

INTRODUCING NIGERIA'S EFFICIENCY UNIT

BACKGROUND

Based on the initiative of the Honourable Minister of Finance Mrs. Kemi Adeosun, Nigeria now has an **Efficiency Unit** (Unit) as a dedicated office in Nigeria under the Federal Ministry of Finance. The formal inauguration of the Steering Committee of the Efficiency Unit was held on November 30, 2015.

MANDATE OF THE EFFICIENCY UNIT

In broad terms, the Mandate of the Unit is to review the Expenditure profile and pattern of the Federal Government and work with Ministries, Departments and Agencies (MDAs) to introduce more efficient processes and procedures that will ensure that the Government's revenues are deployed in an efficient manner that translates to ***Value for Money and Savings to Government***. This initiative will complement on-going efforts by the Government to diversify its revenue sources.

The activities of the Unit will be supervised by a Steering Committee which is composed of distinguished Nigerians from the public and private sectors. The Steering Committee is chaired by the Honourable Minister of Finance Mrs. Kemi Adeosun. Other members of the Committee are:

- The Head of Civil Service of the Federation
- The Auditor-General of the Federation
- The Accountant General of the Federation
- Alh. Kabir A. Mohammed - Past President, Institute of Chartered Accountants of Nigeria
- Mr. Kunle Elebute - Partner and Head, Advisory Services KPMG
- Mr. Seyi Kumapayi - Chief Financial Officer, Access Bank Plc
- Mr. Adebunji Adeniyi - Chief Financial Officer, Guaranty Trust Bank Plc
- Ms Patience Oniha - Head of the Efficiency Unit

The creation of an **Efficiency Unit** as a public sector reform initiative has the following unique benefits for Nigeria:

- It is a tool that is internal to the Government thereby saving costs, providing learning opportunities for Government and resulting in long term benefits.
- It is participatory (the MDAs are involved) rather than top-down which makes acceptance and the institutionalization of a culture of efficiency easier.

- It has the potential for introducing other reforms in the public sector for public good.

NECESSITY OF THE EFFICIENCY UNIT

There are several reasons why an **Efficiency Unit** has become imperative for Nigeria. Some derive from the structure of the Nigerian economy while others relate to Nigeria's spending patterns and processes over the years. Amongst the reasons are:

- Nigeria's dependence on crude oil for foreign exchange and revenue which has made the Nigerian economy vulnerable to shocks in the international oil markets. The impact of the recent collapse in crude oil prices on Nigeria's External Reserves, the Naira Exchange Rate and Revenues are testament to the urgent need to review the manner in which increasingly limited Government revenues are spent.
- The disproportionate share of Recurrent Expenditure to Capital Expenditure which has constrained the development of infrastructure. Such spending pattern that is biased against spending on capital projects is inimical to growth and development.
- The work and procurement processes as well as, practices in the public sector which inherently promote or support wastage and inefficiency.

Overall, the need to ensure that Government's resources are used in the most efficient manner so that citizens get *value for money* and that more funds are available for capital projects (such as infrastructure) has never been greater. The Cost Savings activities of the Efficiency Unit is a key reform initiative towards achieving this objective. The creation of an **Efficiency Unit** is the first time that the Government is taking a bold initiative to zoom in on its Expenditure with a view to eliminating waste and inefficiencies.

Efficiency Units in countries such as Hong Kong, United Kingdom, Canada and Ireland have been used to achieve these two objectives successfully. Furthermore, in some countries, **Efficiency Units** have propelled bigger and long term reforms in the public sector.

HOW THE EFFICIENCY UNIT WILL WORK

The **Efficiency Unit** will execute its mandate in a number of ways:

- Reviewing the Government's spending pattern using data from the Budget Implementation Report and other sources. Thereafter, it would work closely with the MDAs to review work and procurement processes for specific Expenditure

lines and agree changes or process improvements to reduce wastages and make savings. The achievements (savings) from the implementation of such changes or process improvements will be published. This would be a continuous process.

- Identifying and migrating best practices in the public sector spending patterns and processes of other countries to Nigeria.
- Promoting a change in the culture of public spending by MDAs to one of prudence and savings.

WORK UPDATE

Since the inauguration on November 30, 2015, the activities of the Unit are as follows:

- Office space and initial staffing to kick-start the **Unit** are in place.
- Initial public sensitization has been undertaken through the print and electronic media. A more detailed programme to create more public awareness for a number of stakeholder groups (press, civil society organizations and government contractors) and importantly, engage the MDAs is being finalized. Implementation will start in January 2016.
- Available Data on Government Overhead spending for 2012, 2013 and 2014 are being reviewed for pattern, trend and potential areas of savings. From this exercise the actions required for cost savings such as aggregating demand to secure price discounts from government contractors (suppliers), publication of Price Guidelines and Benchmarking of MDAs will be identified and implemented. This aspect of the Efficiency Unit's mandate is the initial focus as it offers the opportunity for Quick Wins and large savings.

In executing its Mandate, the **Unit** expects to collaborate with government institutions whose responsibilities have a bearing with those of the **Unit**.

Efficiency Unit
Federal Ministry of Finance

January 11, 2016