This fact sheet outlines the framework for assessing government functions in terms of their potential for efficiency and effectiveness improvement through contestability.

In the 2014-15 Budget, the Government introduced a Commonwealth-wide Contestability Framework to be applied through the Efficiency through Contestability Programme led by the Department of Finance.

Under the Contestability Framework, the Commonwealth public sector is expected to constantly improve its performance and efficiency so it achieves better outcomes for the Australian community.

In particular, the Contestability Programme recognises that the public sector must continue to improve the way it designs and delivers policies, programmes and services to simultaneously reduce costs, and meet the Australian community’s demand for better-quality government services.

Many people incorrectly presume that contestability and competition equates with outsourcing. However, contestability is based on research which shows that even the credible threat of competition from potential providers is sufficient to motivate public sector providers to perform better, at potentially lower cost.

Within contestability there are a range of alternative approaches, including cooperative and competitive arrangements, to consider and pursue. Contestability approaches range from improving internal processes; partnering with, or transferring functions to, other organisations inside or outside of government; through to fundamentally restructuring how the function is achieved.

The Contestability Framework

The Contestability Framework outlines a process for the systematic assessment of government functions to determine whether particular functions should be open to competition, and if so, how competition should occur.

Using contestability to potentially improve the efficient and innovative achievement of an objective requires considering a spectrum of arrangements, both within and beyond the boundary of government.

However, where there is another approach or provider – from public, private or not-for-profit sectors – who can potentially offer better, more efficient and more effective ways of delivering a function, then the function should be considered for outsourcing, in part or as a whole.

Process

Through the application of the Contestability Framework, government entities are asked to consider the range of contestability approaches available to them before deciding on the most appropriate means of improving the way they design and deliver government policy, programmes or services.

What is Contestability?

The prospect of competition in public sector activities to motivate efficiency and performance improvements in policy, programme and service delivery.
An Overview of the Contestability Framework

Contestability Assessment

Initiate (Why?)
- Strategic alignment
- Resource allocation
- Performance improvement

Why should contestability be pursued? Strategic drivers prompt the initiation of Stocktakes or Reviews of functions.

Identify & Assess (What?)
- Costs/ Benefits
- Legal and regulatory restrictions
- Market maturity and expertise
- Security and cultural considerations

Properly identifying what government functions fit within contestability parameters is essential.

Decide
- Consider potential system, engagement or market improvements along the spectrum of Contestability
- Select the most appropriate and recommend ways of lifting efficiency and effectiveness

Analysis of the pros and cons of contestability to determine suitability is conducted. Then the most appropriate course of action is recommended.

Contestability Delivery

Implement (How?)
- Innovation & flexibility
- Partners within/without the public sector
- Procurement options
- Transition arrangements and performance-based contracting

Alternative approaches are pursued focusing on improved delivery of an outcome/s.

Manage & Evaluate
- Ongoing resource requirements
- Governance
- Performance & evaluation
- Reporting and reviews

Proper ongoing management is required. Monitoring and evaluation is essential to measure impacts and guide future strategy.

The Contestability Framework will be applied to assess existing government activities and all new proposals. The framework includes key decision points and prompts consideration of:

- Strategic drivers - Why is the Commonwealth Government seeking to identify contestable government functions?
- Identification - What functions should be benchmarked against other provider models? What functions are suitable to be contested?
- Decision – Should an activity be contested?
- Implementation – How should an activity be contested? What approaches from the spectrum of contestability is most appropriate for a specific function?
- Management and Evaluation – How should a contested activity be managed? What resources will be required? What governance structures will be required? How will performance be measured, evaluated and reported?

For more information about the Contestability Programme

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