TREND 3

Tackling funding silos
Fostering greater collaboration and shared problem-solving to create greater public value

Ed Roddis, Mark Bussow, Tiffany Fishman, and Ursula Brennan
Introduction

By design, government agencies are set up as specialized, hierarchical organizations funded and governed in silos, providing visibility and accountability on how public funds are used. But that defined scope itself can act as a roadblock to the creation of greater public value. Indeed, siloed budgets, regulatory constraints on fund transferability, limited flexibility, and a lack of incentives to collaborate can lead agencies to narrow their efforts even as challenges such as climate change, homelessness, and intergenerational poverty demand a coordinated whole-of-government response.

Governments have long recognized the need to break down funding barriers to achieve better outcomes. And though efforts may be at different stages, an increasing number of jurisdictions are looking to overcome silos where they impede progress on major agenda items, from shifting to a citizen-centric service delivery model oriented around life events, to addressing government’s cumulative quick-over-good tech debt, to giving more control over funding and decision-making to those closest to the problem at hand.

The Next Generation EU (NGEU) plan represents one of the most recent, largest-scale initiatives to date. Focused on digitization, innovation, and sustainability, the NGEU plan aims to support transformational change by distributing over €800 billion to state ministries, regional governments, local governments, and state-owned enterprises to assist in postpandemic recovery, helping to put the European Union on the path toward resilient economic growth. Structure and accountability are key: The plan establishes a governance framework that links disbursement stages with the fulfillment of milestones and targets. Some countries are maximizing opportunities by supplementing the funding with local money, and the NGEU plan is acting as a catalyst for greater private investment toward a more digital, sustainable, and inclusive future for EU businesses, governments, and citizens.

In the sections that follow, we highlight some of the models governments are using to drive more shared problem-solving and collaboration—from shared-funding initiatives, to delegating more funding authority to lower levels of government to provide more flexibility to coordinate around specific community needs. The infographic below provides an overview of some innovative funding models deployed by government agencies around the world.
Walls coming down

- More issue-focused funding initiatives that multiple agencies draw on to tackle wicked problems.

- Emergence of new governance models to oversee shared-funding programs.

- Increased interagency funding mechanisms to address common challenges across agencies.

- Greater funding authority delegated to local/regional governments.
By the numbers: Tackling funding silos

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<tr>
<th>£2.6 billion</th>
<th>CA$327.6 million</th>
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<tr>
<td>The Shared Prosperity Fund provides new funding to further the UK government's ambitious Levelling Up agenda.</td>
<td>Canada's horizontal Initiative to Take Action Against Gun and Gang Violence allocates over $300 million to provinces and territories to combat violence in their communities.</td>
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<th>SG$70+ million</th>
<th>AU$7.5 billion</th>
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<td>Singapore's Smart Nation and Digital Government Office provides cross-agency funding and support for the development and implementation of digital technologies and services across the government.</td>
<td>Shared between multiple agencies, Australia's 'wellbeing budget' is aimed at tackling the rising cost of living, providing affordable child-care, and increasing paid parental leave.</td>
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<th>Initial funding</th>
<th>US$1 million</th>
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<td>Annually for four years</td>
<td>US$2.5 million</td>
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New Zealand's Better Public Services Seed Fund provided initial funding for SmartStart, an inter-agency program for infant care. Recurring annual funding has been appropriated to maintain life-event initiatives.

Note: Singapore dollar value represents the annual operating budget.

Trend in action

Deploying shared-funding models for cross-sector collaboration

Across the globe, governments are setting up shared-funding initiatives that aim to increase intergovernmental and cross-sector collaboration. Over the last decade, Singapore’s whole-of-government approach has used funding mechanisms to encourage agency collaboration, generating programs such as Life SG and One business. The prime minister’s office coordinates and oversees whole-of-government projects supported by a team of senior officials from multiple agencies. The funding is allocated to the agency leading the effort and is then dispersed to supporting agencies.

Building on these, Singapore has embarked on an even more ambitious “whole-of-nation” approach wherein agencies actively collaborate with businesses, citizens, and other stakeholders to develop solutions designed to bolster the nation’s finances and social services, reaffirm its digital transformation leadership, and even shore up national defense.

Some countries have adopted an issue-based funding model in which multiple agencies work together to tackle a particular wicked problem. To advance clean energy nationwide, the Australian federal government established the Rewiring the Nation initiative with AU$20 billion in funding to transform the country’s electric grid. Low-cost financing will enable new transmission lines, boosting economic activity and job creation. Projects include the construction of the VNI West (KerangLink) transmission line between Victoria and New South Wales (NSW) and the Marinus Link transmission line between Tasmania and Victoria using a combination of low-cost financing and commonwealth equity investment. Additionally, an AU$7.8 billion joint agreement was reached with NSW to support eight crucial transmission and renewable energy zone projects. Funding is available to all states.

Some local and regional governments are using similar models. The city of Houston’s “The Way Home” program built an ecosystem of businesses, nonprofits, churches, and federal government agencies to help people without homes get into permanent housing with supportive services. This large-scale effort draws on funding from a US Department of Housing and Urban Development Emergency Solutions Grant and Community Development Block Grant, in addition to state, local, and private-sector funding. In 2022, Houston, Harris County, and the Coalition for the Homeless collective received US$45 million in federal funds and allocated US$100 million in COVID-19 relief. The Bezos Day 1 Families Fund also awarded the city a one-time US$5 million grant to help area families move to permanent housing. To date, the effort has reduced the number of Houston-area people without homes by 63%, moving more than 25,000 people into housing.
Other cities have launched similar efforts. The nonprofit Family League of Baltimore pools funds from multiple public and private sources to help Baltimore children, focusing on them being born healthy, succeeding in school, graduating high school, and transitioning into higher education and the workforce.

While shared governance is key for collective funding, in certain cases central government entities take charge of governance and accountability to effectively facilitate funding across silos.

**The creation of intergovernmental collective funding mechanisms**

Government agencies often default to working as single-purpose organizations, with inconsistent horizontal coordination between agencies. This siloed approach can create costly inefficiencies when it comes to common problems such as technology modernization. To tackle this issue, in 2017, the US government established the Technology Modernization Fund, an innovative funding vehicle that supports federal projects to modernize technology and make them more equitable, secure, and user-centric. The fund has invested over US$500 million in 33 projects across 18 federal agencies, ranging from implementing single sign-on experience across government portals to digitizing temporary worker visa programs. These investments have been directed at improving citizen data protections, strengthening cybersecurity across government silos, saving taxpayer dollars, and advancing public-facing digital services. With an additional US$1 billion from the 2021 American Rescue Plan and US$175 million from the annual budget process, the fund aims to continue financing modernization projects.

At the state and regional levels, some governments have created funding mechanisms that are set up and run by one agency but are accessible to others that meet established criteria. In Australia, NSW established the Digital Restart Fund in 2019 to accelerate whole-of-government digital transformation and fund cross-agency projects such as life-event initiatives, shared digital assets, legacy systems modernizations, and government workforce capability building. NSW is now starting to see the benefits from the fund’s investments. To date, the fund has disbursed AU$2.2 billion, supporting more than 140 projects, saving more than 3,000 working days of customer time, and generating AU$2.3 billion in economic returns.

**Delegating funding authority to improve regional coordination**

In an effort to drive shared objectives, some governments are providing regional authorities more flexibility to deploy funds and coordinate multiple siloed funding streams around specific community needs in the jurisdiction.

The state of California created the Community Economic Resilience Fund to promote regional resiliency, equity, sustainable growth, and inclu-
sive planning. Thirteen regions will get funds for planning and implementing road maps around climate change, regional infrastructure, workforce development, and other areas. Three state agencies together form the fund’s leadership team, tasked with managing the program, creating program guidelines and conducting oversight.

Further north, the Canadian Community-Building Fund permanently provides funds for provinces and territories to support local infrastructure priorities. The fund disburses some CA$2 billion annually to 3,600 communities across the country, supporting approximately 4,000 projects each year. Municipalities can pool, bank, and borrow against this funding, giving them greater financial flexibility.

Moving forward

• **Adopt an outside-in view.** By putting themselves in the shoes of citizens and businesses transacting with government, agencies can better understand the needs of the constituencies they serve that transcend individual business units and agencies. These needs can inform the development of a road map for targeted collaboration initiatives.

• **Create a culture of collaboration in funding.** Governments can encourage collaboration by establishing cross-sectoral committees or working groups to encourage those working on similar issues to promote shared-funding mechanisms.

• **Utilize data and technology to measure impact and drive outcomes.** Data-driven processes can help enable shared governance, track the impact of cross-sector initiatives, and pivot goals as required to deliver desired outcomes.

• **Shift from siloed to shared governance models.** Governments can promote shared-funding models by revisiting historical governance policies and regulatory frameworks that hinder the scope of cross-sector financing.
Devolution in the United Kingdom: Greater Manchester Combined Authority

In 2016, the UK government passed the Cities and Local Government Devolution Act, establishing combined regional authorities with a directly elected mayor. Greater Manchester was one of the first areas to seize this opportunity. Greater Manchester Combined Authority (GMCA), an umbrella organization comprising 10 constituent local authorities, was formed as part of the devolution agenda, allowing the combined power to identify problems and create evidence-based interventions. Officials formulated integrated governance structures, giving GMCA and the mayor of Greater Manchester additional authority, flexibility, and budgetary responsibility over policing, fire services, transportation, skills strategy, planning, and economic regeneration.

GMCA also oversees Greater Manchester’s adult education budget, allowing the authority to develop a bespoke skills strategy tailored to needs, and is responsible for providing employment support for long-term unemployed and disabled workers. Greater Manchester was one of the first regions to include health and social care in its devolution plan, which studies have linked to better health outcomes. Collaborating with the NHS allows GMCA to exert partial control over a £6 billion health and social care budget, with NHS England granting the region control of its share of the national sustainability and transformation fund (£450m). Greater Manchester also received £243 million from the Transforming Cities Fund for transport investment.

In broad terms, this devolution agenda gives local authorities more budgetary control and incentivizes a more collaborative model by providing broader flexibility to coordinate multiple siloed funding streams around specific community needs. In 2022, the UK government published a blueprint for creating more regional mayors across England, with the expectation that they will be able to allocate funds and administer programs more effectively. Driven by the United Kingdom’s central government, the move aims to stimulate a more equitable spread of economic opportunity around the country—an agenda dubbed “levelling up.”

My take

Sir Howard Bernstein

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4. Italy, for example, has supplemented its NGEU funds with a €30.6 billion “complementary fund;" see: Andrea Poggi, *Next Generation EU funding and the future of Europe*, Deloitte, October 28, 2021.


14. Catherine Villarreal, “City of Houston and Harris County announce unprecedented investment to house the homeless,” *Coalition for the Homeless of Houston/Harris County*, January 26, 2022.


20. US General Services Administration, “Technology Modernization Fund is making it easier and more secure for veterans to access benefits and services,” April...
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28. Ibid.


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