Grants management
The multi-million dollar case for change

High performance. Delivered.
Across the globe, vast sums of money pass through incredibly complex systems of grant management. Managed grants provide funding to a broad spectrum of activities—ranging from health to the arts and from transport to the built environment. All these areas have unique characteristics and qualities which justify having specialists determine the best way to spend the money available from grant programs. But that specialization has also given rise to thick and complex layers of bureaucracy that manage the routine processes by which grants are administered. Each area of grant funding usually has its own separate processes that handle all aspects of a grant program, from applications onwards. Yet the basic management activities of any grant program are fundamentally the same. It’s hard to tell precisely how much this duplication of activities costs. What is clear, however, is that the scale of funds in managed grants around the world—many billions of dollars annually—is such that even the smallest improvement would free-up significant amounts of cash to spend on the intended purpose of grants. And this could be achieved without increasing overall spending on administration by a penny.
Special purpose, common processes

While the activities they fund may require specialized knowledge, there’s nothing ‘special’ about grant management processes. The myth that there is, is a costly one.

The U.S. Government Accountability Office estimates that the proportion of each grant program that is taken up with managing routine processes is between 15 percent to 20 percent. Total managed grant funding in the U.S. was in the region of $90 billion in 2014 alone. Even a 1 percent saving could release significant funds back to the public purse—by Accenture’s estimate in the region of $800 million. The situation is much the same elsewhere in the world. In the European Union, for example, costs of administration for managed grant programs is estimated by the European Commission to be anywhere between 6 percent and 25 percent of total funds. German governments have no clear basis and could only estimate costs. The complexity and variety of grant funding around the world makes it near impossible to come up with any estimate of costs that is more accurate. And where costs are unknown it’s rarely because they are more modest than expected.

Details of managed grants vary not only by country, but also by fund, department, programs, and even individual grants within a program. There is also considerable variation at the level of reporting, and how money is recovered.

Such a complex and heterogeneous environment provides tremendous scope for administrative costs to spiral. The flow of funds across the system from federal to state, provincial and local levels is highly complex. Grant monies will go from entity to entity, with each applying their own administrative processes and some acting as both recipient and provider of grant.

Because each program serves a different need, the systems that have grown up around each area often lead to a separate bureaucracy for each grant program. The result? Program managers spend a disproportionate amount of time focused on the administration of the grants under their purview, rather than being able to spend their time making sure that the grants they award have the highest possible impact.

These complexity and cost issues are widely acknowledged. The U.S. Government Accountability Office’s guidance for Federal Grantors found a number of major challenges, including uncoordinated grant program creation, the need for better collaboration, internal control weaknesses and a lack of capacity at recipients and agencies.
Share the burden to reap the rewards

To date, proposed solutions to address this have been largely unsuccessful or are in the early stages of having an impact and there is more to be done.

For example, in Australia, the grants application process is being streamlined but there is room for improvement, the UK’s Cabinet Office is in the process of improving the government’s use of grants and the U.S. state of Illinois is standardizing its grant processes statewide. The complexity of the managed grants environment has eluded an integrated approach that can create efficiencies by bringing together common processes under one roof. The opportunity to improve, however, offers a substantial reward. Standardizing routine operations across grant programs and using shared services practices and organizations to execute them could drive major savings across all grant programs. By using a single set of systems and tools it should be possible to create a dedicated organization that would transform the efficiency of grant administration—and free-up grant specialists to focus their talents on spending funds as effectively as possible.

“The basic management activities of any grant program are all the same. We are standardizing those processes across all grants statewide so program managers can focus on delivering results rather than managing processes.”

Carol Kraus, ED of Grants Accountability & Transparency Unit, State of Illinois
To achieve it requires establishing a shared service approach that covers three main areas:

**Standardize and stabilize operations with common case capabilities**

- Technology assisted, compliant contracting activities
- Measurable operational workflows (receipt to review to approval)
- Automated financial system integration
- Common financial processes

**Increase efficiencies**

- Improve internal operations: change and process improvement, outsourcing
- Provide grantees with self-service tools
- Spend forecasting to level organizational workload

**Increase program impact**

- Measure program outcomes: baseline and track program impact
- Get the right grants to the right people: using marketing, analytics, and grantee collaboration
- Catch non-performing grants: analytics and workforce realignment
No excuses for inaction

The case for change is, or should be, self-evident. Even the smallest improvement in efficiency would have a major impact in releasing funds back for investment into key areas of citizen services that grants support. Shared service solutions are proven and already demonstrating benefits across broad areas of public spending. Governments need to re-examine grants administration and start to make changes. With budgets squeezed in every area of public service, the remit and opportunity to do more with less are clear. A decisive response is needed.

“... There is no central good practice guidance and limited central data to support departments in implementing efficient and effective grant programmes. The Cabinet Office has begun work to improve government’s use of grants, but this is at an early stage and will need more support from departments to be successful.”

Amyas Morse, head of the National Audit Office, 3 July 2014
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References

1. Managed Grants are defined as those grants that are managed through a comprehensive cycle that includes application, review, award-contract, reporting and auditing.


3. Range based on the estimations of the Commission about its Administrative expenses (6 percent). This estimation is conservative, since the Commission is recommending/limiting member states spend a maximum of 25 percent of the funds allocated for grants.


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