

# REAL CAUSES OF PROJECT FAILURES IN URBAN DEVELOPMENT SECTOR IN SRI LANKA

M.Sc. in

Project Management



University of Moratuwa, Sri Lanka.  
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MSc Dissertation

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# REAL CAUSES OF PROJECT FAILURES IN URBAN DEVELOPMENT SECTOR IN SRI LANKA

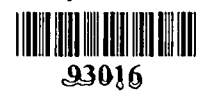
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Submitted in Partial Fulfillment of the Requirements of the Degree of Master of Science  
February 2005

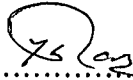
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**A Study Submitted in Partial Fulfillment of the  
Requirements of the Degree of Master of Science in Project  
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**Declaration**

I hereby declare that this submission is my own work and that, it contain no material previously published or written by another person nor material which, to a substantial extent, has been accepted for the award of any other degree or diploma of a University or other institution of higher learning, except where an acknowledgement is made in the text.



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I hereby acknowledge that Mr/Mrs/Miss Halawathage Janak Chaminda Ranaweera has followed the dissertation process set by the Department of Building Economics.

.....  
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## Dedication

**To my Dearest**

**Mother and Father**



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Who Gave me the  
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## List of Abbreviations

ADB	: Asian Development Bank
BOM	: Board of Management
BOO/BOT	: Built, Operate and Own / Built, Operate & Transfer
BOQ	: Bill of Quantities
DPM&C	: Design Project Management & Consultancy
CIDA	: Canadian International Development Agency
FTZ	: Free Trade Zone
IT	: Information Technology
MC	: Municipal Council
MEIP	: Metropolitan Environment Improvement Programme
PIP	: Public Investment Programme
PS	: Pradeshiya Sabha
UC	: Urban Council
UDA	: Urban Development Authority
UDSP	: Urban Development Sector Project
UN	: United Nations
UNDP	: United Nations Development Programme

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## ABSTRACT

### REAL CAUSES OF PROJECT FAILURES IN URBAN DEVELOPMENT SECTOR IN SRI LANKA

The governments in the recent times particularly from the latter part of 70's to date has taken many keen attempts to uplift the living standards of the people through implementation of urban projects. The aim was to create a fabulous built fabric that can generate convenient, financial, social and economic returns. The effort was carried out not only allocating the government money but also through, institutional, technical, political and professional inputs. In practice, many urban projects seemed less attractive or unsuccessful in generating expected returns. Consequently the failure of urban projects resulted wastage of resources with heavy economic, financial and social costs.

The real causes of failure in urban projects are still debatable and unknown. Some argue that poor project planning, technical defects and political influences are the main reasons where others argue that poor project management, lack of risk analysis and poor financial planning are the main reasons. But such arguments however are not yet valid and justifiable, as the adequate research work has not been carried out.

The research study tends on identifying types and causes of urban project failures while analyzing the recent project implementation efforts of the Urban Development Authority (UDA). These projects were analyzed in terms of financial, economic, technical, institutional, social, political, risk and other perspectives. It is observed that many projects had problems related to cash flows due to poor financial planning, estimation and further non-consideration of political influences and risk factors. Cost and time over-run were very common. Other than that in economic terms many were unable to lead positive returns to the community. However many projects seemed favorable in socially and technically. The reasoning for many failures was mainly project management failures not only financial, economic and technical terms but also institutional, political and risk.

An argument is made to arrange an organized mechanism encompassing with institutional processes, alternative inputs of marketing, and more systematic project planning and financial approaches. This intern makes a platform to undertake further studies to outline institutional reforms and sectoral policy targets in project implementation urban sector.

## Chapter One

### Introduction

#### 1.0 Background to the Study

It was experienced during the past decades that the government sector as a legitimate dominant authority in urban development has taken many attempts to plan and implement urban development projects in their designated urban areas. The target was to uphold the living standards of the people and to create a more convenient social environment. In this regard all the past governments have taken many keen efforts such as in establishing proper mechanisms, encompassing with political, institutional, technical and professional systems etc. to achieve the task.

In practice such efforts proved less attractive and many of the projects so far implemented have given less return than expected. Some were not successful in generating expected monetary and social returns due to lack of proper planning and defects in technical aspects, political influence and even unforeseen factors. Consequently many of them were treated as burden to the government either at the implementation stage or maintenance and operational stage.

In this context, carrying out a study to identify the real causes and drawbacks of such efforts and to analyze possibilities and corrective measures is of prime importance. Such analysis could be used to explore the weaknesses at the inception and to eliminate such defaults in future attempts. Thus, this study is focused on to achieving the particular task of identifying the real causes of project failures in urban development sector and to elaborate recommendations for successful project formulation and implementation.

#### 1.2 Problem Definition

The governments in recent times particularly from the latter part of 70's to date had allocated considerable amount of money on development of urban projects. A large sum were targeted and set apart towards physical development, purely the construction of physical structures. However, in the operational stage it was found that many projects failed to achieve the initial expectations.