting alongside the Cabinet Implementation Unit, would be able to ensure that improved contracting of government funded services will actually take place. It would recognise that Commonwealth government delivery depends as much on the expertise and commitment of NFPs, working at the street and community level, as it does on the line departments and operational agencies within the Australian Public Service, managed from Canberra. Importantly it would allow a rebalancing of the asymmetry of power which presently exists between government and NFPs and help encourage social and public innovation.

■ *Peter Shergold is the Macquarie Group Foundation Professor at the Centre for Social Impact. From August 2003, he was Secretary of the Department of the Prime Minister and Cabinet.*