

## Project monitoring and successful implementation of projects in Nigeria

Project is a common concept used in daily conversation by individuals and groups. But defining a project is not an easy task. One eclectic definition sees project as a “planned undertaking of a set of integrated and coordinated activities designed to achieve some declared objectives within a given budget and period of time” for Lawal and Onohaeb (2010) "a project is an interrelated set of non-repetitive activities that has definite starting and ending points which result in a unique product." Some elements of a project can be drawn from the above definitions. These include: goal orientation, a time frame for commencement and conclusion; a coordinated approach to dealing with it, a particular set of challenges and output that are measurable”. Okebubugwu (2014).

Project Monitoring is distinct from both project management and construction monitoring, and can be defined as protecting the client’s interests by searching critically, conducting due diligence and advising on the risks associated with acquiring an interest in a development that is not under the client’s sphere of influence. The term project monitoring has been used to describe this service which is also referred to as development monitoring or acting as the bank’s/funder’s/tenant’s surveyor as well as a number of other industry terms associated with the definition.

Project monitoring is carried out on behalf of a range of alternative client types including, for example: a funding institution, which will acquire the scheme as an investment upon completion; a tenant or purchaser which enters into a commitment to lease or purchase a property upon completion; a Bank or other development finance company where a loan matures at the end of the development period; grant funders; or private finance initiative funders and end users. (RICS)

The poor performance of public utility services in Nigeria has been a subject of considerable discussion (Ariyo and Jerome, 2004). The inadequacy and continue deterioration of Nigeria infrastructure pose acute challenges to Nigeria leadership of Africa. It is of utmost importance to government, business, and the public at large that the flow of services provided by nation’s infrastructure continues unimpeded in the face of a broad range of natural and manmade hazards (Little, 2007). The United States has acutely aware of the importance of civil infrastructures and their criticality to the nation’s economy and quality of life (Baker, 2007).

The consequences of infrastructure failure can range from benign to the catastrophic. The geographical location favors Nigeria from exposure to catastrophic failure from natural hazard such as tsunamis, earthquake, landslides, hurricane, etc. However, the nation is grasping with the benign consequences of gradual deterioration of infrastructure. The manifestation is the deepening poverty, reduce production and reduce life expectancy, eroding patriotism, corruption and public discontent. (Okeola 2012)

Nigeria today, the landscape is littered with abandoned buildings, roads, rails, ports and other infrastructural projects at all levels of governance, from local government through the state government to the federal level. Engineering project is described as a scheme or an undertaking designed to achieve specific objectives of the promoters or clients. Civil engineering projects which include construction, operations and maintenance of facilities are demanding and require massive investment whose returns come very slowly with possible leakage of cash flow management. Unfortunately, many of these projects in Nigeria are out rightly abandoned even at the conception stage hence, the need to review the contemporary issues on the subject matter.

Considering the low level of completion of many civil engineering projects executed in Nigeria from 1999 to 2012, and the level of devastation inflicted to various parties in the project execution process, it becomes imperative to critically examine the warning signals and causes of project failure and abandonment and propose appropriate measures that would help to reduce the occurrence. Hence, there is urgent need to look inward and examine salient factors militating against the success objectives of the civil engineering project, in accordance with its charter. **Ubani et al (2013)**

At the most basic level, project monitoring is concerned with input and output. General sequential steps in project monitoring include, among others:

- Recording and comparing actual and planned performance based on time, cost and standard;
- Identifying any deviations between the two (quality and quantity) and the root causes of such variation
- Taking corrective action(s). These steps are mutually reinforcing and if properly carried out could lead to successful completion of a project.

Evaluation is the assessment of the performance of a project in relation to its stated objectives. Evaluation can be carried out for several reasons. These may include:

- To review results of a project activity with a view to determining the degree of achievement of the project objectives;
- To determine problems connected with project implementation; to determine the viability of projects to facilitate decision on further or additional resource commitment;
- To determine lessons learned for use in future projects;
- To enforce financial discipline (transparency and accountability);
- To reformulate objectives, strategies, and projects in light of emerging needs.

The best-laid project can go awry if not properly monitored. Through proper monitoring, delays can be readily identified, periodic reports that are made is also very helpful. There must be professionally qualified personnel appointed to monitor the progress of the project. Thus, project management, especially in the public sector involves monitoring and control techniques by project managers and supervisors, physical observation and assessment of work initiated and executed by the project managers.

Monitoring may be done by the following: Project consultants who monitor and sign certificates of performance as well as certificate of completion. Such certificates provide the basis for payments; Local government officials other than the technical staff; monitoring by the local government service commission; monitoring by the state ministry of finance, monitoring by the state assembly; and value for money checks by the office of the auditor general. Etc.

Consultants take on different task; risk profile of client groups differ in each case, the development will be designed, constructed and supervised by a developer who will employ a design and construction team. The appointment of a Project Monitor does not replace any of these primary functions in any way, but protects the client's fundamental interests by monitoring the performance of the developer and its team. The project monitor's role is one of investigator, providing due diligence and advisor to the client. The project monitor is not a project manager or director and does not take away any of the responsibilities the project developer. The design and construction team, are funded by other development agreements in the initial phase.

The project monitor is there to advise the client on the risks associated with a development and protect the client's interests in the development as it proceeds through the lifecycle. If the client chooses to act on this advice, an agreement with the developer would be made separately. Essentially, it is for the Client to decide upon the level of acceptable risk and if appropriate, take executive action. By being proactive and providing accurate and timely advice the Project Monitor is able to improve the Client's decision making competency.

It is recommended that project monitor is proactive rather than reactive, and act as an early warning system for the client by anticipating potential issues which may affect the delivery of the project. In so doing the Project Monitor can also add value to the developer's team – for example, being proactive will keep the client abreast of material changes to the development or emerging risks and facilitate informed and improved decision making.

Typically a project monitor will advise upon: land and property acquisition matters; statutory consents; competency of the developer, its team and any proposed project management systems; financial appraisals; finance, consultancy and construction agreements; construction costs and programmes; design and construction quality

Projects differ all the time, sector knowledge is particularly important as an understanding of the key risks and value drivers within. For example, the residential, commercial, retail, public and PFI sectors will help the project monitor to deliver added value to the client and the wider development team.

## **1.2 An overview of the process**

Clients such as banks, prospective tenant or government department, all funding or pre-tenancy agreements start with a valuation of one kind or another. This may be an open market valuation of a land prior to development followed by additional valuation. Once complete; an expert view of the likely additional revenue on opening a new store or distribution centre in a particular location; or 'betterment' appraisal for a community would be useful for the long term. If improvements are made to a park, community centre or public building, value is attached to everything.

It is a good practice for the project monitor to review the valuation and understand the financial and non-financial drivers that underpin the valuation. When an appropriate level of information is available the project monitor should also correlate that which has been valued with what is being built and report any discrepancies to the client. This would ensure there are no knowledge gaps about the project.

Once the valuations are complete, if the answer derived is positive, then the client will typically enter into an agreement 'in principle'. That the agreement is 'in principle' is important as the client agrees to fund or occupy a development subject to it being designed, developed and constructed properly. If any the above is found lacking the client may have redress against the defaulting party.

The project monitor's role is to undertake a review or appraisal to ascertain the nature of the proposed development, and outline the risks associated with it to the client. This will be completed in two parts. Firstly, the project monitor will undertake an appraisal/audit to establish an understanding of the project and identify those risks that are of relevance to the client and report on these in an Initial Audit Report. Secondly, during the development process, the project monitor will monitor progress and discharge of the developer's duties under the terms of the agreement and typically issue monthly monitoring reports and, where appropriate, certificates for funding drawdown. (Rics)

## **Client analysis**

All over the world, demand for infrastructure is outstripping supply and new strategies are being devised to address the deficit. In Nigeria, the situation is pathetic. Decades of poor maintenance, under investment and outright roguery have left the country with an outrageous infrastructure deficit.

Indeed if there is one fundamental impediment standing between Nigeria economic growth, and more specifically the realization of the Transformation Agenda of the government, it is the excruciating shortage of infrastructure. Current estimates of Nigeria infrastructure deficit puts the figure in excess of \$200 billion (over N30 trillion). (*Igbokwe et al 2012*)

The different types of client who require project monitors have been analyzed below both by client type and risk profile. In many instances it is important that the project monitor understands the project finance strategy and in particular the split between equity, debt and mezzanine finance

During the development period, the client's key area of risk is default on the part of the developer working on behalf of the client. If this were to happen the client needs an effective contingency plan in place to reduce his exposure to risk. On completion of the development the client's risk becomes long term. The client will require a development project that ticks the box for quality and thus maintains its value for a longer period of time. Client will always require a flexible, forward looking development project with competitive lifecycle costs.

Client would have offers when project is being decided upon, it will need to select from the full range of project monitoring services available. This is to ensure that the project monitor's engagement accurately reflects the client's particular requirements. These will include: land and property acquisition matters; statutory consents; competency of the developer, its team and any proposed project management systems; financial appraisals; development, finance, consultancy and construction agreements; construction costs and programmes; and design and construction quality.

Client has focus on specific or multiple projects, these projects needs proper guidance and risk management from professionals at every step. Project monitor focus on lots of variables at once, hence cost overruns and programme delays remains with the project developer, it is good practice for the project monitor to report on any significant construction cost overruns or delays.

Delays, in particular, may affect the client's existing leases and relocation plans. The client also has a potential risk if a perception gap exists between the developer and the client. This could include the quality of the finished product or the specification of what is included in the finished product – for example what is the extent of the developer's fit out and what materials is the client's responsibility to provide.

### **3. TYPES OF PROJECT MONITORING**

The level of service and the degree of monitoring required will also vary in proportion to the size and complexity of the development. It is important that the client, developer, design and construction team understand the role of the project monitor. It is not the role of the project monitor to shadow other members of the development team. Neither is it the role of the project monitor to check the legal agreements in detail or to assume any liability for their accuracy. Instead the project monitor is there to advise the client on its interest in risks associated with the development, typically by observing and commenting on the project planning and delivery processes.

It is also important that the client and development team understand that the project monitor is dependent on others to provide the information needed to carry out his or her appointment. When

reporting to respective client the project monitor should state what information he has relied upon and what information is missing or that he would like to have had the opportunity to review. There should be an agreement between all parties involved in a project. This agreement binds the three parties involved, the client, the developer and the project monitor. Client would require the developer's teams to cooperate with the project monitor in this regard.

### **3.1 LAND AND PROPERTY ACQUISITION MATTERS**

Environmental factors are also becoming increasingly important for clients and government.

For example the redevelopment of brown field sites and existing buildings often require extensive corrective works to treat, contain or remove pollutants and, effectively, create a clean site. Alternatively the developer may be required to take a proactive position on enhancing the environmental impact that the proposed development will have on the environment.

The project monitor will also need to review the developer's sustainability plan to consider if it is compatible with the client's view of the project. If the client requires a service that is outside the project monitor's competency, the project monitor should advise the client accordingly and suggest the most appropriate action. This is particularly important for product such as asbestos, sulphur and other environmental pollutants as most project monitors are unlikely to be able to give advice on such specialist areas. However they may be able to advice clients on an appropriate strategy for managing these manageable risks.

### **3.2 STATUTORY COMPLIANCE**

A building developed without planning permission or compliance with building regulations or other statutory controls will be of no value, require expensive remedial alterations or at best retrospective consent from the local authority. Similarly, having consent but not complying with any related conditions may render the consent invalid and prohibit beneficial occupation. If this is not possible the project monitor may need to develop a strategy and programme for ensuring the developer obtains any outstanding consents at the appropriate time. It is recommended that this strategy be agreed with both the client and the developer and appropriate protocols to be included in any development agreements.

In order to establish a realistic programme the project monitor is advised to ascertain what steps have been taken to achieve statutory compliance, which consents are outstanding and how the developer proposes to obtain any outstanding consent from the local authority

### **3.3 COMPETENCY OF THE DEVELOPER, ITS TEAM AND ANY PROPOSED PROJECT MANAGEMENT SYSTEMS**

Project monitor will vary in inverse proportion to the client's sector knowledge. Professional funders and financiers, for example, will have a good understanding how the industry operates and tend to need less

advice from the project monitor. Project monitor may be asked to advice on the whole development team including the developer, the design team, the local contractor and any major subcontractors. The precise level of advice will, of course, depend upon individual client requirements.

## **GUIDANCE**

If instructed to advice on the development team the project monitor has four roles to play: firstly to advice on the skills and experience of individual team members for discharging their activities; Secondly to advise on the financial ability of the development team to execute the task; Thirdly to comment on whether the funds, scopes of services and resources individual team members propose to arrange in respect of the development are enough; and finally the project monitor may also be required to review the procurement of the development team and in the public sector ensure local authority requirements are strictly adhered to.

It is not the responsibility of the project monitor to guarantee that the development team has the competencies and resources required to carry out their appointments. Rather the project monitor should advise the client on any particular areas of concern

### **3.4 FINANCIAL APPRAISALS**

This is often a sensitive area where the developer may feel that it is being asked to disclose sensitive information to a third party. It is important that the client is made aware of this sensitivity by the project monitor. Appraisal is one of the essential documents on any development, it is essential that the project monitor is allowed the opportunity to review and comment on it as often as possible. An appraisal that is professionally assembled and contains reasonable assumptions is usually an indication of a well run project; it ensures there are no knowledge gaps about the project to all parties.

Project Monitor would advice and comment on the assumptions and critical information used to carry out the appraisal, but this should not be interpreted by the client as underwriting the valuation/financial appraisal. When reviewing the developer's appraisal, it is recommended that the project monitor uses his or her sector knowledge to focus on cost and programme benchmarks and projected cost and revenue cash flows. If not provided by the developer the project monitor may need to comment on the need for sensitivity analysis. Project monitor may also consider what level of financial analysis is reasonable given the size of the development

### **3.5 DEVELOPMENT, FINANCE, CONSULTANCY AND CONSTRUCTION AGREEMENTS**

Project monitor may be instructed to advice on technical aspects of development, sale or lease as well as consultancy and construction agreements needed for a proposed development. This will include commenting on how these agreements protect the client's interests, fund usage and legal proceedings.

The project monitor will often assist the lawyers in the development process and underwriting by providing technical advice particularly on the project to be developed. Where development, sale or

lease agreements are required, the project monitor should assist the legal team in identifying technical issues that need to be addressed to protect the client's interest and/or reduce the risk profile.

The project monitor is often required to provide similar service on the appointment terms of the design team, engineers, contractor and advice specifically about their obligation to the project. When instructed to review sale, purchase, tenancy, funding and finance agreements the project monitor's responsibility will include reviewing the adequacy of the technical documentation supplied and identifying any areas of concern. This will also extend to cover advice on terms that may be included in these agreements to allow the project monitor to discharge his or her duties and, in effect, to manage the client's risk effectively

It is recommended that the project monitor emphasize the need for clarity in these documents. If this is not possible, the project monitor could advise on the need for clear procedures for managing any uncertainty. For example, the agreement between the client and the developer may state the rights, roles and responsibilities of the parties in planning and development. The client's right to sanction or comment on the developer's proposals should be clear and instantly recognizable.

It is particularly important that the project monitor ensures that the various contractual agreements with the design and construction team also protect the client's interests and that these are put in place promptly throughout the development period. Any delays should be brought to the client's attention immediately. It is particularly important that the project monitor ensures that the client's risks are mitigated through the provision of collateral warranties and, in consultation with the client's lawyers, oversees the completion of these documents through the development process

### **3.6 CONSTRUCTION COSTS AND PROGRAMMES**

In all appointments the project monitor may ask to review the developer's cost plan and development programme. Once again this is often a sensitive area where the developer may feel that it is being asked to divulge commercially sensitive information. It is important that the client is made aware of this sensitivity by the project monitor. The developer's cost plan and programme are two of the key documents that are used to control any development project. Invariably the project monitor may be required to review the contents of the documents in order to carry out his or her duties. A coordinated set of documents supported by reasonable assumptions is usually, but not always, an indication of a well run project.

Where a client has a long-term interest in a development the project monitor may also comment on sustainability and lifecycle costs of the project. The project monitor needs to be aware that many clients now have well developed corporate and social responsibility agenda that favor certain types of development. Corporate social responsibility would secure long term relationship with the community.



### **3.7 Design and construction quality**

Clients will often instruct the project monitor to review the design, specification and plans and monitor the works as they proceed. This is particularly common where a client enters into a contractual agreement to fund, purchase or lease a development that has yet to be built.

In this case the project monitor will rely to a large extent on information provided by the developer's design team. The project monitor's advice will be based not only on opinion as to the robustness of that information but also its experience of similar projects.

It is not the role of the project monitor to justify the accuracy of the design team's drawings, plans or specifications. It is important that clients understand that when acting in this role the project monitor is not a designer. However it is the project monitor's responsibility to advise on the robustness and appropriateness of the specification agreed between the developer and the client. In particular the project monitor will ensure that a clear quality benchmark is agreed between the client and the developer. For example, if information is scant the project monitor will need to advise the client accordingly and propose a robust process for monitoring compliance with the agreed specification as the development progresses. Wherever possible the project monitor is advised to ensure that a written specification and set of plans are agreed between the client and the developer and that a process is put in place for agreeing variations to the brief before any instructions are given to the design team.

## **4. INSTRUCTING A PROJECT MONITOR**

An initial review of the scheme drawings, detailed specifications, cost, programme and the consultants involved will allow the project monitor to gauge the degree of risks and therefore the level of service he or she is likely to perform. In some cases it may be unprofitable for the client to appoint the project monitor to perform a full service required. On smaller projects, for example, the time expended by the project monitor, and consequently the fees charged, may out-weigh their alleged benefit to the project. This may have the unintended consequence of making a bank's funding proposal less attractive. On all developments the client and the project monitor are advised to review the range of services that are available and agree upon a definitive scope of services. This is equally important where clients have 'standard' scopes of services as, sometimes, these can benefit from greater clarity and project specific services.

## **5. KEY STAGES IN A PROJECT MONITORING COMMISSION**

### **5.1 Stage 1 – Initial audit report**

The initial audit report provides the opportunity for the project monitor to fully acquaint his- or herself with a proposed development. The report will provide a holistic view of the development including: the desired specification, design and constraints, appraisal and associated cost build ups. Project monitor will be able to advise the client on the risks associated with the development and fully appreciate the consequences of variations or changes, as they arise

Project Monitor understands the client's interest in a development and the risk profile that results from emanate from this. It is equally important that the client understands the scope of the project monitor's role and particularly any limitations on the project monitor's supervisory function. Project Monitor should expect to be in a position to agree an appropriate scope of service, fee structure and form of appointment. In some instances the client may wish to maintain a degree of flexibility over its involvement in the project. If this applies the form of appointment may need to contain options and break clauses.

The first task that the project monitor will complete is an initial overview of the documentation that currently exists. Project monitor has to focus on the quality of the information that is available at the early stages of a development. Project monitoring is an information gathering procedure, which involves the identification of the documentation to enable the preparation of the initial audit report. Project monitor will use professional skill and knowledge to ascertain if the information available is insufficient or unclear. This is particularly important if incomplete information deters the project monitor from completing his or her task. Project monitor should also advise the client if incomplete information increases the client's risk profile.

As a general rule it is recommended that the Project Monitor ensures that the agreement between the client and the developer is as specific as possible. The agreement will be expected to incorporate the plans and specifications that reflect the understanding between the client and the developer and, where appropriate, procedures/programmes for payment and completion. The project monitor will use skill and expertise to ensure that these documents provide adequate benchmarks to measure the development against previous similar projects. If this information is not available and insufficient in detail, the project monitor may advise the client and recommend a practical solution.

### **5.2 Stage 2 – Progress reporting**

This is the principal vocation for the project monitor and this continues up to final completion of the development or the client's interest in the development. During this stage the project monitor's role is two-fold: to discharge any contractual administration or financial duties that fall to the project monitor under the agreement between the client and the developer; and secondly to monitor the project by use of the information contained in the initial audit report, together with any other pertinent information, design or otherwise, that is subsequently issued in connection with the development and advise that the areas of risk highlighted in that the initial audit report.

### **5.3 Stage 3 – Practical completion**

This commences at or around the time of practical completion under the terms of the development agreement. Prior to practical completion the project monitor should prepare a checklist which clarifies the roles and responsibilities of the project monitor, the client, the developer and the developers' design and construction team. Information should be clearly set out in any development agreements and for all party. Any conditions precedent to practical completion should also be highlighted. If any of the documents required are unavailable at the time of writing this report the project monitor shall

advise the client and agree a programme for completion of the information with the developer. A commentary on the quality of the information supplied, and on any omissions, should be provided. Any risks arising from any incomplete contractual documentation, certification or obligations should also be identified.

## **6. Conclusion**

Before any undertaking and collection of commission from the client, project monitor must ask his or herself whether he or she can deliver the service efficiently and effectively. If the project monitor is unable to offer the full range of services it should advise the client on what his or her capabilities are at the moment.

Clients and project monitor vision must align in order to achieve its goal. There must be goal congruence between parties involved in a project. If this is not achievable there is potential for a conflict of interest to arise. For example the architect or quantity surveyor being asked to undertake the project monitor's role may have a long-term relationship with a property developer, often receiving repeat business or favors.

For the client, to receive a project monitoring service, it must be made fully aware of any relationship with the construction team. If the project monitor is a qualified surveyor, then his fiduciary duty is to the client and he or she must report to the client independently with regards all risks on a particular development. Project monitors role is different from project managers; monitors role is to clearly protect the interest of the client through the development lifecycle cost.

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