



The FIDIC Annual Review for 2006-2007

*Representing globally the consulting engineering industry*

# Message from <sup>2</sup> the President

## Consulting engineering – A softer image

*Global warming*

*Climate change*

*Poverty*

*Sickness and disease*

*Natural disasters*

..... world headlines, not normally associated with consulting engineers. Until now. A focus for FIDIC and its Member Associations has been to raise the profile and image of the consulting engineer, with “consulting engineer” used in the broadest terms.

Despite the mixed views on global warming, those at the forefront in dealing with its already significant effects are consulting engineers. Even society, despite having at best a rudimentary knowledge of the work of this vital industry, has an expectation that consulting engineers will fix the problems.

### *International recognition*

The focus of the FIDIC ASPAC Asia-Pacific Regional Conference for the consulting engineering industry, held in Pakistan in May 2006, was the management of disasters. I was able to explain to the audience and to government officials that our industry was not only about developing technical solutions: it could also be a critical contributor to mitigation. Consulting engineers should therefore be more involved in forward planning and decision making on appropriate infrastructure.

This perspective dovetails with discussions held with the international development banks, the United Nations and others on how consulting engineers can make a significant difference to poverty alleviation through working closely with governments and aid agencies on strategies for bring vital infrastructure to impoverished regions. Without access, water and energy, improvement in local communities and local economies is not possible.

The same argument applies to the pitiless battle against disease and health problems, due in large part to inadequate, or simply inexistent, infrastructure.

In all these situations, decisions are often being made without adequate consultation with those best able to provide an appropriate solution – the consulting engineer. This situation needs to change, otherwise little progress can be made. Humble and shy by nature, most professional consulting engineers are reluctant to push themselves forward. Neither do they see themselves as natural humanitarians. Hence the reason for having global, regional and local voices for the industry.



*Jorge Díaz Padilla, FIDIC President, second from the right, with on the right, Barry Grear, President-Elect, World Federation of Engineering Organizations (WFEO), during a meeting with the WFEO in Tunis in May 2007. FIDIC will sign a memorandum of understanding with the WFEO at the FIDIC 2007 Singapore Conference for collaboration on specific projects and programmes.*

### *A softer side*

There is always a fine balance for an organization such as FIDIC, with its focus on improving the business of consulting engineering. Roughly speaking, some 80 percent of all investment in goods and services is focused on 20 percent of the world's population, whereas only 20 percent is available for the other 80 percent, where the softer side of the industry can more readily manifest itself.

However, even throughout the developed world, the “human” image of the industry can, and should, present itself, as opposed to the more “humane” side in the developed world. In the last century, it is said that some 90 percent of all improvements to economies, and to people's way of life, were the result of the efforts of engineers in general, and consulting engineers in particular.

Unfortunately, the image of their work was not always presented in a “human” way. It was presented in terms of solving problems, developing new technology, improved systems, etc, rather than adding value for clients, and for society, through the creation of a more comfortable lifestyle, healthier living conditions, greater freedom of movement, etc.

FIDIC is of the view that re-creating the image of the consulting engineering industry will also facilitate improvements to business opportunities, add more value, and hence have a positive impact on the bottom line. What is good for people and society in general, is also good for business.

**Jorge Díaz Padilla**  
*FIDIC President*

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## FIDIC Design-Build Operate Contract

Following the publication by FIDIC in 1999 of Conditions of Contract for Construction, for Plant and Design-Build and for EPC/Turnkey Projects it became clear that there was a growing need for a document which combined a design-build obligation with a long-term operation commitment. While there are alternative scenarios encompassing the Design-Build-Operate (DBO) concept, it was also recognised that different scenarios require different contract conditions. Moreover, the conditions applicable to short-term operation differed considerably to those applicable to long-term operation. A further consideration was whether it was best to approach a DBO project as a single long-term contract or as two separate or linked contracts.

In publishing the new FIDIC® Conditions of Contract for Design, Build and Operate (available as a pre-press seminar edition in September 2007), FIDIC has chosen to adopt the green-field DBO scenario, with a 20-year operation period, together with a single contract awarded to a single contracting entity (almost certainly a consortium or joint venture) to optimise the coordination of innovation, quality and performance, rather than award separate contracts for design-build and for operation. The contractor has no responsibility for either financing the project or its ultimate commercial success. The new contract is unsuitable for contracts which are not based on the traditional Design – Build – Operate sequence, or where the operation period differs significantly from the 20 years adopted by FIDIC.

The FIDIC DBO Contract is recommended for general use where tenders are invited on an international basis. When preparing conditions of contract, the drafters (a FIDIC Contracts Committee Task Group chaired by Michael Mortimer-Hawkins comprising Axel-Volkmar Jaeger, Des Barry, Anton Bauer, Christoph Theune, Erica Lund, and Nael Bunni) attempted to include all conditions of a general nature, which are likely to

apply to the majority of DBO contracts, into Part 1 - General Conditions. However, many employers, contractors or governments or even different jurisdictions may require specially adapted conditions of contract, or indeed particular procedures, which differ from those included in the General Conditions. The DBO contract therefore also contains Guidelines for the Preparation of Special Conditions to assist users in drafting clauses to replace or supplement the Part 1 clauses. Carefully thought out Particular Conditions may be required in some jurisdictions, particularly if the General Conditions are to be used on domestic contracts.



Users who wish to adopt these DBO conditions for use on a different scenario, or with an operation period significantly different to the 20 year period assumed, are referred to the FIDIC DBO Contract Guide (planned for publication in 2008), which identifies the areas that will require close attention and gives comprehensive guidelines and suggestions on how they should be addressed.

FIDIC also recognises that the successful performance of a long-term DBO contract requires that the parties to the contract fully understand the time framework and the need for a long-term commitment by both the employer and the contractor. To achieve this understanding and commitment, it has been necessary to introduce new procedures and terminology (visual flow charts are included in the DBO contract to facilitate their understanding). In the final Trial Edition published in late-2007, the DBO contract will also include sample forms to help the parties have a common understanding of what is required by third parties such as providers of securities and guarantees, and what is considered to be accepted good practice.

## The last 12 months - a selection of key events

CEAT-Thailand visit, Oct 2006  
FIDIC GAMA Africa Task Force, Lagos, Feb 2007  
ACES-Singapore visits, Oct 2006, Mar 2007  
FIDIC-ICC conference, Hong Kong, Nov 2007  
CEI Summit Economic Forum, Tirana, Nov 2007  
Gulf Engineering Forum, Al-Khobar, Nov 06  
ESCON-Egypt visit, Nov 2006  
Asian Development Bank Resident Mission training programme  
CICA and World Bank procurement meeting, Dubai, Nov 2006  
International Contracts Users Conference, London, Dec 2006  
FIDIC eFIDIC training platform launched, Jan 2007  
Contracts Committee: London, Jan 2007; Berlin, May 2007  
Executive Committee: New Delhi, Jan 2007; London, May 2007  
Millennium Challenge Cooperation, USA, acquire FIDIC contracts licence  
UAE visit, Feb 2007  
ACEA-Australia visit, Feb 2007  
FIDIC-IFC ADR Roundtable, Sarajevo, Feb 2007  
Canadian Standards Association BIMS meeting, Mexico, Feb 2007  
ACENZ-New Zealand visit, Feb 2007  
ACEP-Pakistan visit, Mar 2007  
ACE-UK London 2009 Conference meeting, Mar 2007  
World Economic Forum meetings, Geneva, Mar 2007  
CECOPHIL-Philippines visit, Mar 2007  
Asian Development Bank visit, Mar 2007  
OICM-Mali Seminar, Bamako, Mar 2007  
CNAEC-China visit, Mar 2007  
China certification agreement, Mar 2007

IFC Monitoring and Evaluation Meeting, Cairo, Mar 2007  
Canadian Standards Association BIMS agreement, Mar 2007  
FIDIC ASPAC Asia-Pacific Regional Conference, Lahore, Mar 2007  
SKOL-Finland 40th Anniversary, Mar 2007  
STD-Sweden visit, Mar 2007  
A/EBC - JEA Jordan Ministerial Conference, Dead Sea, Mar 2007  
Moscow visit, Apr 2007  
USIC-Switzerland visit, Apr 2007  
ACEC-USA visit, May 2007  
ACEC-USA Convention, May 2007  
FIDIC Seminar, Oman, May 2007  
Capacity Building Committee, London, May 2007  
BIMILACI meeting, Washington DC, May 2007  
ACEC-Canada visit, May 2007  
AJCE-Japan visit, May 2007  
FIDIC GAMA Africa Regional Conference, Gaborone, May 2007  
APPC-Portugal visit, Jun 2007  
AusAID acquires MDB Contract Licence  
EFCA Conference, Rhodes, Jun 2007  
ANBEIC-Tunisia visits, May 2007; Jun 2007  
FIDIC-CICA meeting, Jun 2007  
African Development Bank visit, Tunis, May 2007; Jun 2007  
Tecniberia-Spain visit, Jul 2007  
Iraq Trust Fund training contract awarded  
UN Global Compact meetings, Jul 2007  
ACEN-Nigeria visit, Jul 2007  
UNCITRAL meetings, Vienna, Sep. 2007

# Committees, Task Forces and Forums

## Consolidating numerous activities

The following reports summarise the activities of the various FIDIC committees. All committees are made up of volunteers from the consulting engineering industry and other related industry sectors. Those wishing to be considered for nomination to a FIDIC committee are urged to contact a FIDIC national Member Association, which will forward any recommendations to the FIDIC Secretariat for possible nomination and subsequent approval by the FIDIC Executive Committee.

### FIDIC Executive Committee

The FIDIC Executive Committee (EC) is responsible for the federation's governance and strategic planning, on behalf of the FIDIC membership represented through the General Assembly. Current members are: Jorge Díaz Padilla (President), Mexico; John Boyd (Vice-President), Canada; Maxime Mazloun (Treasurer), France; Adebayo Adeola, Nigeria; Geoff French, UK; Subhash Mehrotra, India; Flemming Bligaard Pedersen, Denmark; Xie Shaozhang, China; Gregs Thomopulos, USA.

The committee met in January in New Delhi 2007, and used the occasion to participate in a FIDIC - CEA-India seminar on capacity building and sustainable development. All of the committee members were also available to represent FIDIC around the world, but generally in the region where they were at home. Similarly, at the EC meeting in London in May 2007, members were able to take part in activities organized by ACE-UK. There are three vacancies for election to the committee at the 2007 General Assembly Meeting in Singapore, on 12th September 2007.

### Assessment Panel for Adjudicators

The primary objective of the Assessment Panel for Adjudicators (P. Chapman, chair, I. Leto and G. Jaynes) is to ensure that FIDIC has available competent and experienced adjudicators to support the FIDIC contracts. Adjudication is now a key feature of effective contract administration, particularly with its emphasis on risk management and risk mitigation, as well as timely and cost effective means to resolve disputes. With the pending retirement of two senior panel members, the Executive Committee has selected two candidates to participate in Assessment Panel for Adjudicators (APA) activities, so as to ensure a smooth handover.

APA assists the FIDIC President in making appointments to Dispute Adjudication Boards under FIDIC contracts. It also arranges for the assessment of individuals who wish to make themselves available through the FIDIC President's List of Approved Dispute Adjudicators. An assessment workshop in late-2006 resulted in 12 successful candidates from eight different countries being admitted in 2007 by the Executive Committee to the President's List. The demand for Dispute Adjudication Boards has already seen several of the new listees being pressed into action on dispute boards early on in their terms.



The FIDIC Executive Committee 2006-7. From the left, John Boyd, Enrico Vink (Managing Director), Geoff French, Jorge Díaz Padilla, Adebayo Adeola, Subhash Mehrotra, Peter Boswell (General Manager), Flemming Pedersen, Xie Shaozhang, Maxime Mazloun, and Gregs Thomopulos.

In addition to providing advice and assistance with FIDIC seminars and workshops that promote and explain dispute resolution procedures, APA has also been consulted by Member Associations wishing to develop their own lists of adjudicators based on FIDIC criteria. A number of countries have developed, or are in the process of developing, their own dispute resolution services in support of contracts implemented locally. It is envisaged that such experience will provide useful training opportunities for subsequent international service.

### Business Practices Committee

During the past 12 months, the Business Practice Committee (G. Thomopulos, Chair, F. Cölasan, A. Hirovani, P. Rauch, R. Prentiss, and A. Thornton) produced several policy guidelines and reference documents applicable across the consulting engineering industry. They were often based on documents prepared by task groups of volunteers from various Member Associations, thus reflecting issues relevant in the marketplace or responding to requests from member firms. The documents were policies on: *Professional risks in partnering*; *Reviewing the work of a professional consulting engineer*; *The role of the consulting engineer in design-build*. These policies were commented on in the *FIDIC 2006 Annual Review*: all are freely available from [www.fidic.org/policies](http://www.fidic.org/policies).

The *Professional risks in partnering* policy recognises the increased interest in partnering, alliancing, joint venturing and the like, and sets out some of the key issues that need to be dealt with or considered. These issues are also taken up by the FIDIC 2007 Singapore Conference.

Work continued on a new *FIDIC International best practice guide for consulting engineers in PFI projects*, which was published in late-2006 as an electronic "living" document so that it can be easily updated. FIDIC believes that PFI/PPPs will enhance public welfare by delivering and/or operating projects more effectively and efficiently, while satisfying all stakeholders' obligations, responsibilities and appropriate risk sharing. The roles of consulting engineers vary widely in PFI/PPP. Their clients are not only public agencies but also Special Purpose Vehicles (SPVs) and financiers/banks. Consulting engineers bring value to those clients by achieving value for money, transferring and mitigating

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risks, and bringing efficiency to public welfare. Consulting engineers also provide expertise, taking into consideration each stakeholder's role with impartiality and neutrality.

In parallel, the European Federation EFCA released a position paper on institutionalized PPPs as they apply under European Union legislation. A second EFCA paper looks at the award of PPPs for project delivery. These documents were fed into the work of the FIDIC task forces, and vice versa, to ensure clarity and commonality on the approaches adopted.

FIDIC has for many years acknowledged the significant impact of price bidding on the consulting engineering industry. One of the key factors contributing to this practice is the lack of clarity on the services required and those that are being offered by consultants. There are no defined terms: hence the focus on price as the determining factor, rather than quality. A new Definition of Scope guide aims to provide a tool to allow firms to fully describe the scope of their services, and to differentiate themselves from those offering reduced services (and reduced fees). In addition, the guide should provide some standardisation of work phase definitions around the world. It is not intended to be a "must do" guide since procedures, definitions and consent requirements vary around the world. The draft guide presently comprises an introduction followed by the broad definition of nine work phases. A detailed definition of each phase by engineering discipline may be developed at a later stage, once broad agreement is reached within the industry. It is planned to launch the guide at the FIDIC 2007 Singapore Conference, with publication in 2008. The work of the Definition of Scope Task Force is proceeding in parallel with a study being funded by the European Commission investigating the possible standardization of professional services in Europe. Comments and information have been shared on a regular basis.

## Capacity Building Committee

The Capacity Building Committee (B. Adeola, chair, J.C.W. Ritchie, F. Cölasan, J. Haddad, R.A. Kell, F. Ochoa, G.S. Pirie, and A. Rév) received a major boost during 2007, including a refocused terms of reference, and additional members to assist the committee in its many tasks. One of FIDIC's main objectives is to build a viable consulting engineering industry worldwide: FIDIC wishes to ensure the formation and smooth operation of quality consulting firms that are able to deliver quality projects to clients anywhere in the world. The committee's scope is potentially very broad, with the following key areas: policy (policy formulation at the International, national and association levels); policy implementation, with the emphasis on monitoring and control; education (at the basic and professional levels); business practice skills; education of government, international funding institutions and procurement and stakeholder organizations on the need for capacity building and the procedures for achieving it; institutional strengthening, especially the formation of strong Member Associations to ensure capacity building; appropriate rewards, to attract and retain high calibre of people in the industry; procurement procedures and practice to ensure capacity building; corruption: identification of corruption as a major obstacle to capacity building and the need to fight this monster; industry structure: the need to have the right balance of small, medium

and large firms to be able to engage governments and large clients, high quality of work and training opportunities for a large number of staff; international consulting engineering industry: this includes the challenges of multinational and national firms, small and large firms, international procurement practices among others; country environment (governance, economy, rule of law, corruption, government support); quality and sustainability as overriding factors to be taken up in capacity building.

Some of these areas are covered by other committees. They clearly demonstrate, nonetheless how the core FIDIC objectives require careful management to ensure cross fertilization and the best use of limited resources. FIDIC needs to select and concentrate its efforts on international organizations, but will seek to collaborate where necessary with Member Associations in order to ensure that a consistent message is delivered. The committee is therefore focussing on a few key areas, including: the provision of training materials; strategies related to FIDIC seminars and workshops; relationships with training providers and partners. Nine potential target groups were classified into four broad groups as follows: national governments; multinational communities; national consulting engineering industry; international consulting engineering industry.

## Conference Committee

A major task for the Conference Committee (R. Crouch, chair, G. Fujie, M. Mazloun, J. Díaz Padilla, E. Vink) over the past 12 months was involvement in, and oversight of, the first ever combined conference of FIDIC and the European sister federation EFCA in Budapest in September 2006. With some 700 delegates, partners and guests, the conference exceeded expectations, with workshop panels and a diverse group of speakers exploring issues related to the consulting industry's perspective. The conference was launched as the first in a series of three conferences that will analyze: the current state of the industry; the challenges and opportunities; and a way forward as trusted advisors to society, the theme for the 2008 Québec Conference. Close collaboration with host association AHCEA-Hungary enabled a relatively smooth and rewarding programme to be enjoyed and appreciated by participants from 62 countries. During the General Assembly, CEAI-India was chosen to host the FIDIC 2010 conference. In the early part of 2007, attention turned to proposals to host the 2011 conference in Africa. Meanwhile, planning is well underway for the 2008 conference in Québec, and the 2009 conference in London.

## Contracts Committee

This Contracts Committee (A. Jaeger, chair, P.E. Jenkinson, C. Wade, N. Bunni, M. Mortimer-Hawkins, and C.R. Seppala) oversaw a number of task groups which have been very active during the past 12 months, reviewing existing documents or

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developing new ones for the consulting engineering industry. Based on the widely used *FIDIC® Conditions of Contract Plant and Design-Build*, FIDIC's new and eagerly awaited *FIDIC® Conditions of Contract for Design, Build and Operate Projects* is in the final stages of preparation, involving extensive consultation with members and organizations allied to FIDIC. This mammoth task resulted in a draft being sent out for review to selected experts in early-2007. Following a formal legal review, a Pre-press Seminar Edition, containing most of the elements of the final Trial Edition, will be published in time for a launch workshop planned for the FIDIC 2007 Singapore Conference.

Good progress was also made on a new guideline document, *FIDIC Procurement Procedure*, covering the effects of both the publication of new FIDIC Forms of Contract during the 1990's, particularly the new suite in 1999, and the introduction of new approaches to projects, including methods of contractor selection and implementation. *FIDIC Procurement Procedure* will provide up-to-date detailed guidance on each step in the tendering process, complemented by sample documents covering, for example, expressions of interest, prequalification, and instructions to tenderers, together with sample forms for different contract arrangements.

A new edition (the fourth) of the primary FIDIC document, the *FIDIC® Client-Consultant Model Services Agreement* (White Book) was published in late-2006, in parallel with a survey of the use of client-consultant agreements worldwide. Positive discussions with the International Institute of Architects may lead to its adoption by architects in the near future. Another Contracts Committee task group has been working on new editions of the *Joint Venture Agreement* and the *Sub-Consultancy Agreement*. It is envisaged that these final drafts will be available for discussion at the FIDIC 2007 Singapore Conference.

Also in the pipeline is a new edition of the civil works subcontract to make the document compatible with the 1999 1st Edition of the *FIDIC® Conditions of Contract for Construction*. Although not universally endorsed by major contractors, both the construction industry in general and consulting engineers involved in construction management believe there remains a strong demand for a sub-contract to the standard FIDIC Construction Contract.

FIDIC has been working closely with several multilateral development banks (MDB) regarding official translations of the highly respected and increasingly popular MDB Harmonised Edition of the *FIDIC® Conditions of Contract for Construction* that is used under licence by all the major multilateral development banks. Versions in French, Spanish and Portuguese have been prepared by the banks, and FIDIC has arranged for Member Associations to have the right to publish translations in other languages. Moreover, during the past 12 months, successful negotiations were held with several bilateral organizations, and the

first of these has now signed an agreement with FIDIC to adopt the MDB Harmonised Construction Contract for the projects it funds. Discussions are also taking place with the contracting industry on a new guide or a supplement to the current edition of the contract, to complement the *FIDIC Contract Guide* supplement on the MDB Harmonised Contract.

Regarding the 1999 suite of FIDIC contracts, the Contracts Committee has recommended to the Executive Committee that a review be undertaken of the Construction, Plant and Design-Build, and EPC/Turnkey contacts when the committee's current tasks have been essentially completed.

## Finance Committee

The Finance Committee comprising M. Mazloum, F.B. Pedersen, chair, and E. Vink reviews FIDIC finances and offers advice to the Executive Committee on subscriptions, the annual budget, financial risk, investment strategies, conference budgets, and committee expenses. As FIDIC has significant reserve funds with revenues in several major currencies (subscriptions in Swiss francs, Bookshop sales in Euro, events revenues in various currencies, etc.), the committee is increasingly concerned with investment strategies and currency fluctuations. FIDIC aims to follow a conservative policy based on short- and medium-term deposits in Swiss francs which allow flexibility with cash reserves. Current policies do not support speculative ventures or long-term investments. Of increasing interest to the committee is the balance between FIDIC's commercial activities and the "standard" services provided to members. The fact that commercial activities sponsor products and services for members is a growing concern, in that it relies on revenues not provided by members through membership fees. New strategies for deciding upon priorities and budgets will be investigated in the near future.

## GAMA Task Force

The FIDIC Group of Africa Member Associations (GAMA) Task Force (A. Adeola, chair, P. Batumbya, M. Parent, E.S. Pedersen, and G.S. Pirie) announced key elements of a draft strategic plan for Africa at the FIDIC GAMA Africa 2006 Regional Conference in Tanzania. The draft focused on improved networking, skills development and greater use of local resources. With it came an ambitious plan offering a constructive approach to collaboration within Africa, as well as a real opportunity for identifying and promoting local resources. Training and development was also high on the agenda. Several options are explored, involving local and international trainers, together with strategies for obtaining support. One-page action plans were presented and discussed at the 2006 International Consulting Engineering Conference in Budapest for: the use of FIDIC documents for marketing GAMA; Member Association benchmarks; policies for procurement and capacity utilisation; strategies for capacity development; the implementation of a new GAMA organisational structure; a proposal for a GAMA secretariat; a member firms database; co-operation strategies for African consultants.

The task force's strategy was adopted at the 2007 GAMA Africa Regional Conference in Gaborone, Botswana. A new GAMA

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Executive Committee was elected, with Exaud Mushi from Tanzania as the chair. Other members are: Mayen Adetiba, Nigeria; Arthur Taute, South Africa; Bob Izzert, Botswana; Nabil Chater, Tunisia; Ashraf Zaki, Sudan; George Sitoli, Zambia.

## Integrity Management Committee

A major initiative of the Integrity Management Committee (F. Ochoa, chair, R.W. Bowes, F. Cölasan, M. Damhaug, J.C.W. Ritchie) in 2006 was to negotiate support from the Canadian Standards Association (CSA) to promote FIDIC's Business Integrity Management System (BIMS). A memorandum of understanding was signed for the CSA's Quality Management Institute to help FIDIC promote the BIMS product (now trade marked). New marketing and training tools will be prepared to support Member Associations and QMI's efforts to promote BIMS throughout the consulting engineering industry.

Given the developments in the consulting engineering industry, and ongoing discussions with multilateral development banks, the United Nations and other international agencies, FIDIC conducts regular surveys amongst its members to monitor the adoption and implementation of BIMS in firms. An initial survey in 2005 reported at the FIDIC 2005 Beijing Conference indicated that some 70 firms of all sizes in over 20 countries had already implemented an integrity management system. The survey is being repeated in 2007 for reporting at the FIDIC 2007 Singapore Conference.

During 2006, the Executive Committee also gave the green light to a companion integrity management system called the Government Procurement Integrity Management System (GPIMS) aimed at procurement agencies. It has been test-marketed by the committee, and is believed by FIDIC to offer the public sector a useful tool for dealing with corrupt practices. GPIMS was unveiled at the biennial BIMILACI meeting of the multilateral development banks with the consulting industry in May 2007. Several training workshops and seminars on the use of BIMS have already been held as part of FIDIC capacity building programme, and seminars on GPIMS are planned in the near future. Meanwhile, the committee is developing an extensive training resources kit to supplement the *FIDIC Guide to Practice Manual* BIMS module.

In a similar vein, FIDIC has taken to task those organizations advocating greater transparency and directing various battles against corruption. FIDIC's approach is more along the lines that "corruption is real; it is wrong; we should show that we are doing something about it; and we should be able to verify what is being done". Recognition of this effort would also help in gaining further support from firms for integrity management.

## Membership Committee

The Membership Committee (S. Mehrotra, chair, G. Fujie, K.K. Kapila, R. Unüvar and E. Vink) has been kept busy reviewing enquiries and applications for FIDIC membership. Considerable FIDIC activity in the Gulf region, eastern Europe and North Africa has resulted in an upsurge in interest in FIDIC activities. A number of new members will be presented to the General Assembly Meeting (GAM) in Singapore in 2007.



*The 2006 FIDIC Young Professional Management Training Programme trainees shortly after receiving certificates at the FIDIC 2006 General Assembly Meeting, held during the FIDIC 2006 Budapest Conference.*

In order to streamline industry development and simplify membership options, the committee has proposed merging Sustaining and Affiliate memberships and creating a new category of Associate Member to enlarge the scope of Corresponding membership. Proposals to be made to the 2007 GAM will enable FIDIC to focus on those individuals or organizations which have an active interest in the work of FIDIC (Affiliates) and those organizations aspiring to become full members and evolve as the voice of the FIDIC in their countries (Associates). To accompany these proposals, the committee will also review the products and services to members, as well as the material provided to members outlining the benefits of FIDIC membership.

In 2006, FIDIC gained one new Member Association, the Association of Consulting Engineers of Mali (OICM). New Affiliate Members were: R. Appuhn, Italy; P. Dalland, Australia; Formosa Transnational, China - Taipei; P. Loots, Australia, readmission; D. May, Dubai; Kuwait Ministry of Planning, readmission; MACE-Serbia; Mongolian Association of Road Engineers

## Risk and Liability Committee

The primary focus of the Risk and Liability Committee (K. Corbett, chair, A. Thornton, S. Bamforth, N. Fung, M. Hohberg, Q. Koen, U. Kohli, and J. Trant) has been to review the existing FIDIC suite of risk management tools, and to develop a set of priorities for the consulting engineering industry. High on the agenda has been the issue of unlimited liability for consulting engineers, as well as identifying better ways for dealing with disproportionate liability. With the appointment of a new chair jointly with the European federation EFCA, some commonality in both the approach and the use of scarce resources is possible. Committee members will outline FIDIC's priorities at a special workshop planned for the FIDIC 2007 Singapore Conference. Given that risk is an integral component in other activities, there is also close collaboration with other FIDIC committees such as Contracts Committee and the Capacity Building Committee.

## Sustainable Development Committee

Project Sustainability Management (PSM) seminars and workshops were the main focus of the Sustainable Development Committee (W.A. Wallace, chair, J. Boyd, J. Boswell, I. van der Putte, H. Schirmer, and L. Walker) over the past 12 months, with members of the committee active in a number of different countries. It is recognized that the PSM framework offers a useful way of working through the important variables of sustainable development for a given project. However, an increased emphasis on the commercial benefits of PSM (as opposed to the underlying theoretical concepts) has suggested that efforts would be greatly enhanced through the addition of materials designed to facilitate implementation of PSM.

The problems and urgency of sustainable development are seen as offering the consulting engineering industry an extraordinary opportunity to expand its status and professionalism. The only way society is going to make progress toward conditions of sustainability is by having consulting engineers identify, develop and apply new technologies that deliver increasingly more sustainable performance. This can only happen through setting up engineering services procurement processes that select on the basis of knowledge and performance, and share risk. In other words, there is a close link to best practice in procurement, the key focus of the Business Practice Committee.

Sustainability problems are seen as problems that involve the interactions of multiple systems and disciplines. This suggests that a new and more holistic approach to design is needed. Unfortunately, the current approach to design involves a series of handoffs from one discipline to the next, each acting more or less independently. Initial work using holistic design methodologies has delivered performance gains some ten times greater than those achieved using conventional methodologies. This illustrates what can be achieved by updating procurement procedures.

The committee is therefore now charged with developing new tools for holistic solutions, and for creating, designing and visualizing sustainability issues. Tools are needed to help clients, stakeholders and project team members analyse project options, benefits, and problems in new ways. The aim is to develop new guidelines for Project Sustainability Management as a workbook for consulting engineering firms. This work will require the assistance of additional volunteers, so recruiting committee members is also a priority. Liaison with other FIDIC committees on procurement issues will continue to take place.

Meanwhile, the Sustainable Development Committee will continue to develop the case for PSM, within both Member Associations and consulting firms and organizations which are able to influence procurement processes to recognize the importance of sustainability in project selection and implementation.

## Young Professionals Forum

With the recruitment and retention of professionals becoming a significant issue globally, the role of young professionals has been having a more pronounced impact on the the consulting engineering industry. Keeping track of developments has been a priority of the FIDIC Young Professionals Forum (R. Stump, co-chair, K. Akinaga, co-chair, Y. Asada, M. Diracca, T. Gargett, G. Gyovai, B. Larsen, K. Ndwandwe, S. Royse, A. Sweeney). An increasing number of FIDIC Member Associations are establishing their own young professionals programmes and endeavouring to share and learn from other associations through the FIDIC Young Professionals Forum (YPF) network. National young professionals groups that have formal contacts with the FIDIC YPF are organized by: ACEA-United Kingdom, ACEA-Australia; SNILPI-Italy; CEAI-India; AJCE-Japan; KENCA-Korea; ONRI-Netherlands; SAACE-South Africa.

Although working mainly through the Internet, the YPF has also produced several newsletters which were distributed to FIDIC members. These covered a broad range of topics such as the involvement of YPs in association activities, the very successful FIDIC YP Management Training Programme, the organization of YP workshops at the FIDIC conference, and surveys on recruitment issues. In order to make the YPF more sustainable, members are invited to lend their support and their ideas to this increasingly important group.

### BIMILAC 2007

A major event in the FIDIC calendar is the *Biennial Meeting of the Consulting Industry with the International Lending Agencies* (BIMILACI). All the major development banks participated in BIMILACI 2007 together with representatives of FIDIC, the European federation EFCA and the America's federation FEPAC, and the FIDIC GAMA Africa and ASPAC Asia-Pacific FIDIC regional groups. The meeting was hosted by the Interamerican Development Bank, Washington DC, in May 2007. The agenda, established by FIDIC in collaboration with the banks, aimed to highlight the importance of quality under the title "Partners for quality infrastructure".

A key presentation by Gian Casartelli of the World Bank on the effectiveness of the bank's policy for consultants was based on a report commissioned by the bank. The report recommended that quality considerations need to be reinforced by "rephrasing consultant selection guidelines, clarifying selection principles, and using quality-cost based selection less often". The outcome of the meeting, reported in the June 2007 edition of *FIDIC News*, was an agreement to focus on selection methods, timeframes, shortlisting, terms of reference, scope of service, scoring formulae, and capacity development. Other major outcomes were agreements to hold workshops to a) review anticorruption tools, including the FIDIC® Business Integrity Management System and Government Procurement Integrity Management System; and b) share tools on sustainable procurement, including the FIDIC® Project Sustainability Management approach.

## Sustained performance

### The Treasurer's Report

Continuing the 2005 trend, the FIDIC 2006 accounts gave a net surplus of CHF 165,818. This strengthened the reserve funds, bringing them to CHF 750,385. Moreover, the full amount of the licensing royalties from the Multilateral Development Bank Harmonised Edition of the *FIDIC Construction Contract*, as well as other licence fees acquired in 2006, and part of the federation's reserve funds, were invested in Swiss franc bonds and fiduciary deposits to an amount of CHF 1,556,250. These two major elements on the balance sheet reflected FIDIC's reasonably sound financial situation. They should protect the federation for the next few years from most significant contingencies. The 2006 results were achieved thanks to the Secretariat's sustained effort and outstanding performance, and to the contribution of all the volunteers who help develop FIDIC activities around the world.

Based on the conclusions of the Auditors' report, it was noted that all the components of the annual income for 2006 were on-target compared to budget forecasts:

- Member subscriptions continue to improve year after year; reaching a total of CHF 1,014,000 in 2006, compared with the budgeted CHF 945,000.
- Publications sales of CHF 977,135 were equivalent to a new record for the fifth successive year, defying fairly prudent projections. It seemed that the sale of publications is boosted by the increasing number of training courses and seminars, which were excellent tools for promoting FIDIC products.
- Direct revenues from the development and monitoring of seminars exceeded forecasts, amounting to CHF 93,583 against CHF 90,000 in the budget approved by the 2005 FIDIC General Assembly Meeting (GAM).
- Revenues from the licence agreement with the multilateral development banks were strengthened with the confirmation of the African Development Bank's commitment.

Regarding expenditures, two items which are higher than budgeted should be pointed out. A one-off investment of almost CHF 140,000 in information technology was needed for updating the FIDIC website and to launch the new eFIDIC online training platform. Second, it was decided to print French and Spanish translations of 1999 editions of the FIDIC contracts in 2006. Meanwhile, the exchange variation of the US Dollar was an unpredictable risk; its impact in 2006 amounted to approximately CHF 40,000.

Mid-year accounts for 2007 were in line with the approved budget; no major risks could be identified. The 2008 budget has been submitted to the 2007 GAM for comment and approval. The unit fee for membership (CHF 3.1 per member firm staff person) was due to be revised after three years without change. However, considering the positive results for 2006 and a reasonable surplus expected in 2007, the Executive Committee's recommendation was to postpone any revision. Nonetheless, the Executive Committee believed that membership fees should be broadly indexed to inflation given that the Secretariat's workload showed no sign of decreasing, and products and services needed continuous updating.

**Maxime Mazloum**, FIDIC Treasurer

### The Managing Director's Report

Travelling on a regular basis sometimes raises some interesting questions? What sort of environmental footprint do I leave behind? All those hours in airports, spent waiting: some are more productive than others. I am waiting for some clever engineer to devise a moving seating system so that people can do something useful while they wait at check-in counters.

Yes, I did find myself traveling much more in 2006 (some 225,000 km) than in 2005 (160,000 km). Perhaps it had something to do with becoming more settled in the job as FIDIC Managing Director; but also because there was a stronger demand for FIDIC presence or attendance at particular conferences and seminars, to meet members, clients, authorities, and the media. Hopefully, by spreading the word about consulting engineers, raising their profile and facilitating their ability to offer greater innovation and creativity in their professional work, then eventually my environmental footprint will be erased or at least partially compensated.

#### *A global perspective*

When people learn that I am not an engineer, but that I represent some three million of them globally, they ask what I do. The simplest answer I give is that I travel around the world to learn more about them, to share ideas with them, to inform people about the industry, and basically, to tell the story of consulting engineers. So, I am a story teller. Something I learnt early on however, and this explains why I work for FIDIC, is that the story of consulting engineering is well worth telling. Every day, we see examples of the amazing things that engineers and their professional colleagues do. Every day, we also witness examples of the frustrations they face in carrying out their work, or in being able to offer quality, innovative solutions. Anything and everything FIDIC can do to remove such frustrations will enhance the image of consulting engineers, as well as enrich their work conditions and improve their bottom line.

#### *An enhanced profile*

The last 12 months was full of highlights for FIDIC. They included meetings with members at regional events such as the GAMA Africa and ASPAC Asia-Pacific regional conferences, in Gaborone and Lahore respectively, where the international voice of consulting engineering merged with local and regional voices to reinforce the key messages of quality service, adding value, and making a difference to the lives of so many people, whether private companies, or local communities.

Similar messages were conveyed in slightly different ways to many different audiences during the year: government officials; NGOs; multinationals; professional groups; Member Associations. In all

cases, the message was kept simple, since in the increasingly complex and cluttered world of consulting engineering, the key messages can sometimes become diluted. Despite our advanced technologies, time keeps pressing, and deadlines keep getting shorter. Risks increase, but not always the commensurate resources to deal effectively with such risks, and also to reap the rewards for taking on those risks.

Tackling such issues has also become a major priority for FIDIC, as they detract from the core business of consulting engineers, which is to provide high quality service with its maximum benefits. Small wonder that addressing unreasonable liabilities and ensuring that adequate professional indemnity cover is available on the market also feature in the FIDIC Business Plan.

### *People make the difference*

Although there are many priorities on the FIDIC agenda, including integrity, sustainability, procurement of services, business practice and the like, it is becoming increasingly clear that the lack of skilled professionals is fast becoming the number one issue in many countries. Member Associations are all looking for ways to engage with their politicians, the media, their schools and educators, to promote the benefits of the industry and the opportunities within the industry. They also stress the critical importance of consulting engineering for economic growth and prosperity, poverty alleviation, mitigating the effects of disasters and climate change, and improving the well-being of society.

In short, the world needs consulting engineers more than ever. Only by keeping the message short and simple, can positive progress be made.

**Enrico Vink**, *FIDIC Managing Director*

### **The Secretariat**

Although there were no changes to the FIDIC Secretariat staff over the past 12 months, the increased demands for FIDIC services clearly demonstrated that resources (three full-time, and three half-time staff) were still severely stretched. As these pages demonstrate, the variety and large number of tasks undertaken by non-profit organizations for members requires a unique set of skills, considerable patience and fortitude, and a love for the job.

### *FIDIC Secretariat*

The reports in this *Annual Review* indicate that FIDIC is everywhere, and in demand. Developing and maintaining international benchmarks is both demanding and challenging, involving as it does some 200 volunteers in over 30 countries. Although still largely operated according to conventional association practice, in FIDIC there is an interesting balance between traditional services paid for by membership subscriptions, and expanding commercial activities, based around the sale of FIDIC products and the organization of training events, that needs appropriate management.

Given the demand for FIDIC's resources, ways are being sought to continually improve existing services, as well as eliminate less productive services. Funding is needed to boost in-house technical capabilities, in order to support the new services, and to reduce the unreasonable burden on current staff.

### *eFIDIC Training Platform*

Further improvements were made over the last 12 months to FIDIC's electronic tools – more user friendly online services have been made available for document sales and events management. There is now also far greater integration between the various sections within the Secretariat, with the consolidation of facilities having streamlined considerably internal and external communications.

A new eFIDIC online training platform has also been developed to offer increased access by members to online training in FIDIC contracts and best practice. eFIDIC is being used as the training platform for the 2007 FIDIC Young Professionals Management Training Programme (YPMTP), which this year had a full house of 30 participants from around the world. eFIDIC will be launching on-line training in FIDIC client-consultant agreements (the so-called Module 0 in the *FIDIC Contracts Training Manual*) in early-2008, followed by Module 1 (Practical use of FIDIC contracts) later in the year. These courses will adopt the YPMTF format involving online presentations and discussions in a virtual classroom, complemented by reports and answers to case studies developed using web-based tools such as online forums.

### *FIDIC Events*

The demand for FIDIC training and capacity building courses, workshops, seminars and conferences has kept the Secretariat fully stretched, facilitating and arranging for trainers and local organizers, often in partnership with a FIDIC Member Association.

<b>FIDIC Contacts</b>		
Email: fidic@fidic.org		
- Managing Director	Enrico Vink	tel.: +41 22 799 49 03
- General Manager	Peter Boswell	tel.: +41 22 799 49 06
- Secretariat	Eivor Chollet	tel.: +41 22 799 49 00
- Accountant & Subscriptions	Maria Trabazos	tel.: +41 22 799 49 02
Email: fidic.pub@fidic.org		
- Bookshop	Peter van der Togt	tel.: +41 22 799 49 05
Email: fidic.events@fidic.org		
- Events	Silvia Fossati	tel.: +41 22 799 49 04
FIDIC Websites		
- www.fidic.org	Public resources; Bookshop; Events	
- www.fidic.ch	Internal documents; User Forums	
- www.efidic.org	eFIDIC Training Platform	
- www.fidic2007.org	FIDIC Annual Conference	
FIDIC Conferences		
- 2007	Singapore, 9-13 September	
- 2008	Québec, 7-11 September	
- 2009	London, 7-11 September	
- 2010	New Delhi, 12-16 September	

## FIDIC 2006 - 2007 training events

Thousands of engineers and other professionals, government officials and construction industry managers now take advantage of the FIDIC training events that are arranged for them in their region in several languages. FIDIC offers *Contracts Training Manual* module 1, 2 and 3 training courses in English, French, Spanish and Arabic. There are over 40 FIDIC-organized courses each year, and the first courses are planned for the USA and China in the near future. Over the past 12 months, FIDIC courses have been launched in Spain, France, Tunisia, Egypt and Jordan.

### FIDIC Bookshop

With FIDIC Bookshop revenues reaching another all-time high in 2006, illustrating the strong demand for FIDIC contracts and best practice guides, the main developments over the last 12 months involved: a) consolidation and rationalisation of the licencing of FIDIC contracts; b) the setting up of procedures to handle the Multilateral Development Bank (MDB) Edition of the *FIDIC Construction Contract*; c) translations.

As indicated in the last *Annual Review*, FIDIC licences users to prepare bespoke contracts on a one-off basis for either a single project or for use by an organization within a defined framework. This has resulted in the larger international law firms acquiring the right to prepare bespoke contracts under certain special circumstances, and the licencing by major organizations to use FIDIC contracts, either unchanged or modified slightly to fit their special requirements. Of the bespoke licences, the licence with the MDBs for the MDB Harmonised Edition is the most important. Over the past 12 months, FIDIC has been able to ensure that bilateral agencies can acquire a licence for their projects using a simple, no-objection procedure (the first such licence has been granted to AusAID). A similar procedure has also been agreed with the MDBs for Member Associations wishing to publish translations of the Harmonised Edition in a language that is not the responsibility of one of the MDBs (translations of the contract into nine languages are underway using the procedure).

For the MDB translations, the French version published by the World Bank has been harmonised with standard 1999 edition of the *Construction Contract*, and similar exercises are underway for Spanish and Portuguese. Finally, efforts to consolidate and improve translations of the 1999 suite of contracts continue. For instance, a task group is harmonising the Arabic translations for re-publication by several associations in Arabic speaking countries, and an APPC-Portugal task force is preparing Portuguese translations with the view to their eventual use in Portuguese-speaking countries in Europe, Africa and South America. FIDIC is also negotiating with the MDBs licence terms for the *FIDIC® Short Form of Contract* for small works as opposed to the World Bank Smaller Works contract that will remain in use.

Aside from FIDIC contracts, the services agreements suite (Client-Consultant; Joint Venture; Sub-Consultant; Representative) is being updated along with several risk management documents. A major effort has also been launched to supply all translations of FIDIC documents in electronic formats through the FIDIC Bookshop, together with all the guides and similar documents that assist users of the FIDIC contracts.

FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, September 2006  
 FIDIC-Cornerstone Contracts Workshop, Amsterdam, October 2006  
 FIDIC-ECV Dispute Resolution Course, Bucharest, October 2006  
 FIDIC-ICC Arbitration Conference, Paris, October 2006  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, October 2006  
 FIDIC-ECV Contracts Course, Brussels, October 2006  
 FIDIC-Cornerstone Contracts Workshop, Dubai, November 2006  
 FIDIC-ECV-Tecniberia Contracts Course, Madrid, November 2006  
 FIDIC-ECV Dispute Resolution Course, Brussels, November 2006  
 FIDIC-CEAI-CDC-ICT Contracts Course, New Delhi, November 2006  
 FIDIC-FMCI Contracts Seminar Casablanca, November 2006  
 FIDIC-ACEM BIMS Seminar, Kuala Lumpur, December 2006  
 FIDIC International Users Conference 2006, London, December 2006  
 FIDIC Young Professionals Management Training Programme 2007  
 FIDIC-ACESL Dispute Resolution Course, Sri-Lanka, January 2007  
 FIDIC- EFCA PSM Seminar, Brussels, January 2007  
 FIDIC Contracts Seminar, Oman, January 2007  
 FIDIC-CEAI, CB and PSM seminars, New Delhi, January 2007  
 FIDIC-ADB Contracts Courses, Vietnam, Bangladesh, India, Indonesia, Pakistan, January to March 2007  
 FIDIC-ECV Contracts Course, Abu Dhabi, February 2007  
 FIDIC-ECV Dispute Resolution Course, Brussels, March 2007  
 FIDIC-ECV-Syntec Contracts Course, Paris, March 2007  
 FIDIC-ETC-AVE Seminar, Amman, March 2007  
 FIDIC-OICM Seminar, Bamako, March 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, March 2007  
 FIDIC-ESCONC-CRCICA Contracts Course, Cairo, April 2007  
 FIDIC-ESCONC-CRCICA Dispute Resolution Course, Cairo, April 2007  
 FIDIC-ICC Arbitration Conference, Dubai, April 2007  
 FIDIC-ECV-CAPM Dispute Resolution Course, Zagreb, April 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, April 2007  
 FIDIC-ECV Contracts Course, Bucharest, May 2007  
 FIDIC-ECV-DRBF Adjudicators Course, Bucharest, May 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, May 2007  
 FIDIC-ECV-MMC Contracts Course, Washington, May 2007  
 FIDIC-Cornerstone Contracts Workshop, Abu Dhabi, May 2007  
 FIDIC-JCC-ECV Dispute Resolution Course, Barbados, May 2007  
 FIDIC-ETC-AVE BC, Contracts Course, Amman, June 2007  
 FIDIC-ETC-AVE BC, Dispute Resolution Course, Amman, June 2007  
 FIDIC-ECV Dispute Resolution Course, Brussels, June 2007  
 FIDIC-ECV-BACEA Dispute Adjudication Course, Sofia, June 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, June 2007  
 FIDIC-ECV-ARIC Contracts Course, Bucharest, June 2007  
 FIDIC-JCC-ECV Contracts Course, Trinidad, July 2007  
 FIDIC-JCC-ECV Dispute Resolution Course, Trinidad, July 2007  
 FIDIC-CEAI Dispute Resolution Course, New Delhi, September 2007  
 FIDIC-CEAI-NHPC Contracts Course, New Delhi, September 2007  
 FIDIC-CEAI Dispute Resolution Course, Bangalore, September 2007  
 FIDIC- Iraq MoE training programme, Amman, August 2007  
 FIDIC-ACENZ, PSM Seminar, New Zealand, August 2007  
 FIDIC-ACEA PSM Seminars, Melbourne and Sydney, August 2007  
 FIDIC, DBO Contract Seminar, Singapore, September 2007  
 FIDIC-Cornerstone Contracts Workshop, Amsterdam, September 07  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, 20 September 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, September 2007  
 FIDIC-ECV Contracts Course, Brussels, October 2007  
 FIDIC DBO Contract Seminar, London, October 2007  
 FIDIC-ECV Contracts Course, Washington DC, October 2007  
 FIDIC-ECV Contracts Course, Tunis, October 2007  
 FIDIC-StPCP-ECV-RAEC Contracts Course, St. Petersburg, October 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, October 2007  
 FIDIC-ESCONC Contracts Course, Cairo, October 2007  
 FIDIC-ESCONC Seminar, Cairo, October 2007  
 FIDIC-CECOPHIL Dispute Resolution Course, Manila, October 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, November 2007  
 FIDIC-ECV Dispute Resolution Course, Abu Dhabi, November 2007  
 FIDIC-Cornerstone Claims Management Workshop, Dubai, November 2007  
 FIDIC-ECV Dispute Resolution Course, Brussels, December 2007  
 FIDIC-Cornerstone Contracts Workshop, Warsaw, December 2007  
 FIDIC Users Conference, London, December 2007  
 FIDIC-VBI-VUBIC-HöK Contracts Seminar, Cologne, December 2007