

Efficient project management reduces costs, drives innovation in property construction

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15 Apr 2019

East Africa continues to grow as an attractive investment prospect for both international investors looking for favourable returns and global organisations establishing their presence in the region. Despite being open for business, the region can present challenges for companies that may lack the sufficient in-country knowledge and local expertise needed to derive cost-efficient solutions without compromising on quality.



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Cost controls

While it is important to be able to provide cost-saving opportunities to the client, be aware that if best-practice cost controls, as evidenced through formal procedures and essential record-keeping, are not instituted at the beginning of the project, the build could be faced by cost escalations rather than cost savings.

Cost escalations during construction generally result from inflation, scoping issues including scope creep which stem from poor budgeting and improper briefing.

Optimising benefits through taxes and tariffs

Having a firm grasp on the in-country legislation in terms of the application of tax rebates or exemptions can save considerable costs for the client. In some instances, savings of as much as 20% of the tax component can be gained.

To optimise these potential benefits, the project management team should (where applicable) advise the client on the need to engage a tax expert.

Additionally, the team should have sight of the procurement list in order to guide the client in identifying those areas in the supply chain which could potentially qualify for rebates or exemptions.

The team should also be able to assist with ensuring that products are correctly packaged, coordinated and tracked in the manner required to qualify for such exemptions, extending from furniture, fixtures and equipment (FF&E) through to operating supplies & equipment (OS&E).

Importing through the free trade area known as the Common Market for Eastern and Southern Africa (COMESA) can result in healthy tax rebates and even no import duties.

Conforming to regulations

It is obvious that all building must be done according to the required by-laws in order to avoid penalties and the extension of statutory costs.

However, some companies may find themselves falling foul of the law due to rudimentary issues such as a failure to renew permits where necessary. Situations such as these are entirely avoidable, yet failure to remain cognisant of by-law requirements or permit expiry dates can result in unanticipated costs due to punitive payments.

Alternative building techniques

Traditional building methods can result in costly developments that have been over-designed and over-reinforced. As newer techniques and technologies become available these should be leveraged to enable cost-efficient and innovative solutions.

The project management team should be highly knowledgeable of value engineering techniques and new technologies and the potential that these have in optimising development.

Project managers should encourage engineering consultants to 'think outside the box' in terms of framed structure technologies, energy saving solutions for mechanical, electrical and plumbing (MEP) and finishes.

Comprehensive life-cycle costing

A detailed interrogation of the life-cycle costing is required in order to gain a financial overview which balances initial cost with long-term requirements. Each component must be considered; for example, does the client require a particular generator solution that is low on maintenance but high on capital?

As the client would generally require running costs to be as low as possible, it is critical to enable recoveries and savings in the long term.

While East Africa is on the upward trajectory, there remains a tendency towards a conservative approach that can affect choices from engineering design through to the selection of building materials.

From investors making significant financial investment into capital projects to global companies engaging in head office fitouts bound by cost and time, the opportunity to save costs is critical.

Having a project management team in place that is knowledgeable, is able to align the client's particular needs with local conditions and drive the project with innovation and cost-sensitivity, will ensure that value can be extracted throughout the project life-cycle.

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