

## **Project Governance – The Missing Link, *inter alia*, in the Fight Against Corruption in Public and Private Sector Projects**

**Eng. Tororiro Isaac Chaza B.Sc. Eng., MBA, PMP**

### **1. Abstract**

A survey of media reports on project success/failure in Sub-Saharan Africa (SSA) shows a high level of project related corruption and attendant project failure as evidenced by poor or non-delivery of scope, accompanied by massive cost and/or schedule overruns, resulting in a dire and perverse cost to the citizens. Furthermore SSA countries are recipients of International Development (ID) funded projects, mostly mammoth in nature, which have also experienced the same corruption and resultant failed projects. Current corporate governance legislation, policies and guidelines are focused on fighting corruption at procurement stage, and ensuring transparency at the corporate reporting stage. However these are inert on project governance. This paper posits that project management (PM) practice by its real-time, unifying and applicatory nature is, *inter alia*, the missing link in the fight against corruption and hence, in the delivery of 'successful projects.' This paper advocates that project governance should be embraced as a strong constituent of corporate governance such that there is need to strengthen the public and private sector corporate governance by facilitating and refining the corporate boards' understanding of project management. Corporate governance of both private and public sector enterprises is addressed. Conceding that the main challenge in instilling a PM culture and related governance, is the colossal skills gap, it is proposed that there is a pressing need to train and up-skill both public officers and private sector personnel in PM knowledge and practice.

For the purposes of this paper project management is construed to include the related portfolio and program management.

**Key words:** *project governance, corporate governance, public sector, corruption, project success, risk management, accidental project manager.*

### **2. Introduction**

Project Management has morphed and matured from being perceived as highly technical to become a core leadership skill which encompasses, among other things, projection, construal and reification of strategy, specifically converging on innovation and change management. In modern markets, companies are being pressured to innovate or fade. Is there anybody out there still using a Polaroid 'instant' camera? What happened to Kodak's dominance in the photographic film business and Nokia's dominance in the smartphone market? In developed markets financiers will not grant project financing to organizations who do not procure services of certified project managers (PMP, IPMA, PRINCE 2, Agile, etc). Recent studies have shown high correlation between levels of innovation and the number of certified PMs within a country. *Naughton and Kavanagh, (2009)* stated, "A nation's ability to build and sustain its innovation capacity depends on developing and maintaining project

management skills at world-class levels, on high-quality, education (not just painting by numbers) and on the best professional accreditation in the discipline.”<sup>1</sup> The *KPMG Project Management Survey 2010*<sup>2</sup> buttresses this point:-

“Our data shows that organisations that are more successful in their projects:-

- have high level project management capabilities
- have projects that are aligned with corporate strategy
- deliver projects within a programme of work or a portfolio co-ordinate projects through a Programme or Project Management Office (PMO)
- provide for effective sponsorship which delivers clear direction for the project and escalates problems when necessary
- initiate projects with robust business cases
- actively manage risks
- practice regular reporting, with accurate and up to date information
- report variations and implement recovery actions
- ensure that their project managers use a methodology.”

PriceWaterhouseCoopers (PwC) reports bribery and corruption as a major barrier in economic growth in SSA:-

“At a regional level, over-regulation and cyber threats are of most concern to CEOs in North America. Asia Pacific CEOs are the most anxious about affordable capital, consumer behaviours, new market entrants and the speed of technological change. And CEOs in Africa are by far the most worried of the lot, across a range of threats as diverse as social instability, inadequate infrastructure, access to key skills, energy costs, and bribery and corruption – all significant barriers to the continent in realising its growth potential.”<sup>3</sup>

The questions posed to both the public and private sector entities are:-

- Are projects given enough exposure at board level?
- Are board members savvy about the project governance?
- Does the CEO adequately understand and execute his/her role as executive project sponsor?
- Does the company have a PMO with an effective PM methodology?

If the answer is ‘no’ to any of the above questions, then the governments and corporates are on a sure path to monumental failure, and therefore a crucial paradigm shift in corporate governance is called for.

---

<sup>1</sup> Naughton and Kavanagh, (2009) “Innovation and Project Management – Exploring the Link.”

<sup>2</sup> KPMG Project Management Survey 2010, [www.kpmg.co.nz](http://www.kpmg.co.nz).

<sup>3</sup> PwC 18<sup>th</sup> Annual CEO Survey, 2015, <http://www.pwc.com/ceosurvey>

### 3. Project Management and Project Governance- a contemporary definition

A good starting point is the definition of a project and related concepts and its link to strategy execution as put forward by the Project Management Institute's *Pmbok 5<sup>th</sup> ed*<sup>4</sup>:-

- **A project** - a temporary endeavor undertaken to create a unique product, service, or result. The temporary nature of projects indicates that a project has a definite beginning and end.
- **Project management** - the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements.
- **Project governance**—the alignment of the project with stakeholders' needs or objectives—is critical to the successful management of stakeholder engagement and the achievement of organizational objectives. Project governance enables organizations to consistently manage projects and maximize the value of project outcomes and align the projects with **business strategy**.
- **Organizational Project Management** - a **strategy execution framework** utilizing project, program, and portfolio management as well as organizational enabling practices to consistently and predictably deliver organizational strategy producing better performance, better results, and a sustainable competitive advantage.

The above definitions establish the link between portfolio/program/project management as a strategy execution framework. Project management therefore deserves significant attention at the board and executive level as stewards of strategy and stakeholder objectives.

One may be inclined to ask “Why is PM practice important now when projects have been executed since time immemorial?” The counter question is “If that is the case, how come so many projects fail or are in distress?” A recent study by the Standish Group revealed that only 16.2% of IT related projects are deemed successful, in other words they were completed on-time, on-budget and satisfied the initially specified functions and features. A staggering 52.7% of projects were deemed ‘challenged’ as they were completed with cost-overruns, schedule overruns and were short on the specified features and functions. Impaired or cancelled projects accounted for a significant 31.1%.<sup>5</sup>

### 4. The Problem -The Corruption Angle

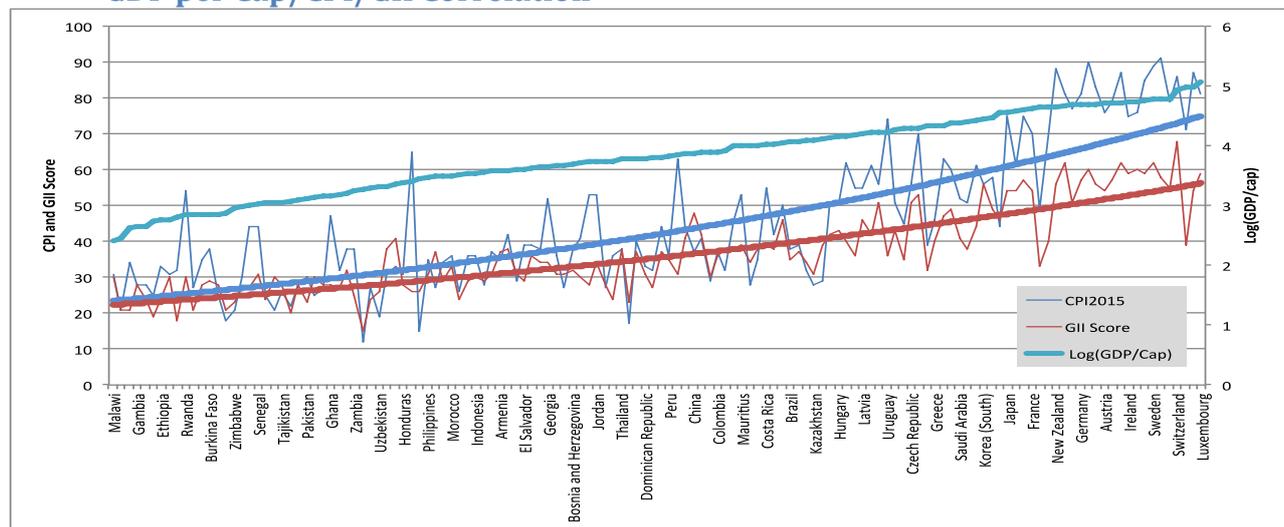
The Standish Group survey was carried out in a highly sophisticated environment (North America) with very high levels of PM knowledge and practice as measured by the high levels of PM certifications (940 PMPs per million population – source PMI). If the same type of survey were to be carried out in say, Sub-Saharan African countries with very low PM

<sup>4</sup> PMI 'A Guide to the Project Management Body of Knowledge, (PMBOK® Guide [www.pmi.org](http://www.pmi.org)) 5<sup>th</sup> edition'

<sup>5</sup> The Standish Group 'Chaos' Report, 2014 <https://www.projectsart.co.uk/white-papers/chaos-report.pdf>

certifications (6 per million population), then the project success rates would be expected to be horrendously low. To reinforce this point, a comparison of various indices such as GDP per Capita, Corruption Perception Index (CPI), and Global Innovation Index (GII) established a high correlation between these indices, implying that the cluster of countries (mainly European Union and North America), which scores high in economic performance is the same cluster with high scores on CPI and GII. Vice versa, the cluster of countries with low economic growth, also score poorly in CPI and GII, and these are mainly in Sub-Saharan Africa<sup>6</sup>.

GDP per Cap/CPI/GII Correlation



The causal implication is that high corruption levels as measured by low CPI score are a serious hindrance to economic growth and innovation. The retro-causal implication is that low economic growth augments corrupt practices. The telling evidence is that there is rampant corruption in the execution of capital projects in SSA. An online survey of corruption reports in Africa revealed a litany of issues.<sup>7</sup>

Below is a collation of key points elicited from the press articles of SSA countries corruption:-

- State procurement expenditure.....wasted
- overpayment and corruption
- improperly awarded tenders
- unethical conduct.
- Bribery
- Financial impropriety
- State robbed
- Massive irregularities
- incessant failure and abandonment,

<sup>6</sup> Chaza T. I. 'Corruption & Project Management,' PMIAfrica 2016, <https://www.pmiafricaconference.com/presentation-documents/>

<sup>7</sup> *ibid.*

- sharing of contract sum meant for development by the contractors and political interest group in power,
- ineffective project planning,
- poor feasibility studies and design,
- lack of technological capacity as well as inability to detect failure warning signals on time.

The recurring theme in the survey of SSA public and private capital projects was project failure or distress due to cost overruns running into serious billions, unacceptably high schedule overruns and delivery of products and services below spec. It must be pointed out that the reported cases are only the tip of the iceberg. What is below visibility is bound to be alarmingly high as alluded to by Global Witness:-

“There is no way to put a dollar figure on the plunder because by its nature corruption is a crime of concealment, aided and abetted by strict confidentiality rules around banking and legal services.”<sup>8</sup>

PriceWaterhouseCoopers (PwC) reports that:-

“Accelerated infrastructure spending will drive economic growth, provide jobs, and deliver vital services, such as clean water supply. The World Economic Forum estimates that every dollar spent on a capital project (in utilities, energy, transport, waste management, flood defense, telecommunications) generates an economic return of between 5% and 25%. That multiplier effect accounts for the rapid economic growth of emerging markets that have made infrastructure spending a priority.”<sup>9</sup>

It is therefore safe to opine that for every dollar misused by corruption or bad PM practices in capital projects, there is an opportunity cost measured as a loss of an economic return of between 5% and 25%, a frightful habitat. It is also appropriate to opine that the lack of proper PM practices and governance, and the employment of ‘accidental’<sup>10</sup> project managers give rise to pre-meditated and opportunistic corruption. This corruption is normally written off in the acceptance and approval of scope variances (scope creep), costs and schedule overruns by the ill-informed public and private sector corporate boards.

The question to be asked by the SSA governments and corporates is “What are the Europeans and North Americans doing that we are not doing in order to curb corruption and improve project delivery success?” The next sections will attempt to answer the question.

---

<sup>8</sup> Global Witness, ‘Banks and Dirty Money’ October 2015. [www.globalwitness.org](http://www.globalwitness.org)

<sup>9</sup> PwC, ‘Capital Projects and Infrastructure Outlook 2015’ [www.pwc.com/cpi-outlook2015](http://www.pwc.com/cpi-outlook2015)

<sup>10</sup> An accidental project manager is an individual who is thrust into the role of project management because of he/she possesses technical competencies but is not trained in project management, and has scant support from the organization. Darrell, Vanessa (2010) - *Demystifying the folklore of the accidental project manager in the public sector* - *Project Management Journal*, Vol. 41, No. 5, 56–6

## 5. Public Sector Governance – Relation to Project Governance – Sub-Saharan Africa

Zimbabwe and South Africa will be used as examples for the reviewing of Public Sector Governance as it relates to procurement, anti-corruption and public finance, and for ascertaining if current legislation and policies refer to or relate to project governance.

In Zimbabwe the foremost laws that have been enacted to prevent corruption and enforce compliance are, *inter alia*:-

- The *Procurement Act* [Chapter 22:14], establishes the State Procurement Board (SPB) mandated to regulate and manage the public procurement process in all government ministries, public entities and local authorities in line with public procurement law.
- The *Prevention of Corruption Act* [Chapter 9:16], which focuses on prevention of corruption by prescribing a code of conduct, policing thereof and criminalization for non-compliance.
- The *Public Finance Management Act* [Chapter 22:19], which seeks to secure accountability, transparency and sound management of public resources.

The Zimbabwean legislation, as amended, emphasize 'procurement' procedures, prevention of corruption, and sound management of public resources, but are mute on execution, monitoring and controlling and project closure. There seems to be no enacted guideline or procedure on project management and project governance for public sector in the laws of Zimbabwe which, this paper considers to be a fundamental problem in the delivery of state capital projects.

In South Africa, similar legislation exists<sup>11</sup>:-

- The *Public Finance Management Act* (1999), establishes a decentralized procurement system, managed by Accounting Officers in national and provincial departments; it also governs the timing and content of public budgets.
- The *Municipal Financial Management Act* (2003) establishes the regulatory framework for municipalities, namely Supply Chain Management (SCM) functions.
- The *Prevention and Combating of Corrupt Activities Act of 2004* aims to prevent and fight corruption in government and in the private sector by, *inter alia*,
  - strengthening measures to prevent and combat corruption and corrupt activities,
  - dealing with investigations into corruption, and
  - establishing a Register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts.

---

<sup>11</sup> Laura Turley, Oshani Perera - *Implementing Sustainable Public Procurement in South Africa: Where to start*, May 2014, <http://www.iisd.org/>

Again, absent in the body of the South African legislation is an act which explicitly address the issue of project governance. Most likely project governance is deemed to be covered in the wide scope of 'good governance' implied in the acts. However the writer considers the current legislation to be mute or highly inadequate in addressing or proposing project management practices and the related governance, not only to mitigate corruption but also to mitigate project failure and hence improve on project delivery success.

The United Nations Commission on Trade Law (UNCITRAL) Model Law on Public Procurement is a good guideline, which a number of the SSA countries have adopted in the fight against corruption<sup>12</sup>. The Model Law states one of its objectives as 'achieving transparency in the procedures relating to procurement.' The Model Law is therefore quite elaborate on the procurement process, but rather inert on execution in the form of project governance.

In its review of public procurement in Africa, the African Development Bank (AfDB) notes that the 'procurement cycle' generally consists of three broad phases, each of which contains a number of stages<sup>13</sup>:-

- i. Pre-Tendering Phase (covering: identification of needs; planning/budgeting; and designing and/or defining project specifications);
- ii. Tendering Phase (invitation to tender; bidding process; bid evaluation; and contract award);
- iii. Post-Tendering Phase (contract implementation; supervision; and post evaluation).

AfDB further acknowledges that the 'procurement cycle' corresponds to the 'project cycle' and that corruption and fraud opportunities occur during the 'project cycle' namely:-

- Identification of Needs
- Project Preparation
- Bidding and Contract Award
- Contract Implementation
- Contract Supervision.

However, as an attestation of inert or 'non-existent' project governance, AfDB observes that the stages of 'identification of needs' and 'contract implementation' in the procurement cycle are less transparent, and have thus proved to have higher incidences of corruption, because they are usually not reflected in, or adequately covered by procurement regulations<sup>14</sup>.

---

<sup>12</sup> UNCITRAL Model Law on Public Procurement, United Nations, January 2014

<sup>13</sup> AfDB - 'Summary of Literature on Fraud & Corruption in Public Procurement'- March, 2014 -

<http://www.afdb.org/>

<sup>14</sup> *ibid.*

### a. Public Sector PMO Examples

Governments in North America, European Union and other developed regions have enacted laws to put in place project governance and to enhance project delivery success. Examples of these are debated below:-

- The UK Government set up a central Major Projects Authority (MPA) in 2011, by way of a Prime Ministerial Mandate.<sup>15</sup>
- The Government of Canada made a policy directive to set up the Major Projects Management Office (MPMO) in 2007.<sup>16</sup>
- The PMI issued a press release commending the European Union (EU) Council for adopting the Common Provisions Regulation for EU Cohesion and Structural Funds for 2014-2020. Embedded in the provisions are specific recommendations regarding project management.<sup>17</sup>
- In Pakistan, the Chief Minister's Project Management Initiative (CMPMI) mandated the creation of the Project Management Unit (PMU) to oversee government projects.<sup>18</sup>
- On the African continent, *Rwelamila, 2007*, studied large infrastructural departments in South Africa and found out that there are many public sector project-oriented organisations (POO) who were performing poorly in terms of project delivery mainly due to employment of untrained 'accidental' project managers. The study recommended the adoption of project management as a core competence, which entails overhaul of the POO management structures and cultures, and establishing project manager's development programme.<sup>19</sup>

Whereas SSA governments have established forms of centralized or decentralized state procurement boards to oversee the procurement of goods and services, it can be seen that there is a growing global trend for governments to establish public sector PMOs with oversight on the attendant project governance. This paper therefore advocates for SSA governments to implement PMO structures to oversee the state's major capital projects. These PMOs will constitute an evident augmentation of the established procurement boards.

### b. Project Management Assistance to SSA Governments

PMI avers support to project management application within governments. PMI has set up a government relations team in the Americas, Australasia, India, China, European Union, United Kingdom and the Middle East<sup>20</sup>. It is imperative that the same support is established for SSA governments.<sup>21</sup>

---

<sup>15</sup> University of Oxford (2012-2015) Major Projects Leadership Academy MPLA Handbook.

<sup>16</sup> Cabinet Directive on Improving the Performance of the Regulatory System for Major Resource Projects, Government of Canada MPMO, (2007) – [www.mpmo.gc.ca](http://www.mpmo.gc.ca)

<sup>17</sup> PMI Press Release - New Legislation: EU Member States to Develop Project Management Capabilities – (26 February 2014) – [www.pmi.org](http://www.pmi.org)

<sup>18</sup> Khalid A. K. (2006) Project Management Reform Experience in a Public Sector Environment, Originally published as a part of 2007 PMI Global Congress Proceedings – Hong Kong.

<sup>19</sup> Rwelamila, PMD (2007) Project Management competence in public sector infrastructure organisations, *Construction Management and Economics* 25, 55-66

<sup>20</sup> PMI Government Activities and Advocacy - [www.pmi.org/business-solutions/government-involvement.aspx](http://www.pmi.org/business-solutions/government-involvement.aspx)

<sup>21</sup> Chaza T. I. 'Corruption & Project Management,' PMIAfrica 2016.

### c. The case for Adoption of the Project Management Practice for International Development (ID) Projects and Programs

Research on International Development (ID) in Africa (Ika 2012) points to phenomenal (50%) failures in delivering intended benefits in economic development and poverty alleviation projects or programs funded by Non-Governmental Organisations (NGOs), and multilateral agents (e.g. World Bank, United States Agency for International Aid (USAID), Canadian International Development Agency (CIDA), Japan International Cooperation Agency (JICA), European Union, and the United Nations). The reasons for failure of these ID projects include *inter alia* the use of ‘accidental’ project managers by the aid agencies, the implementing unit, and the aid recipients.<sup>22</sup>

In order to mitigate corruption and related project failure in ID projects, this paper advocates for aid agencies to ensure the employment of experienced and certified project managers, and in parallel, fund extensive project management training as a prerequisite for funding any ID project. As an example of the advocacy required, the African Development Bank (AfDB) recently released a press statement that its Board of Directors has ‘approved loans and grants to the tune of \$428.43 million to finance projects in energy, infrastructure, transport and water and sanitation in eight African countries – The Gambia, Ghana, Tanzania, Zimbabwe, Guinea Bissau, Guinea, Senegal and Côte d’Ivoire.’<sup>23</sup> It would be prudent for the African PM organisations or local chapters to lobby for portions of such loans and grants to go towards capacity building in the area of project management talent, among others. It would be prudent for such loans and grants to be disbursed on the proviso that the beneficiaries prove that they have the capacity and capability to execute the projects by engaging accredited local African PMs.<sup>24</sup>

## 6. Private Sector Governance

Extant guidelines on Corporate Governance are operations-centric focusing on Corporate Board structures, strategic direction, budget and procurement approvals, financial performance, risk management, regulatory and legal compliance, labour issues, accounting standards, audits, IT governance, stakeholder management, and company ethics. An example of such corporate governance guidelines is the *KING III Report and KING IV*<sup>25</sup>. Furthermore, in pursuit of corporate excellence, organizations are embarking on change management exercises, which may incorporate guidelines such as *ISO 9000 certification*, which put emphasis on operational, production and quality and safety standards<sup>26</sup>. These reports and standards are meticulous on the role of corporate boards on governance, safety and quality practices. However, they are passive on project management governance, perhaps because it is taken as implicit in the guidelines, or perhaps project management has

<sup>22</sup> Ika L. A. (2012) *Project Management for development in Africa: Why Projects are failing and what can be done about it*. *Project Management Journal*, Vol. 43, No. 4, 27-41

<sup>23</sup> [www.afdb.org](http://www.afdb.org), 30/09/2015.

<sup>24</sup> Chaza T. I. (2016) ‘Project Management – The Profession – as a catalyst for Economic Growth,’ *PMWorld journal*, Volume V, Issue 3, <http://pmworldlibrary.net/>

<sup>25</sup> Institute of Directors Southern Africa, *King III Report and King IV Report (due in Nov. 2016)* – <http://www.iodsa.co.za/>.

<sup>26</sup> ISO 9001 <http://www.iso.org/iso/home/standards.htm>

been relegated to a non-significant, non-strategic role. Put in other words, there is very minimal concern with Project Management despite that most Public and Private Sector organizations are highly projectized, especially with the advent of disruptive technologies. Yet the following practices prevail: -

- Projects are mainly led by ‘accidental’ project managers with no PM certification.
- Most corporate boards or government authorities are not Project Management savvy. They approve projects and the major variances without delving deep into the causes of the variances.
- Hence there are high levels of project failure due to bad or non-existent PM practices, ill-informed boards and attendant CORRUPTION.

PwC affirms that:-

“The ultimate goal would be for the CEO to have access to live, real-time information for all the organization’s capital projects. You can only do that if project data flows seamlessly.....That kind of seamless, quality reporting about every project enables a CEO to make more timely and informed business decisions. An enterprise view of the overall capital project portfolio will help to determine where to adjust the delivery strategy or where to approve additional resources.”<sup>27</sup>

It is prudent to add that a well-informed CEO is able to provide better and richer corporate reports to the board. As a result, corporate performance improves, transparency increases and stakeholder confidence increases.

Therefore this paper is a clarion call for corporate governance to significantly and explicitly embrace project governance and for the corporate boards to become *au fait* with project management practices.

## **7. Conclusion**

There are four distinct areas that have been addressed in this paper in an attempt to mitigate corruption and resident project failure:-

- The need for SSA governments to incorporate Project Management Offices aided by the requisite project governance guidelines, and PM training for the public officers involved in the prioritization, approval, planning, implementation and monitoring of major projects and programs;
- International Development agencies to aid in funding PM training and also ensure that funding is done on the proviso that ID projects are run by qualified and certified PMs.

---

<sup>27</sup>PwC - Capital project and infrastructure spending Outlook to 2025, [www.pwc.com/cpi-outlook2025](http://www.pwc.com/cpi-outlook2025)

- PM organizations such as the Project Management Institute (PMI), Project Management South Africa (PMSA), Project Management Zimbabwe (PMZ) and other professional bodies to play an active role in PM advocacy in SSA .
- The need for the private sector to embrace project governance as an extension of the extant corporate governance, and hence the need to train corporate boards and the executive management on the role of project management for the mitigation of the risk of corruption, and hence the delivery of successful projects and innovation initiatives;

## About the Author



### **Eng. Tororiro Isaac Chaza**

Harare, Zimbabwe



**Eng. Tororiro Chaza** is one of the handful of PMPs in Zimbabwe. He has over 30 years of experience on projects in the Telecommunications industry, having worked for General Electric Company in the UK, then for the Zimbabwe Posts and Telecommunications Company, and top Cellular Company Econet Wireless. Tororiro was the General Manager of the Project Management Office (PMO) at Econet Zimbabwe for the last 5 years in charge of managing a large portfolio of telecommunications, banking and construction projects of varying complexities. Tororiro is now a full-time project management trainer and consultant.

Tororiro Chaza can be contacted at [tororiro.chaza@torchpmo.com](mailto:tororiro.chaza@torchpmo.com)