

Red tape strangles charities

Sue Woodward

We were all reassured by the swift response provided by a range of non-profit organisations to the Victorian bushfires and Queensland floods. In turn, these organisations have benefited from a rush of generosity.

Those who give time and money expect their contribution to go to direct relief, certainly not to be wasted on red tape. Yet, in reality, non-profit groups must grapple with a level of red tape that eclipses that of their corporate counterparts.

Without urgent reform to ensure a more streamlined regulatory regime, the vital contribution of the non-profit sector will be hampered, and Australia will fall further behind international best practice. Key non-profit groups include the Red Cross and Salvation Army, but also small local groups such as wildlife shelters, neighbourhood houses and sporting clubs.

What is wrong with the present regulatory environment? In a nutshell, red tape and its usual companions: complexity, inconsistency and duplication. There are myriad legal structures (at least 20 types), more than 11 regulators, multiple and inconsistent legislative definitions of "charity" and at least eight different approvals required to conduct national fund-raising.

The sector is subject to 178 state and federal statutes, and reports to 19 government entities and 74 other agencies. These are barriers to accountability and efficient regulation and are exacerbated by the lack of a specialist national regulator and a non-profit-specific accounting standard. But beware — it should not be about more regulation but about better regulation.

The complexities cause daily difficulties for non-profits. For example, the Public Interest Law Clearing House (Victoria) recently established PilchConnect — a specialist legal service for non-profit community organisations. The service has been overwhelmed by requests for free legal advice about what their obligations are.

Why do we need action now? It is already evident that the global financial crisis and natural disasters have resulted in greater reliance on the non-profit sector.

But it is a double-edged sword for non-profit groups: while demand on their services increases, funding opportunities (natural disasters aside) are contracting as philanthropic and corporate benefactors grapple with reduced returns on investments profits. Survival for many of the groups will, more than ever, depend on efficient use of resources.

Regulatory reform for the sector has recent parliamentary imprimatur. Last year the Senate Economics Committee, in its report into disclosure regimes for charities and not-for-profit organisations, recommended sweeping reforms including a national approach.

While we await the government response to the report, the Council of Australian Governments' business regulation and competition working group agreed last week to look at reducing red tape for non-profits as part of efforts to create "a seamless national economy". This decision is to be applauded as an essential — but long overdue — first step.

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