**RESPONSE TO PRODUCTIVITY COMMISSION DISCUSSION PAPER
ON THE CONTRIBUTION OF THE NONPROFIT SECTOR
FROM CONNECTING UP AUSTRALIA**

Preamble
CISA Inc, trading as Connecting Up Australia (CUA) www.connectingup.org , is a nonprofit organisation focused on information and communication technologies (ICT) and their use in the nonprofit sector. We operate the DonorTec www.donortec.com.au technology donations channel to Australian nonprofits from companies such as Microsoft and Cisco, which in the past two years has delivered over $40m in technology savings to Australian charities and nonprofits.

We conduct Australia's only national conference on ICT in the nonprofit sector Connecting Up www.connectingup.org/conference and we conduct the annual Australian Community ICT Awards http://www.donortec.com.au/Community-ict-award-09 .

In other words, we are a nonprofit helping other nonprofits to cope with technology issues on a national basis. With the exception of a SA State Govt subsidy towards or local community services information program SACommunity.info , we receive no ongoing Government funding to assist us in our work. Further, because our category of organisation is ineligible for Deductible Gift Recipient (DGR) status with the ATO, we are unable to attract any substantial investments or grants from corporates or foundations.

While the majority of our comments will relate to improving the operational capacity of the Australian nonprofit sector, especially as it relates to the use of technology, we will comment on broader issues where we believe we have the knowledge and experience to do so.

Given the emphasis in the terms of reference on the social inclusion agenda, the Commission's expectation is that organisations within the community and social services sector will be particularly relevant for this aspect of the study.
Comments are invited on the Commission's proposed approach of adopting a broad view of the sector for the purposes of assessing its contribution and narrowing the study's focus to consider the specific policy and capacity issues raised in the terms of reference.

Our concern, and we believe the concern of many nonprofit organisations, is the extent to which the traditional welfare sector (and especially the major welfare agencies contained within it) has captured the attention of governments and is seen to be broadly representative of nonprofit organisations, when this is simply not the case. This aligns with governments' apparent imperative of having a single body with which to negotiate on all matters related to nonprofits, as exemplified by current negotiations in relation to a Compact.

This underlines the danger of seeing this review entirely through the prism of the Government's social inclusion agenda, which implies a concentration on personal services and interventions to the exclusion of broader social change agendas.

The complexity and breadth of the sector does not allow for such seemingly neat solutions and will end up distancing Government from the value that a broader dialogue brings.

If there is to be a 'peak body' for the sector, it needs to be:
- Resourced sufficiently to undertake its role (this may include contributions fro the corporate and philanthropic sector), including the research capacity to respond effectively to such processes as this Productivity Commission Review

- Representative of the full gamut of nonprofit organisations, preferably via some process that contains accountability mechanisms.

Comments are invited on whether the findings and recommendations of previous inquiries remain relevant to the operations of the not for profit sector. Of those that continue to be relevant, and have not been acted on by government, which are the most important for improving the efficiency and effectiveness of the sector?

We broadly support the recommendations of the recent Senate Inquiry, especially recommendations 2 and 3, namely:

2 The committee recommends that the Government establish a unit within the Department of Prime Minister and Cabinet specifically to manage issues arising for Not-For-Profit Organisations. The unit should report to a Minister for the Third Sector.
3 The committee recommends that there be a single independent national regulator for Not-For-Profit Organisations.

However we also believe that nothing less is required than a 'root and branch' comprehensive plan to develop the overall capacity of the Australian nonprofit sector. A worthwhile model for this approach can be found in the Change Up program in the UK, where the government made major investments in 6 major hubs: Governance, Finance, Information and Communications Technology (ICT), Performance, Volunteering, and Workforce.

This work has now transferred to an independent authority, Capacity Builders , whose role is to:

" invest in support organisations (sometimes called infrastructure or second tier organisations). Our focus on 'support services' encompasses a huge range of activity and organisations within the third sector and beyond, which take a role in:

- providing advice, training and development for third sector organisations
- promoting communication and collaboration across the sector
- garnering third sector action where clear gaps exist
- ensuring the views and experience of the sector can influence policy and partnership working. "

Ref: Capacity Builders website http://www.capacitybuilders.org.uk/ – What We Do

Participants are invited to comment on appropriate methodologies for evaluating the contribution of the not for profit sector. The Commission is particularly interested in receiving feedback on the appropriateness of using a range of indicators for this purpose.

In 2006, the then Department of Communications, IT and the Arts commissioned a study to examine, inter alia, the applicability of the UK ICT Hub model for developing the technology capacity of the Australian nonprofit sector.

The study was conducted by a consortium led by our organisation and the full report, released by Minister Helen Coonan in 2007, is available at http://www.connectingup.org/documents/NNIC_published_report.PDF .

Extracts from the Executive Summary are included below:

Australia needs a new model to meet the challenges for non-profit ICT capacity development. By enlisting the support of Federal and state government, business and philanthropic groups and drawing on the capacity of the sector to build networks and communities, the recommended model

can have a powerful impact on the non-profit sector and the communities it serves. This will create direct improvements in the efficiency and effectiveness of service delivery to Australian society, with particular advantages in the community services, health, education, employment services sectors and in rural and regional areas.

The model proposed will create a national, networked, project-oriented organisation that pulls together the resources it needs to address all the dimensions of the challenges and opportunities facing the sector. An independent organisation, sustained by ongoing contributions from the corporate, philanthropic and Federal and state government sectors will deliver focused projects and pilots directed at ICT needs, regions or sub-sectors. This flexibility will facilitate adoption of new technologies and leverage existing capacity and investment to enhance service delivery.

The mission of the new organisation is to increase the ICT capability of the third sector in Australia. This statement is underpinned by three primary goals:

- Encourage non-profits to take responsibility for a strategic approach to ICT capacity development within their own organisation.
- Develop major strategic investment by corporate and philanthropic organisations and Federal and state government, and the sector itself, to support ICT capacity.
- Link the non-profit sector into policy debates about the potential of technology to impact Australia's social, environmental and economic development.

This will be achieved through:

Building an ongoing and active network of third sector organisations with an interest in ICT capacity development

Mapping of existing and required ICT needs and support required by non-profits in urban and regional Australia

Developing system of endorsement of suppliers of ICT services to non-profits.

Ensuring an ICT resource site for non-profits.

Establishing an executive briefing centre to upgrade the strategic ICT planning skills of boards and senior management

Researching the measurable impact of improved ICT capacity on non-profit service delivery and community outcomes.

Preparing a plan for a long-term investment fund for non-profit ICT capacity development and the mechanisms for its development and management.

Implementation and development of projects to support non-profits such as ICT health checks/assessment programs, Circuit riders, ICT volunteering, ICT training and development.

Australian non-profit associations, charities and social enterprises continue to lag in the adoption of information and communications technologies. This has led to a substantial sector of the Australian society and economy failing to benefit from the productivity growth afforded by ICT.

Australian society needs a strong and efficient non-profit sector. Investing in sector-wide improvements in ICT capacity will result in a non profit community better able to respond to the service delivery and accountability challenges required by the Federal and state government as it seeks to maximise the value of investing limited resources in key social and economic programs.

The then Government referred the recommendations to the Online Ministers Council. The report was also endorsed by the then Opposition spokesperson, Senator Conroy (now the Minister).

To date, the Government has not implemented any of the recommendations or offered any tangible support specific to the charitable and nonprofit sector. Also it has terminated the Department's former Community Connectivity program, creating a perception of a declining commitment to a social inclusion agenda within the Department of Broadband, Communications and Digital Economy (DBCDE). (NB - We acknowledge that we are currently in receipt of a 2-year Clever Networks program grant, approved by the previous government, to increase the use of broadband technologies by rural and remote community organisations in South Australia. However this program terminates in October is unlikely to be re-funded.)

In 2008, CUA used its own resources to commission Digital Business Insights to conduct a national survey of the current use of ICT in nonprofit organisations, using a similar format to the survey used in 2006 for the NNIC report, and generated valid responses from some 930 organisations nation-wide. http://www.connectingup.org/NFPtechnologysurvey2008 . This has also supported the development of an ongoing technology benchmarking tool for nonprofits, called Are We There Yet? http://www.db-insights.net/

According to our November 2008 national survey of 930 nonprofit organisations:

- 99% are using at least one computer.
- 95% are connected to the internet at work.
- 81% have a website.
- 46% of websites are interactive in some way i.e. visitors can communicate with the organisation via the site.
- 95% have a broadband connection to the Internet.
- All organisations surveyed can access the internet, either at home or at work. Most organisations are connected to the Internet by broadband (96%) with ADSL being the most popular connection (75%). Modems are used mostly by smaller services.
- Problems with internet connection reliability were experienced by 28% of respondents.
- Email (99.9%) and online banking (90%) are the two primary reasons specified for using the Internet. Research is next (83%), followed by buying products and services, recruiting and delivering services.
- 26% rate themselves as early adopters or fast followers for technology adoption.
- 23% rated themselves as Lagging Behind or In Trouble.
- Most organisations get advice on new technology and best practice from other not-for-profits or through workshops and seminars, and newspaper articles.
- Federal and State government sites are not viewed as sources of advice on new technology and best practice e.g. the former DCITA, now Dept of Broadband, Communications and Digital Economy (DBCDE) was used by only 32 organisations (3%).

Comparison with 2006 survey
- Telecommunication use is similar for both surveys for phone (91%), internet (88%), fax (77%) and mobile (73%). However there is an increased use of VoIP - Voice over Internet Protocol of since the last study – up from 11% to 16%..
- There has been an increase of 15% in the use of fundraising tools or telemarketing systems, since the last survey.
- Broadband internet connection up 10% to 96% since the last survey. ADSL is the primary connection at 75% (up 9%) and wireless internet use has increased by 16%.
- Email is still the primary use of the internet – no change since the last survey at 99%. Online banking use has increased by nearly 30%, buying goods and services on the internet by 15%, recruitment by 10%, delivering services by 10%, fundraising by 10%, VoIP by 6%.
- Pod-casting, Weblogs and videoconferencing percentages have remained the same.
- Problems with internet connection have dropped from 40% to 28%.
- No increase in security measures taken but almost all have some form of protection. Whether these are adequate to the type of data held was not covered in this survey.
- There's been a 10% drop in the percentage of organisations that rate themselves leading edge or fast followers, which is of concern.
- 5% drop in the percentage of organisations with websites, and in the percentage using their website to collect information or use it for selling services or goods – 3%. Again a concern when it would be expected that these figures would rise.

- There is a drop of 14% in organisations saying they can get technical support and advice, down from 90%.
- There has been a drop of 24% in organisations using consultants and a 16% drop in organisations using their IT supplier for advice.
- There are a similar percentage of organisations in both surveys (54%) that have informal discussions with other NFP organisations for advice on ICT.
- There has been a drop of 26% in organisations using State government websites for advice, 28% drop in organisations using other Federal government websites for advice and a 32% drop in organisations using the DCITA (now Department of Broadband, Communication & Digital Economy) website for advice – down from 35% to only 3%.

Apparent trends between the surveys

Positive
- Online banking up 30% and purchasing 15%
- Use of cheaper VoIP phone technologies beginning to rise
- Significant upgrades in operating systems
- Increase in use of online fundraising
- Increased broadband access
- Decrease in internet connection problems

Negative
- Static internet usage and web presence overall
- Static low-level use of Web 2.0 or 'social web' technologies e.g. podcasts, blogs etc
- Significant drop in those reporting local access to technology support
- Significant drop in use of government sites for relevant information

In 2005-06, the SA State Government provided funds for a pilot program to provide ICT Healthchecks to over 20 nonprofits and small businesses. Participating organisations paid half of a modest fee to have an independent comprehensive analysis done by fully qualified technicians of their existing technology infrastructure and to receive recommendations on future technology investment consistent with their strategic direction. The program was universally considered of great benefit by the participants. Perhaps more importantly however, it was estimated that if the cost-saving measures recommended in these reports had been implemented it would have represented a 2700% return (yes, that figure is correct) on the Government's investment in improving the technology capacity of the participants. Despite this, funds for an ongoing program were never made available.

(NB – The Victorian Government is to be commended for recently introducing a similar scheme for organisations funded through their Department of Human Services. Another recommended model is the Hartford Foundation for Public Giving's "Strategic Technology Program" in the US http://cli.gs/P6ZRz1 Under this program, nonprofits can get grants of up to $25,000 to have opportunity to participate in a Technology Strategies for Nonprofit Leaders workshop , have support from a Technology Circuit Rider/Technology Consultant to develop of a technology plan, and then be eligible to apply for a Strategic Technology Grant for technology needs established in the plan.

A common model for sharing the costs of ICT analysis, staff development and technology support is the e-rider (US) or circuit rider (UK) model. Briefly this involves a technology services worker having a 'caseload' of organisations. With each organisation they develop a technology plan, increase the staff skills, monitor the implementation and then move on. They do not become the permanent tech support worker; part of the plan is to build that support into the costs of their ongoing operations. Like the ICT Healthcheck model, this could be usefully applied in small and

medium business as well. The core is the independent advice and education before steering the organisation into the reality of choosing and paying for ICT goods and services in the future.

Not for profit organisations are invited to comment on their experiences with attracting both paid and volunteer workers with the appropriate level of skills. Comments are also invited on the extent to which regulations surrounding the use of paid and volunteer labour adversely affect the capabilities of not for profit organisations to undertake their activities. Where adverse effects occur, how might these be overcome?

There is little doubt that the nonprofit sector has no hope of competing with the salaries paid in the broader ICT industry, even accounting for the 'making a difference in the community' element in encouraging workers to reduce their normal expectations. However the situation would be greatly assisted by government funding agencies:
- requiring major grant recipients to have a coherent technology, including a staff training and development plan
- providing adequate funding for technology support services to be either delivered in-house or purchased externally

Comments are invited on approaches taken by not for profit organisations in forming partnerships with businesses for improving access to human resources and organisational capabilities and also on any impediments experienced. How might any such impediments might be resolved?

As indicated earlier, we operate the [DonorTec](#) program and the [TechSoup New Zealand](#) technology donation programs. We do so in partnership with [TechSoup Global](#) , a US nonprofit. The program sources donated products from international (e.g. Microsoft, Cisco, Symantec, Adobe etc) and local ICT companies and then distributes them to eligible nonprofit organisations, in return for a small administration fee charged to the recipient organisation, which funds our operation of the program.

Since January 2007 this has resulted in savings on technology costs for nonprofits of over A$45m, which can then be re-directed into the organisation's direct service priorities. We are the most effective and largest volume donor partner in the 22-country TechSoup Global network.

For the donors it provides a cost-effective and efficient model for helping community organisations and for the recipients it provides a 'one-stop-shop' for donation and technology information.

Comments are invited on the extent to which institutional arrangements and regulations restrict the financing options available to not for profit organisations. If significant restrictions exist, what options are there to overcome them?

Like some 70% of the Australian nonprofit sector, the only taxation concession available to us is our Income Tax Exempt (ITE) status, largely because we do not deliver traditional social services directly to the public. In the UK and the US taxation systems, we and many others like us would have access to tax deductibility for potential donors.

The lack of Deductible Gift Recipient (DGR) status severely hampers our ability to attract corporate and foundation funding. In the case of foundations and trust funds they are legally obliged to only provide funds to tax deductible organisations. This essentially locks up these funds for the use of the privileged 30% who have this status and who usually have emotionally appealing causes to supplement their fund-raising as well.

Comments are invited on what factors are impeding the spread of knowledge among Australian not for profit organisations regarding how well they deliver their outcomes and key drivers of their

efficiency and effectiveness in doing so. Similarly, the Commission invites comment on what factors facilitate the spread of such knowledge and how these might be enhanced.

Factors impeding the spread of knowledge are:
1. Lack of coherent capacity development initiatives from within the sector and from within governments. (For a case study in how not to do it, examine the previous government's funding of Nonprofit Australia.)
2. Lack of specialist publications and websites, with Our Community and Philanthropy Australia being shining examples of what can be done.
3. Lack of widespread adoption of 'social web' strategies to engage the broader community, especially young people, who will be the next generation of volunteers and donors.
4. Lack of training and development, including conferences, workshops etc. Governments and corporate sponsors are reluctant to support these activities despite the accumulated 'practice wisdom' that they are effective. (Seemingly it doesn't seem to concern government agencies when it comes to their own staff development strategies. An immediate method for addressing this conundrum is for funders to make their in-house staff development strategies open to all funded organisations free of charge. This is not likely to significantly add to their costs and would add greatly to the sector's knowledge, as well as encouraging valuable dialogue between funders and recipients).
5. The lack of affordable tertiary education programs available to those seeking a career in the sector.

The key issues facing charities and nonprofits in the technology area include:

- Ageing Boards of Management and executive staff who have a limited understanding of the importance of technology and its related skills and therefore do not commit sufficient funds in these areas. In our recent national survey we found that 60% of nonprofits spend absolutely nothing on ICT training and skills development. While some of this appalling situation is cost-driven, it is clearly not seen as a strategic priority by significant parts of the sector.

- Most organisations can't afford (and indeed often don't need) full-time tech support but even part-time, contract or episodic support can be expensive (or at least seen to be for those who under-estimate its importance). Even where full-time support workers are employed, the nonprofit sector cannot match the salaries and/or the employment security offered by government and the private sector, and after the 'feel-good' factor wears off, the turnover is high.

Comments are invited on how the environment within which not for profit organisations operate might be changed to enhance the advocacy role of not for profit organisations.
Despite our previous criticism of DBCDE, we applaud their recent decision to provide guaranteed four-year funding to the Australian Communications Consumer Action Network (ACCAN). This represents a good model for other agencies to follow in funding advocacy organisations to consult and prepare research and advice for governments, so as to better inform their decision-making processes.

What are the most significant trends and developments that have impacted on the efficiency and effectiveness of the not for profit sector? How has the sector responded to these? Are there emerging trends and developments which are likely to impact on the future capacity of the sector?

Our comments below relate to technology issues but have broader applicability. The trends we see as important for nonprofits are:

1. We have to face a future where Software As a Service ([SaaS](#)) and [cloud computing](#), where applications sit on someone else's server rather than in your office, will become increasingly prevalent. This will bring with it dilemmas of trust and privacy protection that will challenge the very foundations of what we understand to be the internet and ownership of data.

2. Online fundraising and campaigning will continue to grow in importance.

3. Nonprofits need to become skilled purveyors of social web technologies and to employ/upskill accordingly.

4. Organisations can no longer rely on the support of passive lists of supporters and donors. They will need to create and nurture a genuine community of supporters, which will open them up to being 'steered' in directions they may never have imagined and which may be disruptive to their thinking.

5. They will need to build alliances with like-minded nonprofits and with business, rather than looking to governments for support.

6. The Boards and staff will need to broaden their vision of the possible and become far more entrepreneurial in their activities. Simply having a good cause will be far from enough.

7. They need to find ways to be constantly noticed and quoted in decision making circles and challenge the status quo.

8. They need to get a whole lot better at assessing ROI, especially when it comes to measuring actual behavioural change from our interventions and providing tangible evidence of our value.