

Contract for the Construction of Isieke – Ajatah Road in Umuahia North LGA, Abia State Awarded by Niger Delta Development Commission (NDDC) Partially Executed.

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Background

Niger-Delta comprises of nine coastal states in the southern part of Nigeria. These includes Bayelsa, Delta, Cross River, Rivers, Akwa Ibom, Edo, Ondo, Abia and Imo states. The area covers about 70,000Km² which is about 7.5% of Nigeria's land mass. The region houses almost 10% of Nigeria 's population with about 40 tribes, speaking

almost 250 local dialects (www.ndpifoundation.org). According to the Oil and Gas Journal (OGJ), Nigeria has 37 billion barrels of proven oil reserves and produces about 2 million barrels daily. In 2015, Nigeria had an estimated 180 trillion cubic feet of natural gas reserve making Nigeria the 9th largest Natural gas reserve holding country in the world and the largest in Africa.

Niger-Delta accounts for about 98% of Nigeria's oil and gas production, which makes about 75% of the country's revenue. Nigeria has generated an estimated \$600 billion USD from the region since 1960. Despite the oil riches, Niger Delta remains underdeveloped and burdened by environmental pollution occasioned by the production of oil and gas in the region. This which fascinated the Federal Government of Nigeria to establish the Niger Delta Development Commission (NDDC) in 2000 to facilitate sustainable development in the region.

The poor development indicators in Niger Delta are evidence of the failure of NDDC to deliver on its mandate. Various investigative reports have shown that several public infrastructure and development projects executed in the Niger Delta have either been abandoned, poorly implemented or executed with irregularities. This has further worsened the development outcomes of the beneficiary communities.

According to Premium Times Centre for Investigative Journalism (PTCIJ) NDDC Beneficial ownership analysis report, it was revealed that NDDC has accrued over N2 trillion as budget allocation and revenues from both federal government, oil and gas companies and other statutory sources after about 18 years of its establishment (2000 – 2018). Nigeria Extractive Industries Transparency Initiative (NEITI) also reported that NDDC has spent over N2.16 trillion on the implementation of over 9313 projects across 9 states.

Findings revealed the wastage of about N1.23 trillion on 5300 projects of the over 9313 projects awarded by NDDC in 18 years. These projects were either abandoned, uncompleted, or executed with irregularities. According to 2008 – 2018 Audit report on NDDC by the Auditor-General for the Federation, over N90.9 billion was not accounted for on 176 developmental projects awarded by NDDC. These projects include construction of Roads,

Hospitals, bridges, solar powered street lights, schools etc.

Good roads make a crucial contribution to the growth, economic development and important social benefits of a community and country. It opens up more areas and stimulate economic and social development. It also plays crucial role in fight against poverty through easy accessibility to employment, social, health and education service. Road infrastructure is the most important of all public assets.

As important as road infrastructure is to the development of the Niger Delta region, many of the road projects which would have been beneficial to the residents and citizens of the region are found either abandoned, partially implemented or executed with irregularities. This which has contributed a lot to the underdevelopment of the region and the decline in human development in the Niger Delta.

Contract for the construction of Isieke-Ajatah road of Umuaiha North Local Government Area uncompleted revealed N62.2m of taxes not remitted and N256.4m of payment to contractor for work not done. This resulted from non-deduction or non-remittance of the mandated 5% Value Added Tax (VAT) and 5% Withholding Tax (WHT) from the contract sum and also payment of about 37.2% of the contract sum for work not done by the contractor. It has also led to loss of revenue accruable to government and not getting value for the contract paid by the Commission for road network infrastructure which would have been beneficial to the community and Niger Delta region.

With the objective of eradicating infractions in contracts awarded by Niger Delta Development Commission and promoting stakeholder's engagement in the development of Niger Delta region through accountability and citizens participation in public audit, PLSI is advocating stakeholder's engagement using this policy brief that comprises of policy recommendations that can help in resolving these issues.

Approaches

PLSI through its Value for Money advocacy project analyzed the 2013 – 2018 audit report on Niger Delta Development Commission to highlight key developmental issues, monitored the projects and engaged stakeholders. The Contract of the construction of Isieke – Ajatah road of Umuaiha North Local Government Area was highlighted, monitored and key stakeholders such as community leaders, Persons Living with Disabilities (PLWD), Women, Youths, and Anti-corruption agencies were engaged. In this brief, we have collated recommendations by key stakeholders in furthering our advocacy on promoting citizen's participation in public audit to foster accountability, good governance and development of undermined communities.

Results and Conclusion

In the Auditor's opinion, the contract for the construction of Isieke – Ajatah road in Umuahia North LGA was awarded by Niger Delta Development Commission on 29th November, 2016 at a contract sum of N688.9m. During review of the contract file, it was observed that NDDC violated the provision of Financial Regulations 235 which stated that “Deductions for WHT, VAT and Pay As You Earn (PAYE) shall be remitted to Federal Inland Revenue at the same time the payee who is the subject of deduction is being paid.” This led to loss of revenue accruable to the government because of non-deduction and remittance of VAT and

WHT. It was also revealed that the project was not completed and abandoned which has led to payment to contractor of work not done and loss of public fund.

On-site visitation of PLSI team to monitor and verify the status of the project in December 2020 revealed that the project was not executed. The road is barely motorable during raining season and has affected the economic development of the benefitting communities while the cost of transporting goods and services in and out of the community has equally increased.

Implications

The non-completion of this project simply implies that the citizens of this community who are the beneficiary of this contract have been denied access to good road network which would have aided transportation of goods and services and the economy of the community.

Recommendations

- 1 **Enforce Financial Regulation 3106:** PLSI and other key stakeholders call for the immediate enforcement of Financial regulation 3106 on the MD/CEO of NDDC to serve as deterrent for others in the Commission.
- 2 **Prosecute contractors and offending administrators:** The contractor F.N. Ogboguleke Nigeria Limited which was awarded the contract and the NDDC administrators or MD/CEO who authorized payment to the contractor should be prosecuted to recover the sum of N318.6m not accounted for. The recovered fund will be useful when the contract is re-awarded to a more reliable contractor.
- 3 **Leverage technology and open government to increase transparency:** NDDC need to leverage open government technologies like NOCOPO, Beneficiary ownership platform etc. to increase transparency in their procurement processes.
- 4 **Engage Local Communities:** Citizens and leaders of the host communities must be engaged with information on the process of awarding and execution of contracts in their communities.
- 5 **Re-award Contract:** In other for the community members to derive value for the public fund utilized and considering the importance of Isieke–Ajatah road in the economic development of the community, NDDC should re-award the construction of Isieke – Ajatah to a reliable contractor with adequate monitoring to ensure effective execution of the contract.
- 6 **Company's Scorecard:** Bureau of Public Procurement (BPP) should collaborate with Corporate Affairs Commission (CAC) and other government institutions to create a scorecard platform for all contractors/companies to evaluate their performance in executing public related contracts.

Images of poorly constructed Isieke - Ajatah Road in Umuahia North LGA, Abia State.

