



CMCS INSIGHTS · BANKS · CONSTRUCTION FINANCE

PMWEB for Lenders: Construction Credit Risk

How banks can reinvent credit risk management in construction finance by reading the same live PMWEB record the borrower uses to deliver the project: four pillars of oversight, five gates for validating every drawdown, and three ways to give the lender a live view.

By Bassam Samman, PMP, PSP, EVP, GPM
CEO & Chairman, CMCS

IN THIS SERIES

1 article

-
- 01 From Risk to Resilience: How Banks Can Reinvent Credit Risk Management in Construction Finance
-

From Risk to Resilience

How banks can reinvent credit risk management in construction finance — by reading the same live project record the borrower uses to deliver the project

Bassam Samman, PMP, PSP, EVP, GPM | Chairman & CEO, CMCS FZCO | PMWEB Authorised Implementation Partner, GCC & MENA

Every construction loan is approved on a handful of numbers: a cost estimate, a programme, a cash-flow curve and an equity commitment. On large capital projects those numbers are rarely right. McKinsey's research has long found that large construction projects typically take 20% longer than scheduled and run up to 80% over budget. For a lender, that means a financed project running into trouble is not a tail risk. It is the starting assumption.

When a large project falters, the damage reaches far beyond an unfinished building or a delayed road. The bank inherits a distressed loan, a strained client relationship, a restructuring negotiation and, often, questions from its regulator. Construction finance is different from most lending because the collateral does not yet exist. Its value depends on a project being completed on time, within budget and to the quality that buyers, tenants or a government will pay for.

The real question for a credit committee is therefore not only whether the borrower is creditworthy today. It is whether the bank will know — early enough to act — when the project it is financing starts to drift.

Construction loans fail slowly, then all at once

Most construction loans that end badly give plenty of warning. Contingency is consumed faster than progress. Claims rise. Milestones slip by weeks, then by months. Subcontractors complain that they have not been paid. The problem is that these signals rarely reach the bank while they can still be acted on.

Lenders typically see a project through a monthly report prepared by the borrower, a periodic site visit by the lender's technical adviser, and a drawdown request with an invoice attached. By the time an overrun appears in a summary table, the contingency is spent and the claims are already filed.

In the Gulf, the stakes are rising. Banks are financing Vision 2030 programmes, giga-projects and a wave of real estate development. Fitch Ratings noted in 2025 that Saudi banks' financing growth was outpacing deposit growth, and that project financing for Vision 2030 attracts higher risk weightings under the final Basel III rules. Every construction exposure now consumes more capital, which makes knowing what is actually happening on site more valuable, not less.

The weaknesses in construction credit monitoring are structural, not personal:

- **The numbers come from the borrower.** Cost reports, programmes and progress claims are prepared by the party asking for the money.
- **Reports are static.** A monthly PDF describes last month. It cannot be filtered, traced to its source or compared with the previous version.
- **Prices are front-loaded.** Contractors often price early work high and late work low, so cash flows out ahead of value — and the shortfall surfaces near completion.
- **Drawdowns follow invoices.** Without a line-by-line link to certified progress, a bank can fund work that has not been done.
- **Liabilities hide in commitments.** Pending change orders, unlet packages and unpaid subcontractors do not appear in the cost-to-date figure.
- **Each facility is reviewed alone.** A contractor that is slipping on one project is often slipping on three, but the pattern is invisible when every loan sits in its own file.

FROM STATIC REPORTS TO LIVE OVERSIGHT: CONSTRUCTION CREDIT RISK



CREDIT RISK IN CONSTRUCTION CANNOT BE LEFT TO MONTHLY REPORTS — READ THE LIVE PROJECT RECORD

Figure 1: From Static Reports to Live Oversight: The Four Pillars of Construction Credit Risk

One project record, one more reader: the lender

The answer is not another reporting template for borrowers to fill in. It is the project's own system of record — the Project Management Information System (PMIS) in which the owner, project management consultant, cost consultant and contractor manage the work every day — with one more reader added: the lender.

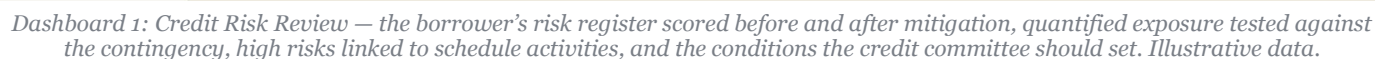
PMWEB is built for exactly this role. The risk register, cost-loaded schedule, budget, commitments, change events, progress invoices, cash flow and documents live in one platform and stay linked. A lender, or the technical adviser acting for it, can be given a role-based view of the same records the project team works in: read-only where it should observe, and with an approval step where a drawdown needs its sign-off. The bank does not need to build a construction system of its own. It needs a covenant that the project is managed in one, and a seat in it.

Without a live project record	With PMWEB as the shared record
A monthly PDF prepared by the borrower	A live lender view of the same records the project team works in
Risks described in a narrative	Risks scored, costed and linked to schedule activities and to the contingency that covers them
Contractor estimate taken at face value	Contractor and independent estimates side by side on the same cost breakdown structure
Drawdowns paid against invoices	Drawdowns released against certified progress, commitments and an in-balance test
Change orders discovered near completion	Pending change events visible as forecast liabilities from the day they are raised
Each facility reviewed on its own	One portfolio view by contractor, sector and country, with early-warning signals

Pillar one: risk assessment — seeing trouble before the credit committee does

Every failed loan begins with risks that were overlooked or underestimated. In construction they come from everywhere: incomplete design, ground conditions, a contractor stretched across too many projects, material prices,

The most useful single test is **contingency coverage**: the contingency held in the budget divided by the quantified exposure in the risk register. A project carrying \$9.3m of contingency against \$21.4m of quantified risk has a coverage of 0.43 — it has funded less than half of what its own team expects to go wrong. That is not a reason to decline the loan. It is a reason to set conditions: more equity in the contingency, a re-baselined programme, or design completion as a condition precedent to the first drawdown.

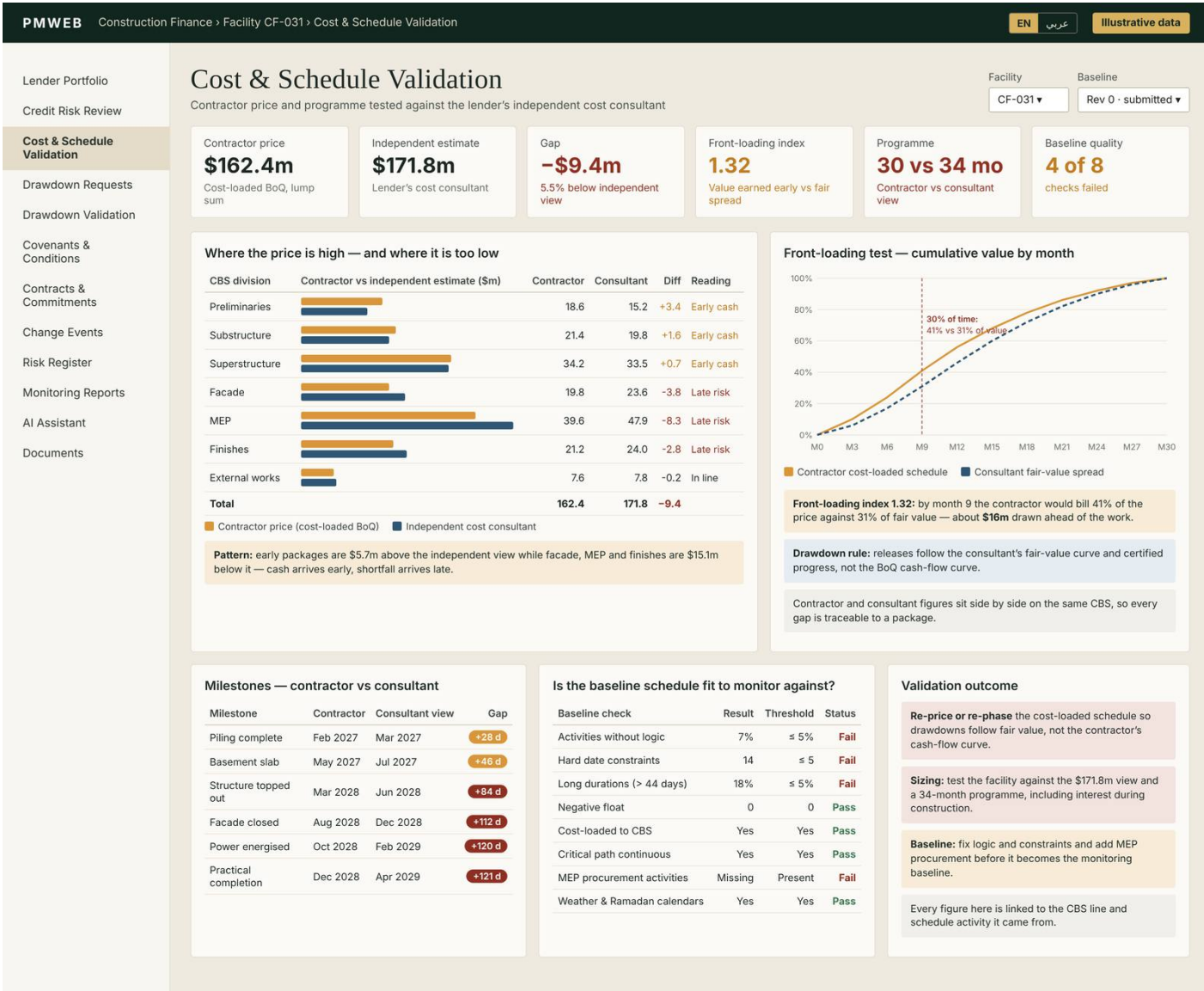


Pillar two: cost and schedule validation — guarding against overruns

Bassam Samman | CMCS | PMWEB Authorized Implementation Partner: GCC & MENA

Leading lenders already engage independent cost consultants and technical advisers. The value multiplies when their figures are recorded in PMWEB against the same cost breakdown structure as the contractor’s, so every difference is visible line by line, and when the contractor’s cost-loaded schedule is compared with a fair-value spread of the same work. A front-loading index above 1.0 tells the bank that the contractor expects to be paid faster than the work will be earned.

The schedule deserves the same scrutiny. A baseline with missing logic, hard date constraints or absent procurement activities is not fit to monitor against, however attractive its finish date. After financial close, every schedule update, extension-of-time request and variance from the baseline is captured as a traceable record, so the bank sees slippage as it develops instead of reading about it in a quarterly summary.

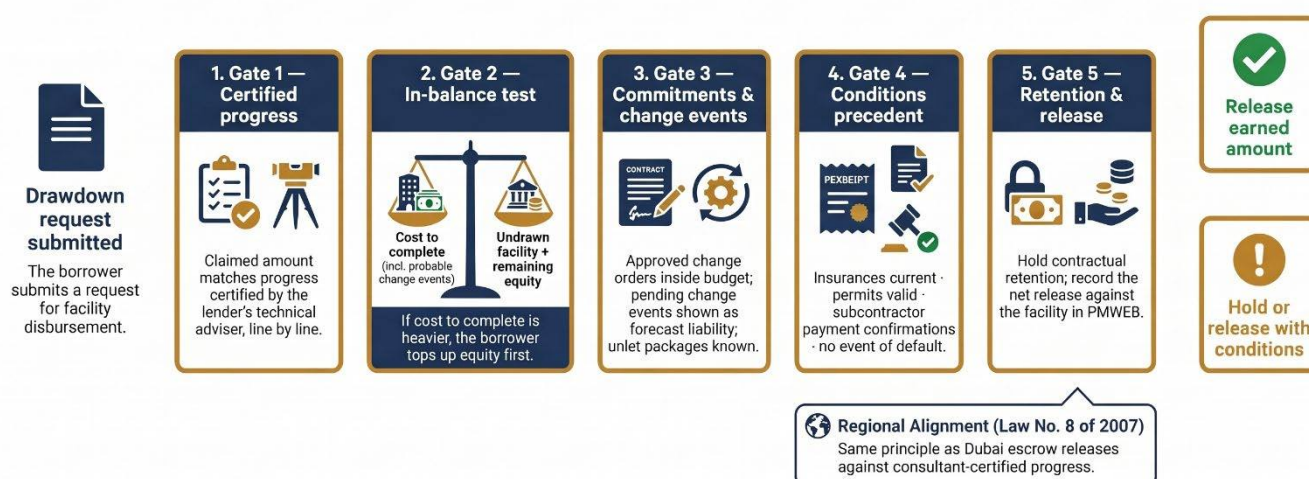


consultant. A lender can apply the same discipline to every facility it funds — and keep the evidence behind each release in one place.

Before any release, five checks should pass:

1. **Certified progress.** The amount claimed matches the work the technical adviser has certified, line by line, not the contractor's percentage.
2. **In-balance test.** The cost to complete the project — including probable pending change events — does not exceed the undrawn facility plus the equity still to come. If it does, the borrower tops up equity before the bank releases anything.
3. **Commitments and change events.** Approved change orders sit inside the budget; pending change events are visible as forecast liabilities; unlet packages are known.
4. **Conditions precedent.** Insurances are current, permits are valid, subcontractor payment confirmations are uploaded and no event of default has been reported.
5. **Retention and release.** Retention is held as the contract requires, and the net release is calculated and recorded against the facility.

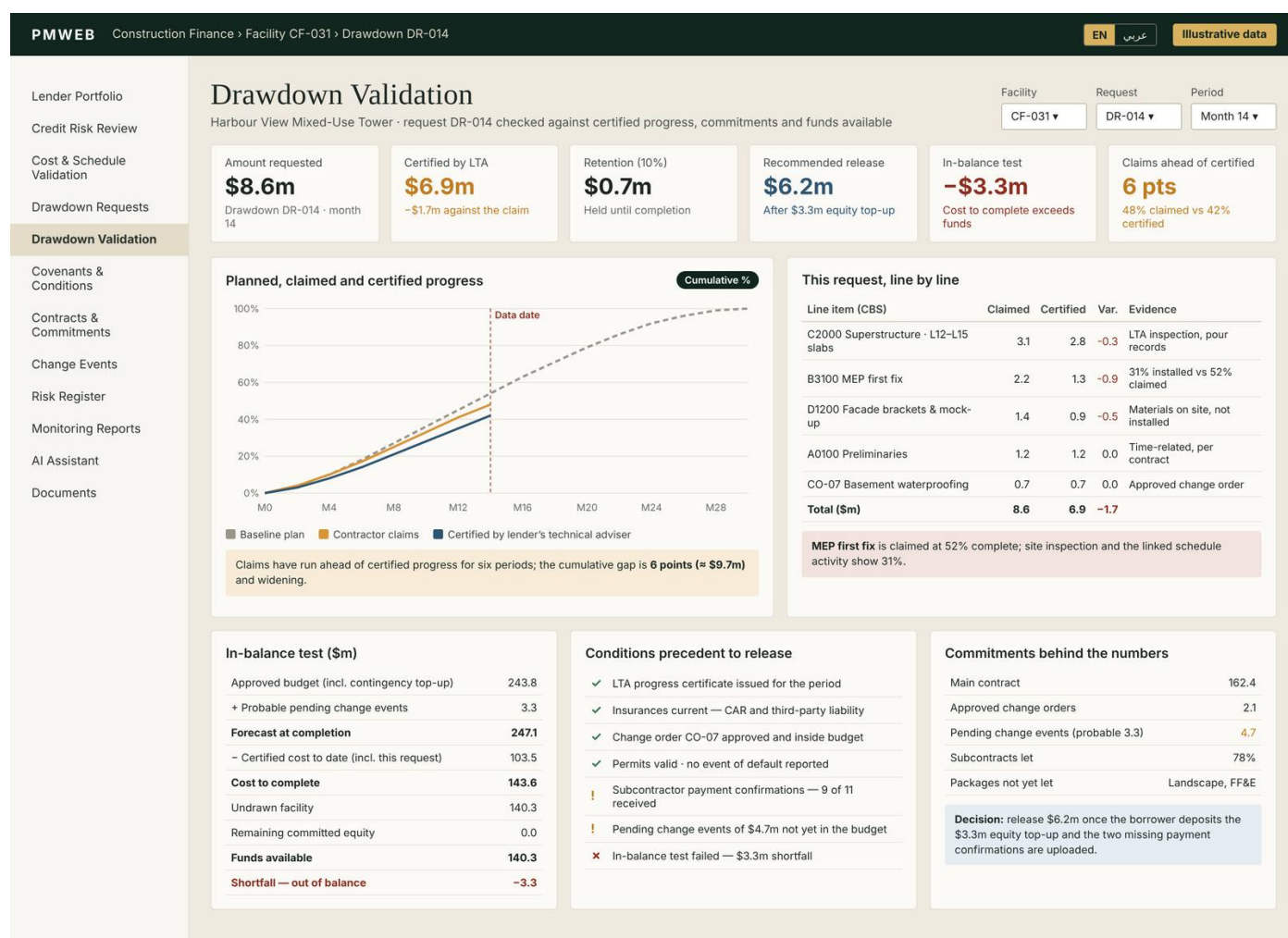
Construction Drawdown Control: The Five Validation Gates

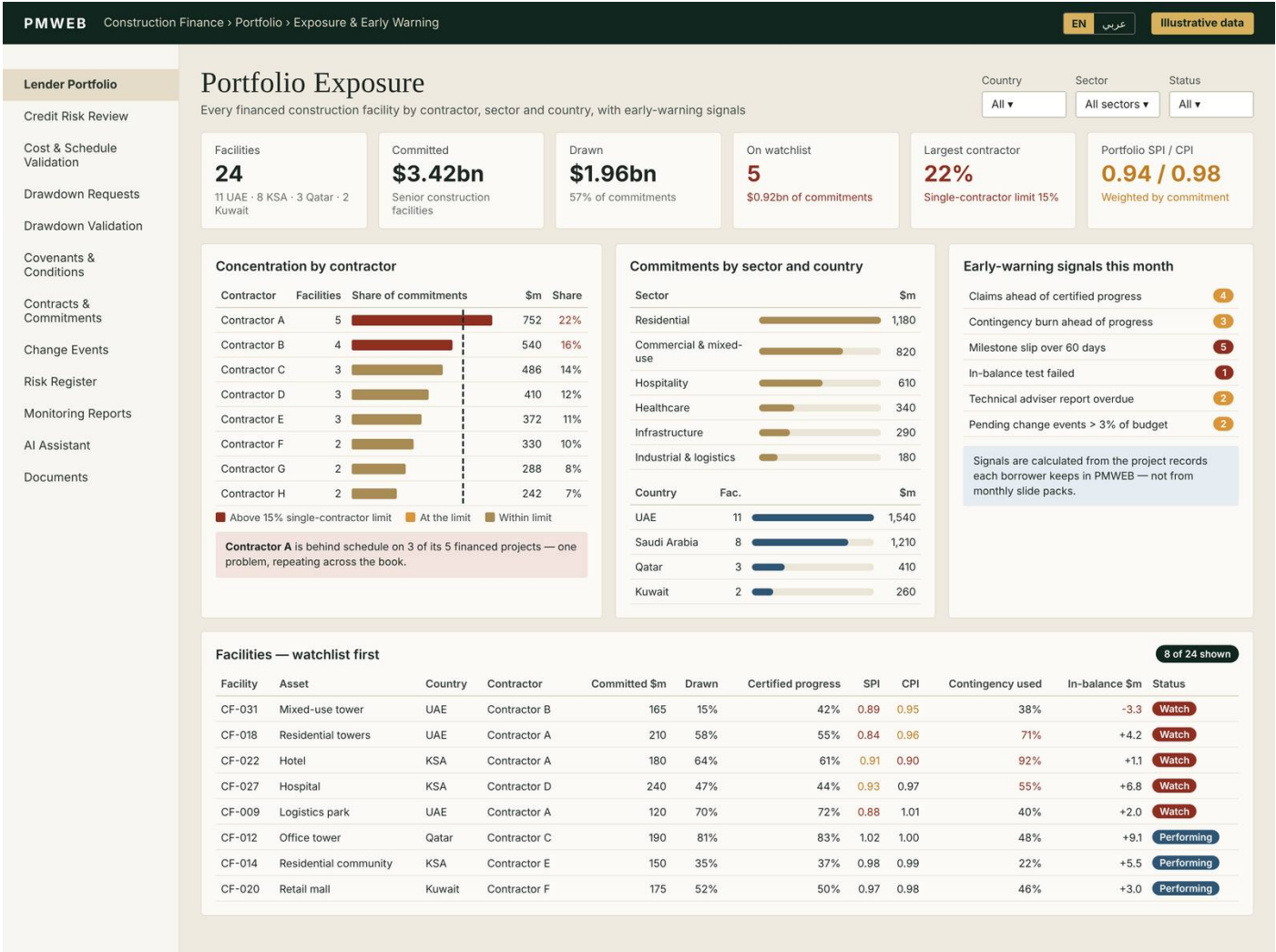


Release what has been earned, hold what has not, and keep the evidence behind every release.

Figure 2: The Drawdown Test: Five Checks Before Every Release

Imagine a contractor whose claims have run ahead of certified progress for six periods. In a paper-based process, the gap can stay hidden for months. In PMWEB, it shows up the day the claim is submitted, together with the line items that cause it — and the bank can release what has been earned, hold what has not, and attach a condition to the rest.





Three Ways to Give the Lender a Live View

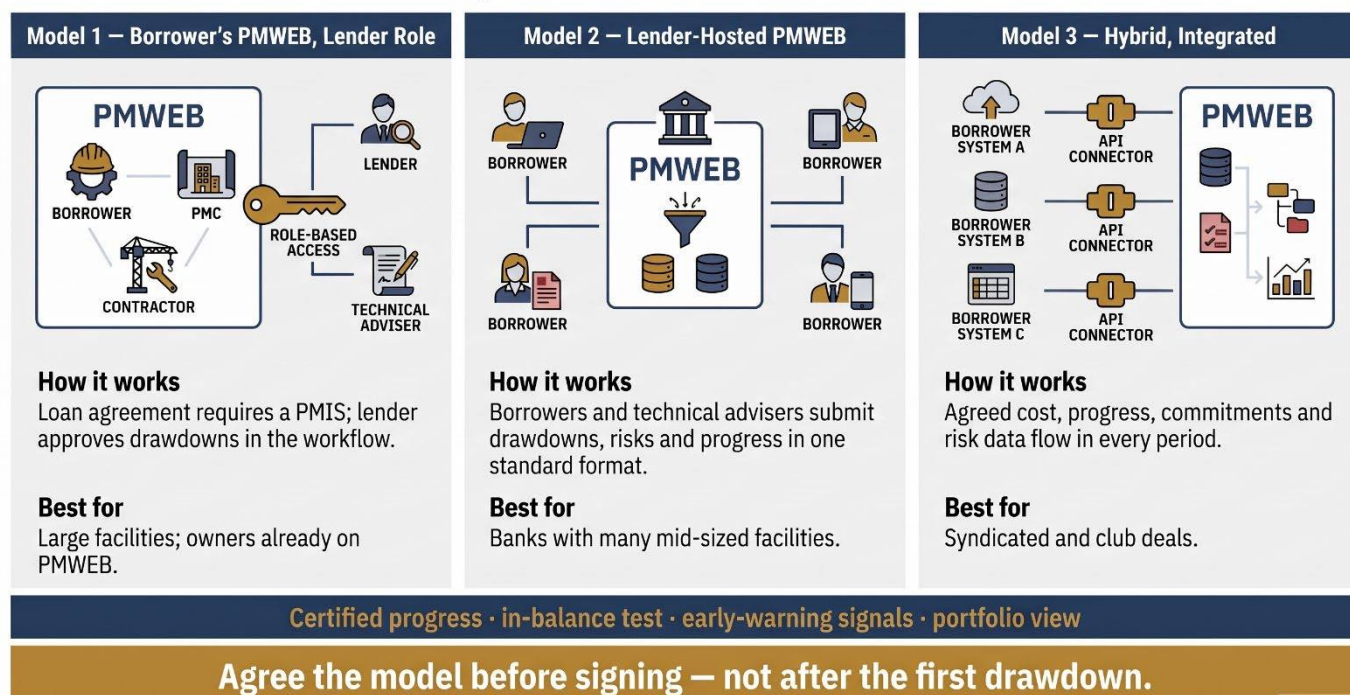


Figure 3: Three Ways to Give the Lender a Live View of the Project

Lessons from the field

History is crowded with cautionary tales: infrastructure projects that doubled their budgets, residential towers halted mid-construction, and liquidity crises triggered by drawdowns that ran ahead of the work. In nearly every case the warning signs existed. They were simply not captured, not analysed or not acted upon in time.

Where lenders insisted on structured, data-driven oversight, outcomes improved. Delays were detected early, claims were managed transparently and disputes were settled before they became lawsuits. The PMIS rarely made the headlines, but it was often the quiet enabler behind projects that finished and loans that were repaid.

The human element

Technology can show the truth; it cannot make the decision. That remains the role of experienced bankers, credit officers, technical advisers and credit committees. What a platform such as PMWEB does is free those professionals from chasing paperwork and reconciling conflicting reports, so they can spend their time on judgement: negotiating with borrowers, structuring protective covenants and steering capital toward projects that will finish.

With the right oversight, banks are not just lenders to projects. They are partners in their success.

Where PMWEB 2026 AI Adds Value

The **PMWEB 2026 AI Assistant** lets a credit officer or portfolio manager ask the project record a plain question — which financed projects have claims running ahead of certified progress, which facilities would fail an in-balance test this month, which contractors are behind on more than one project — and get an answer drawn from the live records, with the records cited.

Further AI capabilities being released through 2026, together with AI solutions that integrate with PMWEB, extend this to summarising technical adviser reports, drafting credit committee monitoring notes and spotting early-warning patterns across hundreds of projects. All of it depends on the same condition: the project data must already be held in structured form in one system. No data, no AI.

Questions to Settle Before You Start

Question	Why it matters
Where will the project record live?	In the borrower's PMWEB, a lender-hosted PMWEB or a hybrid. The choice decides how fast the bank sees the data and how consistent it is across the book.
What does the loan agreement require?	A covenant that the project is managed in a PMIS, with defined lender and technical adviser access, is far easier to agree before signing than after the first drawdown.
Who certifies progress?	The lender's technical adviser should certify inside the same record the contractor claims in, so every release can be traced to a certificate.
How is the in-balance test defined?	Agree what counts as cost to complete — including probable pending change events — and what counts as available funds, so the test is applied the same way every month.
Which early-warning thresholds trigger action?	Contingency coverage, front-loading index, claimed-versus-certified gap, milestone slip and contractor concentration need agreed limits and owners.
Who may see what?	Role-based access protects the borrower's commercial information while giving the bank everything it needs for credit decisions.

What the Bank Must Put in Place

- A construction finance policy that names the PMIS requirement and the lender's access rights
- Standard covenant and condition-precedent wording for new construction facilities
- A cost breakdown structure and drawdown request format that every borrower and technical adviser follows
- Agreed definitions for contingency coverage, front-loading index and the in-balance test
- A drawdown workflow in PMWEB with the technical adviser's certificate and the bank's approval as required steps
- A portfolio dashboard and watchlist review at every credit monitoring meeting, starting with two or three pilot facilities

Key takeaway

Construction credit risk cannot be left to monthly reports prepared by the borrower. Lenders that read the same live project record the project team works in can see risk before approval, validate cost and schedule, release drawdowns against certified progress and an in-balance test, and manage concentration across the whole book.

The four pillars — risk assessment, cost and schedule validation, cash flow and commitments, and portfolio transparency — turn risk into foresight, and foresight into resilience.

If your bank had to approve a construction drawdown tomorrow, could it see the certified progress, the commitments and the cost to complete behind it — or only the invoice?

Talk to us: info@CMCS-MENA.com

#CMCS #PMWEB #ConstructionFinance #CreditRisk #ProjectFinance #Banking #RiskManagement #CapitalProjects #GCC #PMIS

Dashboards in this article are PMWEB-style illustrations with illustrative data, prepared by CMCS for this article. An earlier version of this article was published in The Banking Executive, the magazine of the World Union of Arab Bankers (Issue 201, September 2025).

About the Author

Bassam Samman, PMP, PSP, EVP, GPM is the Chairman and Chief Executive Officer of CMCS FZCO, the PMWEB Authorised Implementation Partner for the Gulf Cooperation Council and broader Middle East and North Africa region. CMCS holds the PMWEB Global Partner of the Year 2025 designation and serves capital project owners, contractors and consultants across the UAE, Saudi Arabia, Qatar and Kuwait.

Bassam has over four decades of experience providing project management, project controls services and project management information systems to more than two hundred capital projects with a combined value exceeding one hundred billion US dollars. He is the author of four published books on project management digitalisation and has lectured at more than three hundred and fifty international events. He holds a Master's degree in Engineering Administration (Construction Management), with Faculty Commendation, from George Washington University and a Bachelor's degree in Civil Engineering from Kuwait University, with executive education at Harvard Business School and London Business School.

About PMWEB

PMWEB is an enterprise-class, web-based capital construction project management platform trusted by organisations worldwide including Harvard University, the United Nations, and Atlanta Airport. Built on Microsoft .NET technology, PMWEB manages the entire project lifecycle within a single integrated platform, from portfolio planning and cost management through document control, procurement, scheduling, asset management, and business intelligence. With 150+ pre-configured SSRS reports, drag-and-drop dashboard design, multi-currency support, and open REST/SOAP API integration, PMWEB delivers enterprise capability with implementation timelines measured in months, not years.

About CMCS

CMCS (Collaboration, Management and Control Solutions) is the PMWEB Authorised Implementation Partner for the GCC and MENA regions, awarded PMWEB Global Partner of the Year 2025. CMCS markets, implements and supports PMWEB for more than 60 enterprise clients across the UAE, Saudi Arabia, Qatar and Kuwait, helping capital project owners, PMC firms and contractors digitalise their project management processes on a single, governed platform. Contact: info@CMCS-MENA.com