



FEDERAL MINISTRY OF

**FINANCE**

...First in Service Delivery

**EFFICIENCY UNIT**

**PRESENTATION TO PUBLIC SECTOR  
STAKEHOLDERS**

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# Introduction

- ❑ The Purpose of this Presentation is to provide information about the Efficiency Unit (**E-Unit**) to senior government officials across MDAs in order to:
  - *Sensitise them about the mandate of the **E-Unit** and its activities.*
  - *Solicit the inputs and support of public sector officials across MDAs.*
  - *Open a line of direct communication between the **E-Unit** and its public sector stakeholders.*
  
- ❑ The Presentation will cover the mandate of the **E-Unit** and its broad objectives and strategies. These will be situated within the context of public finance management and the practice in other countries.

# Public Sector Finances

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- ❑ Over the years and across the world, countries have had to deal with the issue of limited financial resources relative to their needs.
- ❑ The challenge therefore has always been how to distribute the limited finances between Capital and Recurrent Expenditure. Options have typically been to:
  - *Operate a deficit budget by borrowing to fund the gap.*
  - *Selling off some government assets.*
  - *Operate a balanced budget by matching expenditure to the available finances.*
- ❑ Longer term, most countries introduce measures to *generate more revenue or cut costs.*

*"Governments now operate under conditions of revenue scarcity and massive deficits. Thus a fundamental change in the way governments conduct their affairs has become imperative".*

# Public Sector Finance – The Nigerian Experience

**Table 1.0: FGN Budget Breakdown 2011 – 2016**

| Year | Total Budget Amount Ntrn | Capital Budget |                   | Personnel Budget |                   | Overhead Budget |                   | Total Recurrent Budget* |                   |
|------|--------------------------|----------------|-------------------|------------------|-------------------|-----------------|-------------------|-------------------------|-------------------|
|      |                          | Amount Ntrn    | % of Total Budget | Amount Ntrn      | % of Total Budget | Amount Ntrn     | % of Total Budget | Amount Ntrn             | % of Total Budget |
| 2011 | 4.23                     | 1.01           | 24                | 1.55             | 37                | 0.93            | 22                | 2.48                    | 59                |
| 2012 | 4.88                     | 1.52           | 31                | 1.79             | 37                | 0.63            | 13                | 2.42                    | 50                |
| 2013 | 4.99                     | 1.62           | 32                | 1.69             | 34                | 0.70            | 14                | 2.39                    | 48                |
| 2014 | 4.70                     | 1.12           | 24                | 1.77             | 38                | 0.69            | 15                | 2.46                    | 52                |
| 2015 | 4.49                     | 0.57           | 13                | 1.83             | 41                | 0.78            | 17                | 2.61                    | 58                |
| 2016 | 6.06                     | 1.59           | 26                | 1.71             | 28                | 0.94            | 16                | 2.65                    | 44                |

*\* Recurrent Budget excludes Debt Service and Statutory Transfers*

- The size of the Annual Budget has grown steadily except for 2014 and 2015.
- Recurrent Expenditure was consistently larger than Capital Expenditure.
- The Annual Budget was always a deficit financed largely through borrowing.

# Strategies Deployed in the Past

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- ❑ Privatisation.
- ❑ Commercialisation.
- ❑ Outsourcing.
- ❑ Rationalisation of the number of government institutions.
- ❑ Expenditure Capping.
- ❑ Introduction of anti-corruption measures (and agencies).
- ❑ Downsizing.

## *Outcome*

The Challenges of Public  
Finance Management  
have Persisted.

## *Also*

Dwindling Revenue.  
Deficit in Infrastructure.

# The Efficiency Unit – Profile and Mandate

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- Established against the urgent need to achieve a better cost structure for the government and derive maximum value for money spent: *Government needs to use its resources more judiciously in "lean and fat" times and government needs to invest more in capital projects rather than recurrent expenditure.*
- The Mandate of the **E-Unit** is on Overhead Expenditure to: *Generate savings for government from the procurement process using the government's large buying power and Reduce costs through administrative tools and other measures.*
- Situated in the Office of the Honourable Minister of Finance, it has a Steering Committee comprised of officials from the public and private sectors.
- To achieve its mandate, the **E-Unit** has reviewed the cost structure and expenditure pattern of the government in fine details, proposed strategies and is implementing some in collaboration with stakeholders.
- In other countries (UK, Ireland, US, Hong Kong, New Zealand, Australia, etc) where Efficiency Units (or similar institutions) were introduced, measurable and significant results were achieved. In addition, some have evolved into institutions responsible for significant policy and structural changes in their respective government's activities.

*"ensuring the most efficient use of resources and that all opportunities to make savings, avoid waste and increase productivity are vigorously pursued".*

# The Efficiency Unit: Strategy

- ❖ Having reviewed the Government's Overhead Expenditure for 2012 – 2014 and studied the activities of similar offices in other countries, the **E-Unit** has developed strategies that will help the government to be more prudent in the management of Overhead Expenditure. The main components of the **E-Unit** Strategy are:
  - **Procurement**

The objective can be described as "**Doing more with Less**" and "**Value for Money**".

    - *Use the Government's large purchasing power to negotiate favourable terms from suppliers.*
    - *Streamline the procurement process to make it more wholesale rather than fragmented.*
    - *Increase transparency through the introduction of Price Guidelines.*
  - **Administrative Tools**
    - *Use administrative means such as Circulars or Policies for cost cutting and standardisation across MDAs while also promoting transparency .*
  - **Shared Services**
    - *Maximise the use of shared services on fixed assets such as buildings and ICT.*
  - **Payment by Debit Cards**
    - *Payment for some expenses using debit cards is proposed to achieve transparency and accountability and ultimately lower costs of procurement.*



# Efficiency Unit - Achievements To Date

## **Strategy**

- Articulated Strategy for Executing its Mandate.

## **Procurement**

- Secured Discounts ranging from 7% to 50% from 19 Airlines, 12 of them foreign. Implementation is on-going.
- Working with the Bureau of Public Procurement on other issues related to Procurement.

## **Administrative Tools**

- Made recommendations to the Office of the Secretary to the Government of the Federation on Travels and Sitting Allowances and the required Circulars were issued in March 2016 and April 2016 respectively.
- Made recommendations to the Office of the Head of the Civil Service of the Federation for the issuance of Circulars on 6 Overhead Expenditure items. Awaiting their reaction.

## **Shared Services**

- In discussions with Galaxy Backbone.
- More mileage is in properties, for which proper work will start when there is an up to date record of the government's fixed assets.

## **Debit Card Payment**

- On-going. Working in collaboration with the Office of the Accountant General of the Federation.

# Top 5 Overhead Expenditure Items 2012 - 2014

| <b>Table 2.0 Top 5 Overhead Expenditure Items for 2012</b> |  |                   |                            |
|--|--|-------------------|----------------------------|
| <b>Ranking</b>   | <b>Expenditure Item</b>                    | <b>Amount Nbn</b> | <b>% of Total Overhead</b> |
| 1  | Travels (Local and International)          | 78.65             | 17.01                      |
| 2  | Maintenance (all fixed assets)             | 69.44             | 15.02                      |
| 3  | Training (Local and International)         | 57.10             | 12.35                      |
| 4  | Office Stationery and Computer Consumables | 42.53             | 9.20                       |
| 5  | Welfare                                    | 33.41             | 7.23                       |
|  | Total for top 5 Expenditure Lines          | 281.13            | 60.81                      |
|  | Total for all MDAs                         | 462.23            | 100                        |

| <b>Table 2.1 Top 5 Overhead Expenditure Items for 2013</b> |  |                   |                            |
|--|--|-------------------|----------------------------|
| <b>Ranking</b>   | <b>Expenditure Item</b>                    | <b>Amount Nbn</b> | <b>% of Total Overhead</b> |
| 1  | Travels (Local and International)          | 100.43            | 21.71                      |
| 2  | Maintenance (all fixed assets)             | 62.98             | 13.62                      |
| 3  | Training (Local and International)         | 56.55             | 12.23                      |
| 4  | Welfare                                    | 43.62             | 9.43                       |
| 5  | Office Stationery and Computer Consumables | 38.29             | 8.28                       |
|  | Total for top 5 Expenditure Lines          | 301.87            | 65.27                      |
|  | Total for all MDAs                         | 462.50            | 100                        |

| <b>Table 2.2 Top 5 Overhead Expenditure Items for 2014</b> |  |                   |                            |
|--|--|-------------------|----------------------------|
| <b>Ranking</b>   | <b>Expenditure Item</b>                    | <b>Amount Nbn</b> | <b>% of Total Overhead</b> |
| 1  | Travels (Local and International)          | 69.42             | 16.19                      |
| 2  | Welfare                                    | 49.71             | 11.60                      |
| 3  | Office Stationery and Computer Consumables | 44.43             | 10.36                      |
| 4  | Maintenance (all fixed assets)             | 43.20             | 10.08                      |
| 5  | Training (Local and International)         | 35.19             | 8.21                       |
|  | Total for top 5 Expenditure Lines          | 241.95            | 56.44                      |
|  | Total for all MDAs                         | 428.68            | 100                        |

# Potential Savings on Selected Items

| Expenditure Item  | Average Annual Spend for 2012 – 2014 | Estimated Savings Per Annum  |
|---|--------------------------------------|--|
| International and Local Travels *   | <b>N82,831 million</b>               | <b>N4,142 million</b><br><i>( At 7% Discount)</i>  |
| Office Stationeries and Computer Consumables  | <b>N41,751 million</b>               | <b>N2,087.55 million</b><br><i>(At 5% Discount)</i>  |
| Local and International Training **   | <b>N49,614 million</b>               | <b>N2,480.70 million</b><br><i>(At 5% Discount fee)</i>  |
| Refreshments and Meals  | <b>N9,714 million</b>                | <b>N5,828 million</b><br><i>(At N500 for Refreshments and N1500 for Meals instead of an estimated average for both of N5000)</i> |
| Printing of Non-Security Documents (Letter heads, envelopes, brochures programmes etc.) | <b>N6,172 million</b>                | <b>N308.6 million</b><br><i>(At 5% Discount)</i>   |
| Publicity and Adverts ***   | <b>N5,926 million</b>                | <b>N672 million</b><br><i>(From eliminating avoidable Adverts)</i>   |
| <b>Total Estimated Savings Per Annum</b>  |                                      | <b>N15,510.85 million</b>  |

## Notes

- \* Savings is much higher as 7% was the lowest discount obtained, First Class travel no longer allowed and Business Class travel restricted.
- \*\* Savings will be higher if Training are localised.
- \*\*\* There is potential for more savings if discounts are secured from Newspapers.

# Conclusion

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- For growth and development, (job creation, diversification of the economy, improved quality of life etc.), more of the country's revenue should be deployed to Capital Projects. To achieve this objective, Recurrent Expenditure has to be moderated.
- The Time for Action is Now.
- Together we can.

***Who Benefits?***  
*All Nigerians – Present and  
Future*

***Thank you.***