

Causes And Effects Of Contractors Claim And Claim Management

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ABSTRACT

Construction claims have such high impacts on the projects' cost and time that the contractors should establish the effective claim management in their organizations. In general, it is known that contractor's claim for extension of time, additional cost or both. To enhance the chances of success, contractors submitting claims must closely follow the steps stipulated in the contract conditions, provide a breakdown of alleged additional costs and time, and present sufficient documentation. On the other hand, project owners need to follow an overall comprehensive systematic procedure for tracking and managing the claims submitted by contractors. This seminar aimed at presenting the causes and effects of contractor's claims, and claim management, focusing on the contractors' point of view. The first chapter of our study focuses on introduction about the claim, description of project study, general and specific objective of the project. In this regard Claim, Types of claim, contract, types of contract, contract document, contract administration, contractors claim considering MDB-FIDIC Clause, and claim management are given emphases under the topic. To assess the causes of the contractor's claim, In addition to questionnaire survey, interview, site visitation was done. The questionnaire contains ten causes of claim from contractor's side and additional question, which indicate contractors profile is included. The last chapters are the result of data collected in above chapter. After analysis and discussion of the data, conclusion and recommendation is drafted for our case study.

1. INTRODUCTION

Claim is generally treated as a demand or request for something, which one has a right to have. Claims in construction industry are associated with cost overruns, mismanaged jobs, legal entanglements, and wrong practices on the part of various contractors. Owners and engineers often view them as the contractor's strategy to cover bidding errors or omissions. This is a misconception, however, as claims are an integral part of the construction processes, and good claim administration principles are as important as good engineering, safety, and business principles. (DESSA, 2003). Contractor's claims are contractual in nature and often experienced due to delays and disruptions to project objectives. The contractor has a key task of substantiating the claim, which is, defending it and proving the validity of its content. The items claimed by the contractor fall within three major categories: time, cost or both. In the first category, the contractor requests a modification of contract delivery dates and landmarks to offset the delays that it did not cause. In the second category, the contractor asks for reimbursement to cover the following items (Semple, 1994) premium time, increased equipment cost-rental or ownership, increased financing costs, increased site overhead, increased home office overhead, and decreased labor productivity. Note that the two categories are very much interrelated. For instance, any delays are apt to cause an increase in all cost items, and any productivity drop causes an increase in the duration required to finish the work. Hence, the contractor may claim any combination of the above factors, or possibly all of them. The causes of contractor's claim and claim management procedure in construction of six building project are observed, interviewed and questionnaire is given to the contractors for the response. The project case study in conducted on Wolaita Sodo city from contractors of six building construction project.

1.1 Statement of problem

Contractors claim cases in the construction of building project will delays the project completion time and increase the total project cost. Once the contractor triggered the certain parts of work to be revised by engineer, the design revision will bring extra claim in cost or time extension of the project. There are different building project in the Wolaita Sodo city, which are delayed up beyond of the planned time, and increased in project cost. Unless a systematic approach of handling claim cases is formulated and awareness created, this issue will continue to affect the proper handling of projects and may significantly affect future construction endeavors. This project is therefore an attempt to address such issues.

1.2 Objective of the study

- Identify the causes of contractor's claim on some selected governmental and non-governmental building construction project in Wolaita Sodo City.
- To understand effect contractor's claim on performance of the project

2. LITERATURE REVIEW

2.1 Introduction to contractor's claim and claim management

The building contract dictionary defines 'claim' as 'an assertion of a right' and, under standard building contracts, the word conveys the concept of additional payment, which the contractor seeks to assert outside the contractual machinery for valuing the work itself. The word is also used in respect of the contractor's applications for an award of extensions of time. (Chappell, December 2000). In general, contractor's claims for additional costs and time extensions result from a variety of events occurring during the course of construction. To enhance the chances of success, contractors submitting claims must closely follow the steps stipulated in the contract conditions, provide a breakdown of alleged additional costs and time, and present sufficient documentation. On the other hand, project owners need to follow an overall comprehensive systematic procedure for tracking and managing the claims submitted by contractors. (Abdul-Malak, April, 2002). Clause 53 of the ICE (Institution of Civil Engineers) conditions sets out the procedure to be followed by the contractor if he wants to claim (a) a higher rate or price than the engineer has set under a variation order or in relation to some altered quantity under a bill item; or (b) additional payment he considers he is entitled to under any other provision of the contract. (Alan C. Twort Rees, 2004). Under (a), the contractor must give notice of his intention to make a claim within 28 days of being notified of the engineer's fixing of a price. Under (b) the contractor must give notice 'as soon as may be reasonable and in any event within 28 days after the happening of the events giving rise to the claim'.

The provisions with respect to (b) primarily relate to claims for encountering 'unforeseen conditions' or claims for delay. Both these are complex matters, which are dealt with separately in Sections 17.8–17.10. Claims that arise concerning a rate or price set by the engineer for some varied work or excess quantity measured are often uncomplicated. Sometimes the facts need unraveling, such as – what activities is the rate to include; why do records of time or quantity spent on the operation differ between contractor and resident engineer? These matters have to be gone into in detail. The contractor may contend that the rate should allow for standing time, 'disruption' and 'uneconomic working'. There is truth in a contractor's claim that any rate set should allow for these matters. 'Uneconomic working' depends on the nature and quantity of extra work ordered. To get this organized may take some days, during which the contractor may not be able to start the next major operation scheduled on his program. (Alan C. Twort Rees, 2004)

2.2 Types of Claim

The basis of claim in the construction arises in different construction stages in general. Claim is classified as contractual, Extra-contractual, and Ex-Gratia. It concerns matters, which have a basis in the contract document. It arises from specific clauses in the contract. It is arising from common law entitlement but without any specific basis in the contract. These are claims made with no foundation in the contract or at law but only in a sense of “fairness” or equity. Such claims depend upon ‘ex-gratia’ or ‘kindness payments’ by the employer made in the particular circumstances; sometimes such payments are made to avoid or to terminate claims negotiations or a dispute.

2.2 Contract

According to Ethiopian law a contract is defined as an agreement whereby two or more persons as between themselves create, vary or extinguish obligations of proprietary nature (Art.1675 of civil code of Ethiopia). According to MDB-FIDIC 2006, “Contract” means the Contract Agreement, the Letter of Acceptance, the Letter of Tender, these Conditions, the Specification, the Drawings, the Schedules, and the further documents (if any) which are listed in the Contract Agreement or in the Letter of Acceptance. A contract is an agreement, which will be valid in law or enforceable by law. A contract will have three parts namely, offer, acceptance and agreed terms. (JOY, 2014). There are many types of contracts that may be used in the construction industry. Construction contracts are classified according to different aspects. Lump Sum Contract: It occurs when one party (contractor) carries out work for a stated and fixed amount of money payable by the other (client). The important point is that the original contract sum is stated for a given amount of work.

Main Aspects of Lump Sum Contract: The contractor agrees to perform a stipulated job of work in exchange for a fixed sum of money. In other words, a single tendered price is given for the completion of a specified work to the satisfaction of the client by a certain date. Payment may be staged at intervals of time on the completion of milestones. Useful for construction works: that can be accurately and completely described at the time of bidding such as residential and building construction. The contractor is responsible for preparing his B.O.Q. i.e. determination of work items, description of work items, obtaining his own quantity form drawings and specifications and taking the responsibility for the accuracy of the estimated quantities. (Elshakour). The contractor then specifies rates against each item. The rates include risk contingency. Payment is paid monthly for all work completed during the month. The contract offers a facility for the client to introduce changes in the work defined in the tender documents. The contractor can claim additional payment for any changes in the work content of the contract. Claims resolution is very difficult because the client has no knowledge of actual cost or hidden contingency. Tender price is usually increased by variations and claims. Two forms of admeasurements contract are usually used: bill of quantities and schedule of rates. 1. Includes Bill of Quantities Contract and Schedule of Rates Contract. 2. Payment is made (monthly) for quantities of work completed and measured during the month. 3. The client can introduce variations in the work. 4. The contractor can claim additional payment for any changes in the work content. 5. Tender price is usually increased by variations and claims.

Main Aspects of Cost Reimbursement Contract: 1. The contractor will be reimbursed for all actual costs plus an agreed fee to cover his services (overhead and profit). 2. The contractor must make all his records and accounts available for inspection by the client or by some agreed neutral third party. 3. The fee can be designated as: Cost plus percentage: The contractor is paid the actual cost of the work reasonably incurred plus a fee, which is a percentage of the actual cost, to cover his overheads and profit Cost plus fixed fee: Similar to the cost plus percentage contract and used for similar situations. The important difference is that, because the fee is a fixed lump sum, the contractor has more incentive to finish quickly and maximize his profit as a percentage of turnovers.

2.3 Contract Document

The contract documents establish the rights and obligations of the parties and include the agreement, addenda (pertaining to the contract documents), contractor's bid (including documentation accompanying the bid and any post-bid documentation submitted prior to the notice of award). when attached as an exhibit to the agreement, the notice to proceed, the bonds, these general terms and conditions, the supplementary terms and conditions (if any), the specifications and the drawings as the same are more specifically identified in the agreement, together with all written amendments, change orders, work change directives, and field orders written issued on or after the effective date of the agreement.

Approved shop drawings and the reports and drawings of subsurface and physical conditions are not contract documents. Only printed or hard copies of the items listed in this paragraph are contract documents. Files in an electronic media format of text, data, graphics and the like may be furnished from time to time by Engineer to the contractor are not contract document. (www.horrycounty.org/, 2008)

Requirement of contract document: According to MDB-FIDIC clause 1.5, the documents forming the Contract are to be taken as mutually explanatory of one another. For the purposes of interpretation, the priority of the documents shall be in accordance with the following sequence:

- (a) The Contract Agreement (if any),
- (b) The Letter of Acceptance,
- (c) The Letter of Tender,
- (d) The Particular Conditions - Part A,
- (e) The Particular Conditions - Part B,
- (f) These General Conditions,
- (g) The Specification,
- (h) The Drawings, and
- (i) The Schedules and any other documents forming part of the Contract.

If an ambiguity or discrepancy is found in the documents, the Engineer shall issue any necessary clarification or instruction.

2.4 Contract Administration

The contractor must concentrate on contracting the project and concurrently attend to the terms of the contract documents. Contract administration involves numerous daily decisions that are based on interpretation of the contract documents. A record of these deliberations is important to both parties. The primary tools for controlling a project contract are the cost and schedule report updates. In addition, quality and safety reports are indicative of project administration success. Administration of the contract requires that accurate records be maintained as permanent records of contract process. In the event that the project manager would need to negotiate a change order, prepare a claim, or reconstruct specific events, the project data from record and correspondence are often needed. (DESSA, 2003)

Table 1 Contractor's claim entitlement considering MDB-FIDIC Clause

No	Clause No	<i>Title of clause</i>	<i>Causes</i>
1	(1.9)	Drawings or Instructions	Contractor may claim extension of time, Cost and reasonable profit if Engineer fails to issue a notified instruction or drawing within a reasonable time.
2	(2.1)	Right to Access to the Site	Contractor may claim extension of time, Cost and reasonable profit if Employer fails to give right of access to Site within time stated in the Contract.
3	(4.7)	Setting Out	Contractor may claim extension of time, Cost and reasonable profit for errors in original setting-out points and levels of reference.
4	4.12	Unforeseeable Physical Conditions	Contractor may claim extension of time and Cost if he encounters physical conditions which are Unforeseeable.

5	4.24	Fossils	Contractor may claim extension of time and Cost attributable to an instruction to Contractor to deal with an encountered Archaeological finding.
6	7.4	Testing	Contractor may claim extension of time, Cost and reasonable profit if testing is delayed by (or on behalf of) the Employer.
7	8.4	Extension of Time for Completion	Contractor may claim extension of time if is or completion will be delayed by a listed cause.
8	8.5	Delays Caused by Authorities	Contractor may claim extension of time if Country's public authority causes Unforeseeable delay .
9	8.9	Consequences of Suspension	Contractor may claim extension of time and Cost if Engineer instructs a suspension of progress.
10	10.2	Taking Over of Parts of the Works	Contractor may claim Cost and reasonable profit attributable to the taking over of a part of the Works.
11	10.3	Interference with Tests on Completion	Contractor may claim extension of time, Cost and reasonable profit if Employer delays a Test on Completion.
12	11.8	Contractor to Search	Contractor may claim Cost and reasonable profit if instructed to search for cause of a defect for which he is not responsible.
13	12.2	Delayed Tests	Contractor may claim Cost and reasonable profit if Employer delays a Test after Completion
14	12.4	Omissions	Contractor may claim a Cost which, although it had been included in a BoQ item, he would not recover because the item was for work which has been omitted by Variation
15	9.4	Failure to Pass Tests after Completion	Contractor may claim Cost and reasonable profit if Employer delays access to the Works or Plant.
16	13.2	Value Engineering	Contractor may claim half of the saving in contract value of his redesigned post-contract alternative proposal, which was approved without prior agreement of such contract value and of how saving would be shared
17	13.3	Variation Procedure	The Contract Price shall be adjusted as a result of Variations.
18	13.7	Adjustments for Changes in Legislation	Contractor may claim extension of time and Cost attributable to a change in the Laws of the Country.
19	14.4	Schedule of Payments	If interim payment installments were not defined by reference to actual progress, and actual progress is less than that on which the schedule of payments was originally based, these installments may be revised.
20	16.1	Contractor's Entitlement to Suspend Work	Contractor may claim extension of time, Cost and reasonable profit if Engineer fails to certify or if Employer fails to pay amount certified or fails to evidence his financial arrangements, and Contractor suspends work
21	16.4	Payment on Termination	Contractor may claim losses and damages after terminating Contract.
22	17.4	Consequences of Employer's Risks	Contractor may claim extension of time, Cost and (in some cases) reasonable profit if Works, Goods or Contractor's Documents are damaged by an Employer's risk as listed in Sub-Clause 17.3
23	18.1	General Requirements for Insurances	Contractor may claim cost of premiums if Employer fails to effect insurance for which he is the "insuring Party"

24	19.4	Consequences of Force Majeure	Contractor may claim extension of time and (in some cases) Cost if Force Majeure prevents him from performing obligations
25	19.6	Optional Termination, Payment and Release	Contractor's work and other Costs are valued and paid after progress is prevented by a prolonged period of Force Majeure and either Party then gives notice of termination
26	19.7	Release from Performance	If it becomes impossible or unlawful to perform contractual obligations, Contractor may be released and can claim as in 19.6

2.5 Claim Management

Clause 20.1 MDB-FIDIC 2006, Contractor's claim. If the Contractor considers himself to be entitled to any extension of the Time for Completion and/or any additional payment, under any Clause of these Conditions or otherwise in connection with the Contract, the Contractor shall give notice to the Engineer, describing the event or circumstance giving rise to the claim. The notice shall be given as soon as practicable, and not later than 28 days after the Contractor became aware, or should have become aware, of the event or circumstance. If the Contractor fails to give notice of a claim within such period of 28 days, the Time for Completion shall not be extended, the Contractor shall not be entitled to additional payment, and the Employer shall be discharged from all liability in connection with the claim. Otherwise, the following provisions of this Sub-Clause shall apply. The Contractor shall keep such contemporary records as may be necessary to substantiate any claim, either on the Site or at another location acceptable to the Engineer. Without admitting the Employer's liability, the Engineer may, after receiving any notice under this Sub-Clause, monitor the record keeping and/or instruct the Contractor to keep further contemporary records.

The Contractor shall permit the Engineer to inspect all these records, and shall (if instructed) submit copies to the Engineer. Within 42 days after the Contractor became aware (or should have become aware) of the event or circumstance giving rise to the claim, or within such other period as may be proposed by the Contractor and approved by the Engineer, the Contractor shall send to the Engineer a fully detailed claim which includes full supporting particulars of the basis of the claim and of the extension of time and/or additional payment claimed.

- (a) This fully detailed claim shall be considered as interim;
- (b) the Contractor shall send further interim claims at monthly intervals, giving the accumulated delay and/or amount claimed, and such further particulars as the Engineer may reasonably require; and
- (c) The Contractor shall send a final claim within 28 days after the end of the effects resulting from the event or circumstance, or within such other period as may be proposed by the Contractor and approved by the Engineer.

Preparation of Claims: Many delay claims by contractors fail owing to lack of notice and/or failure to justify any (or sufficient) extension of time, or additional payment, because of a lack of record. From the viewpoint of claimant, the objective in any claim situation is to obtain the payment or extension of time to which he believes himself to be entitled, whether under the contract or otherwise. To achieve this objective, it is necessary for the claimant to produce evidence to support his claim. It is for the claimant to establish that the claim is legally valid, and he must substantiate the amount claimed, figures cannot plunk out of air. The claimant must be able to prove the legal validity of the amount claimed.

Claim identification is one of the basic process of claim, wherein the Contractor need to understand the contract provisions as agreed and signed by the parties. The lack of awareness, skills and knowledge of site personnel may cause loss of chances for the rights to declare a claim

2.5.1 Claim Documentations

The result of every claim will depend upon the documentation done by the organization. An effective documentation will provide proof for the alleged claim and improve the chances of winning a claim. It is suggested that verbal instruction by owner, some information/instruction is not kept in writing and ineffective record-keeping system contributes to the problems in documenting a claim.

Generally, the following documents are relied upon to establish claims and protect them;

- Tender documents
- Minutes of meetings taken place after submission of the tender up to the time of placement of order
- Reports on site investigation including copies of the photographs taken of the site conditions.
- Original estimates and back-up papers to the extent necessary
- Copies of letters issued between the tender date and the order date.
- Calculation sheets for price reduction
- The contract agreement
- Record notes or file notes of oral instruction
- Measurement books
- Daily reports manpower and equipment reports
- Inspection reports
- Cost sheets and comparisons
- Copies of all communications concerning the claim

2.5.2 Claim Presentation

It explains the need of good presentation of a claim by a claimant as the same task as selling a good by a sells person. In the latter case, the first rule in selling is to get the customer to like them with a principle that people do not want to buy from people that they don't like. Likewise, presenting a claim is also the same since the goal is to sell it to the other party; in this case, it requires promoting the arguments by means of the printed word by making it easier to agree with the claim submission.

In practical terms, the contractor must establish the contract provision on which he relies that he has compiled with the contractual requirements as to the giving of notice, and that the additional cost or expense has been incurred as a direct result of the event relied on. Claims are not a means of turning a loss-making contract in to a profitable one although investigation of the causes of loss may sometimes indicate where a claim may lie.

2.6 Engineer role in claim management

Many instructions and drawing issues are of an explanatory nature to enable the contractor to construct the original works. Late issuance of information will lead to claims for delay and/or disruption. The designer must be able to understand the contractor's program and make allowance for shop drawings (if applicable), obtaining quotations, ordering and delivery. The designer should not rely solely on the contractor's requests for information (sometimes the contract does not place an obligation on the contractor to make any such requests). It is essential to have regular meeting to determine when information is required in order to meet the program or to prevent delay. (Thomas, 2001)

2.7 Employer role in claim management

The principal objectives of any client will be to have the project completed on time, within budget and to an appropriate standard of design, workmanship and materials. It is self-evident that the employer must give access to the site and provide information in sufficient time to enable the contractor to carryout the works by the due completion date. Before award of the contract, the employer and the contractor should agree on the period of notice to commence, in order to allow for mobilization and the taking of records and photographs showing the condition of access and of the site prior to possession by the contractor. Any restriction or limitation on the free use of the site should be recorded and the effects (if any) on program or cost should be established as soon as possible. (Thomas, 2001)

3. METHODOLOGY

The project study was taken with six selected contractors of three governmental and three non-governmental building construction projects in Wolaita Sodo City. The basis of the selection of this contractors is due variation in the scope of works, financial source, use of building nature and contract type. Interviewing contractors about the encountering problems in their respective projects.

1. Some sample of questionnaires was given for contractors to answer in the detail on their basis of claim and claim management procedure
2. Site observation was conducted on building construction project to identify the documentation of progress of work in each day which vital for the request of claim for contractors
3. Finally, conclusion and recommendation is established based on the data gathered on above technique.

4. RESULTS

The basis of claim for the contractors in construction is different in the nature. To analyze the cause and effects of contractor's claim and claim management, ten sample questions are prepared and distributed among six contractors in general. Based on the method three questionnaires are given to contractors for constructing government building, and three for contractors constructing non-governmental building. All the six distributed questionnaires are collected and analyzed.

4.1 Claim Management on Government building project

Claim of S.N.N.P.R.Housing and Development Enterprise.S.N.N.P.R.Housing and Development Enterprise has signed the contract agreement with Wolaita Zone police administration Office for building of G+ 4 offices. The contract amount of the project is 37, 000, 000, and the Projects start time Feb 24, 2014 to complete July 12, 2016.

4.2 Contractor's Justification of claim:-

The contractor has instructed by Engineer/consultant to change the front and left side face of curtain wall of building with 4mm thick aluminum frame into 6mm thick by letter in September 23, 2015. The contractor notified the issue in October 15, 2015 for consultant that the change in work will vary the cost by (Fifty thousand birr only) 50,000.00 ETB amounts.

4.3 Consultant response to the claim:-

After the contractor notices to the consultant make detailed analyses in the issue and accepted the request of contractor. Then the consultant approved for contractor to construct the curtain wall with 6mm aluminum and the variation cost paid on date February 14, 2016.

Table 2 Contractor's response on the causes of claim.

Cate gory	Causes of Claims	Low	Medium	High	Very high
1	Delayed Access to the Site by employer	1	2	2	1
2	Unforeseeable Physical Conditions like flood, weather condition	2	3	1	0
3	Delay payment by employer	0	3	3	0
4	Lack of availability of construction material	0	3	2	1
5	Revised Design Change of the project	0	3	3	0
6	Delays Caused by Authorities	3	3	0	0
7	Construction material price increase	0	4	2	0
8	Lack of infrastructure in construction site	1	4	2	0
9	Lack of planning in the project site	0	3	3	0
10	Omissions of parts of work	1	4	1	0

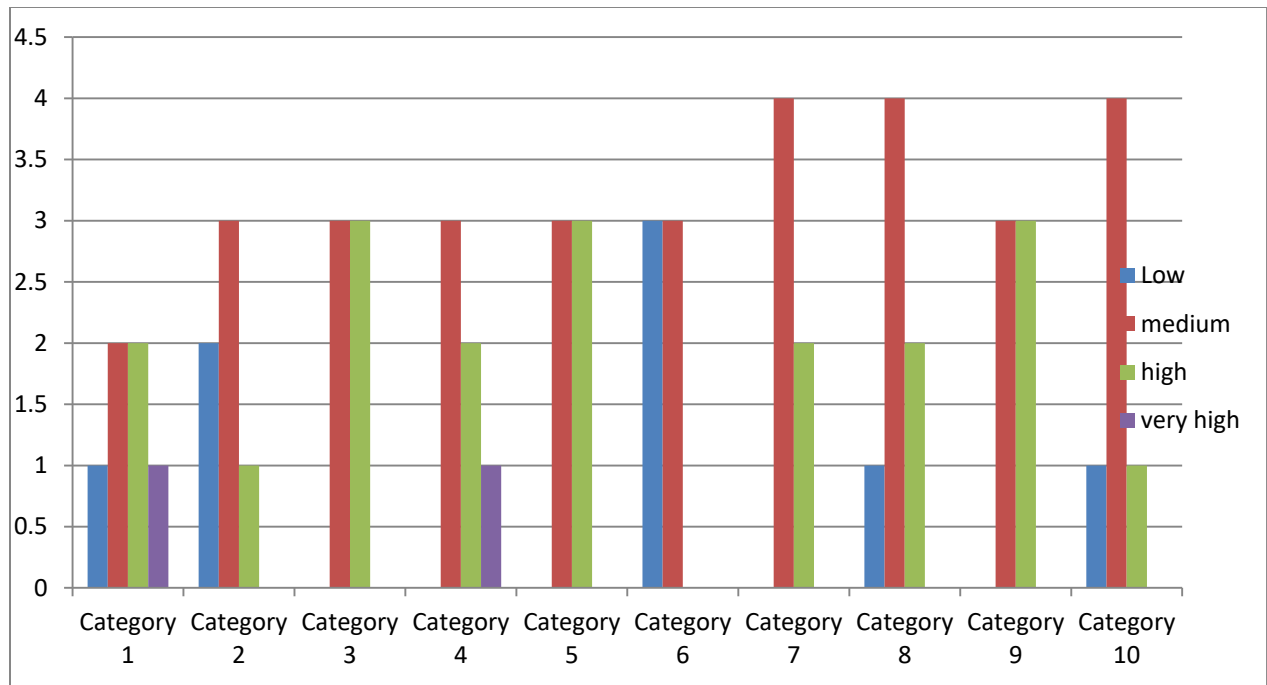


Figure 1 Analysis of causes of contractor's Claim

Table 3 The general causes of claim in percentage for selected case study

no	General causes of claim	low	Medium	high	Very high
1	For all category	8.3%	53.3%	31.7%	6.7%

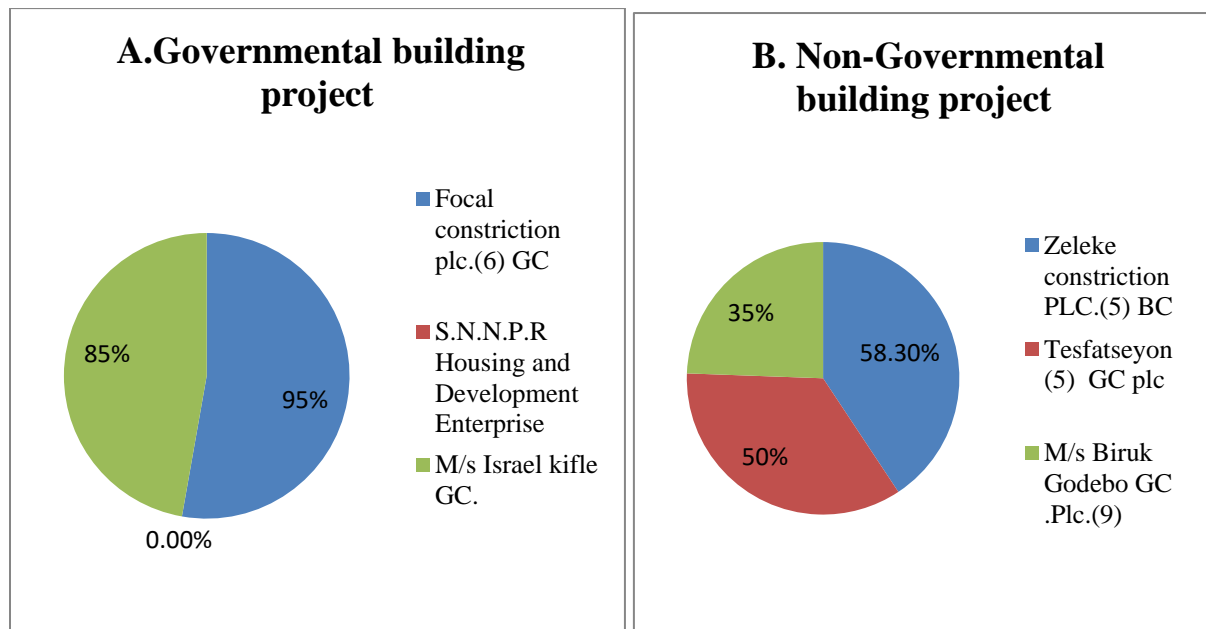


Figure 2 The project delay analysis

Table 4 project delay analysis

No	Type of project	Contractor with their Grade	Consultant	Project start time	Project Completion time	% delays	Progress of project
1.	WSU fence & guard house	Focal constriction plc.(6) GC	MH Eng.PLC Consulting Eng.g & architects.	March 12,2015	March 26,2016	95%	Not completed
2.	Office building G+4	S.N.N.P.R Housing and Development Enterprise	Wolaita zone design and supervision biro.	Feb 24,2014	July 12,2016	-	85% completed
3.	Mixed use complex G+4	Zeleke constriction PLC.(5) BC.	Wolaita sodo municipality.	Aug 24,2013	Aug 10,2015	58.3%	62% Completed
4.	Hotel building G+5	Tesfatseyon (5) GC plc	Wolaita sodo municipality.	Oct 30,2013	May 20,2015	50%	88% Completed
5.	Enyate building G+2	M/s Biruk Godebo GC .Plc.(9)	Ato Tesfamichel Tafese	Sept 10,2014	Nov 30,2015	35%	90% Completed
6.	Constriction School and library.	M/s Israel kifile GC.	Wolaita sodo municipality.	May 30,2014	May 29,2015	45%	85%

Table 5 project cost analysis on the construction of building project

No	Type of project	Name of contractor with their Grade	Consultant	Contract amount in Birr	Cost due to variation	Percentage of additional cost
1.	WSU fence & guard house	Focal constriction plc.(6) GC	MH Eng.PLC Consulting Eng.g & architects.	13,118,853.2	Breach of contract	-
2.	Wolaita zone police office building G+4	S.N.N.P.R.Housing and development enterprise	Wolaita zone design and supervision	37,000,000	50,000.00	0.13%
3.	Mixed use complex G+4	Zeleke constriction PLC.(5) BC.	Wolaita sodo municipality.	30,000,000.	Only extension of time	-
4.	Hotel building G+5	Tesfatseyon (5) GC plc.	Wolaita sodo municipality.	45,000,000	Only extension of time	-
5.	Enyate medium clinic building G+2	M/s Biruk Godebo GC .Plc.(9)	Ato Tesfamichel Tafese	11,238,967	145,000.00	1.27%
6.	Constriction School and library.	M/s Israel kifile GC.	Wolaita sodo municipality.	1449661.94	Only extension of time	-

5. CONCLUSION

Delay caused employer. This can be related to delay in access of possession of site, delay in payment. The data from contractors response in questionnaire indicates that 53.3% claim of occurrence for all category fall under "Medium" range, and 31.7% of the claim fall under "High" range. The engineer instruction (for example, the alteration of work to change 4mm thick aluminum frame into 6mm was cause of claim for contractor in construction of Wolita zone police administration). External environment (it nature related and physical condition). when we say nature related, it can be from unforeseen effects, like weather condition, flood, disease etc. the effect of weather condition has significant factor for contractor to claim for extension of time which is observed in some Mr. Zeleke construction plc. The physical condition is factors like material price increase, increase in rental rate of machineries and lack of construction material availability from which the six contractors response in questionnaires indicate that 31.7% "Highly" cause of the claim in the project.

Average delay in completion of the project becomes 46.84% in project, which is indicated in table 2. The project delay in completion will suffer the use of building for intended purpose. For example, there were constructions of school and library, which delayed for 45%, disrupt the work of education, societal development and public use in general. When the project delay it always causes liquidated damages for client and may bring an extra cost for the project beyond in the contract agreement. The contractors are enforcing themselves into profit from construction of building. The business relationship with client will be exposed due to claim. The claim management is important section of construction. According to MDB-FIDIC clause 20, If the Contractor considers himself to be entitled to any extension of the Time for Completion and/or any additional payment, under any Clause of these Conditions or otherwise in connection with the Contract, the Contractor shall give notice to the Engineer. The contractor documentation of claim is important for the validity of the claim. If the contractor claim is valid it is better for both parties to negotiate on the claim to become economical and easily settlement within short period of time for local contractors. It is better to continue with the claim management procedure.

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