

## **Development of Infrastructure to stimulate the Nigerian economy and case for a Nigerian National Programme Management Office (PMO)**

O. Chima Okereke, PhD

With oil prices now stabilised at a low level in the global market, the Nigerian Federal Government plans to stimulate economic activities by investing thirty percent of its 2016 budget, the first budget of the administration, on development of infrastructure. A research on the projects earmarked for funding shows that these are mostly, if not all, from the last administration which have been abandoned because of lack of fund. With the change of government in May 2015, the projects did not receive any more funding until they stopped.

This paper discusses the topic in the following headings:

1. The government stimulation plan and projects to be reactivated.
2. Foreign and local investors
3. Probable criteria used to determine the projects and the implication of projects being abandoned
4. Project management practice in governments of some advanced nations and a business justification for a National PMO
5. Concluding remarks

### **1. The government stimulation plan**

Greatly diminished energy income has prompted Nigeria to look to private sector and foreign financing to help develop its infrastructure in a bid to stimulate its economy. The Nigerian Federal Government announced plans in November 2015 to set up a \$25bn infrastructure fund for long-term projects in the transport and energy sectors. The funding should come from domestic pension funds, international investors, local capital market and Nigeria's own sovereign wealth fund (SWF) which manages around \$1.35bn [1].

In the 2016 budget, the administration of President Muhammadu Buhari has doubled capital expenditure as a share of total spending to 30%, with the focus on infrastructure development. In effect, the government is investing N350 billion (about \$2 billion) to stimulate abandoned projects. The projects were among those abandoned by contractors due to a lack of money. The Minister of Finance, Mrs. Kemi Adeosun, had while speaking on Tuesday, March 22, after the National Economic Council retreat explained that the Federal Government had resolved to inject N350bn into the economy to stabilise it. She was reportedly quoted as saying that for contractors to benefit from the fund, they must show proof of the number of Nigerians that would be re-engaged [2].

Parts of the national infrastructure to be reactivated include the following:

## 1.1 Railways

- A 25-year \$60 billion programme to modernise the country's railway network was launched in 2002 under the former president, Olusegun Obasanjo. Its focus is on the rehabilitation of existing tracks. According to the initial plan, local and foreign investors would provide 80% of the funding, the government should find the remainder.
- In 2006, the government signed a contract with China Civil Engineering Construction Corporation to modernise the Lagos-Kano railway line, the first stage of a proposed three-phase upgrade.
- The \$850m Abuja-Kaduna high-speed railway was planned to be carried out by China Railway Construction Corporation.
- In December 2015, Buhari talked with China's President Xi Jinping, this helped stimulate progress on two additional stalled railway projects. As a result, in February 2016, the vice president, Osinbajo, announced that the Export-Import Bank of China agreed to fund two stalled rail lines. These are:
  - The line from Lagos to Kano, stretching across 1124 km and costing around \$8.3bn,
  - Another line from Lagos to Calabar, a 1402-km coastal railway line, costing \$12bn.

These two projects are expected to create approximately 250,000 jobs and should reduce the travel times and travel costs. At present, a railway journey on the existing narrow-gauge network can take more than 30 hours from Lagos to Kano, a distance of about 618 miles. This line could be in use before the end of this year as it was reportedly 90 percent complete at the end of last month

## 1.2 Airport expansion programmes

- These include expansion of the Murtala Mohammed International Airport Lagos and the Nnamdi Azikiwe International Airport Abuja which are planned to double their respective capacities. In 2013, the government of former president Goodluck Jonathan secured a \$500m loan from the Export-Import Bank of China for the construction of new terminals at the Lagos and Abuja airports. This was announced by the then Aviation Minister, Stella Oduah at a news conference in Abuja in September 2012. The projects are being undertaken by the China Civil Engineering Construction Company and are planned to be completed by December 2016 [3]. The passenger handling capacity per annum will increase respectively from 15m to 30m at Murtala Mohammed International Airport in Lagos, and from 5m to 16m at Nnamdi Azikiwe International Airport in Abuja.

- Other projects to be reactivated include construction, as initiated by the Goodluck Jonathan administration, in the following airports:
  - Akanu Ibiam International Airport, Enugu,
  - Malam Aminu Kano International Airport, Kano,
  - Port Harcourt International Airport, Omagwa, Port Harcourt.

Each of these will have the capacity to serve 7m passengers upon completion.

- Other airports in which construction work will be reactivated include the following:
  - The Margaret Ekpo International Airport, Calabar;
  - The Yakubu Gowon Airport, Jos;
  - The Sam Mbakwe Airport, Owerri. And
  - Yola Airport
  - Kaduna Airport

Work on most of these was stalled because of lack of funds and is being stimulated by the current Buhari administration.

### **1.3 Abandoned Road and Bridge Projects**

The projects chosen to be reactivated include the following [1]:

- Lagos-Ibadan Expressway, N50bn
- Second Niger Bridge, N17bn
- Enugu-Port Harcourt Road
- Kano-Maiduguri Road, N16bn,
- Abuja-Lokoja Road (N10bn), and
- Apapa-Oshodi Road (N5bn)
- Sokoto-Kontagora Road (N4bn),
- Ilorin-Jebba Road (N6bn),
- Itu-Ikot-Ekpene Road (N6bn).

In the Federal Capital Territory, almost all the construction sites which include

- Lugbe-Airport road,
- the bridge linking Byazhim and Kubwa market,
- the major bridge linking the Abuja central business district with Nyanya.

#### **Contractors owed who have stopped work include:**

- Julius Berger,
- China Civil Engineering Construction Corporation (CCECC) and
- Dantata & Sawoe

## 1.4 Power Supply and Housing

Housing and power sectors are other key sectors of the economy which will also benefit from the fund. According to a statement by the minister of power, works and housing, Mr. Babatunde Fashola, power generation will increase this year by 2,000 megawatts. He explains that the 2016 budget focuses more on the transmission, completion of on-going projects, refurbishing power plants and tackling gas supply issues. He made the statement made when he was defending the ministry's budget before the Senate Committee on Power and Mines in February [5].

He disclosed that the distribution of power was no longer the government's business, but had been taken over by private companies. Also, government privatised power generation with transmission aspect being managed by Manitoba International of Canada at present. He explained that if they could resolve problems on power transmission, completion of on-going projects, refurbishing power plants and tackling gas supply issues, the 2,000 megawatts projection could be realised to boost electricity generation in the country by the end of the year.

## 2. Foreign and local Investors

Only the major investors will be touched on, starting with the Chinese.

### 2.1 Chinese

These are the main foreign investors who have been seriously involved in construction projects on the airport, railways and roads as shown in the preceding section. They were in talks with at least three successive governments which included the governments of Olusegun Obasanjo, Goodluck Jonathan and Muhammadu Buhari from 2006 to now. Their investments could be as high as \$1,370bn, that is \$1.37 trillion.

### 2.2 The Nigeria Sovereign Investment Authority (NSIA).

Local funding could be provided by The **Nigeria Sovereign Investment Authority (NSIA)**. This is a Nigerian establishment which manages the Nigeria sovereign wealth fund, into which the surplus income produced from Nigeria's excess oil reserves is deposited. This sovereign wealth fund (SWF) was founded for the purpose of managing and investing these funds on behalf of the government of Nigeria. The wealth fund commenced operations in October 2012 and was set up by the Nigeria Sovereign Investment Authority Act, which was signed in May 2011. It is intended to invest the savings gained on the difference between the budgeted and actual market prices for oil to earn returns that would benefit future generations of Nigerians. The fund was allocated an initial \$1 billion USD in seed capital. Excess oil reserves were previously allocated to the Excess Crude Account (ECA), which was set up in 2004 as a stabilisation fund to meet the country's yearly budget deficits and to contribute to the development of local infrastructure. Nigeria's SWF replaced the ECA. The act authorized the establishment of the Nigeria Sovereign Investment Authority, giving it

jurisdiction over the country's excess petroleum reserves. It is expected that managing these reserve funds will help to protect Nigeria's economy from external shocks.

### **3. Probable criteria used to determine the projects and the implication of projects being abandoned**

It was stated that "One priority for the planned capital upgrades is the railway network. Nigeria's railway system represents a vital cog in the country's transport infrastructure network, given the country's sizeable population and logistic needs. However, years of inadequate funding and poor maintenance have rendered much of the network unfit for use, forcing heavy freight onto the country's roads. To address these issues, the government is moving ahead with an ambitious 25-year modernisation of the country's railway network" [1].

Minister, Adeosun explained that for contractors to benefit from the fund, they must show proof of the number of Nigerians that would be re-engaged. Continuing, she said: "We explained our rationale and the processes that we have put in place and safeguards to ensure that this money actually achieves the desired objective which is to stimulate the economy.

"We are already discussing with some of the contractors who will be paid these monies and the objectives from the overall criteria is how many Nigerians would be re-engaged.

We are specifically looking at contractors who have laid off staff and how many Nigerians are going to be put back to work as a result of this money that we are planning to release and we believe that this would bring significant economic activity." [4]

From the foregoing extracts, the probable criteria used in determining the projects to be implemented are as follows:

- To address vital logistic needs in the country's transport infrastructure
- Stimulating economic activities through employment by re-engaging Nigerians laid off from work in construction projects

### **Comments**

Information that is not available on the selection process of the projects to be reactivated includes the following:

- Whether or not any government unit has analysed the various projects to determine their relative importance with respect to their deliverables.
- The percentage of completion of each project which should indicate that it would soon be finished such that its services or products should be available in a short time for use by the public
- Following the abandonment of the projects, the relative costs of their reactivation, availability of the material and human resources, whether local or foreign, and the collateral impact on existing businesses.

- The economic and social consequences of the abandonment of each of the projects to the economy; what damage has been caused.

#### **4. Project management practice in advanced nations and Business justification for a National PMO**

It is certainly unhelpful to the country that the projects have been abandoned in spite of the fact that the elections were planned to take place within specified dates which were advertised well in advance. Projects are not planned to be open ended in respect of duration of completion. They are supposed to be limited in duration and costs so that they can be completed in time and their deliverables utilised in line with business needs that they are supposed to meet.

To reactivate abandoned projects leads to an escalation in their initial costs. Besides, the strategic or business values of the projects are invariably debased. This is because the deliverables of the projects are expected to be important and provide value to the economy. Therefore, when the projects are abandoned, such values cannot be obtained as planned for. To derive these values when and where required provides the business justification for the investment of time and resources to initiate and implement the projects for completion within specified time duration.

In line with this reasoning, there should have been resources provided for the continuation of the projects even within the period of elections and the change of governments. Indeed, resources to start and complete a project should be made available when a project is approved. Research conducted in course of writing this paper shows that the projects were abandoned because of lack of funding as also confirmed by the Minister for Finance, Mrs. Kemi Adeosun, who said:

"From the Federal Ministry of Finance, in anticipation of the approval of the budget, we have virtually lined up about N350 billion which we would be pumping into the Nigerian economy in the forthcoming months.

"We explained our rationale and the processes that we have put in place and safeguards to ensure that this money actually achieves the desired objective which is to stimulate the economy.

"We are already discussing with some of the contractors who will be paid these monies and the objectives from the overall criteria is how many Nigerians would be re-engaged.

"We are specifically looking at contractors who have laid off staff and how many Nigerians are going to be put back to work as a result of this money that we are planning to release and we believe that this would bring significant economic activity."

Another excerpt providing a reason for the abandonment of the projects is given below:

"Mrs. Binta Bello, the permanent secretary of the Ministry of Aviation, during an inspection of ongoing projects at the Murtala Muhammed Airport, Lagos and Port Harcourt International Airport, Omagwa, Rivers State (in June 2015) revealed

why the re-modelling of Nigerian airports have stalled”. According to the Daily Post, she said the non-availability of funds from the government is to blame for the projects being abandoned [7].

As already stated, it is repeated here for emphasis, abandoning a project increases its cost, its duration for completion and debases its strategic importance as the time in which the utilisation of its deliverables is made uncertain. The value and benefits of such a product or service cannot therefore be used for time-constrained business planning.

#### **4.1 Project management practice in advanced countries**

Research shows that important projects are not abandoned in advanced countries and developed economies when an election is imminent or is being conducted. In order to eliminate this unacceptable behaviour which is a reflection of our failure to plan and underlines the underdevelopment of our economy and its programme management, it may be wise to examine and learn from the practices in three developed economies as discussed next.

#### **4.2 Programme management in the UK, Canada and US**

##### **Practice in the UK Government**

The UK Government established the Major Projects Authority (MPA) which works with the Treasury and other government departments to provide independent assurance on major projects. It also supports colleagues across departments to build skills and improve the way to manage and deliver projects. The MPA is part of the Efficiency and Reform Group in the Cabinet Office. The MPA has a clear and enforceable mandate to do the following:

- draw up the Government Major Projects Portfolio
- request, review and approve integrated assurance and approval plans for each major project or programme
- carry out assurance reviews where there is cause for concern
- intervene directly, where appropriate, in the delivery of major projects that are failing by providing commercial and operational support
- work with departments to build skills and expertise in projects and programme management
- publish an annual report on major projects

On 1 January 2016 the MPA merged with Infrastructure UK to form a new organisation called the Infrastructure and Projects Authority

##### **Practice in the Canadian Government**

The Canadian Government created a Major Projects Management Office (MPMO). It is an organization whose role is to “provide overarching project management and

accountability for major resource projects in the federal regulatory review process, and to facilitate improvements to the regulatory system for major resource projects”.

Its other activities are as follows:

- It provides guidance to project proponents and other stakeholders,
- It coordinates project agreements and timelines between federal departments and agencies,
- It tracks and monitors the progression of major resource projects through the federal regulatory review process.
- It also investigates and identifies short- and longer-term solutions to improve the performance of the federal environmental assessment and regulatory process for major resource projects.

### **Practice in the US Government**

**One of the programme management offices in the US Government is the Project Management Coordination Office (PMCO).** Some of its functions are as follows:

- It provides guidance, leadership, training, and tools in program and project management to Office of Energy Efficiency and Renewable Energy (EERE) Headquarters and field employees.
- It is an internal business operations office with a mission to provide EERE executive managers, line managers, and staff offices the unified corporate tools, products, and services that enable EERE to ensure the highest value return on its research, development and deployment investment at the lowest realistic risk.
- It leads the development of policies, processes and reporting for project and risk management, including Funding Opportunity Announcement and Active Project Management (APM), and leads development of policies for Annual Operating Plans (AOP).
- It also manages the governance and Change Control Board processes, tools, support and our online resource centre, PM Central.
- It provides oversight and risk management of the EERE project portfolio, including base-funded, Recovery Act and Congressionally Directed Projects.
- It works with the Workforce Management Office to provide project and risk management training and certification support.

### **4.3 Case for a Nigerian National Programme Management Office (NNPMO)**

With the benefit of the information provided in the foregoing paragraphs, it is justifiable to recommend the establishment of a Nigerian National Programme Management Office (NNPMO). Its functions in the immediate, medium to long term could include the following:

Immediate functions could include the following:

- draw up a comprehensive list of all approved Nigerian Federal Government projects specifying their completion status, costs and resource requirements

- track and monitor the progress of major projects biweekly or as frequently as desired
- improve communication and collaboration between contractors and government
- manage the governance, amendment, variation and change control processes
- draw up a list of the various contractors and their performance history in the various projects in the country
- coordinate project agreements and timelines between federal departments and contractors.

Medium to long-term functions could include the following:

- work with departments to build skills and expertise in projects and programme management
- provide guidance to project proponents and other stakeholders,
- intervene directly, where appropriate, in the delivery of major projects that are failing by providing commercial and operational support
- investigate and identify short- and longer-term solutions to improve the performance of projects.
- provide guidance, leadership, training, and tools in program and project management.
- lead the development of policies, processes and reporting for project and risk management.
- provide project and risk management training and certification support.
- implement project governance and processes
- improve and introduce consistent reporting
- improve management and control of resources
- mentor and build capacity for all project team members.

## **5. Concluding remarks**

Efforts to reactivate construction programmes in order to stimulate economic activities are proper in the current Nigerian business environment in which many enterprises have ground to a halt or closed because of lack of fund. The following concluding observations are relevant in our view;

- The criteria for the choice of projects to be reactivated are not well publicised by the government. It may not be adequate to select a project because it will bring the highest number of Nigerians back to work as appears to be the stated preferential condition for selection. The overall value the project could add to the economy, the collateral impact on the economy including the simulation of other businesses which may even employ more Nigerians than are engaged by the project, and the financial implications of the reactivation of the project are some of the considerations which could be used in the project selection.
- The selection and prioritisation of projects should be assigned to project management professionals who have the expertise and experience to guide the government in the correct choice of projects.

- It is necessary to emphasise that the planned injection of money into the economy to reactivate projects is strictly speaking an exercise in resuscitating failed projects. The nation will suffer increased costs and reap reduced value from the projects because of our inability to have implemented them as originally planned. It is a wastage of resources therefore that should be avoided.
- To avoid abandonment of projects in future, a Nigerian National Project Management Office is suggested. As stated earlier, it will help the nation achieve cost effective, efficient, timely and successful project management practice that will enhance the contributions and values of programmes and projects in our national economy.

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## About the Author



### **O. Chima Okereke, PhD, PMP**

Herefordshire, UK



**Dr. O. Chima Okereke**, Ph.D., MBA, PMP is the Managing Director and CEO of Total Technology Consultants, Ltd., a project management consulting company working in West Africa and the UK. He is a visiting professor, an industrial educator, a multidisciplinary project management professional, with over 25 years' experience in oil and gas, steel and power generation industries. For example, On December 26<sup>th</sup> 2013, he completed an assignment as a visiting professor in project management; teaching a class of students on Master's degree in project management in the Far Eastern Federal University, Vladivostok, Russia. In August and September 2013, he conducted an innovative, and personally developed training programme for seventy six well engineers of Shell Nigeria to enhance the efficiency of their operations using project and operations management processes. Before embarking on a career in consulting, he worked for thirteen years in industry rising to the position of a chief engineer with specialisation in industrial controls and instrumentation, electronics, electrical engineering and automation. During those 13 years, he worked on every aspect of projects of new industrial plants including design, construction and installation, commissioning, and engineering operation and maintenance in process industries. Chima sponsored and founded the potential chapter of the Project Management Institute (PMI®) in Port Harcourt, Nigeria, acting as president from 2004 to 2010.

Dr. Okereke has a Bachelor of Science Degree in Electrical Engineering from the University of Lagos, and a PhD and Masters in Business Administration (MBA) degree from the University of Bradford in the UK. He also has a PMP® certification from the Project Management Institute (PMI®) which he passed at first attempt. He has been a registered engineer with COREN in Nigeria since 1983. For many years, Total Technology has been a partner for Oracle Primavera Global Business Unit, a representative in Nigeria of Oracle University for training in Primavera project management courses, and a Gold Level member of Oracle Partner Network (OPN). He is a registered consultant with several UN agencies. More information can be found at <http://www.totaltechnologyconsultants.org/>.

Chima is the publisher of Project Management Business Digest, a blog aimed at helping organizations use project management for business success. Dr. Okereke is also an international editorial advisor for the *PM World Journal* and PM World Library. He can be contacted at [chima.okereke@totaltechnologyconsultants.com](mailto:chima.okereke@totaltechnologyconsultants.com) or [info@totaltechnologyconsultants.org](mailto:info@totaltechnologyconsultants.org).