

**CAUSES GENERATING CONTRACTUAL CLAIMS IN  
NATIONAL ROAD DEVELOPMENT PROJECTS IN  
SRI LANKA**

D M R S Diyagama

09/9758



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Degree of Master of Science in Project Management

Department of Building Economics

University of Moratuwa  
Sri Lanka

February 2013

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Diyagama Mudiyanseelage Rasika Sudarshana Diyagama

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Dissertation Submitted in Partial Fulfillment of the Requirement for the  
Degree Master of Science in Project Management

Department of Building Economics

University of Moratuwa  
Sri Lanka

February 2013

### **Declaration**

I declare that this is my own work, and this dissertation does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by other person except where the acknowledgement is made in the text.

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D M R S Diyagama

07 February 2013

The above candidate has carried out research for the Masters dissertation under my supervision.

07 February 2013

.....  
Dr. Nirodha Gayani Fernando

Dissertation Supervisor

Senior Lecturer

Department of Building Economics

Faculty of Architecture

University of Moratuwa

Sri Lanka.



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## Abstract

Road sector is an important element in the economy of any nation due to its impact on the welfare of the citizens and investments involved. Developing countries such as Sri Lanka invest billions worth of national resources to develop infrastructure within the country. It is essential to investigate whether these significant investments achieve the necessary value for money. A better project management is essential in order to achieve the value for money. A better management project is essential to complete the project within the expected project period and thereby the country and the society can enjoy economic benefits. Extra claims are generated by mainly the Contractor and sometimes by the client in many development projects. Extra time and efforts are spent to evaluate claims and avoid disputes. At the end of each project, considerable numbers of claims are referred to the local arbitration while some cases are referred to the very costly international arbitration mechanisms. Accordingly, this study was conducted to explore causes of generating contractual claims in national road development projects in Sri Lanka.

Research required to identify and to focus on people; especially the vital facts of people, their beliefs, opinions, attitudes about contractual claims arose in projects. Accordingly, survey research was selected as the most suitable research approach for the study. Data were collected through questionnaires, semi structured interviews and observations as well as through scholarly works. Data gathered by structured interviews were analyzed using content analysis and data gathered by questionnaire surveys were analyzed using statistical data analysis technique, Mode. This study focuses on the how project's direct stakeholders such as Engineer, Contractor, and the Employer act in the process of project development from the commencement throughout the completion. This study was limited to foreign funded national road development projects.

Cluster sampling was selected as the suitable sampling method and six projects were selected as the sample for the study. The selected road projects cover all the provinces in the island except Northern Province. Projects duration commence from year 2007 to year 2010.

The research identified that the most of the claims are avoidable by proper planning of the project from the design stage to the completion. Variations and additional work caused the majority of contractual claims in most projects. It was noticed that the long gap between the design stage and construction stage leads to the changes in site environment and actual site conditions, making the design different from the actual site conditions. Project usage and the Employers' requirements change according to the time factor. Ambiguities in the Contract and Contract documents also generated a considerable number of claims. When preparing contract documents, those common errors shall be avoided by studying the problems occurred in previous projects. Employer can arrange a mechanism with higher authorities to minimize the occurrence of disputes with the revision of government tax structure.

There were considerable portion of unsuccessful claims were identified in many projects. Out of these unsuccessful claims, some were properly substantiated and in the majority of unsuccessful claims, the contractor has only sent the notice or in some cases their claims were partially substantiated. Several reasons were revealed. In some cases, it is due to the frequent changing of contractor's staff, the contractor lost the required information and details required for substantiation. This occurred due to the poor management systems of the Contractors.



*DEDICATION.....*



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*And*

*All who loved and encouraged me*

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