



## EFFICIENCY IN THE USE OF GOVERNMENT RESOURCES

Nigeria, the largest economy in Africa, faces major challenges in implementing her change agenda. The new government came in at a time when the nation's economy was on a downward slide with weak regulatory environment and agencies. For the change agenda to be achieved, big improvements in the efficiency of spend was required, and the government began to focus on it. To support this process, the government reached out to UK Aid for assistance to set up an efficiency unit with two broad mandates:

- 1) To help government with cost cutting to generate savings from various activities of government, and
- 2) To achieve improvement in government procurement in order to improve value for money.



### ABOUT US

Policy Development Facility Phase II (PDF II) is a flexible, rapid-response programme funded by the UK Aid Department for International Development (DFID). The primary objective of PDF II is to provide targeted assistance to support Nigeria's 'champions of change' across the Federal Government to implement economic and social reforms that lead to poverty reduction. This is done through the provision of high quality organisational support and high quality policy research to build the evidence base for this support.





## THE EFFICIENCY UNIT

The Unit looks into procurement across government to harmonise it, help block loopholes and reduce wastages. Savings generated from cost cutting measures and new procurement approaches would be made available to finance capital projects, which would feed back into the economy and create employment.



### STRATEGIES

A range of strategies for managing cost were developed by the Efficiency Unit, each strategy differs depending on the nature of the expenditure. The Unit focused on the top five expenditure items, which could be implemented quickly and effectively

- Travels
- Welfare
- Training
- Maintenance
- Stationaries/Computer Consumables

*"Early in 2016, an Efficiency Unit was set up under the Federal Ministry of Finance to reduce wastage, plug leakages and foster greater fiscal transparency. The Efficiency Unit has enforced several deliberate cost-cutting measures including the removal or reduction of sitting allowances for civil servants in many cases, and saved over 1 billion a year, stopping the procurement of souvenirs, and printing for government programmes, we saved another N1billion. By reviewing travel expenditures, and negotiating procurement discounts, we saved N15billion. We have also removed or reduced meals and refreshments for meetings, and saved another N1billion annually"*

- Vice President of the Federal Republic of Nigeria, Prof.,  
Yemi Osinbanjo



### KEY CHANGES

#### Implementing circulars

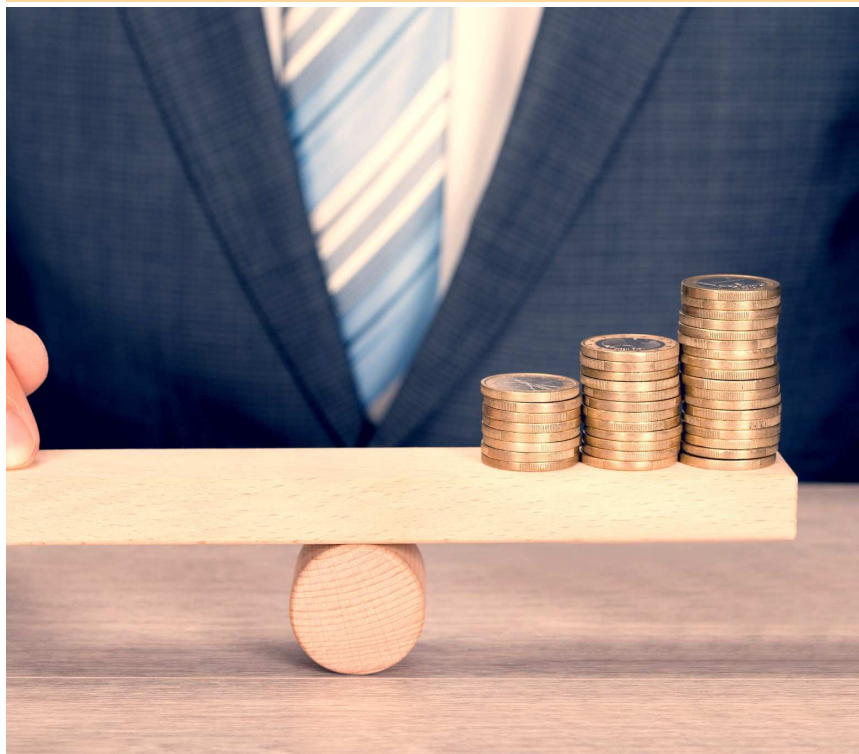
The Efficiency Unit prompted appropriate authorities to issue circulars. Engaging key stakeholders and MDAs, to increase understanding of the change mandate, circulars with directives on expenditures caps were put in place. So far, circulars have been issued on travel, honorarium, sitting allowance, meals and refreshment. Interviews with staff of the Office of the Accountant General of the Federation (OAGF) revealed that the unit has succeeded in this objective, as structures to better manage government expenditure are now in place.

#### Cultivating a Culture of sensitivity & Awareness

Pressure to adhere to the new policies and circulars have been introduced in Ministries. Staff of MDAs are now very conscious of how they spend and compliance with the circulars issued demonstrates a change in culture.

### Introducing the Price Checker

The process of introducing a price checker is almost complete; this initiative will replace the price list. With the price checker vendors of non-customised goods are able to upload the prices of their goods on the platform for access by procurement officers and approving officers in all MDAs and Parastatals within the 36 States of the Federation, including the FCT. It is also open to State Governments who may wish to use the platform. This introduction helps to ensure consistency in prices, thereby providing more transparency and eliminating sharp practices in the procurement process.



### Introduction of Debit Cards for Payments by MDAs

The Efficiency Unit liaised with the representatives of the OAGF in September 2016 to put a concept note in place on debit card payment for MDAs. In November 2016, a draft guideline on financial regulation was sent to the OAGF to consider and introduce after sensitisation. A suggested road map that included starting with a pilot MDA and including more MDAs as the process progresses was also sent. The draft copy of the agreement with the Bank collaborating with the Efficiency Unit has already been reviewed and being fine-tuned for signing by the parties.

### Pooling and Aggregating Demand

MDAs have been able to benefit from price discounts and save on costs associated with procurements by pooling demands. An example of this is the agreement signed with Dana Airline in February 2016 for travel discounts, which is now in operation. Another example is the aggregation of demand by MDAs, with one acting as the lead MDA for bulk purchase to gain quantity discount and reduce administrative costs associated with the subsisting procurement process. The draft Framework Agreement is already in place and has been reviewed with the Bureau of Public Procurement (BPP). These guidelines will be part of the procurement process and will help to standardise it. The Bureau will put up public announcement in the newspapers for wholesale suppliers and manufacturers of products consumed by MDAs.

### Asset Recovery

The Efficiency Unit made recommendations to the Asset Recovery Committee Chair in June 2016 regarding properties forfeited to government by various past public office holders. The recommendation was to re-allocate such properties, which were not in use, to some government offices/MDAs currently paying rent across the country. To achieve this, the efficiency unit worked closely with Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) to get the list of the properties and identify their various locations.



## Efficiency Savings

Expenditure Item	2014 (NBillion)	2015 (NBillion)	2016 (NBillion)	2017 (NBillion)
Travel & Transport	69.42	105.20	71.12	14.48
Maintenance	43.20	46.31	31.08	20.49
Training	35.19	18.57	19.99	5.70
Welfare	49.71	22.54	32.77	2.23
Office Stationeries & Supply	44.43	36.91	12.60	2.39
<b>TOTAL</b>	<b>241.95</b>	<b>229.53</b>	<b>167.56</b>	<b>45.29</b>

For the gross figures, savings made for the years 2015, 2016 and 2017 are ₦12.42bn (₦241.95bn - ₦229.53bn), ₦61.97bn (₦229.53 - ₦167.56bn) and ₦122.27bn (₦167.56bn - ₦45.29bn), respectively. The savings on the individual items of Travel & Transport for the years 2016 and 2017 are ₦34.08bn and ₦56.64bn respectively, while on Office Stationeries & Computer Consumables savings were ₦24.31bn and ₦10.21bn for the years 2016 and 2017, respectively.



## Next Steps

Over the past two years, through the Efficiency Unit, Nigeria saved 184.24 Billion Naira on overhead expenditure alone. Expenditure savings success of the unit is demonstrated by the fact that the government is planning to make the Efficiency Unit a department within government to institutionalise the on-going reforms. The need for the unit is also demonstrated by the growth of their mandate since inception, this growth is spurred by both the savings achieved and the strong political will to make the Efficiency Unit into a department.

The benefit of having the Embedded Adviser's support was recognised by Honourable Minister of Finance during an interview with her in 2016. A director from NAICOM applauded the work of the Embedded Adviser and said that 'Through her support, mind-sets have changed', commenting that within NAICOM, savings have already been made in the areas of travels and lunch.

Although early successes are evident, as with every change process there are bound to be challenges. With continued high-level support from the Minister of Finance, Head of Service and Secretary to the Government of the Federation, who are all key drivers of the process, greater efficiencies will be achieved.

