SUMMARY

Significant change in the global economy has increased business opportunities for engineering and construction firms throughout the world, especially in the developing countries. Consequently more and more engineering and construction firms are positioning themselves to expand operation in developing countries construction market. However expanding operation in a new environment involves a greater level of perceived risk. Therefore, before expanding operation in the international construction market, it is important for the contractors to analyze and manage well the risks associated with these projects in order not only to secure contracts but also to make profit.

A survey on risk management of construction projects in developing countries was conducted from March to April 2001 to obtain the views of constructional professionals working in international construction companies. The main objectives of this survey are:

- To identify and evaluate the critical risks associated with construction projects in developing countries;
- To identify and evaluate the practical measures for mitigating these risks;
- To propose a risk management framework and strategies that Singaporean construction firms can adopt while seeking work in developing countries.

The respondent's opinions on various risks (22 unique/critical risk) on construction project were obtained and studied in depth. The first fourteen risk factors are considered as critical of which first four risk factors are considered very critical: Adequacy of Project Financing Source, Exchange Rate & Convertibility, Reliability & Creditworthiness of Local Government Entities, Change in Laws. Most of the identified mitigating measures for each of these risks were evaluated as effective or very effective and only few of them are regarded as fairly or less effective.

Based on the survey results a risk management framework of a construction project is proposed to help contractors to identify project risks and to systematically analyze and manage them. The main emphasis of the framework
is to increase the contractor’s awareness of the many risks they will face, and to improve their ability to systematically manage these project risks. The sequence of proposed risk management framework are: 1) Feasibility study and assessment of project viability (if reliable), 2) Risk identification, classification and risk analysis, 3) Identification of mitigation measures, 4) Incorporate risk mitigation measures, 5) Implementation and monitoring of success of mitigation Measure.