

Cost Overrun in Delivery of Public Projects in the Saudi Construction Industry: A Review

Authors : A. Aljohani, D. Moore, D. D. Ahiaga-Dagbui

Abstract : Cost overruns are endemic in the delivery of construction projects. The problem is global. It occurs irrespective of type and size of the project, its location, procurement method or client. The size of overruns can be as high as 200% in some cases. Projects thus unfortunately often make the news headlines, not for their immense socio-economic contribution to society, but for being poorly procured. In Saudi Arabia, two-thirds of construction projects are publicly procured by the Saudi government, which has been invested Billions of dollars in infrastructure projects each year as part of an ambitious strategic development agenda to shift from mainly oil dependency to multi-source dependency. However, reports show that about 3,000 public projects face diverse issues related to time and cost overrun. As part of an on-going study to develop a framework for effective public procurement for the Saudi Arabian construction industry, this paper reports the initial findings of the causes of cost overruns in the context of the Gulf State. It also evaluates the interface between some of the front-end loading issues in public procurement in Saudi and their effects on project performance. A systematic review of the existing literature on construction cost overruns, with focus on the Saudi Arabian construction industry has been used. One of the initial findings is that a fixed-price contract is usually used by the client in an attempt to transfer all financial risks to the contractors. This has the unintended consequence of creating a turbulent environment for the delivery of the project which leads to project abandonment by contractors, poor quality of work and substantial rework. Further work is being undertaken to empirically verify the initial findings reported in this paper and their generalizability for the construction industry as a whole.

Keywords : cost overrun, public procurement, Saudi Arabia, construction projects

Conference Title : ICSECM 2015 : International Conference on Structural Engineering, Construction and Management

Conference Location : Paris, France

Conference Dates : November 19-20, 2015