

A Long-term Project Management Analysis of the recent \$1.1 Billion Chinese Loan to Nigeria

By O. Chima Okereke, PhD

Breaking News: Nigeria on Wednesday, September 12th, 2012 secured a \$1.1billion China Export Import (Exim) Bank facility to finance three priority projects that are reportedly key to the economic transformation efforts of the President Goodluck Jonathan administration [1].

Introduction

The Minister of Finance and Co-ordinating Minister of Economy, Dr. Ngozi Okonjo-Iweala, stated during the signing ceremony for the loan that: “President Goodluck Jonathan has tried to fulfil the promises to make things easier for the ordinary people of Nigeria, and this is one of them.” She continued: “It is a happy ending, as we have been able to get financing for three key projects. The first is the \$500 million facility to complete the Abuja light rail, to ease transportation within the FCT (Abuja Federal Capital Territory) and get people to work early, and another \$100 million for an Information Technology project, (that is) the National Security Development System, by Galaxy Backbone. The IT project is to assist our youths to get connected to modern technology [1]”

From a project management standpoint, we congratulate the president, the minister and members of the Federal Executive Council who approved the loan, according to Dr. Okonjo-Iweala, on the new projects.

Our interest is that the projects will succeed and provide the services for which they have been created. As a result, we wish to ask a number of burning questions, important and inevitable as they are, since answers to them should help determine the success or failure of the projects. Our questions could be encapsulated in one question: Will these systems, especially the Abuja Light Rail, be in operation twenty years from now and beyond?

In this article, we shall carry out a brief analysis of the projects and expound our question with other questions which probe the adequacy or otherwise of the arrangement made for the projects. We would also make suggestions that should help ensure the sustainability of the projects when the implementation phase is completed. We start with a review of the information on the projects available to us in the public domain, analyse it by asking relevant questions. We shall conclude with our suggestions for the long-term success of the projects.

2. Review of the Projects

Information on the projects includes the following:

2.1. Projects and Deliverables: They are described as “high-priority and high-impact projects, which are designed to have practical economic effect and make life better and more convenient for Nigerians from all socio-economic groups” [2]. The projects and their deliverables are the following:

- The Abuja light rail project in the Federal Capital Territory consisting of an intra-city rail network in which one part will extend from the city centre to Kubwa and the Nnamdi Azikiwe International Airport. The second will run from the city centre to Masaka in Nassarawa State. Both are high density, high traffic routes. The Abuja light rail project was conceived in 2009 and with work at 25 percent completion. The first lot, which had been procured out of the six lots, will run from the city centre to Kubwa and the Abuja Airport, where large numbers of people are located. For the Maraba axis, two light rails are to run from Abuja to Masaka in Nasarawa state. One is designed to take wagons and locomotives, while the other, which will take a smaller corridor, will take off when power supply improves [1].
- A part of the loan, that is \$500 million, will be used to construct four new terminals to be sited at the Aminu Kano International Airport, Kano; Enugu Airport, Port Harcourt Airport, and Nnamdi Azikiwe International Airport, Abuja. One of the new terminals will also be sited at the Murtala Muhammed International Airport, Lagos [3]. These airport terminals “will help Nigeria achieve the status of a hub on the continent and create jobs. The terminals will also help to grow passenger capacity to over 50 million from the current 20 million and increase the number of direct and indirect jobs in the sector to 1.5 million from the current 60,000” [4].
- The National Security Development System being implemented by Galaxy Backbone plc will get \$100 million. This system “will boost the sophistication and effectiveness of the government’s efforts to tackle security challenges and improve connectivity to modern technology, especially for Nigerian youths in underserved rural areas” [3].
- According to the Minister of Transport, Idris Umar, speaking in the month of August 2012, he announced that Nigeria had secured \$1 billion facility from Exim bank in China for a rail link. Mr. Umar explained that the soft credit secured on “concessionary terms” will partly finance the planned \$1.5 billion 157-kilometre (98-mile) double-carriage railway between Lagos and Ibadan. Nigeria will provide \$500 million of additional funding [3].

2.2 Signing Ceremony, Benefits, Business Justification and Economic Case

The loan agreement was signed on behalf of Nigeria by the Minister of Finance and Coordinating Minister of Economy, Dr. Ngozi Okonjo-Iweala, and Sun Ping, Managing

Director for China Exim Bank on Wednesday, September 12, in Beijing. This was the climax of a process that started late last year. Speaking at the end of the ceremony, Dr. Okonjo-Iweala described the occasion as memorable, as it is a path to the accomplishment of the transformation agenda of the present administration. She said:

“It is a happy ending, as we have been able to get financing for three key projects. The first is the \$500 million facility to complete the Abuja light rail, to ease transportation within the FCT and get people to work early, and another \$100 million for an Information Technology project - the National Security Development System, by Galaxy Backbone. The IT project is to assist our youths to get connected to modern technology [1].

Continuing, she stated: “President Goodluck Jonathan has tried to fulfil the promises to make things easier for the ordinary people of Nigeria, and this is one of them.

“The loan agreement for the contract of new airport terminals in Abuja, Kano, Lagos and Port Harcourt, is also being discussed and will be concluded and signed with the China Exim Bank today (Wednesday). It would be recalled that the contract was approved by the Federal Executive Council at its meeting last week,” she concluded.

Earlier, Sun Ping, China Exim Bank managing director, said the bank would always identify with Nigeria’s development aspiration and would work to ensure the success [1].

2.3. Status of Projects, Duration and Completion Dates

The FCT minister, Mohammed Bala, explained that N22 billion counterpart funding on the Abuja light rail had been paid, and that the work was now between 23 and 25 percent completed. 43 percent of the materials had been produced by the contractors - CCECC (China Civil Engineering Construction Company) whom he described as having large experience in railway construction and development. He continued: “We are so happy for the facility because funding has slowed down the project that was earlier marked for completion this year. The \$500 million that we have just signed has now made the project completion target of 2014 achievable. The total cost is over \$800 million” [1].

Mr. Paul Nwabiukwu, the Senior Special Assistant to the Coordinating Minister for the Economy and Finance Minister, Dr. Ngozi Okonjo-Iweala in a statement from Beijing, after the signing of the agreement, explained that the credit facility was meant to realise President Goodluck Jonathan's pledge to boost critical infrastructure in the country, pointing out that the projects which would impact positively on Nigerians, would be completed by 2015 [5].

Gerald Ilukwe, managing director of Galaxy Backbone believes the funding will assist in opening up the country and give communication access to Nigerians. He stated: “The private sector has tried to open up communication but this intervention by the Federal Government will give wider communication access and ease of connectivity in the country”.

For the aviation sector, Stella Oduah, Minister of Aviation, said the new terminals, on completion, would return Nigeria to the position of a hub on the continent, and deepen employment generation in the sector. The ministry is planning five new modern world class international airport terminals in Lagos, Abuja, Port Harcourt, Kano and Enugu, as well as six cargo terminals. She explained:

“Aviation is the driver and nucleus of the economy. Reconstructing the airport is a great achievement because it will grow passenger capacity to over 50 million from the 20 million capacity we currently have. It will also increase the number of people employed in the sector to 1.5 million from the current 60,000”

2.4. Owner: Federal Government of Nigeria

2.5. Funding: The terms at which the soft loan of \$1.1 billion recently obtained by the Federal Government from the Exim Bank of China are reportedly very favourable. The loan is described as a concessional credit obtained at 2.5% interest, compared to about 16% or higher from Nigerian banks. The repayment period is 20 years with a grace period of seven years. This was a part of the briefing by Mr. Paul Nwabuioku, the Senior Special Assistant on Media and Communications to the Coordinating Minister for the Economy and Minister of Finance [1].

2.6. Contractors: The Minister of Transport, Idris Umar, had last month announced that Nigeria had secured \$1 billion facility from Exim bank in China for a rail link. The Minister revealed that the railway will be built by the China Civil Engineering Construction Corp. Mr Umar had said the soft credit secured on “concessionary terms” will partly finance the planned \$1.5 billion 157-kilometre (98-mile) double-carriage railway between Lagos and Ibadan.

3. Analysis

3.1 Operator: Our first question is: Who will be the operator of the delivered facilities and equipment? We have been informed that the Chinese, who are reportedly experts in such construction, are the contractors, through their company, CCECC. The Federal Government of Nigeria is the owner. Who will operate the Abuja Light Rail (ABLR)? It is essential that there is an operator for the ABLR in place to work with the contractor during the planning, design, and implementation phases in order to ensure its successful commissioning and operation. Without such an operator in place, its operation and maintenance will be adversely affected. Or are we expecting the Chinese to plan, design, implement and operate when there are teeming multitudes of Nigerians with the background and potential to work in its operation?

3.2 A Government or Private Operator? If there is a local operator working with the Chinese, is such a company owned by the Federal Government or from the private sector? If it is a Federal Government company, it should be provided with competitive conditions of service such as those in the Nigerian National Petroleum Company

(NNPC). This will help ensure the retainability of the trained staff. Otherwise, if the company is tied to the Federal Government conditions of service as in the ministries, the staff will not be retained.

Project management teaches that we should learn from the successes and failures of past projects and apply the lessons in new projects. We should learn some lessons from the experiences of NEPA (National Electricity Power Authority), the steel companies such as Delta Steel Company, Aladja, Ajokuta Steel Company, etc. We find that NNPC workers from the refineries and LNG plants, are relatively quite happy with their conditions of services compared with their NEPA and Steel industry compatriots. In the latter, there were high levels of attrition of staff because trained and experienced staff in those companies left their jobs for other better and more financially rewarding appointments.

3.3 Financial Probity, Transparency and Independence: Checks and balances should be put in place in order to achieve financial probity, transparency, and independence in the operation of the ABLR. The company should be able to run its operations with financial independence without undue dependence on the Federal Government. Again, we should have learnt some lessons from NEPA and other government establishments. Without such financial discipline, it may turn out to become a burden on the tax payer to keep it operational.

3.4 Sustainability of Deliverables

As we congratulate the government on the project for the Abuja Light Rail (ABLR), it will be unhelpful if it fails completely a few years after commissioning. It will only be successful if it remains in operation ten, twenty and more years after commissioning. The emphasis should be on its long term sustainability. Our national industrial landscape is already littered with thousands of abandoned projects in various stages of disrepair and decay. Therefore, during this initial negotiation, initiating and planning stages, arrangements should be made for the future replacement and upgrading of failing components, systems and equipment in order to keep the ABLR in operation. Until there is a guarantee of its long-term sustainability, we cannot be sure that we have it until it has proven reliable and sustainable over the long haul of its planned life time. Besides, as already explained, there should be installed arrangements for upgrading any parts or equipment that will become obsolete in future.

4. Conclusive Remarks

Our question to the minister and her team stands: “Will these systems, especially the Abuja Light Rail, be in operations twenty years from now and beyond?” If the answer is “Not Sure”, then we are not making progress. The country is tired of installing passing fads and facades in the name of projects. The emphasis should be on sustainable industrial development of the country and not just in “fulfilling promises” made in political speeches during elections. It is money down the drain to invest heavily on projects that collapse and fail completely after two or three years of operations.

Yes, it is important to fulfill promises, but more importantly, this should be done by implementing sustainable projects that will continue to provide services for years to Nigerians. We can achieve this, among other things, by making sure that we have well trained Nigerians who can be retained to do the job. Also, by seeing to it that we have planned for the long-term maintainability and sustainability of the installed systems and equipment.

We should also put in place checks-and-balance in the financial operations of the systems to be delivered in order to achieve practical measures of transparency and prudence in the use of resources. By so doing, we shall make progress.

5. References

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