

INFLUENCE OF CONSTRUCTION CONTRACT MANAGEMENT ON THE COMPLETION OF PUBLIC- PRIVATE PARTNERSHIP PROJECTS

Dr. Amanullah Faqiri*

Dr. Adil Rasool**

Abstract

In applying contract administration to any particular engagement, the task is that of identifying the needed function, establishing the level of effort appropriate to each function, determining what organizational entity should provide services required for each function, and developing contractual relationships between the participating organizations so that the total project implementation team will function effectively and efficiently. Through a requisite series of administrative procedures with attendant responsibility, the contract administration group pursues project administration matters to include complete communication between the requisite management personnel at all responsible levels. Included topics are the development of relationships and responsibilities of the construction management team, tasks of the contract administrator, construction contract handling, and change order administration.

Key words: Contract, Administration, Construction

* **Professor, Building construction management Department, Kabul Polytechnic University,**

** **Asst. Professor, Bakhtar University, Kabul**

Introduction

Development of Contract Strategy management

Contract management strategy for a P3 project has a lot of benefits. Public party achieves the project outcome with effective contract management. However, it can be a difficult task that requires considerable resource for a project like this with the development and implementation of the contact management plan. The actions that contract administrators and government parties should identify in order to implement and develop a robust management strategy are summarized in this section. In addition, this section outlines the contract administration development manual. The bigger picture is depicted in the following features:

- **Fig 3.1** shows the project documentation development that is within the p3 project lifecycle.
- **Fig 3.2** shows the 3 steps in implementing and developing the contract management strategy.

P3 Projects require a wide range of contract management strategies. The is due to the wide variations in p3 projects. Wide range of contract management strategies is necessary in order to manage a wide variety of risks and the severity of those risks that are associated with each project.

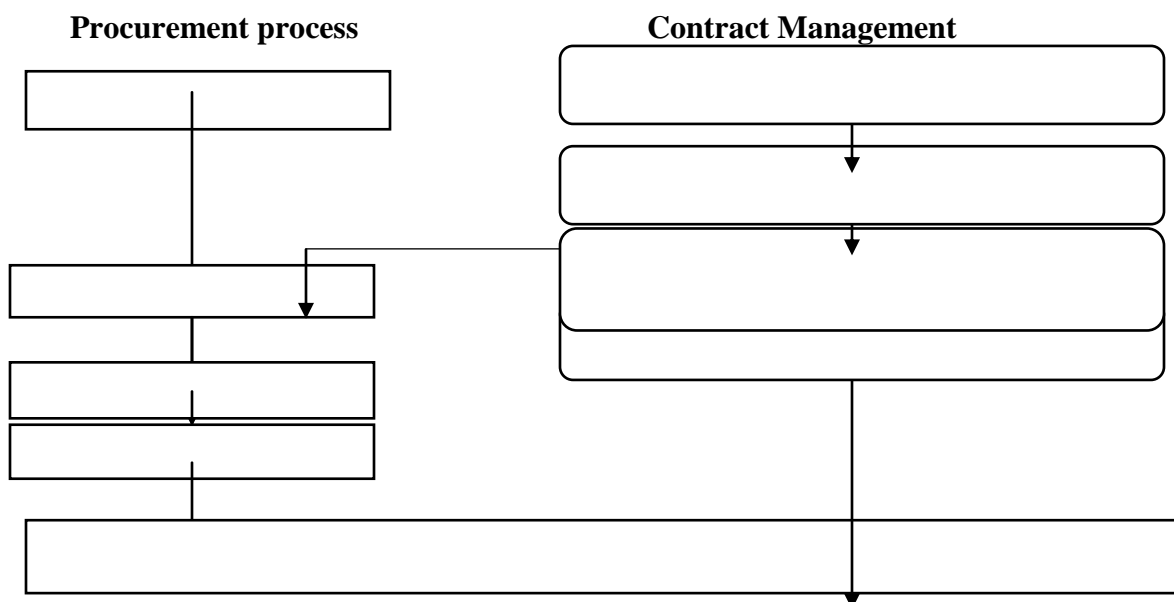


Fig 3.1 DEVELOPING PROJECT DOCUMENTATION

Step in the contract management strategy development

It is important to start the contract management strategy development and implementation. Ideally, this should commence during the procurement process. This is necessary to allow the inclusion of the contract management requirement in the public party's draft contract, In order to obtain in efficient performance monitoring system, it is important to include a reporting obligation in the contract. Development and implementation of this plan should come out of the following three steps.

- Plan development
- Tools and processes Development and implementation
- Establishing of the ongoing contract system and management review.

These three steps depend on the process of collection, analysis, and management of information.

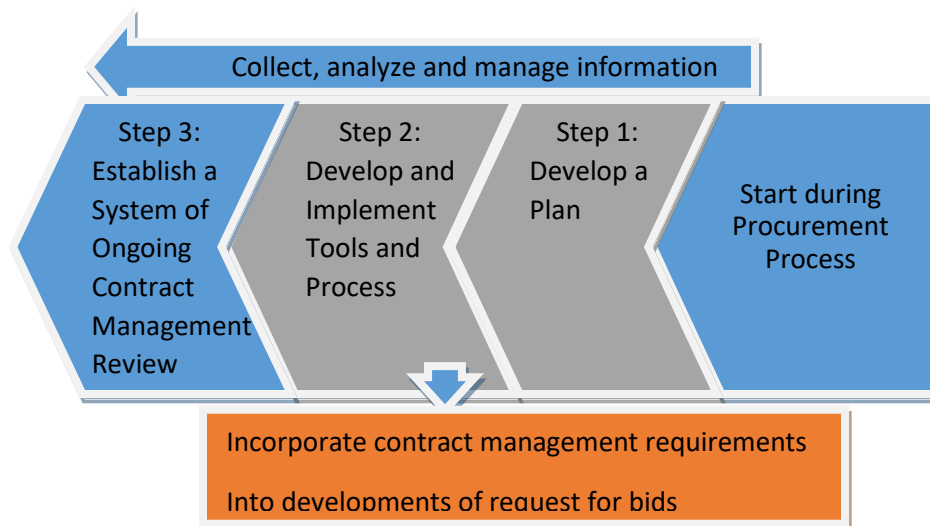


Fig 3.2 DEVELOPMENT AND IMPLEMENTATION OF THE CONTRACT MANAGEMENT STRATEGY.

The contract administrator should collect and analyze information after identifying the appropriate tools and process, time constraints and resources. Information are collected and analyzed in a pattern such that the tools and processes of the contract management can be established.

STEP 1: Development of a plan

Contract management strategy should be thoughtfully and carefully plan for it to be effective. The contract administrator should consider the following points before starting the planning process.

- The available financial, human and technological resources. The contract management tools and processes can be dictated by the available resources.
- The required project's contract management tools and processes.
- The time limits that can be set aside for the contract management tools and processes development. The available resources and the expected project dates should be matched with the time constraints.

STEP 2: Development and implementation of management tools and process

After the appropriate resources are obtained as well as the relevant information is collected and analyzed, the contract administrators can go ahead to the development and implementation of the required contract management tools and processes. This should update the request development for bid documentation of the project.

STEP 3: Establishment of the current contract management system and review

In this step, the contracts administrator depends on the earlier mentioned tools and processes. This step is considered as the continuation of the process started in the second step. In this step, the contract administrator establishes a principle of a continuing contact management. This comprises of the careful review of a contract tools and processes and strategy in the course of the project lifecycle. The principle of an effective government entity contract management should be supported by senior management.

Objective of the study

The primary objective of this study is to assess the Influence of Construction Contract Management on the Completion of Public-Private Partnership Projects

Research Methodology

All research methodologies can be classified as qualitative and quantitative. Qualitative research is based on theoretical study and is used to identify patterns, themes, or recurring

features in a mass of data. Quantitative studies are based on precise measurements and experiments and are used to identify statistical relationships among a set of variables. Qualitative studies use a process of exploration to construct and explain hypotheses. Conversely, quantitative studies use mathematical models and calculations to predict possible outcomes (Zikmund et al., 2010). According to Wegner (2010), qualitative methods are best employed when explaining social phenomena. It is a research that deals with subjective assessment of attitudes, opinions, and behavior.

Research in such a situation is a function of researcher's insights and impressions. As such, it can be subject to bias, prejudice of the interpreter. Such an approach to research generates results either in non-quantitative form or in the form which is not subjected to rigorous quantitative analysis. According to Zikmund et al. (2010), quantitative research is based on numbers and statistics. It is used to test hypotheses, look at cause and effect, and make predictions. It is used to identify statistical relationships between variables and yields objective results. The quantitative method has been employed in this research, since it is based on precise measurements and statistical analysis which yield results that are objective and hence more credible. These results can hence be generalized to all construction companies. The quantitative method used in this research uses both descriptor and analytic techniques.

Contract Administration

In the previous section, a lot has been discussed about contract administration manual. This section to be given due consideration while developing a contract administration manual. Contract administrators and other contract management personnel would find the contract administration manual very helpful. The manual should meet their requirements. It should also outline specific contract to be managed. The importance of contract administration cannot be over emphasized. It is very important to the delivery of projects and government objectives. It plays a great role in the anticipation and management of risks. Below are key responsibilities for the contract administration all through the projects period.

- It monitors project delivery, service outputs, and contract performance. Contract administration manages changes.
- It maintains the integrity of the contact

- It formalizes the management duties for changes between the stages of the project.
- It takes care of project issues and disputes
- It ensures that projects review and regular contract are conducted to make sure there is continuous improvement.
- It maintains strong working relationship with service providers and project parties.
- It ensures that standards of governance, compliance and probity are observed.

Contract administrators and the contract management teams have responsibility of the monitoring of contractual and financial issues. This is done in order to identify emerging risks of the project. The processes and tools described will help the contract administrator and the management team in the fulfillment of their responsibilities. The developmental framework for development and maintenance of an administration manual is discussed in this framework aids in the development of contract administration framework that reveals the contract to manage and also meets the individual and contract administrators' needs.

There will be a unique contract administration to a specific project. Though, developing of the manual follows similar process and format. The developmental framework is the contract administrator's system to develop a contract administration manual rather than a guide to manage the contract.

Contract Administration manual purpose

Among the importance of the administration manual, are the following:

- It serves as a centralized documentation collection of tools and processes that are used in the management of the contract by the contract management team.
- It identifies specific tasks to be done, who needs to do it and when it needs to be done. This manual identifies the government responsibility and mitigation, assigns accountabilities and control of the risks and in what manner it should monitor the performance of the private party of its obligations.
- It identifies the results of any default or under performance by the government or private party. It also identifies how these can be solved. The manual recognizes a contingency plan and disputes resolution mechanism
- It identifies the role of the government and how it should be performed. It also identifies the delegation, resources and authorizations required to perform the government's obligations.

The contract administrator should refer to the contract when using the administration manual, to understand fully the content in the contract. The contract administration manual should not serve as a replacement for the contract's terms. The administrator needs to become familiar with the obligation that falls or might fall upon the government. After recognizing this obligation, the contract administrator should ensure that their obligation can be satisfied. The contract administrator should also ensure that the contract can be managed efficiently and effectively. This process reduces the risk of default by the government.

Nevertheless, a contract administrator needs to make sure that there are available resources to carry out the obligations and the appropriate authority is given to the relevant staff. The contract obligations can be met, the consequences of not meeting them and their deadlines. The contract administration manual is a vital tool that enables contract administrators carry out their tasks. This tool assists contract administrators to ensure that the outputs sought by government through P3 process provided by a private party. The contract administration manual also assists the contract administrator to realize the environmental and contract, which must administer the contract.

In cases where end service users are other public sector. The administration manual informs the entities of the rights and obligations of the public party.

The contract administration manual provides the key issues answers for projects objective delivery:

- How the roles of the government will be implemented.
- What needs to be done, who needs to do it and when it needs to be done.
- What results of any default by government or others, and how to address them

One aspect of the administration manual is that it gives an idea of the legal, regulatory and commercial environment where there is need to manage the contract. The summary of project is included in the administration manual of the contract. This summary should illustrate the reason behind the key provisions of the contract and the contract itself, instead of describing the contract clause meaning. The contract administration manual should see what the contracts goals are and whether it is achieving them. If there is no clear intention, then further contract variations

negotiation may jeopardize the existing project integrity of the risk allocation, government financial position or public interest.

As part of the resolution of administration manual, it will need to give an idea of the current stage of the projects lifecycle. This has to be revised and updated in the course of the projects duration. Contract administration needs implement procedures to review and update the manuals regularly. This should be done at scheduled points within the period of the project. This should also be updated in response to scheduled events such as default by the private party.

Information collection for the contract administration manual development

In the preparation of a contract administration manual, the information collected should be able to address what government needs to understand so that it can administer a contract.

Information that needs to be gathered

In the collection of information, the administration needs to consider this key point; what the government should know before they administrate the contract. This requires understanding of a contract and its environment; where it needs to be administered. The administrator must understand and remember that other issues outside the contract need to be considered. These issues include the relationship of different parties, which the administrator must manage. In addition, the administrator must recognize the fundamental difference between and extra contractual issues. This is very important as he collects information and develops the administration manual and the tools and processes required.

The contract administer must determine how the information from the sources can and should be used to develop efficient and the appropriate tools and processes for management. It is important to note that the information that the administrator should collect and generate will relate that depend needs to be done, who need to do it and when it should be done. The information should relate to the result of any default or under performance by government or proponent and how these results can be managed. It will also relate to how government role will be performed.

Content of a contract administration manual

The content of the administration manual must outline important and immediate actions to take when administering of the contract. It should position the resource available with the significant and most time critical risks that are at different stages of the lifecycle of the project. This manual should be useful and important to the management of the project contract. In addition, it should be beneficial to the long-term management of the contract. The contract management plan. To accomplish all these tasks, the administration manual must

- The administration manual should be continually updated for it to remains useful throughout the entire project
- The contract administration manual should provide the reference for the management's tools and processes. Some of the tools and processes can be separately developed from the manual.
- Contract administration manual must constantly highlight, the most important and immediate actions that the administrator must take while the contract is being administered. The actions should be set in a sound understanding context of the parties' commercial intend, and the relevant legislative, commercial, policy and regulatory background.
- This manual should enable the administrator to identify the required resource for the necessary tasks to be performed and to manage the martially significant and most time-critical risks at different stages in the lifecycle of the project.
- The manual needs to support the governance practices of the public sector. It should also support including communications, accountability and decision making processes.

By collecting and generating the necessary information, the contract administrator should develop the understating the needed actions that the management personnel will take to manage that contract. These actions to be taken by the contract management personnel must be clearly outlined and identified by the contract administration manual. Therefore, the administration manual needs to identify the following:

- Specific actions that must be taken
- Responsible individuals for that action
- Time and date when the actions are taken and the frequency
- Reasons behind the undertaken action
- The action status.

The representation of this information in tabular form may be more convenient for the contract administrator. In addition, the administration manual contents needs to be arranged in a useful and manageable format.

Contract Administration Risk Analysis

As have been discussed earlier the risk analysis can play a major role in the contract administration. Potential contract risks may be identified by the contract administrator the contract administrator needs to assess the probability of the each risk and also determine the extent of the result of the risk. In order to determine and understand how project risk should be assign, a risk analysis will need to be carried out by the contract administrator. The contract administrator needs to assess the probability of each risk and also determine the extent of the results of the risk. In order to determine and understand how project risk should be assign, a risk analysis will need to be carried out by the contract administrator. In the development of the administration manual, the administrator can need the development of the risk assessment in order to identify and include contract risk that were not included in the existing risk analysis.

This additional risk assessment does not consider project risks that have been in the risk allocation process consideration, even though it is relevant the contract management. It also assesses the probability of the risk that occur and the consequences level, to the degree that the issues are not previously addressed. The public party should do the following to undertake the contract administration risk analysis:

- Highlight the contract assigned project risk
- Identify other risks within the contract. The following are types of risks to be considered; risks from unresolved contract execution, ineffective public-sector management arising risks and proposed contractual arrangement changes associated risks
- Development of risk and the contingency management processes and tools as recorded for the most-critical risks.
- Determination of the fact that whether a risk even occurring can trigger the administration manual review.

The Relationship between contract administration and performance monitoring

One major feature of contract administration is steps to observer the performance of a private party. The contract administrator ensures that the government duties are achieved. They also

monitor the private party's obligation performance. The actions necessary for implementation of the performance observation and reporting established needs to form parts of the administration manual. The obligation of the reporting of a private party to the government must be identified in the course of a procurement process and it should be included in the contract. The public party should monitor other duties of a private party in the contract. In view of this, the public party should do the following:

- Review the contract. The public party should confirm the private party's reporting obligation. They should identify also other obligation to be monitored in the private party. The timeframe in which these obligations should be undertaken should be identified
- Highlight any obligation that needs to be entailed into a contract by the law or through a conduct of a private party.

Contract Administration Resources

The devotion of adequate resources is necessary to contract administration. The public party must ensure that this is taken seriously. Adequate and appropriate resources should be allocated by the public party. This should enable efficient and effective contract administration. Allocated resources should also enable development and updating of the contract administration manual.

Determining the appropriate resources is important to the public party. This requires the public party to:

- Evaluate the level of risks that requires monitoring
- Identify the skill that are required for monitoring and responding to the risks
- Find out whether the skill can be obtained within or from an external consultant
- Evaluate whether a public party has the suitable non-personnel resources
- Determine whether the budget for the contract management task is sufficient.

Updating the contract administration manual

For a contract administration manual to retain its relevance throughout the project lifecycle, it must be reviewed and updated regularly. A typical P3 project involves the delivery of service to the government or on behalf of the government. These services are usually long-term. Therefore, the contract lifecycle often includes different stages that may inform the updating of the contract

administration annual. A contract administration strategy must recognize and consider the current stage in contract lifecycle.

Stages in the contract life cycle are:

- Procurement
- Construction and commissioning
- Service delivery
- Contract expiry/termination.

Contract administration manual must take into account the variation in party's obligations and risks if obligations are not fulfilled at different stages or points in the contract management cycle. Consideration of these variations should be done relevant to the immediate environment in which the contract it to be managed. It should consider the future and take into account the entire project. However, it must reflect the current stage of the project. The efficiency of the contract administration manual can only be maintained if it is reviewed and maintained regularly formal review should be done at:

- Expiration of the timeframe assigned to the contract administration manual
- Scheduled stages
- The occurrence of significant events affecting the project.

It is recommended that the contract administer should ensure that the status of action, whether the action is required one or recurrently is noted in the contract administration manual. This is effecting in helping the contract administer identify outstanding actions. In the review of contract administration manual, an assessment of changes in the contract should be included. In addition variations in the environment in which the contract have been managed since the last review should be included as well. The contract administer should determine whether the contract administration manual will adequately manage these changes.

The contract administrator should ensure that the appendix is updated regularly as the processes or tools varies or develops. This is very important, especially where the contract management tools or processes are developed separately from the contract administration manual. Complex issues that arise under contract should be considered by the contract administrator while reviewing the contract administration manual. This implies that the contract administrator needs continuous legal advice. Contract administrator should also ensure that adequate budget is set aside for the continuous legal advice.

Conclusion

Organizations in both the public and private sectors are facing increasing pressure to reduce costs and improve financial and operational performance. New regulatory requirements, globalization, increases in contract volumes and complexity have resulted in an increasing recognition of the importance and benefits of effective contract management. The growing recognition of the need to automate and improve contractual processes and satisfy increasing compliance and analytical needs has also led to an increase in the adoption of more formal and structured contract management procedures and an increase in the availability of software applications designed to address these needs.

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