Construction is one of the main sectors in the Palestinian national economy. Since nineties the observable expansion of this sector has led to the revival of the construction profession, promoted and encouraged new investments in Palestine. So it is essential to examine all component of this industry to assist the development of this industry in Palestine.

The financial components of any construction item consist of three main parts, the direct costs, indirect costs and profit margin. Because of the importance of the indirect cost, it is beneficial to investigate this part and investigate its influence on the contractors’ strategies and their business progress. In this project the overhead cost in construction project in Palestine will be investigated. Although overhead cost are extremely important in construction estimation, they can be easily overhead. Neglecting overhead cost has forced some contractors out of business, because these costs constitute a significant portion of the total cost.

This research, will consist of two parts, one purely theoretical and other will be the application of the result obtained from theoretical research on a construction project that was executed and compare the estimated overhead cost with the actual overhead cost in this project, in order to represent some recommendations that would constitute a point of reference in how to deal with overhead cost in any construction project.

The first part of research will cover following main aspects:-

1- Cost definition, classification of cost and the concept of overhead cost.

2- Classification of overhead cost.

3- The importance of studying, analyzing and investigating overhead cost.

4- Study the effect of the proper management to decrease or increase the overhead cost.

5- Prepare a questionnaire which will be provided to a representative sample of contractors in order to collect data about overhead cost head cost in actual construction project.

* company's ability to adhere to the implementation of projects according to the specification within the contractual period ,etc.
* Based on the survey results, high competition in west bank construction industry may enforce the contractors to reduce the company overhead cost percentage. Hence, the risk connected with any unexpected delay will be increased in addition to interruption in project continuity.
* The respondent‘s contractors prioritized the elements of home office overhead costs between 23 elements at least. It was clear through the survey that office engineer salary, purchasing of tenders and security bid guarantees, and home office quantities surveyor come at the earlier and important home office overhead elements.
* The respondent‘s contractors prioritized the elements of field overhead costs between 28 elements at least. It was clear through the survey that the costs of value-added tax, project income tax, electrical and mechanical necessary equipment, project guarantees, site engineer salary and surveyor Salary come at the earlier and important field overhead elements.
* Contractors need to be better informed about overhead costs through short courses, seminars, professional and scientific societies. Contractors should be aware of the benefits of reduced company overhead costs to their organization and to the construction industry. Less overhead means more efficient organization.
* The contractors should be aware to the overheads through periodic auditing and recording in order to control the expenses, establishing records and data, and be able to determine the percentage of overhead within the submitted bids.
* From the results of the survey, it is highly recommended for the owners to put the overheads in separated items within the bids can be priced by the contractors.
* Contractors are recommended to establish cost control plans to help reduce company OH costs. Such plans should contain cost objectives, implementation steps, monitoring, and corrective actions.
* Maintaining sound safety programs helps reduce insurance costs.
* Customer satisfaction helps in maintaining good reputation, which helps in obtaining loans and other financial services at lower costs.
* Applying the right combination of resources, which allows maximum utilization of company head office manpower.
* Contractors and project owners should try to resolve the problem of delayed payments in order to reduce financing costs.
* Contractors should implement cost control measures on supervision costs, equipment costs, temporary constructions, and financing costs as these items constitute the major project OH costs.
* It is highly recommended to submit clear detailed breakdown for the overheads cost. Such this breakdown will assist in solving overheads claims as a reference for agreed items in advance.