



The FIDIC Annual Review for 2007-2008

Representing globally the consulting engineering industry

Message from the 2 President

The industry's global voice

Since the presentation of the FIDIC strategic plan *Engineering Our Future* in 2004 there has been an effort to increasingly focus FIDIC's business activities on implementing the plan. The last 12 months have been no exception to this general rule. Much of this *Annual Review* describes activities that have been carried out in pursuing the plan, and can be read in conjunction with the FIDIC *Business Plan*. In addition, the FIDIC Executive Committee (EC) has been exploring a vision for FIDIC in 2013 (which is FIDIC's centenary) as the natural outcome of trends that we can see affecting our organization.

FIDIC in 2013

Increasingly, FIDIC's revenues are not coming from membership fees, but from the sales of best-practice documents and FIDIC contracts from the FIDIC Bookshop, licencing, adjudicator appointments, and from a rapidly growing business in training events. This is a trend that we believe will continue – each time that another group signs on to use FIDIC contracts or business practice as a standard, a request for training seems to come in the next sentence. For the EC, it has now become an accepted fact that to deliver our message effectively – to get it out and in use in the companies that ultimately make up FIDIC's membership – we need to develop and deliver courses, workshops and seminars around the world so that individual practitioners both understand and use FIDIC materials.

Currently about 60% of FIDIC revenues come from non-fee activities. This has allowed us in recent years to offer more services while keeping the fee level unchanged. The EC believes that this is healthy because ultimately the purchasers of these documents and services vote on their suitability with their wallets every time they make a purchase. It also helps keep FIDIC relevant, and we structure much of what we do in this sense so that national Member Associations participate in the revenues. It does raise the question, however, about how far the commercialisation of FIDIC should be allowed to go. The EC believes that by 2013, fee revenue may only amount to 30% or less of the total FIDIC budget.

There are currently 78 Member Associations in FIDIC. The EC believes that by 2013 that number will be 100. In order to achieve this goal, and to increase the representation of the industry by FIDIC, the EC is making greater use of the new Associate Member category. The aim here is to bring countries into membership that have not yet quite fulfilled all the requirements of full membership (that is, they are in the process of qualifying for Member Association status), and to appeal to other related associations who are not as large as the main association in a particular country and therefore do not qualify to be a FIDIC Member Association. In addition, we are looking for ways to use the Affiliate membership category to actively seek involvement by other groups who work with our industry.



John Boyd, FIDIC President, is seen here speaking at the FIDIC 2007 General Assembly Meeting, Singapore, on taking office. Dr Boyd is with Golder Associates, Canada, where he was until recently Vice-President, Corporate Operations.

FIDIC has traditionally devoted much time and effort to our relationship with the Multilateral Development Banks (MDB's), not only because they are major clients of our industry but also because they often set the pace for changes that affect governments, who are also major clients. There are also many industry sectors which are major clients (extractive and natural resource industries, manufacturers, the real estate industry, etc.) that FIDIC would like to know better, and with whom we believe we could have mutually beneficial relationships. Representatives of some of these sector will speak on the role of consulting engineers in society at the FIDIC 2008 Québec Conference (7-10 September). Our intention is that this will be the start of more significant involvement with other client groups. Thus, by 2013, we anticipate that Affiliate and Associate members will be much larger and more active classes of membership than at present, and we expect to routinely develop working relationships with other industry sectors and with other associations to jointly encourage business development.

As FIDIC continues to evolve, regional groupings become more important. During the last 12 months we have seen major conferences in South Korea for the ASPAC – Asia-Pacific group and in Tunisia for the GAMA – Africa group as these entities develop regional interests that need a more local focus for discussion. FIDIC is now engaged in a significant discussion with EFCA, the European federation that draws members from the same associations as FIDIC. In a recent survey, these members voted overwhelmingly to roll the two organisations together, with the regional organisation continuing with its responsibility for being the industry spokesperson with respect to the European Union. We believe that this is a very positive step and we look forward to the culmination of these discussions and the full membership of "EFCA within FIDIC". We would also like to extend this model to the inclusion of FEPAC (the South American federation) within FIDIC. This has been an objective for some time and we are now beginning another aggressive campaign in South America to bring this to a positive conclusion. By 2013, we would like to see a full suite of regional groupings acting as the focal points of FIDIC's presence within each geographic region. For a variety of reasons, the EC also believes that it would be appropriate for FIDIC staff to be represented within these regions – in some cases to facilitate the delivery of training, workshops and seminars locally, and in other cases to provide services that might be more economic in one area than they are in another (e.g., information technology services).

The concept of FIDIC in 2013 outlined above reflects our EC discussions over the past 12 months, and we would greatly appreciate hearing from our members on these issues as we develop a vision for the organisation in the future. The following notes describe what has happened these past 12 months as we continue to work on our current strategic plan.

Message from the President

Promoting a definition of Quality

In September 2007 at the FIDIC General Assembly Meeting I expressed some frustration with our regular BIMILACI biennial meeting with the MDB's. BIMILACI is useful for exchanging views but for some time it has not lead to any engagement between FIDIC and the banks, other than the meeting itself. In October 2007 we held a separate discussion with the Heads of Procurement of the major institutions where we explored ways to work more closely together. We talked about quality in consulting engineering now embodying the additional concepts of integrity and sustainability. Out of the conversation came the suggestion that we should present our efforts in these two areas at two-day seminars in Washington DC in June 2008 following visits to each of the banks to promote the idea. We put a good deal of effort into promoting and delivering the seminars, which were attended by a number of staff of the institutions we had visited, and there was an immediate acknowledgement from the attendees that our efforts on the FIDIC Business Integrity Management System (BIMS) and its equivalent (GPIMS) for government procurement agencies were relevant to the banks' new emphasis on preventing corruption. In addition, the participants were eager to learn of our experience in building Project Sustainability Management (PSM) into projects. At the meeting there was a suggestion that we could usefully work together on the issue of ensuring that procurement practices supported the banks' policy level objectives for sustainability. Subsequently, the Heads of Procurement have made it very clear that they, as a group, do not intend to work closely with FIDIC in these areas.

The driver for these efforts is the recognition on our part that further progress depends on enrolling client groups in our efforts. We thought that the MDB's would be natural allies in this effort but apparently as a group this is not correct. Individually, they show

more interest and may be more receptive: we shall see if this is the case over the next few months.

Meanwhile, FIDIC was invited to participate in an invitation-only meeting of the World Justice Forum, a group focused on improving adherence to the rule of law on a global basis and very well funded by the Ford Foundation and the Gates Foundation in the USA, among others. In this group, we see potential allies at a very senior level on the integrity issue from the legal and other professions, and we shall continue to explore what we might do together. Interestingly, the lawyers were very surprised and impressed by the work that had been done by consulting engineers on the issue of corruption.

Many of our project clients have adopted a progressive stance in the area of sustainability. Over the next few months we will explore with these groups possible joint efforts to develop our ideas further, aided by the efforts of the Sustainable Development Committee, to define the next stage for FIDIC's PSM guidelines. We think that this effort will help us find natural allies, and will enable us to develop closer relations with other client groups in our industry. So we should maybe look for more participation by these client groups in future annual conferences, and for less participation by the MDB's.

In conclusion, it has been a hectic 12 months at FIDIC and this review has only scratched the surface of the many areas in which we have been active on behalf of members. By speaking out aggressively on the major issues that affect our industry, and by further developing our links with others who have similar interests, we hope to demonstrate that consulting engineers are indeed leaders whose opinions should be considered in world affairs. Silence has not served us well.

John Boyd, FIDIC President

The last 12 months - a selection of key events

UNCITRAL meetings, Vienna, Sep 2007
ONRI-Netherlands 90th anniversary meeting, Sep 2007
FIDIC-MDB Heads of Procurement meeting, Paris, Oct 2007
EFCA Directors and Secretaries meeting, Bucharest, Oct 2007
RIF-Norway visit, Oct 2007
FIDIC-ICC conference, Hong Kong, Nov 2007
Transparency International meetings, London, Nov 2007
JACEC-Jordan visit, Amman, Dec 2007
FIDIC International Contracts Users Conference, London, Dec 2007
Executive Committee meeting, Madrid, Jan 2008
World Federation of Engineering Organisations MoU signed, Jan 2008
2008 Young Professionals Management Training Programme, Jan 2008
JACEC-Jordan visit, Feb 2008
IsDB visit, Jeddah, Feb 2008
SEC-Saudi Arabia visit, Riyadh, Feb 2008
Syria visit, Damascus, Feb 2008
ESCON-Egypt visit, Cairo, Feb 2008
EBRD meetings London, Feb 2008
World Bank/IDB meetings, Washington DC, Feb 2008
ADB meetings, Manila, Feb 2008
CECOPHIL-Philippines visit, Manila, Feb 2008
AJCE-Japan visit, Tokyo, Feb 2008
AfDB meetings, Tunis, Mar 2008
BelACE-Belarus visit, Mar 2008
CNAEC-China visit, Beijing, Mar 2008
EFCA Directors and Secretaries meeting, St. Petersburg, Mar 2008
RAEC-Russia seminar, St. Petersburg, Apr 2008
Executive Committee meeting, Seoul, Apr 2008
UNEP Sustainable Buildings & Construction Initiative, Martinique, Apr 2008

FIDIC Awareness Seminar, Damascus, Apr 2008
ACEC-USA visit, Washington DC, Apr 2008
ACENZ-NZ visit, May 2008
FIDIC-Qatar Intensive Training Course programme launched, Doha, May 2008
ACEA-Australia visit, May 2008
ACET-Tanzania visit, Dar-es-Salaam, May 2008
CEAT-Thailand visit, Bangkok, May 08
Sustainable Building Alliance launched, Paris, May 2008
EFCA conference, Prague, May 08
FEPAC conference, Santiago, May 2008
FIDIC-ICC Contracts and Dispute Resolution Conference, Houston, May 2008
Dubai Housing Authority, UAE, acquires FIDIC contract licences
FIDIC-Indonesia Contracts Seminar, Jakarta, Jun 2008
ILO Labour Convention meetings, Geneva, Jun 2008
World Bank/ADB workshops, Washington DC, Jun 2008
FRI-Denmark visit, Copenhagen, Jun 2008
CEAI-India visit, New Delhi, Jun 2008
Consulting Engineers Africa 2008, Tunis, Jun 2008
JBC-Trinidad visit, Port of Spain, Jun 2008
JBIC, Japan, acquires Harmonised Construction Contract licence, Jun 2008
World Justice Forum, Vienna, Jul 2008
FIDIC-CECOPHIL-DBRF DAB Forum, Manila, Aug 2008
FIDIC 2008 Québec Conference, Québec, Sep 2008
IBA Conference, Brussels, Sep 2008

Global Representation

Summarising how activities over the past 12 months have carried forward strategic objectives.

Representation

To be the legitimate and effective representative of the consulting engineering industry, FIDIC must ensure that all relevant and qualified national industry sectors are members. As part of its strategy to represent as much as possible of the consulting engineering industry, so as to strengthen further its global voice, FIDIC continues to be active in most regions on a regional basis in parallel with international and national initiatives. A particular focus is central and eastern Europe where many countries are developing industry sectors. Fledgling associations have received support from FIDIC to become registered as not-for-profit organisations that are still foreign in some parts of a region known for strict control and state influence. The concept of innovation and private sector initiative is also virtually unknown as economic development has for many years been dominated by the state. Progress is slow, and frustrated by limited resources, something that FIDIC is aiming to overcome by seeking greater support from multi-national firms operating in the region.

The Middle East is another region with a high profile. Here too there is considerable interest in FIDIC and FIDIC conditions of contract, and the consulting engineering industry has a significant influence on engineering activities. The concept of a well organized and highly visible private sector industry group is still largely unknown, but progress is being made at the political level in helping to establish national industry associations. Fortunately, the support of multi-national firms tends to be more readily available in the region.

Looking ahead to its 100th anniversary in 2013, FIDIC has set a target of 100 members, up from the 78 at the end of 2007. The main areas of expected growth are in the Gulf, eastern Europe and Latin America. Each of these regions is at a different stage of development, and FIDIC's strategies for expanding membership are being developed accordingly. FIDIC can draw upon its considerable experience in demonstrating how private sector consulting engineering has a positive impact on economic growth.

Regionalisation

In order to improve its links to members, and to reinforce its role and to strengthen ties to the marketplace, FIDIC has been developing stronger support at a regional basis. For instance, FIDIC has increased support for regional events organised by the FIDIC GAMA Group of African Member Associations (chaired by Exaud Mushi, Tanzania) and the FIDIC ASPAC Asia-Pacific group of Member Associations (chaired by Aki Hirotoni, Japan). At the present time, GAMA is working on a call for proposals to establish a self-funded secretariat, as recommended by a 2005 FIDIC-GAMA task force.

In Europe, the policies affecting European Union member states have been closely monitored by EFCA, the European Federation of Consultancy Associations. FIDIC and EFCA have co-



Participants from a record-breaking 15 countries participated in the FIDIC 2007 Young Professionals Management Training Programme.

existed in Europe for some time, with EFCA focussing on European Union (EU) activities centred on Brussels, and FIDIC focussing on international best business practices from Geneva. Given the overlapping membership, there is a strong interest in consolidating or merging the two organisations, so that activities can be provided more cost effectively while building upon mutual strengths. The results of a survey and the recommendations of a special task force are now the basis for investigating various options for a proposed merger. Key issues in the EU include fair and transparent competition (this affects cross-border activity), professional indemnity insurance, fair and transparent procurement policies, and the use of EU funding in projects within and outside Europe, including the use of FIDIC contracts.

In South America, FIDIC has close links with the Panamerican Federation of Consulting Engineers FEPAC, currently based in Brasil. Given the increasing globalisation of the consulting engineering industry, FIDIC is keen to attract more national associations into membership, in order to meet more effectively, like FEPAC, industry demands in specific countries. Plans are now being developed to approach several countries in the region to discuss mutual interests and the possibility for closer ties to FIDIC.

Young professionals

Amongst members, young professionals need focussed attention. The FIDIC Young Professionals Forum (YPF) chaired by Richard Stump, USA, is responsible for a virtual group consisting of young volunteers from all across the world. It provides a vital network through which national programmes and experiences can be shared, where topics important to the industry can be debated, and feedback provided to FIDIC and Member Associations. The FIDIC YPF continues to expand as more Member Associations establish their own forums. Increasingly, these "future leaders" are being sponsored by their associations and, from time to time, individuals are now being elected to association boards to provide guidance and assistance.

Industry statistics

The understanding of market trends for consulting engineering services, the international benchmarking of firms, national industry sectors and industry associations, and the identification of the true scope and size of the consulting industry sector in each country are taken up each year by the FIDIC Annual Survey. Efforts are underway to reconcile top-down macroeconomic and construction activity data with bottom-up estimates of industry revenues based on sector activities and national industry surveys.

FIDIC is also currently working to identify partners to collaborate in some of these activities.

Image

FIDIC is charged with helping firms proactively seek opportunities to raise their public profile and the image of the consulting engineering industry. FIDIC events, whether national seminars, regional conferences or the FIDIC annual conference, are one of the key tools for raising the industry's profile, providing valuable opportunities for networking and for sharing the latest information on industry trends and business practice. The FIDIC conference clearly remains the consulting engineering industry's premier annual event. Confirming the strong interest, participants from 69 countries participated in the FIDIC 2007 Singapore conference organized in association with ACES-Singapore. Industry stakeholders explored their changing relationships, especially within the construction sector which dominates investment decisions for infrastructure. The conference made it clear that business develops successfully despite little being done at a political level to ease the environment in which firms operate, with important organisations such as the World Trade Organisation failing to understand the significance of engineering services.

In order to reinforce its role and to strengthen ties with the marketplace, FIDIC has not only ensured active participation in the regional conferences organized by EFCA and FEPAC but, as mentioned above, has given greater support to similar events organized by the FIDIC regional groups GAMA-Africa and ASPAC Asia-Pacific. Some 15 countries were represented at *Consulting Engineers Africa 2008* (Tunis; 20-24 June) organized by ANBEIC-Tunisia that brought together engineers and consultants from both the English and French speaking parts of Africa. The multi-purpose event included the FIDIC GAMA 2008 conference *Energy and the Environment*, African Development Bank workshops, seminars organized by ANBEIC, and a FIDIC training seminar on claims and dispute resolution. Whilst successful as a regional event, and demonstrating the depth and quality of consulting engineering in Africa, limited representation and travel options within Africa continue to frustrate the industry's penetration into a vast continent requiring the valuable services provided by consulting engineers.

Participants from some 25 countries attended the 2008 FIDIC ASPAC Asia-Pacific Regional conference *The role of engineering in the globalisation era* (Seoul; 22-25 May) that was organized by KENCA-Korea in close collaboration with other ASPAC associations and with the TCDPAP regional development programme. The conference concluded that the challenge for the consulting engineering industry is to find solutions to bridge the enormous gap between the needs and expectations of the region's broad and diversified group of economies. Greater collaboration between FIDIC and regional partners was therefore envisaged.

Other highlights of FIDIC's events programme over the last 12 months were training seminars that demonstrated the practical application of sustainability, as captured by FIDIC's Project Sustainability Management (PSM) guidelines, and FIDIC's commitment to fight corruption through its Business Integrity Management System (BIMS). Case studies demonstrated the



Participants from a record-breaking 69 countries attended the FIDIC 2007 Singapore Conference.

wide application of the FIDIC tools, both in raising the quality of services and in addressing stakeholder concerns. However, FIDIC still has much work to do in having such concepts more widely understood and implemented in an industry still dominated by price rather than by quality. FIDIC accepts the challenge represented by the large difference between the way private and public sector procurement functions.

Visits

Regular visits to Member Associations by FIDIC officers remain an integral part of the FIDIC strategy to maintain and enhance its visibility in the marketplace. They provide an ideal opportunity for exchanging information on market conditions, and on the policies and procedures developed by FIDIC for members' use. FIDIC is often able to directly assist or reinforce a Member Association's lobbying and marketing efforts. In many developing countries, visits by FIDIC also help close the loop on the development of best practices in procurement, which are at the heart of ongoing negotiations with development banks who seek to influence their borrowing countries. FIDIC visits are usually made by members of FIDIC committees and task groups: they are coordinated by the Secretariat and agreed by the Executive Committee.

Communications

The FIDIC website FIDIC.org remains the primary tool for disseminating FIDIC information. Refinements are made continually in order to provide greater access to the various activities undertaken by FIDIC: *Bookshop* for document purchase and downloads; *Events* for registration and resources for FIDIC events, the FIDIC International Training Programme and the FIDIC Capacity Development Programme; *News*; *User Forums* for resources on FIDIC contracts, business practice, capacity development, and industry data; *Regions* for access to regional groups and national associations; *Young Professionals* (YP) covering the YP Management Training Programme and the YP Forum; and finally the password-protected *Internal* website for members and committees. FIDIC.org now handles fee payments, document sales and event registrations amounting to some 3.5 million Swiss francs each 12 months.

FIDIC News

The FIDIC electronic *FIDIC News* remains the mainstay of external communications, being sent on a regular basis to committee members and to Member Associations for onward

distribution to member firms. It is read by many others who regularly visit the FIDIC website. FIDIC feels that many more consulting firms and individuals may also wish to have direct access to FIDIC information, so distribution to customers and a large number of industry contacts is planned.

International institutions

Interacting with International Financial Institutions (IFI's) on behalf of the consulting engineering industry remains a core strategic activity for FIDIC. The World Bank (WB) announced in 2007 that it planned to assess the capacity of borrowing countries to manage their own procurement of WB funded projects, a long-standing goal for the bank, and indeed for most Multilateral Development Banks (MDB's) in order to develop borrowing country capacity. Considerable effort has gone into addressing the concerns raised over the last 24 months by a number of stakeholders and organisations such as FIDIC. Although the direct impact on the consulting engineering industry is now minimal, thanks to FIDIC's interventions, FIDIC will be monitoring potential impacts on broader aspects of procurement in the countries selected for a pilot programme.

A related, and highly critical, issue for the MDB's is how best to address the capacity building needs of those countries which do not yet have the necessary capacity or skill to conduct their own procurement. FIDIC also has an interest with its capacity development initiatives and several best-practice tools such as BIMS, Government Procurement Integrity Management System (GPIMS) for government agencies, and Project Sustainability Management. GPIMS is modeled on BIMS and can be developed within procurement agencies in a similar way to firms, with management commitment at the top, an emphasis on training, and verifiable systems built into the organisation structure. FIDIC's interest led to two special workshops held in June 2008 to look in more depth into the issues raised by the use of country procurement systems for bank-funded projects before new programmes are implemented.

Over the past 12 months FIDIC was requested to comment on draft changes to procurement policies and procedures for several MDB's, including the EBRD, the AsDB and the AfDB. Such requests reflect the strong connection between FIDIC and the MDB's, and a recognition that it is better to involve FIDIC at the early stages, rather than have FIDIC express concern after the event, when changes prove difficult to implement in the marketplace.

Business Practice

FIDIC's strategic plan *Engineering Our Future 2004* and its *Business Plan 2006-9* recognise that as the role of consulting engineers evolves and globalisation increases, the demand for world-class quality services tailored to local conditions will also increase. This requires the development and promotion of best

practice. Record document sales attest to the fact that FIDIC conditions of contract are becoming the global standard: not only widely known, but widely used. Sales for the last 12 months were up almost 30% relative to the previous period. The bulk of the increase is reflected in the sale for immediate downloading of electronic documents, either as individual documents or as collections of documents, now by far the preferred delivery format, through FIDIC's 24 hours a day, seven days a week on-line Bookshop.



Contracts

In developing and updating standard forms of contract, priority was given to the world's first standard form of *Conditions of Contract for Design, Build and Operate Projects* (DBO), which has been modeled on the harmonised 1999 suite of FIDIC contracts (for Construction, Plant and Design-Build and EPC/Turnkey projects), but containing new concepts to deal with the operational aspects of a DBO project. The 1st Edition of the DBO Contract, replacing the 2007 Seminar Pre-Press Edition, was drafted by a Contracts Committee task group led by Michael Mortimer-Hawkins, Sweden, and Axel Jaeger, Germany. The DBO Contract 1st Edition will be published at the FIDIC 2008 Québec Conference.

Other projects in the pipeline under the overall direction of the Contracts Committee (A. Jaeger, Germany, *CC Chair*; N. Bunni, Ireland; P.E. Jenkinson, UK; M. Mortimer-Hawkins, Special Adviser, UK; C.R. Seppala, Legal Adviser, France; C. Wade, UK) include new editions of the *Standard Form of Subcontract* for use with the Construction and Plant and Design-Build contracts, and of the *Joint-Venture and Sub-Constancy Agreements* and their related guides. New contracts-related documents include a new edition of *Standard Prequalification Forms for Contractors* and *FIDIC Procurement Procedure* that replaces *FIDIC Tendering Procedure* and covers the whole of procurement, from initial considerations up until construction or installation contracts have been signed.

Business practices

The FIDIC Business Practice Committee (G. Thomopoulos, USA, *BPC Chair*; G. Bergen, Germany; F. Cölasan, Turkey; A. Hirotani, Japan; S.C. Mehrotra, India; L. Sagaya, Nigeria; A. Thornton, New Zealand) is responsible for developing FIDIC business practice policies and guides. A BPC task group chaired by Adam Thornton, recognized that the ultimate aim for those consulting engineers who design and construct buildings and infrastructure is to enhance the quality of the built and natural environment. The role of the design consultant is complex and at times ill-defined, with clients' misinterpreting expectations leading to poor quality and low fee levels. FIDIC plans to publish at the FIDIC 2008 Québec Conference a guide on the consultant's role in building construction that aims to standardise work phase definitions to improve the quality of services. Clients will be better able to define the scope of a project and to select a consultant based on the ability to perform all the tasks within the scope. The drafting task group collaborated with a EU review of scope

definitions, with the task group preparing the *FIDIC Procurement Procedure* guide, and with an International Standards Organization sub-committee that is standardising procurement terminology.

Understanding and dealing with risk remains a fundamental issue for all consulting engineers, where the marketplace remains strewn with obstacles. FIDIC and its Member Associations continue to battle with inappropriate liabilities being placed on consulting engineers by clients unaware of the shortcomings. The Risk and Liability Committee (K. Corbett, UK, *RLC Chair*; S. Bamforth, UK; N. Fung, UK; N. Grayson, Australia; M. Hohberg, Switzerland; S. Jenkins, New Zealand; Q. Koen, South Africa; U. Kohli, India; A. Thornton, New Zealand; J. Trant, USA) continues to review the FIDIC suite of risk management guides with the view to further updating of some of the documents, as they have proven to be of value to both firms and clients. The review includes the *FIDIC Guide to Practice Training Manual* risk management module. Moreover, *FIDIC Policies* dealing with risk-related issues (e.g., the role of the engineer, conflict of interest, site safety; the expert witness, professional risk and responsibility, alternative dispute resolution) that also form part of FIDIC's guide to practice are under continual review by the relevant committees. Longer term, FIDIC intends establishing a closer relationship with the insurance industry, in order to maintain robust discussions on developments and to clarify issues of mutual concern.

Dispute resolution

One major risk factor receiving much attention are disputes during a works project, whether Design-Bid-Build construction, Plant and Design-Build, EPC/Turnkey, or DBO. To mitigate the risks and to recognize the difficulties faced by the engineer to the contract or the equivalent, the Employer's Representative, FIDIC introduced Dispute Adjudication Boards (DAB's). DABs are not only intended for the resolution of disputes but, more importantly, to prevent disputes from arising. For larger and more complex projects, FIDIC advocates the appointment of DABs at the outset of a project, in order to review risk profiles for potential problems. Promoting DAB's is therefore a strategic goal. Guidelines on the use of DAB's are available from FIDIC. At the regional level, FIDIC ASPAC Asia-Pacific has helped organise an Adjudicators Forum with CECOPHIL-Philippines and the Dispute Review Board Foundation, with support from AJCE-Japan and the Japanese development bank, JBIC. In the Balkans, the International Finance Corporation has finalised an agreement with FIDIC to support alternative dispute resolution services, including adjudication. In the Middle East, FIDIC has presented DAB's at international dispute resolution conferences organized by SCE-Saudi Arabia. Finally, the FIDIC-ICC Contracts and Dispute Resolution Conference (Houston, TX, USA; May 2008) was the venue for the first major exposé by FIDIC of its DAB procedures in the Americas.

The FIDIC Assessment Panel for Adjudicators (P.H.J. Chapman, UK, *APA Chair*; G.L. Jaynes, UK/USA; I. Leto, Italy) helps maintain and oversee the *FIDIC President's List of Approved Dispute Adjudicators* from which the President, as a last resort, can make appointments under the terms of a FIDIC contract. With FIDIC's encouragement, several FIDIC Member Associations have established lists of FIDIC National Adjudicators offering experienced and qualified adjudicators capable of working in their

own language and understanding the local situation. The lists follow FIDIC guidelines, with FIDIC maintaining an access point for information at FIDIC.org/DAB. With the growing use of FIDIC contracts and the increasingly widespread adoption of DAB's at the national level, there is heavy demand for training. FIDIC has responded by organizing DAB training through all of the types of events (intensive courses; course; workshops; seminars; conferences) that make up the FIDIC International Training Programme. It is planned to collaborate in some of these events, notably intensive courses, with the insurance industry in view of the risk management aspects.

Business Development

To manage the impact of globalisation on the consulting engineering industry, FIDIC believes that member firms must expand their scope and extend their business and technical skills and management capacity into a broad range of areas while meeting world class standards for quality. To address this strategic goal, FIDIC organizes, with Member Associations wherever possible, the *FIDIC International Training Programme* (ITP) comprising FIDIC-organized and co-organized training events. These are based on the FIDIC Contracts and Guide to Practice training manual modules, with additional modules covering procurement and MDB procedures that combine elements of both contracts and business practice.

In parallel with the ITP, there is the *FIDIC Capacity Development Programme* (CDP) that comprises a variety of programme-based activities. Core elements are the *FIDIC Train-the-Trainers Programme*, *FIDIC Regional Training Programmes* and the *FIDIC Young Professionals Management Training Programme* (YPMTP), a seven-month online programme that concludes with working sessions at the FIDIC Annual Conference. Some 40 young professionals participated in YPMTP 2007 that culminated at the FIDIC 2007 Singapore Conference. Lessons learnt, plus the all-important networks established, are taken back by the young professionals into their firms and national industry groups. The YPMTP has evolved from a case-based programme covering parts of four of the Guide to Practice training manual modules to a more project-based programme. For the 2009 programme, it is planned to evolve towards line management training with more of the materials developed during the programme being used to provide state-of-the-art updates to Guide to Practice modules.

Acquiring support for the ITP and the CDP is essential. At the programme level, for the ITP, FIDIC has been able to arrange for sponsorship by BST Global of some six key events each year, and further sponsorship by firms is being sought. There are also opportunities for support from government agencies and the MDBs. The IFC is sponsoring FIDIC DAB training events in the Balkans with a view to extending the programme to other regions, and the World Bank regularly sponsors contracts training courses

in countries around the Indian subcontinent. For the CDP, most support is agency based. At the programme level, the African Development Bank confirmed at the FIDIC GAMA 2008 Conference that the development of local consulting capacity remained a high priority. A GAMA proposal for a collaborative programme is currently being reviewed by the bank. Meanwhile, FIDIC organizes each year training services for an Asian Development Bank programme that trains procurement officials and member firm staff in nine Asia-Pacific countries. The CDP also enjoys a large amount of national and local support. For instance, Capacity Development Planning Seminars in several countries were government supported, as are regional training centres in China, Korea, India and Jordan which have provided training on FIDIC Contracts and Guide to Practice training manual modules.

For the ITP, where events are in English, FIDIC partners with accredited training suppliers for training services (materials and/or trainers) for modules that meet the scope of the FIDIC training manuals. Generally speaking, suppliers will have only made the necessary investment in training materials if the commercial risks attached with supplying training services are acceptable. This is the case for most contracts manual modules, but not for business practice modules and for the modules that combine elements of both. Here, FIDIC is called upon to underwrite module development. FIDIC therefore continually strives to develop and update training modules capable, as a reference standard, of supporting a complete two- to three-day training course for 50 participants with case studies, worked example, presentation slides, course notes, trainer's notes, background resources and base documents. A package comprising all these elements can then be adjusted for the other types of training events. FIDIC accredits individual trainers and training suppliers to supply training using the FIDIC-supplied modules, which generally cover specialised topics such as PSM and BIMs/GPIMS. For more generic business practice modules, and it has been decided that the ongoing upgrading of the Guide to Practice manual should focus on state-of-the art practice and not on start-up situations in developing and emerging economies.

For the CBP, requirements regarding training resources are more demanding. Experience with FIDIC training centres in China and Korea highlighted the challenges of train-the trainers programmes to ensure that local training by FIDIC accredited national suppliers, often in a local language, maintains the FIDIC ITP's widely recognized standards of quality and excellence. FIDIC has started to arrange for the transfer training modules, both FIDIC and supplier owned, to accredited training suppliers which are either organized by or in partnership with a Member Association. It is anticipated that this process will accelerate to meet the growing demands. FIDIC no longer simply sells a document: it is seen as offering a comprehensive set of state-of-the art tools to implement projects. As the President has noted above, most sales immediately generate a request for support.

Quality and Sustainability

Quality is paramount when consulting engineers deliver services to clients, and FIDIC is charged with identifying and promoting ways to incorporate, in both business practice and projects, sensitivity to environmental, socio-economic and risk issues.

Quality

A FIDIC Quality Committee chaired by Walter Painsi, Austria, was established in 2007 with a mandate which extended beyond that of the former Quality Management Forum to cover service quality in the broadest sense. A key task is to maintain liaison with the ISO TC176 Technical Committee for Quality Management and Quality Assurance since it is important that industry sectors influence the development of ISO quality management standards. One TC176 group is looking at how sectoral documents dealing with the interpretation of the ISO 9001 quality management standard can be developed under the framework of ISO 9001. A second is looking more closely at planned revisions of ISO 9001 and ISO 9004 (Guidelines for performance improvements) to ensure that the ISO 9001 revision is formally an amendment to avoid the need for re-certification.

Another key activity relates to the procurement of consulting engineering services. Clients expect that high quality services will be provided that meet or exceed expectations; consulting engineers expect that a client will understand what services are required, and recognise their quality and value. Sadly, expectations differ. Traditional approaches for ensuring the supply of, and demand for, quality are inadequate in today's sophisticated markets, with its heavy demands from society. Private sector clients tend to have a greater understanding of the qualities they seek in a consulting engineer as it is their own money they invest under their own rules, subject of course to laws and regulations.

The public sector, however, has different challenges: it must obtain best value for money while accounting to the public at large. The rules when it comes to defining professional advice are thus less well known. FIDIC is therefore developing a broader definition of quality, to incorporate not only more traditional concepts of technical skill, relevant experience, a good track record, etc., but also important issues such as acting with integrity, being able to offer sustainable solutions, and experience in customer relations and community engagement. All of these aspects become part of the modern, successful consulting engineer's quality profile. As thinking develops, FIDIC is anticipating fundamental changes in procurement policies around the world.

Sustainability

At a historic workshop initiated by FIDIC in Washington in early June 2008, the major MDB's agreed to adopt a more harmonised approach to exploring policies and procedures that set the criteria for project planning. Although the MDB's were instrumental in adopting the *Equator Principles* in 2003, little concerted effort has been made to determine how the banks can influence sustainability in borrowing countries. Environmental policies are widely established, along with the usual economic policies; social factors are covered by existing policies. A structured, comprehensive approach encompassing all three dimensions of

sustainability such as FIDIC's Project Sustainability Management (PSM) has not yet been established. The MDB's now have a greater appreciation of FIDIC's approach to sustainability in procurement, and discussions are underway on a possible working party to examine the feasibility of procuring more sustainable projects for and with the banks' many borrowing countries. FIDIC is pleased to be part of this initiative, as it will not only lead to improvements in how projects are procured, but also establish quality as the paramount criterion in the selection of consultants. The articulation of PSM is mainly through FIDIC's PSM guidelines. The Sustainable Development Committee (W.A. Wallace, USA, *SDC Chair*; K.A.A. Adeola, Nigeria; J. Boswell, South Africa, I. van der Putte, Netherlands) is planning to update the guidelines in order for Member Associations and their member firms to better understand and implement PSM concepts into projects.

A crucial area for sustainable development is energy saving in the built environment, notably buildings. FIDIC through the SDC is involved at different levels with most of the main international initiatives such as the various UN Environmental Programme initiatives, ISO standards development and World Business Council for Sustainable Development studies. In most cases, the consulting engineering industry's input is vital with FIDIC's PSM often providing an overarching paradigm to encapsulate the many different agenda for sustainable development. For example, in early-2008, a SDC member (Ike van der Putte) was elected to chair the board of the *UNEP Sustainable Buildings and Construction Initiative* (UNEP SBCI), a global partnership between UNEP and worldwide leading companies to support sustainable solutions for the construction sector. A major SBCI activity aims to develop mechanisms so that building construction takes its proper place in carbon markets based on the Kyoto Agreement's *Clean Development Mechanism*. A new initiative is the *Sustainable Building Alliance* (SB Alliance) launched by the building research organisations responsible for the HQE and BREEM building certification schemes. It is envisaged that instead of having buildings rated according to several systems, a single certification by a SB Alliance team member will meet clients' expectations. Stakeholders will collaborate in the development of a core building assessment system. Since most rating systems will eventually allow ratings to be adjusted for local characteristics, incorporating PSM will ensure that local customisation is done rigorously and uniformly.

Ethics and Integrity

Corruption worldwide remains a plague, and the battle continues on many fronts, everywhere. Corrupt practices continue to haunt the construction industry, especially through inadequate and inappropriate policies and practices. FIDIC must represent and promote ethical business practices throughout the industry, and work with others to achieve this objective. It must also encourage consulting engineers to fight corruption and cooperate with other involved parties in this effort. With its development and promotion of specific tools such BIMS and the related GPIMS for government agencies, and the central role played by FIDIC works contracts and professional services agreements, FIDIC continues to demonstrate a high level of commitment.

Dr John Boyd, FIDIC President, in the centre, with Multilateral Development Bank Heads of Procurement during a meeting to plan the FIDIC-MDB Sustainability and Integrity Seminars, Washington DC, June 2008.



FIDIC's Integrity Management Committee (Felipe Ochoa, Mexico, *IMC Chair*; R.W. Bowes, Canada; R.G. Campen, Netherlands; F. Cölasan, Turkey; M. Damhaug, Norway; S. Kawaguchi, USA; H.Y. Park, Korea; J.C.W. Ritchie, India) reported in 2007 on an update of the FIDIC BIMS survey. It clearly indicated that, whilst the initial uptake of integrity systems was positive, the lack of support from clients and agencies reduced significantly the incentives. Client disinterest, with more and more firms indicating that they no longer wished to operate in countries where the risks were perceived as being too high, has tended to thwart some of FIDIC's efforts. While such a reaction is understandable, it also impacts negatively on those countries who most need the expert advice available from experienced consulting engineers. FIDIC therefore continued to advocate change, and called for client-industry collaboration in order to make a positive impact on corruption.

To achieve greater recognition by public sector authorities, FIDIC has recognised that public sector staff have a key role to play in developing high quality, sustainable projects. While some professional engineers working in the public sector are represented by associations, most rely upon the professional associations that make up the *World Federation of Engineering Organisations* (WFEO) to promote their interests as individual professionals. In late-January 2008, FIDIC signed a Memorandum of Understanding with the WFEO to expand joint activities, notably programmes to ensure integrity in project procurement and the application of sustainability principles in projects.

At a special workshop in Washington in June 2008, FIDIC made it quite clear to the major MDB's that little significant progress would be made in combating corruption if all parties were not involved. Punitive measures adopted by the banks to date are now well known to FIDIC members. To help restore a healthy business climate, FIDIC argued for recognition of integrity management tools such as the FIDIC's BIMS and GPIMS. The MDB's indicated that they were, in principle, interested in a counterbalance to their punitive measures by evaluating GPIMS as a possible complement to the monitoring of potential weaknesses in procurement through "Red Flags" that signal fraud and corruption.

Over the past 12 months, FIDIC also prepared a submission to the *Review of OECD Instruments on Combating Bribery of Foreign Public Officials in International Business Transactions* and continued to play an active role in the development of Transparency International's *Business Principles for Countering Bribery*.

A record-breaking 12 months

The Treasurer's Report

FIDIC's audited accounts for 2007 gave a surplus of CHF 298,365 including estimated taxes and a surplus from the FIDIC 2006 Singapore Conference. This raised reserves to CHF 1,048,750 at the end of 2007. Together with operating funds, they were invested mainly in fiduciary deposits and Swiss franc bonds amounting to CHF 1,451,725. The Executive Committee established that a 'worst case' scenario based on winding up FIDIC with no further income, staff lay-offs and cover for all legal obligations gave a reserve requirement of CHF 1.5 million to ensure no Member Association liability. It was therefore recommended that reserves continue to be accumulated.

Regarding income, invoiced membership subscriptions amounted to CHF 961,094 which was slightly more than the previous year and close to the amount budgeted with no new members in 2007. Publications sales at CHF 1,285,852 reached a new record for the fifth consecutive year (2006 sales were CHF 977,135). The increase seemed to be due to a booming construction market and a steady growth in awareness of the advantages of FIDIC's standard forms of contract. License fees including licences for the *Multilateral Development Bank Harmonised Construction Contract* totaled CHF 160,668 in 2007 compared to the previous year's CHF 137,323 owing to additional licences. Income from events other than the annual conference was CHF 74,244, compared with CHF 93,583 in 2006 and the budgeted CHF 100,000. The poor result stemmed from difficulties in recovering surpluses from event organizers, an issue that has been addressed in 2008.

For expenditures, committee expenses amount to CHF 296,196 compared to the budgeted CHF 260,000 owing mainly to increased Executive Committee expenses arising from association visits and representation duties. External services of CHF 98,893 were slightly higher than budgeted. It is planned to transfer, wherever possible, the costs of external services into committee expenses as this is the only way to offset taxes on the increased revenues from commercial activities while membership fee income remains constant. The cost of documents totaled CHF 213,694 compared to CHF 301,932 in 2006. In relation to the booming sales, the production of new documents and reprints in 2007 was unsatisfactorily low, owing mainly to delays in production.

For the balance sheet, outstanding subscriptions at the end of 2007 were CHF 105,159, double that for 2006 reflecting the late payment of fees by associations with some write-offs necessary owing to Affiliates leaving membership. Debtors on publications rose in line with the sharply increased revenue owing to the time lag in credit card receipts and a tendency for Member Associations, that are permitted to receive goods without prior payment, to settle late. Accrued expenses of CHF 342,017 contains deferred tax and planned and agreed expenses regarding document production postponed from 2007 to 2008.

A deferred income of CHF 1,148,944 as at the end of 2007 consisted of the residual on licences fees to be transferred onto the balance sheet each year until 2015.

For 2008, as of 1 July the forecast was a loss of CHF 200,000 including a very small surplus for FIDIC 2008 Québec, compared to a budgeted surplus of CHF 93,000 approved by the 2007 General Assembly Meeting (GAM). This is mainly due to postponing the planned production of documents until 2008. When analysing the 2007 accounts, the 2007 surplus should be considered in the light of the forecast loss for 2008. For 2009, the budget to be proposed to the GAM, based on accounts for previous years and the current forecast, envisages a surplus of CHF 5,000 including a surplus of CHF 50,000 for FIDIC 2009 London. The Executive Committee's recommendation is to keep the unit fee for 2009 for Member Associations unchanged at CHF 3.1 per member firm staff person.

Flemming Bligaard Pedersen, FIDIC Treasurer

The Managing Director's Report

This oft-quoted phrase "I have seen the enemy, and it is us" rang constantly in my mind as I traveled the globe, explaining to people what consulting engineers do and why they add value to our way of life. One of the most rewarding aspects of my work was to see the light switch on in peoples' eyes when they understood how consulting engineers contributed to improving their existence in so many ways. Conversely, one of the more frustrating aspects was to witness the lack of comprehension demonstrated by many consulting engineers, both in their own value, and in their inability to explain to others what they do, and why.

In presentations to Member Associations, and to other groups, I inevitably closed by trying to explain in simple terms that consulting engineers were human (do not laugh please), that they were very clever people (applause), and that they provided tangible and valuable things that had a significant, positive impact on people (even more applause, and foot stamping). In other words, the industry needed to be humanised, in order to demonstrate more clearly what it is it does and how it adds value. The more successful firms today were not those which were bursting with technical talent, but those which knew how to market and sell their expertise.

The business of doing business

Despite the current pain in some sectors as a result of the subprime scandal, markets around the world have been crying out for more skilled people to help them meet the demands of clients and of society. Most FIDIC Member Associations reported good growth in their sectors, and that the shortage of staff in member firms was the greatest challenge. Doubly frustrating, however, and incomprehensible, were complaints about low fees, an issue which should have been a non-issue long ago. Recruitment, staff retention, training and education required continuous investment: to ignore this was to die as a company in today's market. The investment needed to be budgeted for, and budgets should have naturally reflected the value of a firm's main assets – the staff. A firm's goodwill and reputation was only as valuable as its last project: ongoing success depended entirely on the people

engaged, and how they were managed and empowered to represent a firm, either up front with clients and the public, or in the office coordinating valuable inputs. Some firms were proudly claiming that profits were up to six to seven percent of gross revenue. Not bad, one might have said. However, given the contributions made to added value and the level of investment required, only those which obtained at least double this profit level were clearly in a position to meet all the demands and to begin to reap the rewards one might have expected of professionals.

Whither goest thou?

Much as I enjoyed travelling the world and meeting colleagues on their home ground, it has become impossible to meet them all. Organisation models based on a regional structure currently being explored by FIDIC perhaps offer more scope for FIDIC to improve its connections to the membership and the marketplace. My plea to members therefore was to be mindful of change and to embrace it, and to provide Member Associations with sufficient resources to undertake the tasks demanded. Not everything can be achieved. "Select and concentrate" was another useful quotation. But it needed, and still needs, a plan. My advice was: "Why not start with international best practice, as advocated by FIDIC, and then look to local application".

Although FIDIC members currently help create over 50% of the world's infrastructure, FIDIC is still not as representative as it should be. FIDIC's future focus, as outlined above by the President, will see it not only grow organically (from 78 to 100 Member Associations in time for its centenary), but also by sector. The consulting engineering sector continues to evolve, with some countries already embracing industries outside traditional building construction and infrastructure where engineering plays an important role. Industrial design is an example of a sector where considerable value is added by consultants and engineers. Various industry groups in several different sectors can also contribute more to, and gain from, FIDIC knowledge and expertise. There is no reason why FIDIC's reach should not double by 2013 in terms of, say, member firm turnover. However, Member Associations need to be aware that their traditional roles also need to change. The association model perhaps needs an overhaul if they are to remain relevant. So the future looks bright, and the industry is in a good shape. Together, we can improve it even further. "One voice" is FIDIC's motto, with good reason.

Enrico Vink, FIDIC Managing Director

The Secretariat

The FIDIC Secretariat team grew in 2008 by another one-half staff position, with Eileen Hazburn being brought in to help with document production and event marketing, which brought the Secretariat staff to five full-time staff equivalents.

Products and Services

As this *Annual Review* demonstrates, the FIDIC Secretariat's activities over the last 12 months were no different from those of many FIDIC Member Association secretariats, in that the demand for support continued to outstrip the resources needed to provide products and services. In the case of FIDIC, the most significant

growth in the demand for services came from commercial customers who sought to learn about best practice by acquiring documents, taking part in training and sharing FIDIC's online resources. Although the back-office operations of the FIDIC Bookshop and of FIDIC Events have been fully virtual for 10 years, and as such run 24 hours a day, seven days a week, there were still many customers with specific queries. Equally important, however, were the customers who contacted FIDIC not simply because they needed a document or wanted to attend a course. Instead, they were hoping find out how they could go about acquiring FIDIC best practice. Dealing with the thousands of enquiries called for a careful channeling so that the correct information was supplied at an appropriate level. A partial solution was to upgrade online user forums for Contracts and Agreements and for Best Practice, and to make use of external expertise.

Another daunting task for FIDIC was the management of the many volunteers in FIDIC committees and their task groups. Task groups were encouraged not only to develop new documents and guidelines, but also to consider their commercial application and how the best practice would be disseminated. This required the cross-fertilisation between committees to ensure a balanced approach before a new product was launched. So it was perhaps not unsurprising that the Secretariat's additional support staff was engaged to assist in the preparation of documents and the organisation of the many FIDIC training events that resulted from the new products sold by FIDIC.

Committees

Policy development and support to the FIDIC Executive Committee in its strategic planning remained another key service – one that is common to all Member Associations. Linked to this was the all important maintenance and development of links into client organisations and industry groups, whose own policies and services impacted on the environment in which consulting engineers operated. Public relations and communications (discussed elsewhere in this *Annual Review*) therefore also made up an important part of the Secretariat's activities.

Events

Conference planning and execution remained another important ingredient in the FIDIC menu of services. While FIDIC's International Training Programme included several conferences with a training focus, there were also the regional Africa and Asia-Pacific conferences that called for secretariat services in line with the strategy to lend more support for regional groups so as to streamline the industry's position on key issues. Then there was the FIDIC annual conference, the consulting engineering industry's premier networking event. Given the complexities of organizing international events, at any given time during the past 12 months, FIDIC was involved in planning annual conferences four years in advance, helping in the preparation of proposals for 2011 and 2012, with advance planning needed for FIDIC's centenary in 2013.