

**MANAGING RISKS IN FOREIGN FUNDED PROJECTS
IN SRI LANKA: A CASE STUDY OF WATER SUPPLY
AND WASTE WATER PROJECTS**

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Degree of Master of Science in Project Management

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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.

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Date:

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ABSTRACT

Managing risks in foreign funded projects in Sri Lanka: a case study of water supply and waste water projects

Increase in population and economic development in recent past results increasing in demand for treated water for the domestic and industrial sectors. This applies immense pressure on government to implement projects to meet these increasing demands efficiently and effectively. As a result, many foreign funded water projects have been commenced in recent past. Although the government has accepted the need for more investments to increase the water supply coverage and enhance the quality of the service, the successful implementation of the water supply projects has always been a challenge and many issues related to projects affecting the foreign funded projects in Sri Lanka. The purpose of studying the risk factors affecting the foreign funded projects is to make recommendations to improve the degree of the success of implementation of water supply projects in the future.

A comprehensive literature was conducted to acquire knowledge to analyze risk related to foreign funded projects. Further questionnaire survey, expert interviews were conducted with project directors of foreign funded projects in National Water Supply and Drainage Board.

Base on the study findings in total, 26 critical risk factors were identified through a detailed literature review. The factors were tabulated in a questionnaire form and sent out to gather owner's perception on the rating of each risk factors regarding probability of occurrence and impact on foreign funded projects. A risk matrix having four risk levels as "low risk – (green)", "moderate risk – (yellow)", "high risk – (orange)" and "extreme high risk- (red)" is developed to evaluate significant risk factors. The analysis indicates that thirteen factors are located in the green zone, eight factors are located in the yellow zone, one factor is located in the orange zone and seven factors are located in the red zone of the risk matrix. The predominant risk factors that are located in the red zone are considered for developing risk management framework. Risk control measures were identified through in-depth interviews which were conducted with five experts, including 3 project directors of NWSDB and 2 project managers. Based on the findings, a risk management framework was developed which will be benefit the risk management of foreign funded water projects.

Keywords: *foreign funded water projects, risk, risk identification, risk matrix, risk response measure.*

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LIST OF ABBREVIATIONS

ADB	- Asian Development Bank
DAC	- Development Assistance Committee
DANIDA	- Danish International Development Agency
DI	- Ductile Iron
E&M	- Electrical and Mechanical
FF	- Foreign Funded
GOSL	- Government of Sri Lanka
HDPE	- High Density Poly Ethylene
ID	- International Development
JICA	- Japan International Cooperation Agency
MCP	- Management Control Plan National Water Supply and Drainage
NWS&DB	- Board
PD	- Project Director
PM	- Project Manager
PMU	- Project Management Unit
RFP	- Request for Proposals
RII	- Relative Importance Index
SPSS	- Statistical package for social science
UN	- United Nations
VH	- Very High
VL	- Very Low