

A REVIEW ON ABANDONED CONSTRUCTION PROJECTS : CAUSES & EFFECTS

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Abstract. In some countries quite a number of construction projects that are either not completed or out rightly abandoned. This paper is an overview on abandoned construction projects, and the causes and effects due to the formidable situation relating to this issue. This was conducted referring to the studies and findings in the thesis and journals on abandoned projects. Few probable causes and effects are identified from various researchers based on studies conducted by them on this issue. It is found that most of the studies on the related matter was conducted mainly using questionnaires and also by conducting interviews with the relevant parties. There were various probable causes and implications that was identified from the studies and analysis that was carried out, which does not differ much from one another, and in fact some have suggested the mitigation measures for this issue. After reviewing the research and studies that has been conducted on the issue of abandoned projects, as a conclusion, it is notable to have a more thorough investigation on the existing problem up to this date and look into the whole issue from different aspects in depth.

Introduction.

When a progress of a certain work faces too many problems and seems to be impossible to continue further on resulting it to stop completely, it is therefore defined as abandoned project. According to [17], when a project has been started at an earlier date, but for some reasons has been stopped, it is described to be an abandoned project. Such abandonment are just not limited to buildings alone, but there are also roads, industrial structures, bridges, factories, dams, electricity, communication projects and so on, that gets abandoned as well. [9] stated that if projects are to be executed completely, planning is the most important agenda to be carried out, which [11] further added that the successful completion of a project depends on adequate planning where financial planning is also included. [13] discussed that the mission in developing infrastructural projects are mainly to bestow new and beneficial product and services to the community and also to stimulate the aesthetic part of the built environment. This intention is somehow compromised and not accomplished due to the continual issue of project abandonment.

It was reported by [12], that the Nigerian construction industry has become the world's place of dumping junks of abandoned projects, where these projects are estimated to be worth of billions. He further stated that Nigeria is a country which has many potential in the construction industry but to his surprise the country is experiencing such aimmensity of project abandonment. According to another report by [10], the issue of abandoned project was not given an adequate attention for a long time which has resulted a negative effect not only towards the construction industry but to the national economy as a whole. For instance, there are about 4000 uncompleted or abandoned projects belonging to the Federal Government of Nigeria with an estimated cost of above 300 billion which will take 30 years to complete. The table below shows the number of abandoned projects in Nigeria.

Table : Inventory of abandoned projects in Ondo State of Nigeria.

Project Title	Site location	Contract sum	Year of inception	Completion year	Contract duration
A	Ondo Road Akure	500 million	1986	-	12 months
B	Oba Ile Road	10 million	2001	-	-
C	Alagbaka Akure	15 million	2003	-	-
D	Akungba Akoko	11.5 million	2008	-	-
E	Alagbaka Akure	738 million	2008	-	10 months
F	Oke Aro Akure	11.5 million	2008	-	6 months
G	Akungba Akoko	44 million	1999	-	24 months
H	Ijultaogbolu	3 million	2004	-	-
I	Iyere Owo	11.5 million	2008	-	6 months
J	Owo	17 million	2007	-	-
K	Okitipupa	800 million	2007	-	-
L	Ode Ekitan Ilaje	10 million	2008	-	-
M	Ode Ekitan Ilaje	8 million	2008	-	-
N	Ode Aye	11.5 million	2008	-	6 months

[18]

As said by [13], the construction industry has a supreme role in the economy of any nation, where an economy which is active usually experiences an increase in the construction activities as well, but in a slow economy, the existence of project abandonment tends to be more extensive. According to [15], the issue of abandoned projects is a global phenomenon that and this issue is a negative factor to the stakeholders of those projects, let alone the public itself. In Malaysia, the impact of this issue has become more unbearable to this state. For a better understanding of this issue in Malaysia, figure below shows the number of abandoned projects in the span of 20 years in Malaysia.

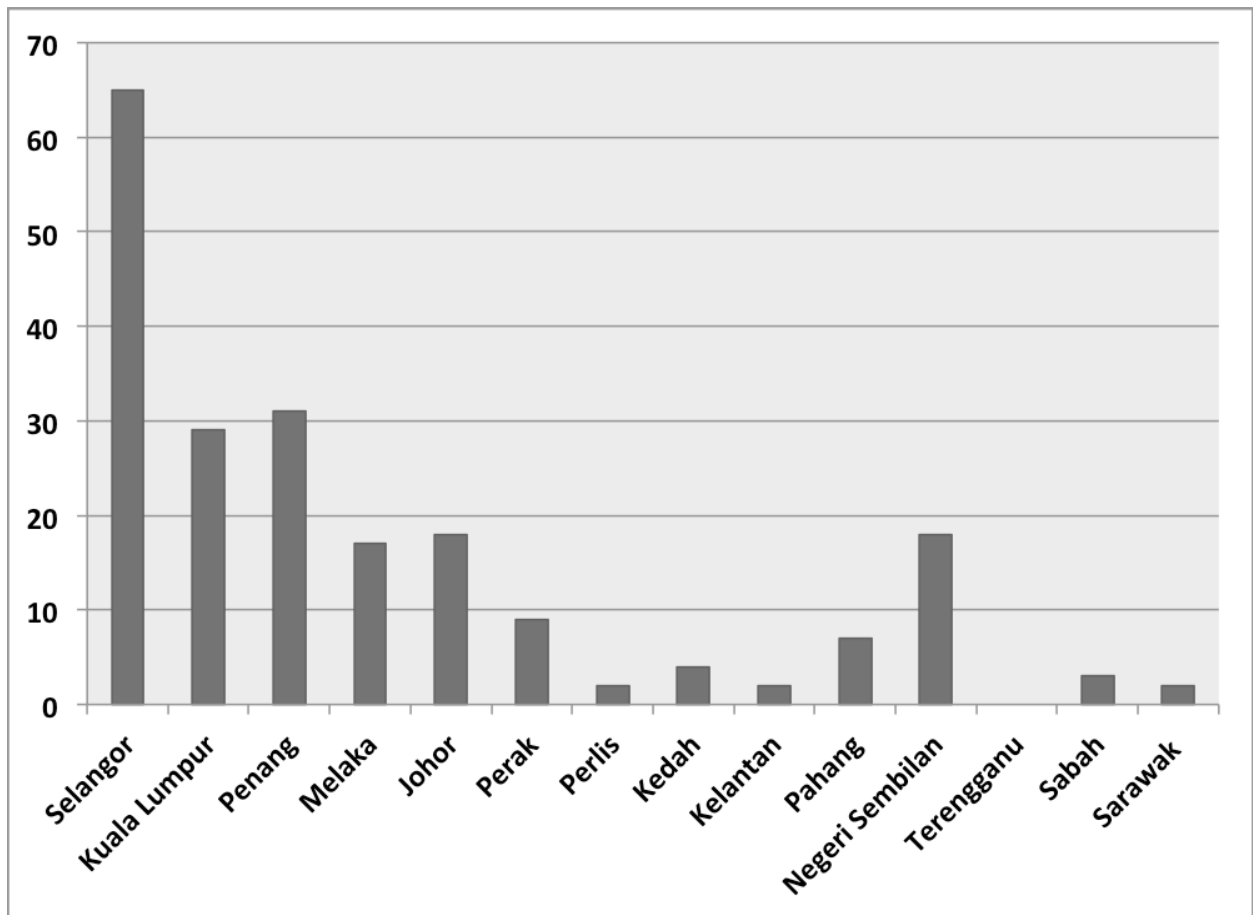


Figure – Malaysia’s Abandoned Building Projects in the span of 20 years,with the comparison of number of projects in each state, [8]

The issue of abandoned construction projects is tremendously affecting the industry in terms of economy, and needs a more serious outlook on this issue to have a better understanding of the problem so that the government could take the necessary steps to overcome this issue.

A Review on the Causes of Abandoned Projects.

The issue of project abandonments is plaguing the construction industry in some countries. Types of abandoned construction projects are building projects, roads, industrial structures, bridges, factories, dams, electricity, and communication projects, and so on. The abandonment of a projects gives an adverse effects on parties such as the developer, contractor, consultant and client. [20], as stated that the effects on these parties are in terms of unfavourable relationships, unreliable, lawsuits, conciliation, cash-flow problems, and a general feeling of anxiety towards each other. So, it is essential to define the actual causes of project abandonment so that its’ prevention could be found.

[5], have stated in his study that there are several building project which has been seen to be having good potentials are abandoned at different stages of the design and construction process.[6] and [7] has more or less the same reasoning on the failure or abandonment of a project, which are: 1) incorrect estimation; 2) unskilled personnel; 3) inadequate planning; 4) poor risk management; 5) misunderstanding of the work requirement; 6) poor quality control by regulatory agencies; 7) corruption and communication gap among the personnel. They also further on added the other factors are 1) cost; 2) the developer and the contractors where the

clients have difficulties in engaging with the contractors and as well as with the designers where they do not meet to the expectations of the clients; and 3) contractors fail to prepare vital inputs such as materials, manpower and machines efficiently on time. However, [14], have stated that there are situations that are not able to be predicted at the earlier stage, such as the Asian financial crisis which occurred from the year 1997-1998, causing an increase in the cost of building materials which ultimately led to project abandonment in some of the Asian countries. [3], is in the opinion that when all activities in a construction site stops completely, therefore the project is considered to be abandoned, whereas [2], has a different opinion where he states that as long as the possessor is facing some shortages financially, and is unable to continue with the project, therefore the project should be defined as suspended and not abandoned, where the project could be resumed once the possessor is financially stable.

The other causes of project abandonment given by [1], are government policies that are always inconsistent which brings to the lacking of accountability. He also added that there are high level of corruption which effects the construction projects, incompetent contractors, building materials which are not enough or unavailable, lack of utilities or infrastructural facilities, unsuitable locations and so on, has been identified as some of the causes of project abandonment. [4], has admitted that abandonment is a well-known concept on construction projects in California, and this is due to the project's design which is so deficient that the contractor performs a massive amount of change orders and extra work, which ultimately causes the abandonment of the project. Therefore, it is incorrect to say that project abandonment only happens in the third world or developing countries. According to his study, [16], have identified that there are several categories of negative factors contributing to project abandonment, as shown in the table below.

Table : Categories of negative factors that may adversely affect the success of projects.

Categories	Negative factors
Project characteristic related factors	Difficulty of design and construction
Procurement related factors	Inappropriate risk allocation among project team members Inappropriate pricing/incentives of services rendered by contractors or consultants Faulty tender process Ambiguities or mistakes in scope of work, specifications or drawings Inadequate project feasibility studies Lack of appropriate dispute resolution method Poor contract administration Site acquisition problems Unclear lines of responsibility and authority Inappropriate contract arrangements (traditional design-bid-build/design & build/management contracting/etc.) Inappropriate mode of financing project
Project management factors	Inappropriate project planning and scheduling Project control problems Bureaucracy and red tape within the project Poor quality control Problems of communication and coordination Poor safety management on site
Project participants related factors	Financial difficulties faced by the contractor Financial difficulties faced by the owner Delays in interim payments Problems related to change orders/variation orders Involvement of large number of participants of project Unavailability of materials and equipment Incompetent contractors or subcontractors Incompetent consultants Unskilled/incompetent site workers Shortage of site workers Lack of motivation of site workers Poor relationship among project team members Inexperienced client/owner Relationship between contractor and labour (industrial relation)
External factors	Adverse weather or acts of God Unexpected location difficulty Negative impact of project towards society or environment Lack of cooperation from local authorities Unexpected bad economic conditions Unfavourable government policy
Other factors	Cultural clash among parties involved in project Litigation Fraudulent practices and briberies

[16]

A Review on the Effects of Abandoned Projects.

When a project is abandoned, there are definite negative effects that comes along with it. Whatever the causes that may lead to project abandonment, it overall effects the construction industry and the economic growth of a country badly. One of the clear effect of project abandonment is the waste of resources. According to [17], the waste of resources here are in the form of capital, material and human power. They further added that apart from that abandonment of a building project, tends to invite illegal activities which subsequently effects the safety and wellbeing of a community. When there is a project that is abandoned it therefore becomes a sore eyes to look at damaging the aesthetic vision of it and so on. They have also

explained that there is an effect on the socio-economic due to abandoned projects, where it is overwhelming looking at the huge amount of money and resources lost on the part of the client who has invested on that particular project.

In Nigeria, from the findings of [13], the construction project abandonment effects are : 1) population of users getting disappointed of the proposed project; 2) lowering of the living standard; 3) wastage of valuable resources; 4) opportunities of employment becomes lower; 5) economic activities decreases; 6) decrease in the revenue accruing to government; and 7) foreign loans are more difficult to obtain. Along with this researchers, [19] is also in the same agreement with them where in his qualitative research, he listed the effects of abandoned projects to be 1) unemployment; 2) reduction in government revenue; 3) reduction in economic activities; 4) lowering standard of living; 5) wastage of equipment in site; and 6) an increase in final cost of project. These effects are not much in difference with the effects suffered in Malaysia due to project abandonment, thus [14] further elaborated in Malaysia, the end users suffers in where they are unable to reside the houses on time as stated in the Sales & Purchase Agreement. Although they have not occupied the houses, yet they are obligated to pay monthly installments with interests to the banks. Apart from that, it is also common for vandalism of project sites due to project abandonment which have also led to illegal activities to be carried out at this particular places. They have also added that the other effects are price of raw materials increasing, building requirements changes, loans that are non-performing and land being foreclosed. In the meantime, the possibility of non-revival of abandoned projects where it is subjected as not viable, or there is no companies that are interested in investing for the purpose of revival, results to the economy loss.

There is no doubt that abandonment of a projects brings great effect to the construction industry which ultimately contributes to the downfall of the economic growth of a country. The causes and effects are not much different and are similarly faced by various countries who go through the issue of abandoned projects.

Suggestions on the Prevention on Abandoned Projects.

There have been several studies and researches on the issue of abandoned projects from different countries. From some studies there were certain suggestion and recommendations that has been given to overcome or prevent from the cases of abandoned projects from happening. This is to secure the image of the construction industry and the country's economy, and most importantly to save and prevent loses of money and valuable resources from happening.

For instance, [17] have enlisted some suggestions on overcoming the issue of abandoned construction projects in Nigeria. Some of it are permitting new projects that has the available resources, at the same time the process of selection of all favourable parties according to the contract should be characterized by accountability, transparency, honesty and integrity. Apart from that, the economic advantage in determining a new project should be the main criteria and not the political influence, which in such cases corruption at the level of Government and other stakeholders in the housing sector should be curbed through Due process, Economic and Financial Crime Control (EFCC), Budget Monitoring and Price Intelligence Unit (BMPIU) and other Crime Control Agencies. The need to set up a National Construction Industrial Bank in helping the situation when issues of abandoned projects are due to happen, is also highly recommended by these researchers.

Again in Nigeria, [13], in their study, have elaborated on some of their ideas in drastically reducing the project abandonment effects. According to them, clients should definitely make an planning adequately for the project at starting point itself and should make sure there are sufficient funding available as estimated by the Quantity Surveyor also at the starting point as

well. The client should also appoint the services of competent construction professionals. An Architect who is appointed will be involved from the beginning stage preparing an economic design as required according to the cost plan as prepared by the Quantity Surveyor who also controls cost from the beginning and throughout the period of the contract. The client should not necessarily vary project scope. The progress payment to the contractor should be done accordingly through the valuation work done by the Quantity Surveyor and with the Architect's certification. The government should also put a restriction on abandoning a project that has already been started just to input their new idea. The Government should take it as a priority to employ contractors with strong financial stand in executing contract works.

The proper measures that could be used in preventing the occurrence of abandoned construction projects, will also help to protect the welfare of the buyers as well. If any sort of prevention methods to resolve the issue of abandoned projects are successful, then this means saving money in millions, which ultimately contributes towards the growth of the country's economy.

Conclusion.

It is indeed a great regret that project abandonment is a big fallacy in a country's development. The ones who are affected by the issue of abandoned projects are not just developers and contractors, but also it is a great loss to people like labourers, government officers and clerks with middle income or average salaries, or even less than that.

There are also efforts in reviving an abandoned project, where the revival process consists of several stages and at the same time problems also arise during these stages. There have been some researches on the causes and implication of an abandoned project. There are also researchers who have recommended to study on the prevention to resolve this issue. There are some countries which have either recommended some solutions or have implemented measures and guidelines in resolving and preventing from project abandonment from occurring. Thus, the real question here is how far these measures, suggestions and guidelines have helped and been put in proper use in resolving or minimizing the issue of abandoned project.

[14], however have stated that it is crucial to say that abandoned projects are not profitable towards the construction industry and has negative consequences on the economy of the country and most of the losses are on the end users. Therefore, it will be a great advance for the society, industry and country, if a vigorous attempt is made jointly by the civil and private sectors to end this problem of abandoned project.

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