The Government Summit
Thought Leadership Series

Government Efficiency

In collaboration with

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Efficiency is an increasingly core component of government reform. However, reviews of government production costs and productivity in OECD countries indicate that governments may be getting less efficient over time. Governments are actively addressing the topic of efficiency through the introduction of new practices in various areas of public service. Our research shows that opportunities for improvement exist to create meaningful and sustainable efficiency gains.

In order to continue to improve efficiency in the public sector, governments should focus on four key areas: pursuing innovative practices linked to efficiency; scaling the use of efficient practices; improving the use of established measurement and analytical tools to generate actionable insights; and strengthening management incentives to become more efficient.
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Introduction

Efficiency is about doing more for less. It involves maximizing outputs such as the volume of services provided, minimizing inputs such as the amount of resources or capital required to produce those services and maintaining or improving quality. Efficiency can be measured by how much it costs to deliver a program compared to previous years or compared to peers, or the relative outcomes that governments obtain from a certain level of expenditure. Rising citizen expectations, ageing populations and global economic volatility have put pressure on governments to increase the value for money of public services.

Against this backdrop, the UAE public service is tasked with delivering policy and programs to meet the Government’s ambitious Vision 2021 agenda to improve healthcare and education, strengthen social programs, grow the economy, enhance public safety, promote environmental sustainability and improve its global standing. According to the IMF World Economic Outlook, government expenditures are projected to hold steady at approximately 22 percent of GDP. As such, the government needs to ensure that existing programs are efficient and effective and future investments represent good value for money.

This paper is divided into several sections:

- Section two describes the methodology which involved a series of interviews with senior UAE Government officials, analysis of data on public sector expenditure and performance, meetings with subject matter experts in Deloitte’s Global Public Sector practice and reviews of leading initiatives in several countries.

- Section three describes the UAE Government’s efficiency in international perspective. It highlights that the UAE Government spends less than many other high income countries, but doesn’t get a high score on an international assessment of government effectiveness. It reviews the increasing importance of “efficiency” in public sector organizations and looks at governments’ track record on efficiency using available international evidence and concludes that efficiency is declining over time. It also describes the characteristics of government inefficiency.

- Section four identifies the key drivers of government efficiency and develops a framework for improving government efficiency.

- The final section concludes with a summary.

This study is an independent review of government efficiency. Although the focus is on efficiency in the Government of the UAE, the content is developed for the High Level Government Forum bringing together senior government officials from around the world. Unless otherwise stated, when the study refers to “government” it is referring to governments around the world rather than any specific government entity.
Methodology

Developing robust evidence on what drives efficiency is challenging because of the absence of readily comparable data on government inputs, outputs and quality. Drawing the links between specific initiatives and overall efficiency is confounded by time lags and other factors that influence efficiency but are outside of government’s control. As such, this study has pursued a pragmatic approach. We have undertaken a brief review of leading practices in Australia, Canada, Singapore, and the United Kingdom. These countries were selected based on their reputations as leaders in public sector management policy and practice. The review involved selecting a set of key areas of government activity which provide significant potential for efficiency gains and developing a set of assessment frameworks to guide the investigation. The study is informed by a variety of sources:

- Interviews with senior government officials in the UAE and high level reviews of UAE Government programs to improve efficiency
- Interviews with Deloitte public sector subject matter experts
- Selected literature and publicly available information on public sector reforms designed to improve efficiency
- Publicly available data on government spending and effectiveness
- Lessons learned from recent Deloitte experience with government efficiency improvement projects

The comparator countries vary in size, system of government and level of spending. This diversity helped to clarify the common trends in best practices used to generate efficiency gains.

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (millions)</th>
<th>System of Government</th>
<th>Government expenditure (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>7.9</td>
<td>Federal</td>
<td>22</td>
</tr>
<tr>
<td>Australia</td>
<td>22.6</td>
<td>Federal</td>
<td>36</td>
</tr>
<tr>
<td>Canada</td>
<td>34.5</td>
<td>Federal</td>
<td>43</td>
</tr>
<tr>
<td>Singapore</td>
<td>5.2</td>
<td>Unitary</td>
<td>18</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>62.6</td>
<td>Unitary</td>
<td>46</td>
</tr>
</tbody>
</table>

Source: IMF World Economic Outlook (data shown here is for 2011)
**Context**

**UAE Government Efficiency in International Perspective**

The UAE is viewed by business leaders as one of the most efficient governments in the world. According to a recent international survey by the World Economic Forum that asked business leaders to rank the efficiency of the composition of public spending, UAE business leaders were more likely to rank their government as efficient than business leaders in any other country except Singapore. Over the previous five years, business leaders in the UAE have been consistently more positive about the efficiency of public spending than those in the OECD (see figure 1 below).

This is likely to reflect in part the low levels of spending in the UAE, with government expenditure at 22 percent of GDP compared to the OECD average of 44 percent of GDP.

However, the UAE is ranked 48th in the world in global comparisons of government effectiveness. Taking into account both spending and effectiveness, the UAE performs at a level that is well within the “efficiency frontier” set by leading countries such as Finland and Singapore. Like all governments, the priority is to ensure that any additional investment made by government has a high degree of value for money.

**Figure 1**

Perceptions of government efficiency

How would you rate the composition of public spending in your country?

1 = highly wasteful 7 = highly efficient

Source: World Economic Forum Executive Opinion Survey

Approximately 100 business leaders were surveyed in each country and asked to rate the composition of public spending. The OECD Average is reported here.
In its Worldwide Governance Indicators (WGI), the World Bank has been evaluating six dimensions of governance for 215 countries since 1996. It is composed of six sub-indicators: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. These governance indicators provide a quantitative measure of governance performance to assist in policy reform and monitoring. Government effectiveness, one of the six sub-indicators, “captures the perception of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies”. The main focus of this indicator is to report on the “inputs” required for governments to achieve policy and program objectives. The WGI combines the perceptions of enterprise, citizen, and expert survey respondents in developed and developing countries. The data is gathered from 30 individual data sources including the World Economic Forum Global Competitiveness Report, Transparency International Global Corruption Barometer Survey, the World Bank Country Policy and Institutional Assessments, Bertelsmann Transformation Index, Reporters without Borders, and the Economist Intelligence Unit Risk-wire and Democracy Index. An “effectiveness” score is given to each government between -2.5 (weak) to 2.5 (strong) to assess government performance.
The Public Sector’s Commitment and Experience with Efficiency Programs

Governments around the world are continually searching for ways to deliver services that reduce cost and improve quality. Public expenditure is subject to scrutiny from audit bodies, central agencies, expenditure review programs, political decision makers, media, think tanks, academia, and even “arm-chair auditors” through transparency initiatives. Some governments have set up efficiency and reform units to drive efficiency savings from the center of government while others have undertaken large scale spending review programs. It is therefore unsurprising that efficiency is increasingly identified as a core public service value alongside more traditional values such as impartiality and legality (see figure 4 below).

In a recent study, the International Monetary Fund has identified 71 cases of consolidation programs in the last 30 years aimed at reducing budgets by more than 5 percent of GDP. These cases include both high income and emerging economies and cover a variety of different political systems. The message from these episodes is that large scale fiscal consolidations are painful. Public servants who have looked back on these processes have explained that they are extremely challenging and point to the difficulty of innovating while under extreme cost pressure. As such, it is considered good practice for governments to be proactive and improve the efficiency of operations during less constrained times.

Figure 4
Frequently stated core public service values (OECD) (2000 and 2009)

<table>
<thead>
<tr>
<th>Value</th>
<th>2000</th>
<th>2009</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impartiality</td>
<td>80%</td>
<td>94%</td>
<td>14%</td>
</tr>
<tr>
<td>Legality</td>
<td>60%</td>
<td>77%</td>
<td>17%</td>
</tr>
<tr>
<td>Transparency</td>
<td>20%</td>
<td>61%</td>
<td>41%</td>
</tr>
<tr>
<td>Integrity/Honesty</td>
<td>40%</td>
<td>64%</td>
<td>24%</td>
</tr>
<tr>
<td>Efficiency</td>
<td>50%</td>
<td>84%</td>
<td>34%</td>
</tr>
<tr>
<td>Professionalism</td>
<td>20%</td>
<td>44%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: OECD Government at a Glance, 2009
**The State of Government Efficiency**

Despite all of the emphasis on efficiency, existing assessments of government activity indicate that production costs are rising and efficiency has been declining over time. According to the OECD between 2000 and 2009, production costs in government rose from 20.9 percent of GDP to 23.3 percent of GDP (see figure 5 below). In the UK, a review by the national statistics agency estimates that public sector productivity has fallen by an average annual rate of 0.3 percent. A more recent analysis indicates that despite nearly halving the size of the UK civil service, costs have remained stable over a forty year period. In the US, forthcoming analysis by Deloitte indicates while private-sector productivity grew by 60 percent during a 47 year period, productivity in the public sector dropped by more than 10 percent. Although the UAE has not undertaken a large scale review of government efficiency, the trend in other jurisdictions provides a cautionary tale: as governments innovate and reform, government budgets have been increasing and sometimes without commensurate improvements in outcomes.

**Figure 5**

Government production costs as a percentage of GDP 2000 and 2009
(% change in brackets)

<table>
<thead>
<tr>
<th>Country</th>
<th>2000</th>
<th>2009</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD33</td>
<td>20.9</td>
<td>23.3</td>
<td>(11.6%)</td>
</tr>
<tr>
<td>Sweden</td>
<td>15.0</td>
<td>14.0</td>
<td>(7.3%)</td>
</tr>
<tr>
<td>France</td>
<td>18.2</td>
<td>17.9</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>20.3</td>
<td>19.0</td>
<td>(12.4%)</td>
</tr>
<tr>
<td>Canada</td>
<td>20.7</td>
<td>21.0</td>
<td>(1.4%)</td>
</tr>
<tr>
<td>Norway</td>
<td>21.0</td>
<td>22.0</td>
<td>(4.8%)</td>
</tr>
<tr>
<td>New Zealand</td>
<td>22.4</td>
<td>21.2</td>
<td>(12.4%)</td>
</tr>
<tr>
<td>Spain</td>
<td>23.2</td>
<td>20.1</td>
<td>(12.4%)</td>
</tr>
<tr>
<td>Italy</td>
<td>21.3</td>
<td>19.9</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>Germany</td>
<td>23.5</td>
<td>22.2</td>
<td>(5.6%)</td>
</tr>
<tr>
<td>Ireland</td>
<td>24.1</td>
<td>23.0</td>
<td>(-4.2%)</td>
</tr>
<tr>
<td>United States</td>
<td>24.8</td>
<td>23.5</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>Australia</td>
<td>25.5</td>
<td>24.5</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Poland</td>
<td>26.0</td>
<td>24.7</td>
<td>(4.8%)</td>
</tr>
<tr>
<td>Japan</td>
<td>27.5</td>
<td>26.2</td>
<td>(4.8%)</td>
</tr>
<tr>
<td>Korea</td>
<td>28.0</td>
<td>26.5</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>29.5</td>
<td>28.0</td>
<td>(5.2%)</td>
</tr>
<tr>
<td>Chile</td>
<td>30.0</td>
<td>28.5</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Mexico</td>
<td>30.5</td>
<td>29.0</td>
<td>(5.0%)</td>
</tr>
</tbody>
</table>

Source: OECD Government at a Glance 2011, selected countries displayed here
Production costs include compensation costs of general government employees, costs of goods and services produced by nongovernment entities paid for by government and consumption of fixed capital.
The Characteristics of Inefficiency

Recent efficiency reviews in Australia\textsuperscript{10}, Canada\textsuperscript{11} and the UK\textsuperscript{12} point to significant opportunities for efficiency gains in government. One example is the wide variation in prices for common goods and services purchased by the UK Government. The UK’s Green Review found that a box of paper ranged from a high of £73 to a low of £8 while printer cartridges ranged in price from £398 to £86.\textsuperscript{13} Higher than necessary costs had been incurred as a result of a failure to obtain a more standardized approach to purchasing and contracting. An absence of an integrated approach to both front office and back office services also creates costly overlap and duplication across government. Multiple points of entry and overlapping services lead to administrative redundancies and critical information not being shared between agencies.

Recent efficiency advisory experience suggests a number of inefficient practices commonplace in government:

- Senior managers are sometimes responsible for tasks that could be handled by more junior personnel
- Managers have narrow spans of control or 1:1 reporting relationships
- There are a large number of reporting layers
- Managers have overlapping responsibilities
- Personnel are engaging in unnecessary or inefficient planning activities
- Fragmented delivery models exist causing redundancy across departments
- Inefficient and overly complex business processes that do not add value
- Overly complex business applications and IT infrastructure
- Activities delivered in-house that would be less costly and/or more effective if outsourced
- Redundant facilities/offices (across geographies and departments)
- Manual processes that could be automated

A more comprehensive list of inefficient practices is listed in Annex.

While this state of affairs can not only crowd out efficient practices, it can also undermine the efficacy of the public service. The next section presents a four step model for systematically improving the efficiency of government.
Four Key Drivers of Government Efficiency

Efficiency reviews are not just about cost reduction. They also represent an opportunity to examine programs and services to ensure they meet government objectives, become more effective and deliver higher quality service. In some cases like the UAE Unique Identity Authority, investment is required to deliver efficiency savings over time. In other cases, cost reduction programs that involve adjustments of mandate and scope can deliver rapid efficiency gains. For example, some governments have reduced the breadth and depth of coverage for social entitlement programs. Efficiency can go hand in hand with greater citizen satisfaction while at other times there is a tradeoff between cost and quality. With different paths to efficiency, there are four key drivers to systematic efficiency in government:

- **Innovate**: There needs to be a constant process of innovation. Leading practices need to be identified, adapted and implemented.
- **Scale**: There needs to be an ability to mandate or provide clear direction for scaling up innovations. Without a governance structure that is responsive to innovative and leading practices, good ideas fail to make an impact.
- **Measure**: There needs to be a clear focus on measurement and analysis. Without an analytical capability, inefficient practices tend to persist and efficient practices are less likely to be scaled appropriately.
- **Incent**: Governments need tighter sanctions and clearer incentives to drive efficiency at the highest levels.

This model can be applied both to programs introduced as well as to the government as a whole. For example, stronger incentives should apply to specific initiatives as well as to leaders responsible for ensuring value for money in government.
Innovate

In order to improve efficiency in government, a process of innovation is critical. As productivity does not rise at the same rate in all areas of the public sector, it is important to recognize that the characteristics of different functions mean that each will be different in terms of extracting efficiency gains. For example, functions that can be automated and outsourced may be more likely to generate efficiency gains than those that are necessarily labor intensive. Innovation is enabled by a combination of technology, process and operations as well as a better evidence base and effective process of risk management. Yet, there are different categories of innovation. Incremental innovation involves implementing changes to existing practices and includes the adoption of leading practices in government. Innovation can be of the “disruptive” variety when it provides a way to make public programs radically cheaper without slashing services. While this type of innovation has historically been less commonplace in government it should be introduced to form part of an overall innovation program.

To drive and sustain innovation, a culture of measured risk-taking is critical. One interviewee likened the role of a government official to a business person constantly seeking to increase (public) value. In the same way that the private sector focuses on the bottom line, more entrepreneurialism is required to drive government forward. The interviewee pointed to the role that Research and Development plays in a private sector organization and argued that more sustained research and analysis in government could help to build better government services.

We have reviewed dozens of leading practices that governments are pursuing in the UAE, Australia, Canada, the UK and Singapore. We list several of the most promising innovations that address key issues in government efficiency such as fragmentation of delivery, overlapping responsibilities, and duplication and multiple points of entry for citizen services. The paper also describes the more radical approach of disruptive innovation to break the tradeoff between performance and cost.

Citizen Service Delivery

Many governments around the world are actively assessing their capabilities for delivery of citizen and business services across channels and many have launched major service transformation efforts. Citizens are increasingly looking for simple, timely, secure, and self-service ways to interact with government across internet, phone and in-person channels. Governments are striving to lower the costs of service delivery and seeking better ways to interact with citizens and businesses. To address these trends, government service delivery organizations around the world are aiming to become more efficient while improving service effectiveness.

Examples of recent public sector initiatives include:

• Proactively migrating service interactions with both citizens and businesses to single point of entry service centers, call centers and lower cost internet channels.

• Taking more of an enterprise-wide approach to service delivery by building a new cross-department organization with accountability and governance for service delivery.

• Driving common identity management initiatives across levels of government, including collaboration with private sector leaders such as financial institutions.

• Taking advantage of rapidly evolving technologies (in developing countries in particular) to consider a direct move to internet-based service rather than building legacy channels such as in-person or call center.

• Working with a broad set of third parties to consider new and innovative means of service delivery including outsourcing and various public-private partnerships.

• Exploring new channels of service delivery such as mobile service and social media for proactive two way communication.

With this clear trend to “multi-channel access and service delivery,” several interviewees pointed to the role that technology can play and in particular, automating self-service. For common service transactions cost estimates vary widely depending on the channel used. Deloitte experience suggests that in a country like Canada, costs for in person transactions are approximately $25 per transaction, live voice phone calls are $10, automatic phone calls are $5 and web based self-service is $0.25. In other words, an in person transaction is regularly seen to be up to 100 times more costly than a web based self-service transaction. For high volume transactions such as registrations, certificates and licenses innovation in automation can provide very significant efficiency savings.

International reviews of the cost of service delivery also point to the very significant savings that can be achieved through channel shifting. A recent Deloitte review of transaction costs reported in a local council in England, civil service department in Northern Ireland and US state government indicate that the cost of online transactions can range between two and ten percent of the cost of an in-person transaction. In a recently released
report on digital efficiency, the UK Cabinet Office found that the government could save at least £1.7bn per year by shifting the transactional services currently offered by central government departments from offline to digital channels. These savings would be generated through reductions in staff, property, materials and office equipment costs. In addition, the report found that if half an hour were saved by digitizing every transaction currently completed offline the overall savings to the economy could be up to £1.8 billion.

In the 2012 United Nations E-Government Index, the UAE improved its overall position from 49th in 2010 to 28th, to become ranked first amongst Arab countries, second amongst peers in Western Asia, and fifth in Asia. The UAE’s position in the e-service index moved from 99th to 7th and in the e-participation index, its position improved from 86th to 6th. This was achieved by conducting an in-depth review of whole of government service delivery to provide a more detailed understanding of the factors for improvement in e-government and incorporating a strategic plan into the “UAE Vision for 2021”. The government conducted a review of best practices, introduced a program to standardize websites and improved its capability for online transactions. The UN lists the UAE as one of the few countries in the world that comes closest to a “one-stop shop” of government information and offerings. A “platform” approach is used to provide an interface with common tools and functionalities for local service delivery actors that can be customized to meet the needs of their clients. Additionally, the government has incorporated instant messaging, audio-overlay for the hearing impaired, multi-channel service delivery, and adjusts service offerings and delivery methods based on citizen feedback in a citizen-centered approach to e-government services. Based on its rapid progress in developing e-government solutions, the UN named the UAE as a global “new leader”. Below are several leading practices in service delivery being adopted by governments in the UAE, Australia, Canada and Singapore.

**UAE Unique Identity Program**

The UAE has implemented a number of leading practices designed to radically improve the efficiency of government through better service delivery. The UAE National Identity Program aims to improve identification and authentication mechanisms to provide better service to citizens as well as reduce crime, eliminate identity theft, control immigration and reduce benefit fraud. The centerpiece of the project is an integrated population register that will become the central reference point for the whole of government population identification and service delivery. The demographic information in the register will support strategic decision making on resource allocation and long term planning. The rapid identity verification has enabled the government to reduce the time it takes to verify identity in court services from 7 minutes down to 7 seconds – a reduction of 600 percent. In high volume services, the time savings can translate into major efficiency gains by radically lowering labor costs. To date, the government has enrolled 98 percent of the population and projects the entire population to be enrolled by the end of the year. As part of this process, the agency respon-
sible for this program will interact with fifteen other agencies as well as the ministries of education, labor, justice and health.

Canada’s Integrated Case Management
Across the OECD, social services account for roughly $1 in every $4 of government spending. In the Canadian province of British Columbia (BC) over $3.8 billion a year is spent on key social programs such as employment benefits and childcare subsidies in the ministries of Children and Family Development and Social Development. Yet, these services are often delivered in a fragmented way that impedes information sharing on at-risk clients and is not organized around client needs. In addition, determining service eligibility involves complex calculations based on frequently evolving legislation and government policy. To resolve some of these challenges, the BC government is reforming the delivery of key social services by using innovative technology in a program known as Integrated Case Management (ICM). The ICM system will replace 50 outdated, fragmented, and inflexible computer systems that deliver services in 20 programs across two ministries. The technology allows real time calculation of benefits and provides greater visibility of client interactions. This initiative also has a “no-wrong-door” approach to delivery through the use of online self-service, call center or cross-program service centers to increase convenience and availability. This program will reduce technology costs and enhance service delivery while improving the quality and timeliness of the customer experience to over 200,000 social service clients each year.

Singapore’s Public Sector Infrastructure
Internet is universally available in Singapore with a connectivity rate of 99 percent of the total population. This creates a significant potential for the government to utilize online channels to increase efficiency of service delivery via its Public Service Infrastructure (PSI) program. PSI is a complete end-to-end platform for government agencies to develop, initiate and operate e-services as a part of their online e-Government programs. PSI has been created using “build-once, reuse-always” features such as securely collecting payment, customer authentication, and data exchange across government departments and agencies. As PSI is a centralized program that is utilized across departments and agencies, the Singapore Government is able to leverage economies of scale because individual ‘end-user’ departments do not need to develop their own, incompatible e-service infrastructure. Unique development, testing, quality assurance, and production environments have been developed to ensure excellence in quality and operations of this e-service delivery program. The PSI initiative won the Intelligent 20 Award, the Explorer Award at E-GOV 2002, and the CIO Award in 2001 for its innovation in efficient online government service delivery.

Australia’s EZyReg
Eighty-nine percent of Australians own a mobile phone, with the market dominated by internet-enabled devices. When internet was an option, 47 percent of Australians used it in their most recent contact with the government. Additionally, 46 percent of Australians stated that they prefer the internet over other forms of contact with the government such as telephone or in person. To respond to this trend, Service South Australia developed EZyReg, a mobile application that provides easy access to regularly used vehicle registration services through purpose-built mobile technology. EZyReg increases the availability of government and information services in South Australia using a delivery method that is preferred by citizens. This online service was able to reduce the cost of high-volume services such as renewal of vehicle registration by enabling real time, and secure online credit card payments. In addition, EZyReg is designed to have a user-friendly interface that is easy to navigate and offers features such as an interactive list of payment history, tools for setting reminders, and barcode scanning which enables the mobile device’s camera to scan registration notices. This mobile application drives government service delivery innovation to align with current technological capability and customer preference.

Shared Services
Government administrative and support processes are often fragmented across multiple agencies. The resulting lack of standardized processing and duplication of effort cause inefficiencies that ultimately drive up administrative expenditure. Shared services focus on delivering non-core processes through a central entity that interacts with each division or agency. The UAE Telecommunications Regulator Authority has introduced shared services for IT colocation, e-hosting, infrastructure and hardware and software. IT services include email, intranet and a corporate portal. While a chargeback model is not currently in place, it has undertaken a benchmarking study to identify best practices.

Alberta Canada’s Shared Services
The Canadian provincial Government of Alberta spends around $96 million on information communications technology (ICT) each year. A recent review found wide divergence in the costs of common high volume services across the government. The variance in cost resulted from significant duplication in service provision among the more than 30,000 employees across eighteen semi-autonomous departments. ICT support infrastructure consisted of 22 service providers, 17 service desks, 3 mainframe providers, and 10 desktop support services. To reduce this duplication and increase economies of scale, the Service Coordination Initia-
ative, an innovative ICT Shared Services project, was developed to design and advise on effective organization and structural procurement. The project made key changes to the delivery of ICT services through an enterprise model of service delivery. These changes included introducing a reformed governing body with clear standards, common tools and processes across ministries, service level management, and increased competition of service providers by pooling corporate core funding for ICT infrastructure. The Service Coordination Initiative was expected to have an average cost savings of $23.5 million per year. This project received the Alberta “Premier Award of Excellence” in 2008 and 2010 in recognition of the project’s excellence in execution and positive impact on Albertans.

**British Columbia Canada’s Health Shared Services**

The Provincial Health Services Authority of British Columbia had been trying to limit the rising cost of care for years. Their efforts yielded little impact until the launch of Health Shared Services BC (HSSBC) in 2008—a shared services model that delivers non-clinical operations across the entirety of BC’s six health authorities (HAs). Moving to this model, however, proved challenging: health authorities had to hand over control of operations equal to $1.9 billion in spending annually to an outside organization. To build confidence in the initiative, HSSBC initially focused on supply chain management, with the HAs combining purchasing power to negotiate lower costs. HSSBC used this phase to establish a replicable model, employing a rigorous, multi-phased process. Steps included building a business case that clearly demonstrated savings, meeting with HA leaders to create a clear scope of work, and publishing a regular newsletter to keep employees apprised of progress. The HSSBC also created several entities that allowed leaders to collaborate, including a management board, with representation from all HAs; provincial and pan-Canadian alliances; and roundtable meetings that included vendors. The results that HSSBC achieved in the supply chain phase were significant. By February 2012, they had realized more than $200 million in projected savings. The HSSBC’s central governance structure also enables the HAs to rapidly respond to crises, as it did with a recent drug shortage. Based on this success, the shared services model has now been extended to include technology, payroll, accounts receivables, and employee records and benefits.

**Singapore’s Shared Services**

In an effort to bring down costs, achieve greater efficiency for customers, and deliver better services, the Singapore government established Vital, its cross-government center for shared services. Vital was designed to take core processes that were spread out across the government and pool them to leverage economies of scale via automation, technology solutions, and targeted consulting. The new center is staffed by relocated employees from various departments with related skills and worked to become a cohesive workplace with one culture through strong leadership and communication. The center garnered 15 percent in whole-of-government net savings in its first five years, mostly through process standardization, systems automation, and moving to an employee self-service framework. With a staff of 480, Vital now serves over 80,000 people across more than 100 agencies and departments, offering assistance in such areas as credit management, finance, human resources, learning and development, payroll and claims, and travel management. Most recently, its travel management efforts have saved US$40 million dollars by negotiating corporate rates and collecting and analyzing travel data to identify cost-savings opportunities.

**Consolidated Procurement**

Procurement by public sector organizations in the OECD averages 17 percent of GDP. Numerous reviews of government efficiency point to the huge opportunity governments have to leverage their size, scale and credit rating to achieve efficiency gains.

**Singapore’s GeBiZ**

The Singapore Government spends more than $1 billion annually on Information Technology alone, awarding contracts to both local and multinational companies. To improve efficiency, standardize processes, and increase transparency in the procurement process, the Government of Singapore introduced GeBiZ, an online “one-stop” government procurement portal. All public sector invitations for quotations and tenders are posted on GeBiZ. Suppliers can search for government procurement opportunities, download tender documents, and submit their bids online. GeBiZ also allows businesses to apply to become a government trading partner, search for procurement opportunities from other governments, and sign up to be listed on the site’s government-registered supplier list. The site supports a number of procurement methods, including small-value purchases (up to $53,000), quotations (up to $570,000) and tenders (over $570,000). The site also serves as an intranet (GeBiZ Enterprise) for government agencies and departments to use for all their procurement and supplier needs. Government agencies are mandated to post all procurement opportunities via GeBiZ and use the site to browse for government-registered suppliers. Additionally, GeBiZ has been interfaced with the government’s financial systems and supports all financial interactions across the procurement chain, including both electronic invoicing and payment. It is also continually updated to reflect changes to
Singapore’s procurement regime,\textsuperscript{40} such as the recent relaxation of procurement requirements to encourage greater government procurement participation overall and by new businesses in particular. The site now has more than 12,000 government users and almost 15,000 GeBiZ supplier accounts.\textsuperscript{41} The system has realized upwards of 20 percent in procurement value depending on the category due better procurement visibility and control and increased market competition.\textsuperscript{42} And by aggregating demand across 18 procurement categories via the bulk ordering GeBiZ enables, a total annual savings of S$15 million for the public sector was achieved in 2004.\textsuperscript{43} The system has also reduced staffing requirements for supply heads by more than 30 percent.\textsuperscript{44}

**Lean Continuous Improvement Methodology**

Lean is the continuous pursuit of improvement with the objective of ensuring that processes create value from the perspective of the customer. It involves reducing the number of resources that do not add value from a customer perspective and is widely used in healthcare settings to improve value to patients.

\textbf{Saskatchewan Ministry of Health’s Lean Approach to Putting Patients First}

Looking to combat spiraling costs and improve customer service, the Saskatchewan Ministry of Health and health care system embarked on a full-scale implementation of Lean principles in 2008.\textsuperscript{45} Lean is an enterprise-wide approach to create value from the perspective of the customer (or patient) via the continuous pursuit of improvement. An ambitious initiative, the process involved developing value streams, that is, a complete mapping of all end-to-end processes that support the range of services the Ministry and the health care system provide. These streams helped identify all value-add and non-value-add activities, allowing the Ministry to pinpoint and eliminate waste. Systems measurements to ensure accountability were also put in place and leadership roles were redefined in line with Lean principles. The Ministry then worked to empower employees to take ownership of Lean and apply it to their everyday activities by establishing a variety of Lean teams. These teams were encouraged to find ways to innovate and improve processes to best serve the patient. The implementation produced some significant results across the healthcare system, including:

- Reduced discard rate for units of red blood cells, a $10 million annual savings
- An 81 percent improvement in average processing time for payment
- Better vaccine management, with an annual saving of more than $1 million
- Improved inventory management, yielding a $500,000 per year savings

Lean is now being expanded to capital projects, with improvements built into the design of new hospitals. A Lean management system is also now in development that will integrate the principles into the Ministry and healthcare system’s management approach.

**Human Capital**

According to the OECD, on average compensation costs account for about half of the cost of producing public goods and services and government employees represent about 15 percent of the total labor force in these countries.\textsuperscript{46} As such, HR initiatives designed to attract, develop and motivate better human resources is critical.

As the OECD points out, “...human resource management practices matter a great deal. The soft aspects of human resource management such as employee satisfaction and morale are the most important drivers of performance. While wages are still important for staff, non-monetary incentives, such as recognition, interesting work and autonomy are essential...where there are skill-shortages, wages are especially important for attracting and retaining qualified staff”.\textsuperscript{47} By strengthening the professionalism and skill sets of public servants, governments are able to improve the quality and efficiency of programs.

\textbf{UAE Human Capital Programs}

The UAE Government has a comprehensive training and development system. The system has set out clear roles and responsibilities for the Federal Authority for Government Human Resources, HR departments within organizations, leaders, line managers and employees. Core and leadership competency skills are well defined and a robust performance management system is in place. Core skills include strategic, people, financial, operational and program, knowledge and communication management. The training and development system has a clear framework for defining organizational and individual development needs and activities. The Government Leadership Programme aims to develop a pool of talent for the UAE Government from which future visionary government leaders who have the required ability, knowledge, skills and experience can be drawn. The customized program has a stream for each of three levels of leadership: Directors General and CEOs; Executive Director / Department Director; and Sec-
tion Managers. The program involves a combination of training courses, seminars and workshops, case study scenarios, study visits, networking events, mentoring/coaching, personal development planning, public sector expert speakers, job development assignments and online development.

**Singapore High Potential Programme and Administrative Service Schemes**

The Singapore Government Public Service High Potential (HiPo) Programme is designed to identify, develop, and recognize promising employees with the potential to assume leadership positions. Ministries identify and assess nominees, who typically need to have at least two years of service for the program based on stringent selection criteria. The Administrative Service Programme (Admin Service) is a group of selected high potential talent who are funded to attend Ivy League universities and supported throughout their career. This group is expected to take up senior leadership positions such as the CEO of a statutory board or a deputy secretary or permanent secretary of a department. A recently graduated scholar typically works for about five years prior to admission into the Admin Service based on their performance.

**Canada’s Recruitment of Policy Leaders**

As part of its talent development strategy, the Canadian Federal Government has focused on attracting and building future leaders through a program called the Recruitment of Policy Leaders (RPL). The program targets and recruits exceptional candidates to serve in mid to senior-level policy positions with the public service. Notable for the fact that it is explicitly not recruiting for entry-level positions, the program is designed to attract top-level professionals and graduates from an array of disciplines, seeking to develop leaders that can help shape Canada’s public policy landscape. The program receives more than 1,200 applications each year with only 40 to 50 candidates selected via a rigorous multi-stage process aimed at identifying applicants ready to take on significant responsibilities. The program ensures a good match between candidates and managers by personalizing the recruitment process, including pairing each candidate with an experienced previous RPL recruit. In a report evaluating the program in 2008, it was found that most “senior government managers and policy groups within the federal departments and agencies believe that the RPL Program is a very successful mechanism for recruiting highly-qualified policy specialists.” The report also noted that the program was an effective recruiting tool, with half of all RPL recruits stating they would not have applied to the public service without the program. The program is also effective at integrating recruits into the public service, with 93 percent of recruits stating they were able to fit in well with policy colleagues and 83 percent of departmental liaisons agreeing that recruits have quickly integrated with other staff members.

**UK Fast Streamers Programme**

Like Canada’s RPL, the UK’s Fast Streamers program focuses on building future leaders. Fast Stream offers participants an opportunity to impact policy-making via rotating long-term assignments in a variety of government agencies. The program offers a combination of formal training courses and on-the-job learning as well as regular feedback, performance reviews, and mentorship to support participants. Although the application process is extensive — using a combination of assessment tests and interviews — the program is popular due to its management-track potential and challenging work. Positions are highly sought after, with 22,000 applicants for 400 to 500 places in 2010. Fast Stream has been recognized for its Summer Diversity Internship program, winning the “Best Diversity” Award in the National Placement & Internship Awards in 2012 and is regularly ranked in the top ten of the “Times Top 100 Graduate Employers.”

**Performance Management**

Several governments have adopted initiatives aimed to assess and improve the capability of organizational performance. These programs are typically managed by a central agency and are used to improve the efficiency and effectiveness of government.

**UAE’s Sheikh Khalifa Government Excellence Program**

The Sheikh Khalifa Government Excellence Program is an adaptation of the European Foundation for Quality Management model, customized for the public sector. This Excellence Program is led by the Prime Minister’s Office and applies to all Federal Ministries and entities which are fully funded by the Ministry of Finance. The four pillars of this program are:

- Instilling a culture of Excellence in government – particularly among the leadership
- Sharing best practices between the different government entities
- Developing competencies among Excellence practitioners, and
- Measuring improvements achieved by government organizations
The PMO collects data every two years on a set of enablers for good performance as well as a set of results based on key performance indicators. Enablers include leadership, strategy, people, partnerships and resources, processes, products and services. Results are focused on several areas including customer, people, society and key performance. The results are reported directly to the Prime Minister and the best performers are awarded the Sheikh Khalifa Excellence Award across twenty-three categories including e-government, knowledge management and innovation. The PMO is able to encourage knowledge sharing of leading practices from the high to low performers. Key characteristics of the highest performers include a strong commitment to leadership and performance oriented organizational culture.

UAE’s Star Rating System

The Star Rating System supports the vision of the “Emirates Government Service Excellence Program” – an initiative within the UAE cabinet which aims to enhance the federal government’s service delivery. The program covers all federal services delivery centers across the UAE, and applies to transactional and informational services. The star rating system evaluates the customer service centers on eight dimensions including strategic integration, customers, services, delivery channels, customer experience, efficiency and innovation, human resources, and information technology. The evaluation provides detailed feedback on the maturity of the center and the degree of its compliance with required service standards. The system awards a number of stars (similar to the star rating system used by hotels), based on the overall score it achieves. A score of 80% is required to obtain the full five stars. Federal service delivery centers are assessed under the Star Rating System’s criteria once every three years. After the assessment, the center is provided with a formal certificate, score achieved, and a report describing the assessment results.

In addition, centers are assessed regularly using methods such as the mystery shopper and customer services studies. If a center’s performance deviates significantly from the most recent assessment, the center is reviewed and its score could be changed if required.

Canada’s Management Accountability Framework

The Management Accountability Framework (MAF) is a performance management tool that the Canadian federal government uses to support the accountability of deputy heads and improve management practices across departments and agencies. The Treasury Board Secretariat (TBS) leads the process to assess departmental performance in several areas of management including results, governance and planning, citizen focused service, financial management, procurement, information technology and asset management. Several previous rounds of assessments have been published on the department’s website (although some sensitive information has been removed in accordance with privacy and access to information rules). According to the TBS, there are several factors that influence the improvement of management practices including departmental leadership, the exchange of best practices through workshops and events, and the recognition that progress takes time and sustained focus.

Disruptive Innovation

The examples put forward in the sections above represent leading and innovative practices being introduced around the world to drive enhanced efficiency in government. However, typical efficiency measures and cost reduction exercises often involve a difficult trade-off between price and performance. Overcoming this trade-off will require leaders to look at the public sector in entirely new ways. In a recent research study, Deloitte’s GovLab identifies that the key to radically reducing costs, while maintaining or enhancing services, is disruptive innovation.

Creating the conditions for disruptive innovation requires policymakers and administrators to view government through a different lens. Instead of seeing endless programs and bureaucracies, the myriad responsibilities and customers of government can be seen as a series of markets that can be shaped in ways to find and cultivate very different and ultimately more effective, less expensive ways of supplying public services.

Examples of disruptive innovation in government can be seen in a number of key policy areas including:

- **Criminal justice**: Electronic monitoring of low-level offenders enables government to dramatically reduce their spend-
ing on incarceration ($5-25 per day compared to $80 for prison).

- **Defense**: Unmanned Aerial Vehicles (UAVs) cost significantly less than manned aircraft and satellites, and can provide several key performance capabilities that exceed even those of manned aircraft.

- **Education**: Online learning, or a blended learning environment of digital learning and traditional instruction, can break the trade-off between standardized teaching and the more personalized instruction a student might receive from a tutor or at an elite prep school. Online learning can also allow for more customizable and affordable content for higher education programs.

Deloitte’s GovLab has researched numerous examples of opportunities to implement disruptive innovation and has developed a framework to introduce it in the public sector—proposing an alternative path to significantly reduce costs without sacrificing the quality of services. This framework includes:

- **Focus**: Government can identify disruptive opportunities by focusing on three issues:
  - What is the job to be done?
  - What are the current trade-offs?
  - How can these trade-offs be broken?

- **Shape**: The best place to start a disruptive innovation tends to be in a market segment either overserved or not served at all by the current, dominant model of delivery. Success also typically requires the disruptor to have autonomy from the parent organization, as well as from the incumbents who dominate the market.

- **Grow**: Government has an array of tools and channels that can be used to foster and nurture the growth of disruptive technologies. These include legislation, budget maneuvers and other special funding tools.

**Scale**

Once effective innovations and leading practices are identified, they need to be adopted across government as building scale behind good ideas will drive the majority of benefits. Scaling also includes ramping down or eliminating programs and services that are not effective. The use of ‘sunset’ clauses in which programs, agencies, regulations or other initiatives expire automatically unless action is taken to renew them is increasing in popularity as countries seek to enhance competitiveness, free up resources used to comply with burdensome regulation, and trim bureaucracy. The capability and flexibility to rapidly scale up efficient practices and eliminate inefficient practices is critical for achieving sustainable benefits.

Strategic initiatives are often undermined by an inability to scale due to unresponsive organizational systems. What might make sense for government as a whole often inflicts costs on individual departments that deputy heads (as accounting officers) are unwilling to bear. Although this problem is not unique to government, where ministries have vertical accountability models this tends to act against the economies of scale that can be generated through an enterprise service delivery model. A stronger approach to management involves mandating the use of standardized methods and providing clear direction across government. As one interviewee pointed out “there is a need to look beyond departmental borders.”

Some of the most effective initiatives designed to improve efficiency involve strong authorities and clear accountabilities. Several prominent examples of clarity of direction in government occur when a crisis point has been reached and departments need to execute large scale fiscal consolidations. Canada’s Program Review in which the government achieved a 10 percent reduction in federal government program spending and a reduction in the size of the public service by over 55,000 employees was partly attributed to the government’s clear commitment to eliminate the deficit. A more recent expenditure review exercise in Canada was enabled by the leadership of a cabinet committee tasked with overseeing a program to identify 5 to 10 percent of cuts in government program spending across 67 departments and agencies. The Prime Minister of Canada established the Strategic and Operating Review Committee led by a senior cabinet minister to assess cost reduction proposals put forward by ministers and their departments. In the end, reductions in spending amounted to $5.2 billion or 7 percent of the total amount reviewed.

A common starting point to understand whether greater mandating will result in higher efficiency gains is through the measurement of activities using established approaches such as fragmentation or activity analysis, described in more detail in the next section.

The key is to obtain an effective balance between a highly decentralized model that produces higher costs and a centralized model that is more cost efficient but unresponsive to local needs. A governance approach that balances both of these requirements is necessary to achieve efficiency in government. It involves having a clear understanding of functional require-
ments of different business units as well as the ability to mandate the use of innovative practices that generate cost savings for the government as a whole (see figure 6 below).

As part of the overall governance and control of efficiency many jurisdictions are introducing “sunset clauses” which direct agencies, programs or initiatives to close down after a set period of time, once they have fulfilled their purpose. Under this arrangement, the establishment of an initiative is typically accompanied by an evaluation exercise that allows for periodic reviews of regulation and legislation.\textsuperscript{52} Within the U.S. state governments, sunset clauses and their reviews have now been credited with the repeal, on average of 20 to 30 percent of existing state regulations and the modification of another 40 percent.\textsuperscript{53}

As part of a recent effort by the UK Government to reduce regulation, all domestic legislation that imposes a regulatory burden on businesses or civil society organizations must now include a review and a sunset clause. The goal is to ensure that the impact of regulation is reviewed on a regular basis, and that regulation is removed when it is no longer needed, is ineffective, or imposes disproportionate burdens. Departments within the UK government are now asked to make clear their plans to the Reducing Regulation Committee for the inclusion of sunset clauses or review in any new regulatory proposals. The government states that the first statutory review should be no later than five years after the legislation first takes effect, with “sunsetting” typically set at seven years.\textsuperscript{54}

### Figure 6
**Building an effective governance model**

<table>
<thead>
<tr>
<th>Decentralized</th>
<th>Shared</th>
<th>Centralized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher costs</td>
<td>Lean, flat organization</td>
<td>Less responsive</td>
</tr>
<tr>
<td>Variable standards</td>
<td>Independent of businesses</td>
<td>No business unit control of central overhead costs</td>
</tr>
<tr>
<td>Different control environments</td>
<td>Identification of efficiencies between business units</td>
<td>Inflexible to business unit needs</td>
</tr>
<tr>
<td>Duplication of efforts</td>
<td>Understanding of group mandate and functions</td>
<td>Disconnect from business units</td>
</tr>
<tr>
<td></td>
<td>Dissemination of best practices</td>
<td></td>
</tr>
</tbody>
</table>

The Australian central government has used sunset clauses since 2005, passed as part of its Legislative Instruments Act (LIA). The LIA introduced a mandatory ten-year sunsetting provision for a wide range of legislation as well as a requirement that explanatory statements be registered on the Federal Register of Legislative Instruments and submitted to parliamentary scrutiny. Departments must conduct evaluations in preparation for sunsetting and prepare regulatory impact statements (RIS) before deciding on how to proceed with expiring regulations as well as when developing new regulations. All laws and regulations that do not contain evaluation or sunset clauses must be reviewed by departments every five years and departments are required to publish an annual regulatory plan that includes upcoming reviews of legislation and the evaluation strategy for each law.\textsuperscript{55}
Measure

To make informed choices on value for money, decision makers need accurate and timely information and analysis. Like the proverb,”if you can't measure it you can't manage it;“ there may also be an element of truth in the statement “if you can't measure it, you can't minimize or maximize it.” Reducing inefficient programs and scaling up more efficient practices requires an ongoing measurement capability.

Yet, too often, public servants responsible for oversight of major programs have limited actionable information and data on operational performance. What's more there are sometimes multiple “sources of truth” or differing perspectives on their value for money. In some cases, more time can be devoted to searching for information than actually using it in decision making. Lord Browne, the UK Government’s Lead Non-Executive Director and former CEO of BP explains the situation in government: “What is lacking is the much deeper understanding of how you can use numbers and information to understand where you really are. It is to do with efficiency. For example: how well are you doing against all the other departments or commercial organizations? Where might you be on a project, beyond the budget period? What are you doing in terms of using the right skills for a project?”

The growing availability of data coupled with the increasing sophistication of data analysis tools provides an opportunity for better measurement in government.

Zero Based Budgeting, Benchmarking, and Advanced Efficiency Measurement Methodologies

The UAE has introduced several leading practices in the measurement of costs. Its zero based budgeting (ZBB) exercise involves a triennial review process where departments start from a blank sheet of paper and build a budget from the bottom-up. Budgeting teams are then tasked to define activities contributing to agreed objectives that will exist over a budgeting time horizon of three years, and justify activities and their associated costs by providing a detailed cost analysis. Teams prioritize the activities based on a cost-benefit analysis and rank them relative to their contribution to strategic objectives.

Although existing surveys of ZBB indicate that a more “pure” form ZBB is relatively uncommon due to the level of perceived effort associated with its use, elements of ZBB have been applied across a range of government organizations and are more common in two key areas. The first is to use line items from previous years and then fill in the costs for each item (rather than simply using the previous year’s expenditure). This helps decision makers determine whether the requested inputs are reasonable given the expected output through greater transparency of the cost of individual line items. The second is to assess different service levels based on the level of budget and involves ranking the priorities for each item of funding requested. This method helps to answer the question of what level of service should be funded within a program. In its survey on zero-based budgeting in government, the Government Finance Officers Association found that budget offices using ZBB concepts were firmly satisfied with the results on average. It also found that both the level of interest and actual use of ZBB are increasing as government financial resources are becoming more constrained. There are several key advantages associated with using ZBB including helping to improve the confidence in decisions where cutbacks are required and making the trade-offs between inputs and outputs more transparent. In order to maximize the impact of a ZBB exercise, some governments have adopted a program review which involves evaluating how programs are provided and considering the overall need, service levels, efficiency and alternative approaches to delivery. This approach is described in more detail below.

The Ministry of Finance is also benchmarking the cost of providing both core and support functions using international benchmarks. Core services include frontline delivery and benchmarks include metrics such as patient turnover and clinician salaries. Support services include human resources, IT and finance.

Although there are pockets of benchmarking in governments, our global review indicated that the UK is one of the only governments that has undertaken and published a comprehensive benchmarking process of key support functions. Its review on operational efficiency found that about 20 percent of the cost of back office functions could be reduced through greater operational efficiency. It found that the mean cost of the HR function is about 1.9 percent of operating expenditure, while finance is 1.3%, and procurement between 0.6 percent and 1.3 percent, although the costs varied widely depending on the size of the organization. Such data is used to compare the performance of various organizations within the public sector, and for comparing the public sector to private sector experience. This benchmarking data can be used to inform potential savings in key functions such as HR, finance, IT, and procurement.

Interviewees were generally positive about benchmarking and zero based budget initiatives but acknowledged some key limitations. These approaches can be siloed and may not take a government-wide view to efficiency or alignment with broad strategic objectives. Outcomes are often difficult to measure and can involve significant time lags. As one interviewee pointed out, some outcomes can take generations to achieve. Similarly,
obtaining relevant benchmark data can be challenging as the unique functions and needs of departments are difficult to obtain direct comparisons. Despite some of these shortcomings, benchmarking can enable increased innovation and collaboration in the public sector to release resources to be used more effectively.

While existing UAE Government initiatives focus on assessing the level of spending and comparing their cost against benchmarked performance, greater system-wide change can be accomplished through a broad-based strategic and operating review. Such a program would involve reviewing all aspects of government spending to ensure that lower priority programs are reduced or eliminated and that the government’s resources are directed to the highest priority programs. It would build on zero-based budgeting reviews, benchmarking and performance measurement programs to ask fundamental questions about the value of existing programs and future needs. The Government of Canada undertook a similar program review exercise which asked several key questions:

1. Does the program or activity continue to serve a public interest?

2. Is there a legitimate and necessary role for government in this program area or activity?

3. Is the current role of the federal government appropriate or is the program a candidate for realignment with Canadian provinces?

4. What activities or programs should, or could, be transferred in whole or in part to the private or voluntary sector?

5. If the program or activity continues, how could its efficiency be improved?

6. Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities should be abandoned?

Canada’s Program Review involved a major shift in the Government’s role in several key policy functions. In economic affairs, it moved from managing and delivering services to acting as a regulator and focusing on policy development to stimulate economic growth and job creation. In the social sector it realigned its role vis a vis provincial governments to minimize duplication and overlap. Alternative delivery models were established in a range of areas and user fees were introduced for some services. By 2007-08, the federal debt-to-GDP ratio was down to 30 percent from a high of almost 70 percent in 1995-96. Canada’s Program Review is widely regarded as a successful model for whole of government reform that other governments have studied carefully.

Figure 7
Strategic and Operational Review Program

Key Outcomes:
Management Excellence
A rationally organized set of programs that deliver results fully aligned with strategic objectives and the priorities of Canadians.

Fiscal Credibility
Spending focused on effective programs in priority areas and opportunities to reallocate, contributing to overall moderation in spending growth.

The Criteria:
Value for Money
Are programs relevant, efficient, effective, delivered by the appropriate policy mechanism and managing their risks?

Relevance & Role
Are programs and spending consistent with societal need, government priorities, the federal role, etc.?

Management Performance
Are the programs managing through a performance management framework with clear outputs, outcomes, targets and performance measures?

The Process:
The periodic review of an organization’s complete budget and program inventory against its strategic intent.

Source: Deloitte Analysis
A strategic and operational review program should include the use of advanced efficiency measurement methodologies. Advanced approaches to measuring workforce efficiency include spans of control, layers, fragmentation, program delivery, activity, value add analysis and capability assessments. These approaches are briefly described below. Spans of control measures the number of employees directly reporting to supervisors across an organization or function while layer analysis identifies the number of management layers in an organization or function and their relation to employee titles, grades and compensation. Where spans of control are low or layers are high there is often a need to simplify processes and consolidate operations to reduce unnecessary management oversight and organization structures. Other examples include:

- Fragmentation is an analysis of activities that are performed by many individuals or groups who are spread geographically, or across departments / functions. It identifies inefficiencies due to sub-optimal allocation of activity (small scale, redundancy, lack of standardization) and allows comparison among operating units to identify low cost performers and disseminate best-practices.

- Program and delivery analysis identifies savings opportunities in front or middle office activities such as counter operations, call centers, transaction processing facilities. It involves a process of calculating the cost to serve (FTE time/overall) per transaction for all functions, benchmarking functions to identify negative outliers, and interviewing functional leaders to understand drivers of variation and determine improvement opportunities using internal and external best practices.

- Activity analysis is a diagnostic tool used to measure organizational effectiveness and the degree to which an organization’s resources are deployed in support of its strategy. It is the measurement of the time and human resources allocated to processes, sub-processes, and activities. The analysis focuses on business processes to identify opportunities for process improvement. It enables an examination of the costs associated with business processes and activities as opposed to solely the cost of departments or functions.

- Value add analysis determines and categorizes the total resource cost of an organization by activities that are considered high, medium, or low value added. The analysis focuses on business processes to identify opportunities for process improvement. It assesses the degree to which activities relate to providing customer value and identifies the amount of resources devoted to non-value activities.

- Capability assessments using maturity models help an organization determine the level of maturity of different functions in their organization. A move up the maturity scale may result in cost savings for the organization.

These types of analyses have been utilized to free up resources and generate significant efficiency gains in a wide range of government departments and agencies. Actionable recommendations typically include simplifying processes and consolidating operations to reduce the need for management oversight, better resource allocation through enhanced demand management and reducing costly service levels.

### Analytics

Governments in Australia, Canada, Singapore and the UK have been increasing the use of analytics to generate new insights for decision making. Analytics leverages advanced statistical modeling and visualization tools, business strategy, operational planning capabilities and deep data management and transformation expertise to solve key business issues. Analytics helps to bolster key reforms to the way public sector organizations manage and allocate resources, control risk (both internal and external) and understand workforce and customers. Analytics delivers solutions to these problems by enabling evidence-based business decisions which improve both the efficiency and quality of services delivered, but also incorporates an enterprise-wide view of the business, rather than the traditional siloed approach of some public sector organizations.

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**Singapore Deloitte Analytics Institute Asia**

In 2011, Deloitte with the support of the Singapore Government’s Economic Development Board launched The Deloitte Analytics Institute Asia – a data analytics think tank dedicated to developing cutting edge strategies and tools to help business leaders unlock the significant value of their organization’s data. The Institute comprises a multi-disciplinary team of data scientists tasked with guiding and accelerating analytics projects through research on industry-leading practices. Using expert-led strategy, the team facilitates and develops roadmaps to establish analytics as a mission-critical function within organizations. The Institute also provides capability for data assets inventory development and discovery of actionable insights that can be rapidly operationalized, delivering executive education and continuing education for analyst teams and building optimization of analytics platforms and models.
Canada Workers Compensation Board

In Canada, a Workers Compensation Board faced a $12B unfunded liability due to a persistent annual funding shortfall relative to the cost of claims. Deloitte was engaged to assist as a Business Analytics Partner to leverage the organization’s data assets and provide analytical insights critical to defining and confirming new corporate strategies for reducing the impact of the unfunded liability. In considering a single view of a claim, the project found that key data about individual claims was scattered across multiple systems and that key performance indicator (KPI) reporting was facilitated through data extracts and manually maintained spreadsheet reports. The project aggregated and refined 278 data sets to create 4,646 attributes for the 2,880,000 records relating to claims in one environment for analysis. It created a single view of a claim by developing an executive KPI dashboard with the ability to drill down to the transaction level. Through the application of advanced analytics it identified trends and patterns in the business operations. For example, the analysis demonstrated high variation in the cost of claims due to specific practices employed at field offices. By standardizing processes in the offices responsible for high claims, significant cost savings opportunities were identified. The client is now actively working through how to embed these new insights into decision-making and build internal analytics capability.

UK NHS Workforce Analytics

Like many public institutions around the world, the UK National Health Service (NHS) is facing severe financial pressures—and with staff costs comprising roughly 40 percent of its budget, workforce had to be considered as part of any efforts to increase efficiency and reduce costs. A key challenge was to ensure that staffing levels remained appropriate to deliver services despite any reductions deemed necessary. To achieve this, the NHS looked to use its existing wealth of data to inform workforce decisions and maintain quality controls. They developed an intuitive and comprehensive set of tools that can model, analyze, understand and predict performance within the entire workforce system—and target resources appropriately. The interactive tools have the capability to use specific values, such as numbers and types of staff, and build models in ways defined by the users, allowing them to create scenarios to be analyzed and generate reports. With an easily understood interface, even users with no formal statistical expertise can drill down into data and understand the details within each model and the implications of different plans as well as access peer-group benchmarking and trends and trajectories in risk. The tools are highly configurable—system changes can be made by an administrator rather than requiring re-programming—and dynamic in their ability to respond to ever-changing health system data. The NHS now has the ability to project and plan for their complex and shifting workforce. As cost reduction efforts move forward, the NHS can more effectively monitor workforce risk across the entire system, identify areas of risk early, and take appropriate action to improve overall service quality and safety.

Incent

Even where innovations associated with greater efficiency gains are introduced—and these innovations are rolled out using strong mandates with their value being measured—achieving systematic efficiency can be elusive. Emerging best practice involves strengthening formal mechanisms of control, sometimes referred to as ‘high powered incentives’. Alongside higher powered incentives, an efficiency program should share a portion of the proceeds of efficiency savings with those finding the efficiencies. This provides a direct incentive to encourage credible efficiency improvements.

While most interviewees felt that formal higher powered incentives may not be necessary at this stage, there is a global trend towards using more formal incentive mechanisms to improve the individual motivation and accountability of departments and individuals. There are three main types of formal incentives used to motivate efficiency gains including performance related pay, stronger oversight and greater transparency of performance.

Performance related pay or at risk pay is intended to link compensation more directly to achievements of key priorities. This incentive is widely used in the public sector in a number of countries including Canada, the UK, Sweden and Chile. In a recent study on how management information is used in decision making, the Institute for Government concluded that department heads performance assessments should systematically cover how well departments are equipped to and succeed in raising value for money. As part of the Government of Canada’s recent expenditure review program, performance related pay was used as an incentive to motivate efficiency gains. The Government declared that 40 percent of the at-risk pay budget would be directed towards the departmental achievement of supporting “…initiatives to improve the productivity, efficiency and effectiveness of operations and service delivery.” UAE interviewees for this study felt that the use of performance related pay could be a longer term objective for the Government of the UAE as its performance review system is in the early stages of being established.
A second approach is to introduce greater external input, challenge and oversight of departmental performance. The Government of Canada has introduced a policy on internal audit in which the deputy minister is responsible for establishing and maintaining an independent departmental audit committee that includes a majority of external members. The departmental audit committees exist to provide objective advice and recommendations to the deputy minister regarding the sufficiency, quality and results of assurance on the department’s risk management, control and governance frameworks and processes (including accountability and auditing systems).

In an effort to introduce private sector discipline, the UK Government has formalized the use of board decision making that includes non-executive directors to provide outside challenge. These Boards have a set of non-executive directors (NEDs) with terms of reference “…to provide outside challenge. They will exercise their role through influence and advice, supporting as well as challenging the executive. They will advise on performance (including agreeing key performance indicators), operational issues (including the operational/delivery implications of policy proposals), and on the effective management of the Department. They will also provide support, guidance and challenge on the progress and implementation of the operational business plan, and in relation to recruiting, appraising and ensuring appropriate succession planning of senior executives. They will form committees responsible for Audit and Risk, and Nominations and Governance. To share best practice and to ensure Departments learn from the successes and failures of comparable organizations”.64 The use of boards in government appears to work best when they are given a clear role to contribute to decision making.65 As the UAE utilizes boards in some of its public sector organizations, it could explore rolling out the use of external challenge more fully such as by introducing departmental audit committees where a majority of members are external, or having a number of members of the organization’s board as non-executive directors.

A third approach to strengthening incentives for government efficiency uses transparency and reputation as a formal mechanism. In the UK, a performance management regime which published information on hospital performance led to significant improvements in waiting times. Assessments indicated that managers were encouraged to reform based on a reputational incentive to avoid “reputational damage” of those shown to be performing poorly.66 The UK Government’s approach has been to focus more directly on increasing the transparency of information on everything from performance data to compensation of government decision makers. The Open Public Services Whitepaper describes the approach: “Improvements will be driven by putting the needs of citizens before producer interest, by using data transparency to put real information in people’s hands, and by decentralizing power to ensure that public service providers are accountable to the people that use them rather than to centralized bureaucracies.” There are four key characteristics for an effective transparency incentive regime.67 It needs to be a ranking system with clear distinction between those performing well and those performing poorly, it should be published and widely disseminated, easily understood by the public, and followed up by future reports.

Any additional higher powered incentives need to take account of the UAE Government’s sequencing of reforms, willingness to pursue these initiatives, and capability to mitigate any unintended consequences such as “gaming.” For example, the recent establishment of an employee performance measurement system may require some time for this practice to become established and widely accepted prior to utilizing stronger incentives. However, there is a clear trend in other jurisdictions of utilizing performance related pay, stronger oversight through board decision making and greater transparency of performance.
Achieving Systematic Government Efficiency

There are few organizations that can match government’s size. Seven of the 10 largest employers in the world are government run and government represents around 22 percent of the economy in the UAE.

The scale of operations represents a major opportunity for efficiency savings through a process of innovation, standardization, pooling of resources, and driving down costs through more integrated approaches to a wide range of government services including procurement, service delivery and corporate functions. As production costs in many governments amount to around 20 to 25 percent of GDP, even modest changes where successfully executed at scale can have a very significant impact.

While efficiency in government appears to be declining over time the good news is that there is a clear path for systematically improving efficiency in government. Through greater innovation, better capability to scale, improved measurement and greater use of management incentives, increased efficiency can be achieved. Not only will this help to drive down the costs of government, it can unleash the forces of creativity to generate better social and economic outcomes.

In order to introduce a program that involves greater innovation, scaling, measurement and incenting, governments will need to focus on mutual benefit for all government entities. An efficiency program roadmap and action plan should prioritize, sequence and develop mechanisms for managing change, while taking into consideration that the speed and methods of reform will vary depending on conditions and priorities of governments.

Conclusion
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References for Figures


Annex:
What Does Inefficiency Look Like?

Department Planning and Management Oversight

- Senior managers responsible for tasks that could be handled by more junior personnel
- Managers have narrow spans of control or 1:1 reporting relationships
- Large number of reporting layers
- Managers have overlapping responsibilities
- Decentralized facilities (requiring redundant sets of managers)
- Personnel engaging in unnecessary or inefficient planning activities

Internal Support Services

- Fragmented delivery model (redundancy across the department)
- Inefficient/overly complex business processes
- Overly complex business applications and IT infrastructure
- Sub-optimal organization structure (narrow spans of control, large number of reporting layers)
- Activities in-house that would be less costly and/or more effective if outsourced
- Redundant facilities/offices (across geographies, departments)
- Lack of standardization creating inefficiencies
- Manual process that could be automated
Logistics and Supply Activities
- Excess complexity in processes
- Distribution network complexity
- Low capacity utilization
- Unnecessary manual processes
- Lack of maturity and functional capabilities

Internal Policy/ Program Development
- Decentralized decision rights
- Excessive inter-department coordination
- Complex policy rules
- Sub-optimal resource allocation among policy development needs

Regulation/ Compliance Management
- Excessive focus on post-audits (vs. early detection and prevention)
- Lack of automation in inspection/monitoring processes
- Complex geographic footprint leading to redundant facilities/offices

Physical Operating Activities
- Sub-optimal personnel logistics
- Narrow spans of control
- Overlapping responsibilities
- Low labour productivity
- Unnecessary activities
- Unnecessary complexity
- Complex geographic footprint leading to redundant facilities/bases
- Sub-optimal capacity distribution (time, geography)
- Low capacity utilization or capacity not aligned with demand

Case Management
- Sub-optimal personnel logistics
- Inefficient allocation of responsibilities among personnel
- Lack of standardization in case management processes

- Lack of automation in case management processes
- Low labour productivity
- Unnecessary activities
- Redundant facilities/offices

Asset and Resource Management
- Excessive resources dedicated to underperforming assets
- Excessive resources dedicated to assets at underutilized times of day/year
- Complex geographic footprint leading to redundant facilities
- Low capacity utilization or capacity not aligned with demand
- Lack of standardization among functions or geographies
- Inefficient procurement/disposal processes

Transactional Services
- Excess traffic to higher cost channels, minimal usage of low cost channels
- Fragmentation of service delivery (across geographies, departments)
- Lack of standardization creating inefficiencies
- Manual process could be automated
- Unnecessary complexity reducing speed and effectiveness of processes
- Activities in-house that would be less costly and/or more effective if outsourced
- Complex geographic footprint leading to redundant facilities/offices
- Sub-optimal capacity distribution (time, geographies)

Grants and Contributions Management
- Fragmentation of delivery
- Lack of standardization
- Decentralized decision rights
- Narrow spans of control
- Inefficient processes
- Complex geographic footprint leading to redundant facilities/offices
- Sub-optimal capacity distribution (time, geographies)
Research, Analysis and Information Services

- Overpriced specialized research facilities
- Redundant specialized research facilities
- Redundant research topics
- Unnecessary research topics
- Lack of standardization
- Lack of automation
- Unnecessary in-house activities
- Sub-optimal capacity distribution (time, geographies)

Intra-government Support Services

- Inefficient/overly complex business processes
- Overly complex business applications and IT infrastructure
- Sub-optimal organization structure (narrow spans of control, large number of reporting layers)
- Activities in-house that would be less costly and/or more effective if outsourced
- Redundant facilities/offices (across geographies, departments)
- Lack of standardization creating inefficiencies
- Manual process that could be automated
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