

## Submission to the Productivity Commission on Contribution of the Not for Profit Sector

Dr Sue-Anne Wallace (private submission)

I make this submission as a private individual. However, in order to do so, I am drawing on my experience as a member of the International Summit of Fundraising (2004 – 2009); international representative on the Association of Fundraising Professionals Ethics Committee (2005 – 2009) and the Australian Council for International Development (ACFID) Code of Conduct Committee (2005 – present, currently co-deputy chair). While CEO of Fundraising Institute Australia (FIA)(2004-2009) I prioritised a major project - the Principles and Standards of Fundraising Practice – and worked to establish FIA's Ethics Committee, with an independent chair.

Accordingly, my submission addresses one aspect of the Productivity Commission's report relating to ethical and best practice fundraising, and that is the important role that can be played by industry codes which are acknowledged by the regulator.

In its report *Disclosure Regimes for charities and non-profit organisations 2008* - the Senate Economics Committee stated:

The voluntary codes of conduct developed by ACFID and FIA respectively should be considered by the Regulator when implementing its own code of conduct. (p.2)

While the Senate Economics Committee has recommended that the Regulator develop its own code of conduct, I would argue that code development and monitoring of compliance is better placed in the sector itself. On one hand, legislation finds it difficult to keep up with changing trends in a dynamic environment, such as fundraising which is rapidly embracing e-techniques, and on the other the not-for-profit sector is best placed to determine trends and develop new codes and standards rapidly if required.

This important understanding of the value of industry knowledge and commitment to self-regulation appears to have been largely neglected in the Productivity Commission's Draft Research Report *Contribution of the No-for-Profit Sector* (2009). Yet there are a number of aspects of principles and standards which are raised by the Productivity Commission's Draft Research Report which can be regulated and additionally managed through voluntary industry codes, as is commonly the practice in international fundraising and other jurisdictions, and in Australian fundraising through ACFID's code.

### Existing industry codes

ACFID's code is noted in the report (Fig 4 – p xlv) but not its status. AusAID accords the ACFID Code as THE important self-regulatory mechanism in ensuring compliance with industry standards, reporting to donors and delivering stated benefits to beneficiaries. Officers from AusAID have publicly acknowledged that the code is their safeguard for ethical and best practice standards in fundraising and reporting, indeed a risk management strategy.

FIA's standards in charitable telemarketing have likewise been acknowledged by the Department of Communications as instrumental in ensuring this type of fundraising adheres to standards which are ethical, best practice in fundraising and acceptable to the public.

Both peak bodies regularly conduct professional development programs to ensure fundraisers and those who fundraise, understand the standards and comply with their requirements.

#### Response to the Commission's draft recommendations

In particular, I draw attention to possibilities where consideration of voluntary self regulation will assist the Commission's aim:

#### Recommendation 6.2 Reducing unnecessary compliance burdens

In addition to the recommendation to adopt a standard chart of accounts, in order to promote confidence in the not-for-profit sector, it is further recommended that industry codes of practice be acknowledged. More than a decade of experience in Australia has shown they are significant in 'promoting confidence in the sector'.

#### Recommendation 6.4 Complaints handling

The Regulator will require a means of complaints handling. As noted by AusAID, industry codes, including compliance testing, provide an additional mechanism which enhances government regulation and manages risk.

#### Recommendation 10.4 Building governance capabilities

Best practice principles developed by the sector in accordance with internationally recognised best practice build the capabilities of not-for-profit workforce. Ethical practice is at the heart of good governance.

Recommendation 13.2 Supporting effective relationships and driving change: 'implement sector regulatory and other reform and the implementation of the Government's proposed compact with the not-for-profit sector.'

The final recommendations of the Commission should name the two industry codes relating to fundraising, ie. ACFID's and FIA's.

There are many instances in the Draft Report where the Commissioner expresses concerns – such as public trust and confidence, costs of fundraising, effectiveness and efficiency – which the sector has shown can be well managed and improved through industry codes which can be more responsive to changes in the external environment that legislated regulation.

A further example is under the heading 'Building a better knowledge base' where the significant role played by the sector is omitted thereby failing to acknowledge its impact in enhancing skills and knowledge and professional development. Industry codes are significant pedagogical tools which enhance industry understanding and knowledge of best practice.

As the Productivity Commission's Draft Research Report has concluded 'the future of the sector remains largely in its own hands' (p xxxvii) if believing this, wouldn't the Productivity Commission be well advised to acknowledge and support the voluntary codes that the industry has developed, managed and reviewed, alongside the more appropriate regulatory framework which is proposed?