

**MINIMIZING DISPUTES ARISING DUE TO
INFORMATION ASYMMETRY IN SRI LANKAN
PUBLIC BUILDING PROJECTS
PROCURED UNDER THE TRADITIONAL APPROACH**

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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 another person except where the acknowledgement is made in the text. I retain the right to use this content in whole or part in future works (such as articles or books).

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The above candidate has carried out research for the Masters dissertation under my supervision. I Confirm that the declaration made above by the student is true and correct.

Name of the supervisor: Dr. (Ms.). Sachie Gunathilaka

Signature of the supervisor:

Date:

DEDICATION

I dedicate this work to my beloved mother, wife, and children, whose unwavering love, support, and understanding have been my greatest source of strength.

I also dedicate this to the cherished memory of my late father, whose guidance and inspiration continue to live on within me.

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ABSTRACT

Public procurement plays a crucial role in achieving national development objectives by ensuring the effective acquisition of goods, works, and services. In Sri Lanka, most public building construction projects are procured under the traditional procurement method, where design and construction responsibilities are distinctly separated. Although this approach provides a structured framework, it often leads to significant information asymmetry (IA) among project stakeholders due to fragmented responsibilities, multiple principal-agent relationships, and limited information sharing. Such asymmetries contribute to adverse selection, moral hazard, and hold-up problems, resulting in delays, cost overruns, and quality deficiencies ultimately leading to disputes.

This study aims to investigate how to minimize information asymmetric problems in public traditional procurement in relation to the building projects in Sri Lanka in order to improve the project success and support achieving the public procurement goal of best value for money and sustainability. Adopting a pragmatic research philosophy and an abductive approach, the study combines qualitative and quantitative methods. Semi-structured interviews were conducted with professionals representing clients, consultants, and contractors to validate the identified information asymmetries, causes of disputes, and mitigation measures derived from the literature review. A questionnaire survey was subsequently administered to 120 professionals involved in public building projects, with responses analyzed using the Relative Importance Index (RII) to rank the significance of identified factors.

Findings indicate that key sources of information asymmetry include poor contractor evaluation, payment delay, inadequate communication, incomplete or ambiguous contract and design documentation, and limited transparency in procurement decisions. These factors commonly lead to disputes related to variations, approval delays, and disagreements over cost and time extensions. The study recommends a multi-layered approach to mitigate IA, incorporating improved pre-contract screening, detailed documentation, transparent financial processes, effective contract administration, continuous monitoring, and enhanced communication. Furthermore, adopting technologies such as Building Information Modelling (BIM) and promoting relational contracting can strengthen trust and reduce information gaps.

The research contributes to the limited body of knowledge on information asymmetry in Sri Lankan public building procurement and provides practical insights for policymakers and practitioners to enhance the efficiency, transparency, and sustainability of traditional procurement systems, thereby improving overall project success.

Keywords: Adverse Selection, Dispute Mitigation, Hold-Up, Information Asymmetry, Moral Hazard, Public Traditional Procurement

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LIST OF ABBREVIATIONS

Abbreviation	Description
ADB	Asian Development Bank
CIOB	Chartered Institute of Building
CIDA	Construction Industry Development Authority
DBB	Design-Bid-Build
EOT	Extension of Time
FIDIC	Fédération Internationale des Ingénieurs-Conseils (International Federation of Consulting Engineers)
IA	Information Asymmetry
M&E	Mechanical and Electrical
NPA	National Procurement Agency
NPC	National Procurement Commission
PMI	Project Management Institute
RIBA	Royal Institute of British Architects
RII	Relative Importance Index
SBD	Standard Bidding Documents

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