“When the dust settles after the election, Government must have a clear strategy and plan for the Voluntary Sector”

Paul Palmer, Associate Dean and Director of the Centre for Charity Effectiveness, Cass Business School, shares his thinking around priorities.

In the context of a contract and grants culture, when the new Government comes to face the reality of the inevitable cutbacks in public expenditure, a fundamental pre-requisite will be a clear strategy and plan for the Voluntary Sector, based on clarity around its role. The sector must not be viewed as a sponge which can be alternately squeezed and filled with water at random. There must be a coherent strategy and plan.

One of the most effective ways in which the incoming Government can counter the impact of restricted public funding, will be through actively encouraging other forms of finance. Two obvious examples are:

Firstly, philanthropy, by looking at gift-aid and other forms of tax incentive to promote giving and not simply going for the route of high taxation. Of course during hard times, many people do badly financially, but many also do very well. Taxing them more will not work; it didn’t work in the 60’s and 70’s and it won’t work now. We need a clear strategy to encourage those who have done well to give to charity. We need a real and sustainable step-change in philanthropy.

Secondly, there needs to be a clear understanding about the role of loan finance in the Voluntary Sector. We need to achieve some comprehension of the barriers and resistance in the sector to loan finance and find effective ways of overcoming them. We should encourage its use, whether by some sort of government intermediary wholesale banking arrangement or through more efficient market forces.

Government has the option to continue to provide loans itself, as they have to date, or to use their power to incentivise the development of social economy banks, or social economy banking arms within commercial banks.

In the second scenario, Government is effectively using its money and influence, not to make money directly available to voluntary organisations, but instead to make it available through social economy banks who also have access to other sources of funding thereby achieving a valuable multiplier effect and making significantly more funding available to the sector.

Where funding is contributed directly, Government could do so in the context of a mixed funding model. So, for a particular project for example, it could provide 50% to 75% of the funding required on the basis that this is matched or topped up from other funding sources.

How can the sector best avail itself of whatever help is available? Until now, mergers have been the buzz word; however mergers are not a panacea. But
there is considerable mileage from exploring intelligent and enterprising ways of collaborative working.

Over the last fifteen years the sector has looked too much to the competitive model from the private sector; now would be a good time to reconnect with the traditional roots of the sector which are about good stewardship, collaboration and partnership. It's about working smarter and drawing strength from the traditions of the sector and not necessarily looking to the private sector for exemplars.

If you would like to hear about their prospective policies from the third sector ministers from the 3 main parties, please follow the link below to hear how they responded to identical questions as suggested by sector practitioners:

Election 2010 – interviews with third sector ministers: 
http://www.knowhownonprofit.org/help/podcasts/election-2010

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