

## **Failed Governance: A major contributor to failed projects in Africa<sup>1</sup>**

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### **Introduction**

Most of the failed projects in Africa belong to the public sector and are owned by the various national governments. Multinationals such as Shell, Chevron, Total, Agip, etc., plan and implement projects but do not experience the failures that occur in government-owned projects.

In 2002, an Australian business and project director, driving with us through the Shell residential area (RA) in Port Harcourt, Nigeria, was so impressed with the infrastructure we were seeing that he commented that the Shell RA was a “city within a city”. In other words, it is comparable to excavating a residential village in the UK, US, Germany or any of the large cities in the First World, that is the western world, and planting it in a Third World country which is deficient in stable and sustainable power supply, water, good roads, etc.

In 1980-81, it was observed that a new set of gas turbine electric generators was being installed to replace the generators in operation at Shell Nigeria Forcados Terminal. The explanation was that the existing generators would no longer be supported after a few years, it was therefore essential to install the gas turbine generators which could be sustained for many years in the future. To ensure sustainability of electric power supply, both immediately and in the future, they started upgrading the existing generators in spite of the fact that they were still generating as designed.

The two incidents discussed in the foregoing paragraphs demonstrate evidence of good foresight in governance. Governance describes processes undertaken by a government or a board of directors and such other bodies to direct management or the body being governed to conduct actions or policies for the achievement of the desired objectives of the nation or organisation. In effect, the board or national or federal executive council (in Nigeria), authorises and delegates the executive management of federal government parastatals, organisations, or companies, the power to carry out programmes, projects and operations. Members of the executive or top management of the government organisations are appointed by the government. They are responsible to the government and can be sacked or redeployed as the relevant government minister decides.

This arrangement underscores the need to investigate and explore the contributions of the actions or inactions of government ministers and their representatives in the failure and abandonment of projects. To do this, the following topics will be investigated and analysed:

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1. Governance as it relates to government ministries and government parastatals and companies
2. Examples of actions or inactions of government ministries
3. Failed governance, a symptom of a corrupt and failed democracy
4. Concluding remarks including suggestions for improvement

Most of the materials in this paper is based on the experience of this writer or taken from research papers published after a real-life survey of people who had worked in public organisations in their respective African countries.

### **1. Governance as it relates to government ministries and government parastatals and companies**

Appointments in parastatals are based on political inclination. Some of the interviewed persons described the roles of the boards to include the following:

- Formulation of policies for parastatals and government organisations;
- Appointment of members of the board and of the top management
- Approving the promotion of staff;
- Considering and approving budgets of parastatals;
- Awarding contracts;
- Approving the disciplines of staff;
- General regulation of the activities of parastatals.

In effect, the board, by the above roles, governs parastatals. Governance as defined by one of the interviewed persons is: “a process of administering organisations, people or society using the resources available to ensure that the resources are properly used” Or simply put “administering people and resources to achieve certain results.”

### **Quality of members appointed to the board**

The members of parastatals governing boards are appointed by the government of the day. However, the interviewed persons made the following statements [2]:

- “Appointments of members of parastatals governing boards are politically motivated”.
- “Appointments are based on political patronage, tribal sentiments, religious bigotry, ethnic balancing, party strongman, and political rewards for their active participation in political campaigns”.

To expatiate, an interviewee explained: “It is a political patronage. It is a winner takes all. You cannot be appointed into a board without being a party member. It is not based on merit. It is based on ethnic, religious and party considerations.”

Another interviewed person, who was a former head of a parastatal, explained:

- “The appointment of members of boards is politically motivated. You must be a party strongman before you are appointed to a position in a parastatal.
- “All board members are political appointees. The appointment is used to compensate them for campaigning for their master. How do you think they will perform? They are there to serve their godfathers who recommended them to that position and to make returns to them”

Two other interviewed people stated:

- “... there is complete disregard for integrity, character, professional competence and qualification, values, years of experience, and track records of antecedents of the person being appointed”.

They confirmed that:

- “the appointments of the chief executive of parastatals are politically motivated; based on political party or on ethnic balancing”.

Another interviewed person contended that:

- “the appointment of chief executives of parastatals is not based on merit but on ethnic balancing and at the discretion of the President or a State Governor”.

### **Comparison with Successful Parastatals in Singapore**

It is observed that success achieved by parastatals in Singapore could be traced to capabilities of the board. It is reported that:

- “The best person for the job is given the position, notwithstanding the person’s background and nationality;
- There are “high calibre of people on the board and also in-charge of parastatals” (Anwar and Sam, 2006).
- The Singaporean government has been able to achieve this success through a company, Temasek Holdings Limited (THL). It is owned by the government and yet independent of government control. THL supervises Singaporean parastatals and helps them to succeed in order to maximise social benefits to the Singaporean nation.

The following information on their operations strategy is published in the 2017 Annual Review for Temasek Holdings Limited (THL):

- “Temasek is an investment company. We own and manage our assets based on commercial principles.
- As an active investor, we shape our portfolio by increasing, holding or decreasing our investment holdings. These actions are driven by a set of commercial principles to create and maximise risk - adjusted returns over the long term.
- As an engaged shareholder, we promote sound corporate governance in our portfolio companies. This includes the formation of high calibre, experienced and diverse boards.
- Our portfolio companies are guided and managed by their respective boards and management; we do not direct their business decisions or operations.
- Similarly, our investment, divestment and other business decisions are directed by our Board and management. Neither the President of Singapore nor our shareholder, the Singapore Government, is involved in our business decisions”.

## **2. Examples of actions or inactions of African government ministries**

- **Interference in operations:** Interference by government officials in the production operations of a steel company in Nigeria. An ex-general manager disclosed in a press interview how ministry officials terminated a contract of a supplier who was supplying raw materials at N600 about \$3.00 per ton and replaced him with another who supplied the same quality of material at N1000 about \$5.00 per ton [1].
- **Lack of accountability:** The structure of corporate governance is such that accountability is centred on the boards, managers, and the shareholders. Sadly, the performances of the various government large public organisations reveal lack of transparency and accountability. For example, there was an allegation of fraud perpetuated by some past Managing Directors of the Nigerian National Petroleum Corporation. It was reported that some of them were involved in the Halliburton and Willbros bribery scandals. A case in point was that one of them was reportedly caught red-handed with \$2 million cash which he was unable to account for. Another was said to have appropriated the sum of \$17 million meant for the Turn Around Maintenance of the Kaduna Refinery. In addition, the Managing Directors were said to have formed the habit of not remitting proceeds realized from the sale of Nigerian crude oil to the federation account. (Ibrahim, 2010 [4]).
- It was also reported that some of the problems of governance and accountability of parastatals in Nigeria are that governing board members and chairmen who formulate policies are appointed to boards based on political patronage, ethnic balancing and religious considerations, thereby loading boards with unqualified people who ultimately compromised organisations such as the then Ajaokuta Steel board [2].
- Another writer stated that “Nigerian parastatals are so badly affected that: Appointments to the board, senior management positions and even lower cadres are often based on political connections, ethnic loyalty and/or religious faith as opposed to considerations of efficiency and professional qualifications” [2].

- Two writers, Sarbah and Wen (2014), wrote that in Ghana: “the roots of parastatals’ failure are: excessive intervention; corruption; the CEO taking decisions following ministerial instructions or approval; and the board chair overriding the CEO on operational decisions”. Another author, (Odhiambo-Mbai, 2003), wrote that “in Kenya immediately after independence parastatals were found to be characterised by nepotism, ethnicity, and appointments and promotions were not based on the principle of meritocracy”.
- An author, Maduagwu (1982), wrote that “in Nigeria, any government official or politician...in a position to enrich himself corruptly but [failing] to do so will...be ostracised by his people upon leaving office. He would be regarded as a fool, or selfish, or both” . “Appointments into positions and offices are to be used to benefit people from their primordial public (their own select public group) and seen as a way of sharing in the “national cake” or national resources”.
- Government ineptitude, incompetence and indiscipline contributed majorly to the failure and abandonment of the steel industry for many years. The industry was started by Alhaji Shehu Shagari, the prime minister of Nigeria from 1979 to 1983. He had Ajaokuta Steel Company Limited (ASCL) as a direct responsibility of his office and was so interested that he visited it regularly. He was overthrown in a military coup on 31 December 1983. Sadly, the military government who took over did not pay much attention to Ajaokuta Steel Company; except completing the already planned administration block.

### **Government Use of Dedicated Fund on different projects**

A panel in 1994, discovered that between 1988 and 1994, a dedicated and special fund with the Central Bank of Nigeria (CBN) amounting to \$12.4 billion was depleted to \$200 million in June 1994 (Apter 2005; Agbibo, 2012). The fund was for three major special development projects which were: the Shiroro Hydro-Electricity project, Ajaokuta Steel Company Limited (ASCL), and National Iron Ore Mining Company (NIOMCO), Itakpe. The military president, General Ibrahim Babangida, explained that the \$12.4 billion meant for ASCL and others was not stolen but used for “regenerative investment and critical infrastructure” such as building of Abuja City and the Lagos Third Mainland Bridge (Daniel, 2015). The fact of the matter was that fund earmarked for work on the steel industry was allegedly diverted and used in other projects. Worse was to come in the dissolution of the NSDA.

### **Dissolution of Nigeria Steel Development Authority (NSDA)**

NSDA was established in 1971 on the advice of the Russians who were building the ASCL. The duties of NSDA included the following:

- To plan, construct and operate the steel plants;
- Carry out geological surveys, study market, metallurgical research and training of staff

- It was an agency staffed with Nigerian experts who were to manage the steel industry.
- NSDA was similar to Temasek Holdings Limited (THL) owned by Singaporean

Government. It was to do for Nigeria what THL was doing, and has been doing, for Singapore. NSDA was dissolved in 1979 and their duties were taken over by the Ministry of Mines and Steel Development. Some of the interviewed persons reported that in the ministry, “a lot of activities were then haphazardly embarked upon; lots of inflated subsidiary projects were being simultaneously chased.” (Anwar and Sam, 2006).

### **Lack of Continuity and Consistency in Successive Government Policies [2]**

There should be consistency and continuity in governance in government projects. There should be a system that continues from government to government. However, the spate of project abandonment in some African countries when a new political party comes into government is alarming. It was discovered that there were about 11,886 neglected projects in Nigeria according to the reports of the Presidential Projects Assessment Committee (PPAC), set up in March 2011 by President Goodluck Jonathan to look into the cases of neglected federal government projects in Nigeria since independence in 1960 (EL-Rufai, 2012). This is a reflection of lack of consistency, and lack of commitment to achieve a goal started by the previous administration.

According to one of the interviewed persons: “A new government may not like to continue or improve on what the previous government did. Rather, what a new government used to do is to neglect the previous government’s initiated policies and projects and start its own projects. There will be no benefit accruing to a government that completes an old project”.

Another interviewed person explained: “The new government’s attention will be withdrawn from the old projects since kickbacks cannot be given from the old projects if they were to be continued by the new government. The old projects can only continue if they can be re-awarded and the new government can be assured of getting kickbacks”.

Other reasons for failure to follow up projects include the following:

“ the possibility of relocating the project in their ethnic origin by the new leaders in order that the contract for the project could be re-awarded to their relations, children, friends or classmates.

“Non-continuation of policies and priorities as occupiers of political offices change; nepotism; corruption; re-awarding of projects to political supporters as generous campaign gifts at inflated prices; paying contract sum to political big-wigs; etc.” El-Rufai (2012), Olalusi and Otunola (2012), & Ubani and Ononuju (2013).

## **Lack of funds due to withholding of budget allocated fund [2]**

It is reported that money allocated in the budget may not be released to parastatal as when due. For example, one of the interviewed persons, who was a head of a parastatal and a chairman of a board of parastatal at the time of interview explained that: “The major problem of parastatals is that they are not financially autonomous. It is when you request for money before you get it even when it was allocated to the parastatal in the budget. It takes political manoeuvring to get what you want as a head of a parastatal. There is no deliberate attempt to release the money allocated to them in the budget.”

Moreover, “if any fund is released from the ministry, the Ministry of Mines and Steel Development will send a list of contractors to whom the job must be given; and it should not be given to any other contractor other than the ones the organisation was directed to give the job to otherwise the management will lose its job for incompetence”.

## **Problem of Accountability**

The 1999 Nigerian Constitution (as amended) mandates the National Assembly to monitor parastatals for the purpose of accountability. However, accountability to the National Assembly is reportedly flawed with fraudulence. For example, a committee of the Nigerian House of Representatives on capital market headed by Representative R (name deliberately withheld) was being accused of corruption. The committee was investigating the reason for the near collapse of the capital market when it was accused of demanding a bribe amounting to N44 million (about \$220,000.00) from the Director-General of the Securities and Exchange Commission (SEC).

The Director-General of SEC argued: “Representative R is corrupt and lacks credibility. For instance, he collected estacode and other travel allowances from Securities and Exchange Commission (SEC) to travel to the Dominican Republic on a capacity enhancement conference for capital market regulators. He did not go neither did he return the money collected. Also, he asked the commission to contribute N39 million towards the on-going charade of a public hearing and demanded another N5 million cash on March 13, 2012. He made both demands by proxy (Agande and Eboh, 2012)”.

The Nigerian constitution authorises the National Assembly to investigate and expose corruption, but it is the same National Assembly committee that was supposed to expose corruption that was reportedly demanding bribes. Sadly, this is just one of many cases. Such incidents make accountability difficult.

## **3. Failed governance, a symptom of a corrupt and failed democracy**

From research a long list of failures has been obtained that characterise the operations of African government ministries who have responsibilities for public organisations conducting projects. Some of the failures include the following:

- Failure to continue projects started by the previous government
- Nepotism, corruption; re-awarding of projects to political supporters as generous campaign gifts at inflated prices;
- Paying inflated contract sum to political bigwigs
- Appointments of members of parastatals governing boards are politically motivated: based on political patronage, party strongmen, and political rewards for their active participation in political campaigns.
- Appointments are based on tribal sentiments, religious bigotry, ethnic balancing,
- Appointees serve their godfathers who recommended them to that position and make financial returns and payments to them.
- Complete disregard for integrity, character, professional competence and qualification, values, years of experience, and track records of antecedents of the person being appointed.

### Comments

Actually, this should not be surprising because it is not feasible and realistic to expect that the members of boards of public parastatals and government companies will constitute an “island” of transparent honesty and impeccable integrity in the country while the rest of the government functionaries including members of parliament, national assemblies, and presidency are all corrupt. In spite of all the press coverage, even by the press of Western World, describing some Nigerian leaders, even the current leaders, as honest and waging anticorruption battles; the reality is completely different. As one contributor puts it, they are being addressed in “borrowed robes”. Therefore, our attempt at running successful and disciplined democratic government for the interest of all nationals has so far failed.

In Nigeria, there is a general election planned for February 2019, the indications are that except for divine intervention, it will fail in the sense that a government, that will reflect the will of the people, may not be elected to office. “Morning shows the day” as the saying goes. Most of the elections held recently, including the Osun State Governorship election and those to choose the candidates of the major parties for the 2019 General Election, have been characterised by allegations of rigging. In some cases, it has been alleged that no elections were held and yet results were announced and made binding. It is sad and extremely discouraging. It has been reported also that sometimes, the state security operatives such as the police and military police were used in favour of the ruling party candidates.

If therefore they can afford to engage aggressively in serious malpractices and rigging in state and other elections which are much lesser in importance than the presidential and all state governorship election, it is feared that the worst will happen when those elections will take place next year.

#### **4. Concluding remarks including suggestions for improvement**

The surprise is that our national governments have been corrupt for many years since the independence of our respective African governments. So long also, have there been project failures and abandonment in the various countries. Yet, we have failed to associate the project failures to the failure of governance which derives from the failures, ineptitude and corruption of our national governments.

It has been sadly the case that any and every failure is blamed on the general and technical management of government companies, especially the engineers. They are accused of poor technical skills, poor knowledge of project management, etc. These accusations still continue even in cases where world-class technical management and engineers from developed nations are involved. An example is the ultra-modern direct-reduction steel complex that was the Delta Steel Company Aladja. As a chief engineer, I worked with technical assistants and consultants from a consortium of German and Austrian firms. Yet, it also failed after a few years after the foreigners had left; the operations could not be sustained because of lack of fund. We already discussed cases of the interference of ministry officials in the operation of companies and the use of contractors. Failure in governance is majorly contributory to the failure of these public companies. With all the best intentions in the world, the engineers, including the Germans and Austrians, could not go to the ministry to advise on how to resolve the problems in the production plants which were caused by the corrupt practices of the ministry executives and politicians.

#### **Going Forward**

From the reports in this paper, it is obvious that it is the corruption in the government that is carried over to the boards of parastatals leading to failure in governance. It is unrealistic waiting for the day when corruption will be eradicated in our nations or controlled to the point that it does not interfere with the operations and projects of our national companies. What is more realistic is to learn from the private sector companies who operate successfully in our nations. It is clearly the case that the public organisations should be made independent of government control. One of the differences between successful private companies such as Shell, Total, etc., and the public companies is independence and freedom from government control. Their boards are appointed by shareholders who are stakeholders and not by politicians who have no stake in the companies. Whether a government company fails or not, the ministry officials and the politicians will receive their salaries; they practically have nothing to lose as individuals.

An example of a successful arrangement of a government organisation being completely free from government control is the Temasek Holdings Limited (THL) of Singapore. The company has been discussed in this paper.

There is therefore a suggestion to international donors and aid companies who operate in Africa and who wish to have their projects succeed. It is to seek to ensure that the local companies which they are using are free from control of politicians and the government. This is

an arrangement that will help guarantee that there will be discipline, honesty and integrity in their governance which will determine majorly the success of the companies and the projects.

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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.

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