



The FIDIC Annual Review for 2008-2009

Representing globally the consulting engineering industry

Message from the 2 President

Transactors or trusted advisers?

For the past several years the FIDIC annual conference has been focusing on the role of our industry in society. In 2008 in Quebec the keynote speaker pointed out that we had played a vital but invisible role in doubling the human lifespan in the last century or so through infrastructure that delivered clean water and safely treated wastes. He then went on to say that today we operate in silos that isolate us from the rest of society. We have in effect muffled our voice to avoid criticising potential clients, and that habit of silence ensures that our opinions on the major issues of the day are unheard. At the end of the 2008 Québec conference we resolved to do better.

Breaking down the silos

In 2009 in London we are exploring how to deliver sustainable solutions to global challenges. This issue is closely tied to breaking down those silos because many of the critical challenges facing the world are directly related to the solutions we provide for our clients – our designs for new infrastructure, our handling of environmental protection and cleanup, and the way that our projects are integrated with the communities they are intended to serve. Yet we are an industry that responds to the demands of our clients and many of those clients do not want new solutions, but rather cheaper versions of old solutions – familiar, comfortable, less risky – the kind of solution that is guaranteed to perpetuate the problems with which society now struggles.

At its core, this apparent conflict between service to society and service to our less-enlightened clients requires fundamental changes in our attitudes, our operating practices, and the way we do business. We have an enormous and largely unrecognised opportunity to influence our clients in their selection of project solutions, should we choose to exert it. A decision on our part to use that influence is the first step in choosing a leadership role in addressing some of the global challenges.

Recently, I was a panelist at an industry seminar in which a government representative referred to consulting engineers as “transactors” – those that do the bidding of clients but have no say in the strategic thinking behind the development of projects. This is a totally inappropriate and unjustified role for our industry and for our profession, and we need to deliver this message very clearly, bluntly and unequivocally.

A leadership role

What should we be trying to achieve with this leadership role? It is not that difficult to understand but it may be difficult to deliver. It involves significant improvements in water and energy and materials use, attention to the protection of the health and safety and the environment of not only the people who will use project facilities but also their surrounding communities. A leadership role also calls for overt and careful consideration of the impacts of the project on human rights and culture and on access to food, water,



John Boyd, FIDIC President, is seen here speaking at the FIDIC 2008 General Assembly Meeting, Québec.

shelter, and other basic needs. We are used to dealing with the first part of these requirements but less so to the latter part, and we certainly do not at present include these issues in our project design considerations.

More than anything else, our industry fundamentally needs to innovate – something that everyone in the industry claims to be able to make possible but few really deliver. It is true that we make incremental improvements all the time but the nature of the societal challenges requires a different perspective on our staff, on our clients, and on the level of service that we provide to clients. The process starts with a change in the business environment so that innovation is encouraged, recognised and rewarded. It continues with a client dialogue that eschews short-term project thinking and embraces the entire project lifetime including its impacts on society as a whole. Finally, it requires us to aim our services at a higher level in our clients’ organisations – a level where some of the more fundamental aspects of the project should be considered.

The State of the World report

At the 2009 London conference FIDIC will publish its first ever State of the World report, the *FIDIC Infrastructure Report 2009*. It provides an overview of some of the main infrastructure challenges that the world now faces, considers several of the types of infrastructure designed by our industry, and comments on global influences that are affecting the way the work is being carried out at present and some of factors influencing the way it will have to be carried out in future. The report shows very clearly that major challenges face us when we set out to improve the future, but it also shows that our industry has much to contribute.



If we need an example of what happens when an industry fails completely to deliver on its responsibility to society we need look no further than the international financial crisis. Inappropriate lending activities bolstered by a reward system run amok have triggered a world-wide crisis that has affected everyone.

The timing and severity of the impact on our member firms has varied widely, with Europe and North America being affected almost immediately and with slower impacts so far in parts of Asia, Africa and South America. In the affected areas, the sequence of pain has been a lesson in the global interconnection of world economics – real estate and housing first because those markets had been propped up by artificial lending practices, followed by

manufacturers and suppliers to the housing industry, and then wide work stoppages on unrelated projects that relied on bank loans provided by many of the financial institutions that had been caught by the real estate crash. Personal spending in the affected areas slowed abruptly, fed by uncertainty over jobs and the global economy. This in turn reduced energy and manufacturing demands which worked their way up the chain to raw material suppliers. Right now, a high percentage of the world's industries have been affected to some extent and we, as suppliers of intellectual services to those industries, are also affected.

Lesson learnt

There are some lessons for us to learn from this crisis. Many of the world's governments aim to stimulate spending through accelerated infrastructure developments, but there are very few governments that thought about consulting with our industry prior to their decision to plunge their countries into serious debt spending on 'shovel ready' construction projects. Considering that we are collectively responsible for designing a little more than one-half of the world's infrastructure this seems to be a serious oversight and provides a sobering commentary on our status as 'trusted advisors'.

The focus on rushing to construction contains a number of potential pitfalls:

- designs being rushed into the project delivery phase when we know that making them more complete brings benefits in terms of reduced change orders, reduced maintenance costs, and reduced project overruns;
- shortcutting regulatory approvals processes that are there with the intent of protecting the public;
- shortcutting tendering processes that have been developed to maintain integrity in the construction business.

The crisis has also provided some opportunities. For almost 15 years our industry has been growing at a breakneck speed and in the course of this growth there has emerged an acute shortage of educated and trained engineers. The shortage was created by low levels of reward in the industry, by inattention to the needs of our universities – in particular, by inattention to the number of students studying to become engineers – and by poor or non-existent in-house training of existing staff.

There has been a bit of a scramble to improve the situation over the past few years but now that the pressure is off it is tempting to revert to old (bad) habits. Instead, the industry needs to take a longer view and regard this slowdown as an opportunity to put more reliable processes in place to develop new engineering consultants that are correctly trained for the next burst of work.

Let us take this opportunity and, in taking it, strengthen our industry and provide some fundamental answers to some of these global challenges. Our role and our responsibility as consulting engineers are very clear.

John Boyd, FIDIC President

The Treasurer's Report

The accounts for the year 2008 presented a surplus of CHF 335,568. This increased reserve funds to a total of CHF 1,384,318 at the end of the year. Together with income received in advance – mainly multinational development bank (MDB) licenses – assets totaled CHF 3,453,398 at the end of the year. At September 2008, FIDIC assets were held in a mixture of bank term deposits, bonds and fiduciary deposits. Over the last 12 months these have been reinvested in more secure Swiss PostFinance accounts, which carry a federal guarantee but yield lower interest rates. This was seen as a prudent but interim measure during the world's financial crisis. Given below are a few comments to the 2008 annual accounts and to the 2009 operating and 2010 proposed budgets.

Member Association subscriptions remained steady at around CHF one million. The FIDIC Executive Committee remained concerned that reported staff numbers did not accurately reflect actual industry involvement. The volume of publication sales reached a new record for the fourth consecutive year. Total sales amounted to CHF 1,312,478, an increase of around CHF 30,000 compared to the previous year. This reflected the high level of activity in place prior to the financial crisis. Net income from events increased and reached CHF 75,000. The FIDIC 2008 Québec conference was well organised and well attended, resulting in a net surplus of CHF 212,000 owing to sponsorship income. Overall expenditure for the year was up by CHF 195,000 owing primarily to replenishing printed document stocks, losses on currency fluctuations and the writing off of debtors. Operational costs, the Secretariat, rent, and committees remained at a similar level to the previous year.

The balance sheet remained healthy and reserves were within FIDIC Executive Committee guidelines. The remaining license income received in advance totaled CHF 1,068,597 at the end of 2008. This represented payments by the MDB's for the use of the *Harmonised Construction Contract* for future years. It is noted that CHF 164,000 was transferred from this source to 2008 income.

At mid-year 2009 income and expenditure was reasonably on budget, with document sales and events pleasingly buoyant. Member Association subscription receipts continued the trend of being received later in the year reflecting a net slowdown in workload within the industry. The forecast for the full year is breakeven or a modest loss.

The proposed 2010 budget has been based on the previous financial performance and on the running year forecast, with provisions for interim changes to staffing levels as a result of the pending retirement of Dr Peter Boswell. The Executive Committee has recommended keeping the same level of subscriptions as for the approved 2009 budget, which will mean that this is the fifth successive year with no increase in the membership unit fee.

Adam Thornton, FIDIC Treasurer

Global Representation

The past 12 months have carried forward strategic objectives.

Representation

FIDIC continues to ensure that all relevant and qualified national industry sectors are represented by national Member Associations. Part of this strategy involves engaging more closely with former Member Associations in Latin America. The FIDIC Executive Committee collaborated with the Latin America federation FEPAC in holding a joint seminar on consulting engineering and the global crisis in Sao Paulo, Brazil, in May 2009. This successful event included representatives from Argentina, Brazil, Paraguay, Colombia, Peru, Mexico, Chile, and Spain. It followed on from visits in December 2008 to Mexico, Ecuador and Chile by Enrico Vink, FIDIC Managing Director, and Jorge Díaz Padilla, FIDIC Past-President. In addition to advising on local procurement issues, the FIDIC delegation explored opportunities for FIDIC training, possible membership in the case of Chile, and reinforced connections with Ecuador and Mexico. Arrangements for a FIDIC-Cornerstone Contracts Workshop in Santiago were discussed with ACI-Chile to follow up on a very successful FIDIC contracts workshop in Sao Paulo, the first ever in South America, that was attended by participants from many of Brazil's larger consulting, contracting and legal firms. Longer term, FIDIC is pursuing the benefits of welcoming back to FIDIC all Latin American countries. In today's global market a strong voice for the industry is seen as the key to promoting FIDIC's core principles of quality, integrity and sustainability.

Mid-East: confirms the need to restructure

Breakneck growth in the Gulf region in recent years has encouraged authorities to strengthen instruments to improve regulation, notably in the construction sector. For instance, authorities have taken out licences to amend FIDIC conditions of contract in line with local requirements, thus eliminating the need to verify country-specific particular conditions. FIDIC has also responded by organising training events and by strengthening coordination with local organisations. While visiting six countries in the region in February 2009, Gregs Thomopoulos, FIDIC President-Elect, and Peter Boswell, FIDIC General Manager, met local associations and government officials and participated in FIDIC seminars presenting the status of consulting engineering. In spite of the global financial crisis leading to the closure of numerous, mainly private sector, construction projects, the demand for consulting services remained strong. Evident was a renewed urgency to organise the region's consulting engineering sector so as to make firms better able to meet local needs. Most countries see FIDIC membership as a vital step since the industry often does not have a clear-cut mandate and organisation to promote best practice and effective procurement. Instead, societies for individual engineers were expected to handle professional, regulatory and business aspects. The FIDIC delegation met with officials of the new Union of Kuwaiti Engineering Offices and Consultant Houses, and the UAE Society of Engineers announced during the visit that it was to establish an industry section. Society

officials in Oman and Qatar indicated that they were mindful of the need to develop the capacity of local firms, but that legislation was required to bring about reorganisation. In these cases, the FIDIC delegation argued strongly for Associate Membership to allow a coherent approach in promoting FIDIC best practice.

Later in the year, the President and General Manager visited Lebanon and Jordan. For Lebanon, the aim was to identify how the local industry could be represented given that firms currently employ some 3,000 staff with some of the larger firms having several thousand staff worldwide. In opening a FIDIC Seminar attended by some 150 participants, the Order of Engineers announced that a section representing firms would be created with the aim to apply for FIDIC membership. While this form of representation, where an individual represents a firm, is perhaps not the preferred model, given the complex political situation and the urgent need to engage with the government and other industry sectors to improve business practices, the FIDIC President-Elect indicated that it was likely that FIDIC would agree to membership. Separate discussions with larger firms had confirmed their support.

Africa: review of development goals

Participants from 11 countries attended the FIDIC 2009 GAMA-Africa conference in Durban in March 2009. In taking stock of the Millennium Development Goals under the theme "Are consulting engineers ready?", the conference echoed John Boyd, FIDIC President, who noted in his opening address that: "In order to achieve social and economic growth it is most important that there is strong infrastructure in place". Many of the 170 participants stayed for the GAMA General Assembly Meeting which elected Mayen Adetiba, Nigeria, as the GAMA chair, replacing Exaud Mushi, Tanzania, whose opening address at the conference had stressed the need to tackle corruption.

Asia: consolidating activities

Some 150 participants attended the FIDIC 2009 ASPAC Asia-Pacific Regional Conference in Kathmandu in March. The conference theme, "Making globalisation work – the role of consultants" was a preoccupation given that the financial crisis was tending to reinforce trade barriers. On the positive side, the role of consultants was now perhaps clearer since infrastructure investments featured in many stimulus packages. The conference, which was organised with the technical cooperation programme TCDPAP by SCAEF-Nepal, aimed to enhance the consulting engineering industry's effectiveness in developing global partnerships. It was opened by the Nepalese Prime Minister Pushpa Kamal Dahal and three ministerial colleagues and John Boyd, FIDIC President, Gregs Thomopoulos, FIDIC President-Elect, and Aki Hirotani, ASPAC chair, made presentations. Aki Hirotani profited from the presence of participants from 15 Asia-Pacific countries to review the status of ASPAC activities. ASPAC currently focusses on securing a sustainable range of activities with an emphasis on capacity development through FIDIC and Member Association training programmes, an ASPAC Young Professionals Forum and regular networking via websites, a newsletter and regional conferences such as the ASPAC conference and the first-ever FIDIC Asia-Pacific Contracts Users Conference (Hong Kong; June 2009).

Europe: closer collaboration

In deference to the FIDIC 2009 London conference, European Member Associations forewent most of their sub-regional meetings, using instead other occasions to discuss issues of importance. These included improvements to procurement policies and practices which often frustrate the full participation and cross-border provision of professional services. Of particular interest to FIDIC was the use of FIDIC contracting principals, and ideally FIDIC standard forms of contract, within Europe and by European firms elsewhere, notably for European Union funded projects within and outside Europe. The continuing close collaboration with EFCA, the European Federation of Consultancy Associations, was expected to reinforce the voice of the industry in Brussels, and provide more tangible benefits to members in Europe. The two organisations continued to explore ways in which mutual interests could be further developed, with the eventual aim of strengthening FIDIC's presence in the region through a possible merger with EFCA to ensure greater cost effectiveness in services.

Country visits: a coordinated programme

In order to liaise more effectively with FIDIC's growing membership, members of the FIDIC Executive Committee make themselves available to participate in local meetings and initiatives, to reinforce such activities, and to contribute to discussions on key issues affecting the industry. Requests for the FIDIC President to attend such events were becoming increasingly difficult to fulfill, so the members have been asked to help on a more routine basis. Wherever possible, FIDIC sought to maximise the opportunities of such visits, and to add as much value as possible, with the Secretariat coordinating activities. Increasingly, members of FIDIC committees were also able to contribute on specific topics such as sustainability, integrity and procurement. Through these various mechanisms, FIDIC was able to visit some 35 countries on an annual basis. Over the past 12 months FIDIC visited: China, Brazil, USA, Belgium, UK, Netherlands, Poland, Greece, France, Mexico, Ecuador, Chile, Romania, Serbia, Germany, Jordan, Canada, India, Tunisia, Philippines, Korea, Hong Kong, Slovakia, Kuwait, UAE, Oman, Qatar, Lebanon, Syria, Nepal, South Africa, and Australia.

Subscriptions

With the introduction of the Associate Membership category in 2008 to replace Correspondents, the Executive Committee decided that the Associate Membership fee should be based upon the actual size of the consulting engineering industry in a country, since other measures were complicated, arbitrary and difficult to apply. This highlighted the sometimes wide discrepancy between an association's representation and the actual industry staff number. There was clearly a need to review the basis on which Member Association fees were calculated given the growing membership. The Executive Committee appointed a Subscriptions Task Force chaired by the Treasurer, Adam Thornton, which had as its first task a survey of the number of industry staff, comparing this with reported staff numbers. The results, available on FIDIC.org, will become the basis of preliminary discussions at the FIDIC 2009 General Assembly Meeting in London on possible fee proposals and a revised minimum fee for new members.

Image and Communications

FIDIC 2008 Quebec: a huge success

There were over 500 participants at the FIDIC 2008 conference (Quebec; 5-8 September) which had as its theme and vision for the industry: "A strong industry serving society". A strong industry response ensured high-quality participation and a huge success for FIDIC, along with the local hosts ACEC-Canada and AICQ-Quebec. Speakers from 24 countries, representing clients, consultants and leaders in society, challenged consulting engineers to build a stronger industry that can better serve society. Some 95 young professionals from many countries shared their experiences in Quebec, and a series of special events were organised by the industry's future leaders. There was a special reception for the young professionals together with a technical tour, a plenary forum and the Future Leaders Workshop. Succession management received considerable attention, especially given the lack of skilled resources throughout the industry. However, it was emphasised that staff development needed to be more of a two-way street, as good planning was essential for developing key staff within a firm. In summing up the conference, John Boyd, FIDIC President, referred to the need for more industry champions, with the entire industry needing to build greater credibility through its actions and through its messages.

News and resources: broadening the distribution

Modifications were made to the FIDIC website to enhance still further access to the large amount of information available as FIDIC resources and via user forums. Equally important was the continuing development of internal systems to enable more effective communication within committees through document libraries and other online services for exchanging opinions and developing new contracts, guides and best-practice guidelines. FIDIC Internal (www.fidic.ch) remained the main site for member and committee resources, with User Forums (user.fidic.ch) serving the public demand for information about FIDIC activities, contracts, business practice and capacity development. Resources for young professionals were concentrated on ypf.fidic.ch, with sites for the Young Professionals Forum (YPF) and the FIDIC Young Professionals Management Training Programme (YPMTP). Information about FIDIC events continued to be channelled through www.fidic.org/events and information about FIDIC is gathered together at www.fidic.org/federation. FIDIC regions at www.fidic.org/regions acted as a portal to national association resources, with dedicated websites for the GAMA-Africa and ASPAC Asia-Pacific regional groupings.

In order to facilitate information flow to the many thousands of FIDIC clients and customers, FIDIC started sending in 2008 its electronic newsletter *FIDIC News* to all those individuals who had come into contact with FIDIC. Bulk mailings were done several days after advance copies were distributed to Member

Associations for forwarding to members. Given this change in distribution, the newsletter focussed on news and information that was of interest to the industry regardless of whether FIDIC is directly involved. Nevertheless, as FIDIC represents the consulting engineering worldwide, *FIDIC News* continued to provide an overview of current issues being dealt with by FIDIC or by FIDIC members, as well as the latest information on FIDIC activities.

Multilateral development banks: a major client group

One of the outcomes of the 2007 FIDIC-EFCA survey was that FIDIC should broaden its links to client groups. FIDIC actively engaged with the multilateral development banks (MDB's) and agencies in order to harmonise investment in infrastructure and economic development globally so as to facilitate participation by FIDIC members. The Executive Committee reviewed the relationships with various client groups and in the case of the MDB's, this included the role, format and frequency of the biennial BIMILACI meeting with the banks. It was decided that there would be no BIMILACI in 2009. Instead, the focus would be on bilateral discussions, particularly in the key areas of procurement, integrity and sustainability. In addition, aside from the series of visits by FIDIC to the World Bank, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development (EBRD), FIDIC participated in several groups which advised the banks. The most important was the International Technical Advisory Group set up by the banks to monitor and advise on developments in country procurement. Patrick Batumbya from Uganda and an Executive Committee member was the FIDIC ITAG representative.

As part of the bilateral engagement, at a historic workshop initiated by FIDIC, in Washington DC in June 2008, the major MDB's agreed to a more harmonised approach for exploring existing policies and procedures that set the criteria for project planning. Although the banks were instrumental in adopting the Equator Principles in 2003, few initiatives have been undertaken to determine how they can promote sustainable development in borrowing countries. Environmental policies were widely established, along with the usual economic policies. Social policies were being discussed, but not in a coordinated manner, and a structured, comprehensive approach such as FIDIC's Project Sustainability Management had not yet been established. The banks now have a greater understanding of FIDIC's approach to sustainability in procurement. Discussions are underway for a working party to examine ways to procure more sustainable projects. FIDIC was pleased to be part of this initiative, as it will not only lead to improvements in how projects are procured but also help establish quality as paramount in the selection of consultants.

A key area for the MDB's are FIDIC contracts, notably the MDB Harmonised Edition of the *FIDIC Construction Contract*. Discussions have continued with both the banks and with the International Labour Organization and CICA (the international

FIDIC published in 2009 a short guide to risk management titled The five key areas of risk in consultants' appointments and Definition of Scope of Services Guidelines - Building Construction.



federation representing contractors) on provisions relating to social aspects. One possibility will be the joint publication of a guide to the labour clauses with the ILO, CICA and the International Federation of Building and Woodworkers, the construction sector's largest trade union. In addition, FIDIC consulted with the banks on the likely impact of the planned review of the 1999 suite of FIDIC works contracts, while taking on board proposals for updates to the Harmonised Edition. During visits to the banks, FIDIC also discussed the adoption of other FIDIC contracts which are currently used by some of the banks. These included the *FIDIC Plant and Design-Build Contract*, the *FIDIC EPC/Turney Contract* and the *FIDIC Short Form of Contract*.

Over the past 12 months, FIDIC responded to several requests from the MDB's to comment on procurement best practice. For example, towards the end of 2008 FIDIC offered comments on proposed changes to the EBRD procurement rules. The submission reinforced a 2007 submission that commented on the improved transparency of the bank's policies and the treatment of issues related to corruption. FIDIC was pleased to note a greater focus on social and environmental concerns.

Bilateral development agencies: adopting FIDIC contracts

FIDIC signed a licence agreement with JBIC, the Japanese Bank for International Cooperation, in August 2008 to enable JBIC to incorporate both the standard 1st Edition 1999 and the MDB Harmonised Edition of the *FIDIC Construction Contract* in its sample bidding documents. The agreement confirmed the *FIDIC Construction Contract* as the world's standard contract for employer-designed works. More recently, the Export-Import Bank of Korea and the French development agency, the Agence Francaise de Développement, have reached agreement with FIDIC on licences to use the Harmonised Edition, which will bring the number of bilateral aid agencies using the contract to four (Australia; Japan; Korea; France) with discussions being held with several other countries, including India.

World Justice Forum

The World Justice Project is unique in that it takes a multinational, multidisciplinary approach to funding initiatives to strengthen the rule of law. The project, which is supported by several major foundations and multinational firms, was launched at the World Justice Forum (Vienna; 2- 5 July 2008). John Boyd, FIDIC President, moderated the architecture and engineering session, where he was able to raise the profile of consulting engineers by demonstrating the industry's direct involvement in legal rights and other key legal issues confronting society. He envisaged "further engagement with the legal profession and some joint efforts in regard to anticorruption".

Contracts

FIDIC conditions of contract are developed under the direction of the FIDIC Contracts Committee (A. Jaeger, Germany, chair; N. Bunni, Ireland; P.E. Jenkinson, UK; M. Mortimer-Hawkins, Special Adviser, UK; C.R. Seppala, Legal Adviser, France; C.R. Wade, UK) assisted by task groups. The FIDIC 1999 Short Form, Construction, Plant and Design-Build, EPC/Turnkey and Design-Build-Operate (DBO) 'rainbow' suite of works contracts are widely recognised as international standards. Updating to reflect the latest developments in several key areas is an integral part of the committee's responsibility. Axel Jaeger announced at the FIDIC 2008 International Contracts Users Conference (London; 2-4 December) that an Updates Task Group had been formed and was inviting comments on the 1999 editions. He noted that some new concepts had already been incorporated in the 1st Edition of the *FIDIC Design-Build-Operate Contract* that was released at the FIDIC 2008 Quebec Conference.

The pre-review draft of another key document, namely the *FIDIC Construction Subcontract* for use with the *FIDIC Construction Contract*, 1st Edition 1999, was also released at the conference. The drafting and review process undertaken by the FIDIC Subcontract Task Group (R. Apphun, Italy; N. Bunni, Ireland; E. Corbett, UK; S. Fahey, Ireland; Z. Zahonyi, Hungary) was drawing to a close, with publication expected in late-2009. A 3rd Edition of the *Standard Prequalification Form for Contractors* was also published in 2009: it formed part of *FIDIC Procurement Procedure* to replace *FIDIC Tendering Procedure* that was being drafted by the Procurement Task Group (P. Jenkinson, UK; M. Mortimer-Hawkins, Sweden; J. Shaw, UK; C. Wade, UK). Meanwhile, the DBO Task Group was preparing 'brown-field' particular conditions for the *FIDIC DBO Contract* as well as a guide to accompany the existing DBO Contract. Finally, the Contracts Committee itself was drafting a policy statement on the role of project managers under a *FIDIC Construction Contract* and was completing its review of updates to the *FIDIC Sub-Consultancy Agreement* and the *FIDIC Joint Venture Agreement*.

UNCITRAL working groups supported

FIDIC has been a regular participant in UNCITRAL working groups dealing with updating the *UNCITRAL Model Law on Public Procurement* to reflect new practices and experience gained in the use of the law. Issues being addressed included relatively new concepts such as electronic reverse auctions and framework agreements. The discussions were relevant to FIDIC in that UNCITRAL procurement procedures and policies are adopted by national governments and FIDIC contracts were expected to operate satisfactorily in these jurisdictions. FIDIC was indebted to Robert Smith, USA, who participated in working groups and plenary sessions as the FIDIC representative.

International contracts conferences popular

FIDIC's premier international contracts conference series was the User Conferences series organised by Informa in partnership with FIDIC. It grew out of a seminar series that had been operating for several years, with FIDIC providing the programme and speakers. The latest in the series was a new Asia-Pacific Users Conference (Hong Kong; July 2009) which was a remarkable

success given the global financial crisis. Participants from 15 countries in the Asia-Pacific region participated in panel sessions with contributions from international and regional FIDIC contracts experts. A 2009 European Users Conference is planned for London on 2-3 December, following on from the previous events, and a new annual Mid-East Users Conference is being considered for March 2010. FIDIC also collaborated with the International Chamber of Commerce (ICC) in the FIDIC-ICC Contracts and Dispute Resolution series. The 2009 event is in Istanbul on 15-16 October, and the partners have been considering whether to revert to the usual pattern of two events in 2010. Another important partner in the contracts field was the Dispute Review Board Foundation (DRBF) with which FIDIC has an understanding to promote the principles of dispute adjudication boards (DAB). FIDIC supports the annual DRBF conference (the May 2009 event was in London, UK), and often organises a FIDIC-DRBF training workshop in association with the conference. The Dispute Board Federation focusses more on the dispute adjudication needs of large international organisations. In this case, FIDIC collaborated in DAB training courses organised by the *FIDIC International Training Programme*. These various international series covered the spectrum of issues affecting FIDIC contracts and provided users with excellent opportunities to learn about the latest developments as well as to give feedback and comments on their experience in using FIDIC contracts.

Dispute resolution

FIDIC's Assessment Panel for Adjudicators (P.H.J. Chapman, UK, APA chair; G. Jaynes, UK/USA; I. Leto, Italy) conducted an Adjudicators Assessment Workshop in April 2009. Some two dozen applicants were accepted for assessment. The workshop comprised a rigorous assessment of knowledge of FIDIC contracts and of effective engagement in DAB's. All but one participant qualified for entry to the FIDIC President's List of Approved Dispute Adjudicators. They will now complete formal requirements such as confirming membership in FIDIC. The additions to the list will help meet the demand for nominations and appointments. Many users of FIDIC contracts consult the FIDIC list for nominating DAB members and FIDIC receives regular requests to appoint adjudicators for disputes under a FIDIC contract.

The rapidly expanding recognition of FIDIC contracts has increased the demand for adjudication, with an accompanying increase in the number of appointments. The new candidates, once they have joined the list, will add considerably to the skilled FIDIC resources available to meet the demand. FIDIC also needed to respond to requests to appoint mediators under the *FIDIC Client/Consultant Model Services Agreement* (the "White Book"). As a general policy, as a service to the industry FIDIC will respond to requests to appoint mediators or adjudicators under any contract. Two retiring members (Igor Leto and Gordon Jaynes) who have served on APA virtually since the President's List was established in 2000 will be replaced by Cyril Chern and Toshihiko Omoto.

Business Practice

The Business Practices Committee (A. Thornton, New Zealand - BPC chair; G. Bergen, Germany; F. Cölasan, Turkey; A. Hirovani, Japan; S.C. Mehrotra, India; L. Sagaya, Nigeria; B. Jardeneh, Jordan) was charged with developing international best practice from experience and material gathered globally.

Definition of Services

Definition of Services Guidelines – Building Construction (the “DOS Guidelines”) was finalised and will be published for release at the FIDIC 2009 London conference. A complimentary supplement covering civil and related engineering services is planned for 2010. The DOS Guidelines for building construction outline the process that all construction projects go through and identifies the design process, outputs and deliverables. Long awaited by the industry, explains in detail for the first time the services that consulting engineers provide. It also explains what full service entails, so that a consultant and a client can have a more robust debate as to what is required.

Design for Safety

The health and safety of construction personnel is of concern, with many countries introducing or strengthening legislation. In some cases, wide-reaching laws inappropriately make consulting engineers responsible for the construction process. A common experience is that officials do not understand what designers do and so any accident with a ‘design cause’ tends to be blamed on the designer, whether or not it is reasonable to do so, thus upsetting the balance between duty of care and exposure to unreasonable legal challenges. The Design for Safety Task Group chaired by Adam Thornton is to draft guidelines that define the roles and responsibilities in relation to safety of all the key participants involved in design and construction. Given that the primary responsibility for construction safety should lie with the party who is best able to control it, usually the contractor, the guidelines will also define the roles and responsibilities in relation to construction safety that are appropriately carried by consulting engineers.

Risk management: a new short guide

Risk management is intimately related to modern forms of contract for both works and professional services. The Risk and Liability Committee (K. Corbett, UK - RLC chair; S. Bamforth, 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) has been reviewing and updating the FIDIC collection of risk management documents in line with modern practice. A new short guide *The five key areas of risk in consultants’ appointments* will be released at the FIDIC 2009 London conference. The committee has now turned its attention to updating the *FIDIC Professional Liability Primer* and the *FIDIC Risk Management Manual*. Also in the pipeline was a FIDIC policy statement on the perils of unlimited liability.

Business Development

Two key components formed FIDIC’s strategy on business development. One related to the ongoing development of skills within the industry through Member Associations. The main vehicle here was the *FIDIC Capacity Development Programme* that had several aspects. The *Accredited Trainers Enabling Programme* brought trainers nominated by FIDIC Member Associations to a level that allowed the trainers to deliver and coordinate *FIDIC International Training Programme* (ITP) training events in their own countries while being available to train for the ITP elsewhere. ITP events are organised by FIDIC in partnership with training suppliers or Member Associations. In some cases, associations delegated this role to a regional training centre, established under agreement with FIDIC, that offered a programme of courses, usually in the local language, covering the FIDIC contracts and business practice training manuals. The FIDIC-Jordan Training Programme was the most active over the past 12 months, with a series of two-day ITP courses organised each year with the aim to complete the entire set within 3-4 years. The *National Capacity Development Seminars Programme* has helped Member Associations set up training programmes, either as a FIDIC training centres or as a series of ITP events or via Member Association training programmes organised by the association, with FIDIC helping to coordinate programmes in various countries.

The second component to business development related to external training for those involved with the industry. The main vehicles were the ITP and web-based training programmes for both young professionals and practitioners. In each case the challenge for FIDIC was to identify and develop appropriate training tools and to engage with industry clients who support the growth and viability of the consulting engineering industry. FIDIC continued to explore with organisations such as the multilateral development banks and sectorial industry organisations the mutual benefits in working together on training programmes. Training partnerships with organisations such as the ICC, DRBF and DBF were well established in the area of FIDIC contracts. In 2009, FIDIC started entering into agreements for joint business practice training courses. The first was the *FIDIC-iISBE Sustainable Building and Construction Education and Training Programme*, SBCET, with Project Sustainability Management courses on sustainable building construction that were endorsed by UNEP and the Sustainable Building Alliance which groups certification systems such as BREEM, HQE, etc. (iISBE, the International Initiative for a Sustainable Built Environment, promotes sustainable building standards). Other opportunities of the same type were explored with the legal and insurance sectors.

Training programmes: ITP and eFIDIC

The *FIDIC International Training Programme* has organised over the past 12 months some 52 training courses, workshops and seminars in 14 countries. A recent innovation has been intensive training courses which were longer than the normal two-day course, but were restricted to 30 participants with only one trainer to minimise costs. The format has proved to be viable and extremely effective in allowing FIDIC training to take place in countries that had difficulty attracting international *FIDIC Accredited Trainers*.

Another cost-effective way to expand training activities has been to launch web training programmes. For the past five years, FIDIC has offered the *Young Professionals Management Training Programme* (YPMTP) to young professionals eager to develop their leadership and management skills in a global setting. The programme consists of two components: a seven-month online training programme followed by closing sessions and participation in FIDIC's annual conference with a final presentation at the conference's *Future Leaders Workshop*. The 2008 programme included young professionals from countries as diverse as Australia, Canada, Nigeria, Korea, Ireland, and the Czech Republic. FIDIC successfully launched in early-2008 the *eFIDIC Training Programme* with a Contracts Module 0 (Professional Services Agreements) four-month programme covering the FIDIC client/consultant, sub-consultant, joint venture, and representatives agreements, with SFC-Consult, Denmark, supplying the training. Repeating the eFIDIC Module 0 early in the year on an annual basis was planned, together with the introduction of additional eFIDIC programmes based on other FIDIC contracts and business practice training modules.

Young Professionals Forum

Another key component of FIDIC's business development activities was the Young Professionals Forum (YPF). The YPF steering committee held its annual meeting at the FIDIC 2008 Quebec Conference to discuss coordination between the growing number of national YPF's (forums are now listed on the YPF's website ypf.fidic.ch for 12 countries) and to elect a new steering committee (chaired by Alex Eyquem, Faber Maunsell, UK). Young professionals participating in the conference were responsible for a session on succession management that attracted considerable interest, given the lack of skilled resources throughout the consulting engineering industry. Presentations by Gayle Roberts (Stanley Consultants, USA), Liu Luobang (Halcrow Engineering, China) and Lee Wanjae (Dongsung, Korea) gave invaluable insights about how firms around the world were working to ensure that "our company thrives beyond our years". The FIDIC YPF published a bi-monthly newsletter and disseminated information of interest to YP's through its website.

Quality and Sustainability

Quality Based Selection revisited

The selection of consultants on the basis of quality is a consulting engineering industry cornerstone and essential for delivering sustainable projects. In Quality - or Qualifications - Based Selection (QBS), a fee based on the scope of services is negotiated after the most qualified firm has been identified and a detailed scope of work jointly developed by the client and the consultant. QBS is widely adopted as a formal procurement method in the USA. In the case of Japan, Aki Hirotani, AJCE-Japan President, reported at the FIDIC 2008 Quebec Conference that since a 1999 recommendation by a government committee, the fees for nationally procured consultant services selected by QBS had increased threefold, and today outweighed those for cost-based methods by 20%. The challenge now was to have local authorities adopt QBS. Peter Steblin, another FIDIC 2008 conference speaker, reminded participants that Canada's *InfraGuide* guidelines developed in cooperation with the



The Quality Based Selection Task Group met in Hong Kong in July 2009 to start drafting revised QBS guidelines. From the left: Adam Thornton, Andrew Steeves, Fatma Cölasan, Kiran Kapila, Walter Painsi, and Bisher Jardeneh.

Federation of Canadian Municipalities to promote QBS was endorsed by over 70 local communities in Canada. For him, the challenges for procurement by QBS were to better demonstrate savings and how to negotiate ethically. Given the need to continue to demonstrate the value of QBS, FIDIC decided to develop a fresh approach for promoting QBS as the international standard for consultant selection by updating the 1994 FIDIC publication *Quality Based Selection for Procurement and Consulting Services*.

Quality management standards

With some one million certificates issued, the International Standards Organization (ISO) 9001:2008 Quality Management (QM) requirements standard has replaced the 2000 version to make requirements clearer and to improve compatibility with other standards. Using a 9001:2008 table summarising changes, users should determine the impact of ISO 9001:2008 on their current interpretation of ISO 9001, as adjustments to QM systems may be needed, noting that from November 2010 ISO 9001:2000 certificates will be invalid. The FIDIC Quality Management Committee chaired by Walter Painsi, Austria, will assess the impact of the new version on the *FIDIC Quality Management Guide* and the *FIDIC ISO 9001:2000 Quality Management Interpretive Guide*, the consulting engineering industry's ISO-recognised sector guides. Given the results of the FIDIC 2007 quality management survey that confirmed the importance of monitoring the development of all ISO QM standards, Walter Painsi participated in the February 2009 meeting of the ISO Technical Committee responsible for further developing the ISO 9001 standard. Stakeholders will shortly be asked to comment on the results of a brainstorming session on possible directions for a revision in about 2015.

Sustainability

The Sustainable Development Committee (W.A. Wallace, USA - SDC chair; K. Adeola, Nigeria; M. Batayneh, Jordan; J. Boswell, South Africa; I. van der Putte, Netherlands; S. Wij, India; K. Kariya, Japan; E. Schlaeppli, Switzerland; A. Taute, South Africa). was charged with and incorporating Project Sustainability Management (PSM) principles into industry best practice and expanding the acceptance and application of PSM to make it the standard for setting sustainable development project goals. The committee does this by working with international and sector organisations such as ISO, UNEP and ICLEI on communication, training and assimilating lessons learnt. A major task for the SDC

Ethics and Integrity

was to update the 2004 *FIDIC Project Sustainability Management (PSM) Guidelines*, with a new edition planned for publication in 2010. A major area for the application of PSM was in green and sustainable building standards. Buildings represent nearly 50% of greenhouse gas emissions so their environmental performance must be established in order to communicate their impact on sustainable development. ISO standards aim to establish a framework for methods to assess the environmental performance of buildings that is applicable internationally. Such assessments are carried out within for scope of PSM. The SDC therefore needed to comment on the various standards that were being developed, and to provide guidance on the application of sustainable construction standards, as was done for environmental management.

The other main tools for harmonising project sustainability standards for buildings and, in the future, for civil engineering infrastructure are the national rating assessment schemes. The French and the UK 'green' building certification authorities created in April 2008 the *Sustainable Building Alliance (SBA)* to develop of a core building assessment system with common minimum standards and common indicators. This was to ensure consistency and to promote 'dual certification' so that the sustainability performance of buildings in different countries can be compared. A key element of the core indicators will be adaptability to local conditions, which is a feature of FIDIC's PSM that provides guiding principles for rating projects. Introducing PSM in building certification has been addressed on several fronts. FIDIC is a founder member of the *UNEP Sustainable Buildings and Construction Initiative (SBCI)*, with Ike van der Putte, an SDC member, serving as the SBCI chair in 2008. FIDIC also launched the *FIDIC-iiSBE Sustainable Construction Education and Training (SBCET) Programme* that has been endorsed by SBA and UNEP.

Promoting quality and sustainability at the regional level wherever possible remained a challenge unless there was a well-defined regional political entity. FIDIC participated in the Joint European Commission - European International Contractors *Round Table on Infrastructure in ACP Countries* (Brussels; 26 March 2009) that analysed the legal, economic and technical framework conditions for infrastructure projects in countries receiving European Union development funds, notably those in Sub-Saharan Africa. It was concluded that adequate funding should be secured to allow quality and sustainability to be maximised by improving feasibility and design studies.

Ethics and Integrity

The Integrity Management Committee (J. Díaz Padilla, Mexico - IMC chair; R.G. Campen, Netherlands; J.C.W. Ritchie, India; Liu Luobing, China; R. Stump, USA; N. Khelane, Zambia; Xie Shaozhang, China) was charged with developing integrity guidelines and strategies for both the consulting engineering industry and clients. Dr. Díaz Padilla, the IMC chair, took over from

Felipe Ochoa Rosso in mid-2009 after many years of dedicated service. Dr. Ochoa was instrumental in developing the *FIDIC Business Integrity Management System (BIMS)* and having it endorsed by some of the multilateral development banks.

Business Integrity Management System guidelines update

BIMS is a major tool for tackling the corruption that is widely acknowledged as threatening development. Organisations with which FIDIC partners have also launched other important anticorruption initiatives. However, there has yet to be a significant uptake by clients who procure consulting engineering services. Until this occurred, it will be difficult to make a greater impact with tools such as BIMS. The IMC was therefore charged with identifying ways to promote BIMS on both the supply and demand sides. A first step will be to update the BIMS guidelines and training manual published in 2001 and 2002, respectively.

Active partnerships

Maintaining active partnerships with the other major anticorruption initiatives was also an IMC task. FIDIC commented on the new *OECD Principles for Enhancing Integrity in Public Procurement*, part of a broad OECD programme to crack down on fraud in government contracts. Demand-side corruption has also been the focus of the *ADB-OECD Anti-Corruption Initiative for Asia and the Pacific* with which FIDIC interacted. Meanwhile, on the supply side FIDIC helped the World Economic Forum (WEF) *Partnering Against Corruption Initiative (PACI)* promote a self-assessment tool. As a member of the Steering Committee of the Transparency International (TI) *Business Principles*, FIDIC regularly provided input into various tools developed by TI. With its experience on BIMS, FIDIC also commented on a proposed framework for *Independent Assurance of Corporate Anti-Bribery* programmes and has contributed to a joint project involving the UN, TI, the ICC and WEF which is developing a tool to aid in *Resisting Extortion and Solicitations in International Transactions*. Finally, FIDIC remained a *UN Global Compact* signatory and adopted some of the Compact's corruption scenarios in BIMS training resources.

Regarding conferences, FIDIC participated in the *UN Convention Against Corruption (UNCAC)* conference, a significant international gathering of civil society leaders, corporate leaders and international agencies. UNCAC has been successful in having adopted by many countries landmark provisions on asset recovery, and its civil society partners have been pushing hard to expose incidences of corruption to make both government and the private sector more transparent in their transactions. Dr. John Boyd, FIDIC President, participated in the World Federation of Engineering Organizations (WFEO) 2008 *World Engineering Congress* that devoted several sessions to anti-corruption initiatives.

There was a strong intent on the part of WFEO to work with FIDIC on issues of mutual interest, notably sustainable development, capacity building and business integrity. Barry Grear, WFEO President, met with Dr Boyd in early-May 2008 to discuss specific activities. Meanwhile CICA, the international confederation representing the contracting sector, also collaborated with FIDIC by issuing a joint statement condemning corruption, noting that the private sector had implemented

procedures to curb unethical practices which had not yet been matched by corresponding initiatives by public stakeholders. FIDIC and CICA proposed to encourage a closer partnership with the international finance institutions, national procurement agencies and governments, as well as with representative organisations in the private sector, to acknowledge the practical tools developed by FIDIC. The main focus was to include BIMS in procurement policies and procedures. A first step has been to promote *Government Procurement Integrity Management System* (GPIMS) guidelines that mirror the BIMS guidelines for firms. FIDIC will shortly publish the GPIMS guidelines to help inform public sector institutions about the integrity management approach to tackling corruption in procurement.

The Managing Director's Report

It is often said that we live in exciting times. With all the challenges facing consulting engineers, it would be safe to say that the industry lived continually in exciting times. The very nature of the industry, with its changing clientele, governments which come and go, nature running amok, and now a financial crisis, seemed to part of an ever-evolving maelstrom of adventure. The unfortunate truth was that, despite the high expectations of society that engineers will solve most of their problems (if one thought about it), the profile of engineers remained far too low and warranted a cry for help.

Needless to say, the industry itself looked to FIDIC for answers when the crisis struck, but there was no panic within the membership. By and large, firms did what had to be done and, in many situations, adversity was turned to opportunity. Consulting engineering firms were nothing, if not resilient, versatile and creative. It was a shame, therefore, that more clients did not recognise this. As captured by the FIDIC President in his message in this *Annual Review*, and mentioned last year, only the industry itself could make a difference. If we waited quietly, with our solutions, society would not come to us. Politicians, with their short-term focus, would not come to us. Clients, with their tight budgets, would not come to us. We needed to be loud and proud. We needed to constantly speak out – not just on infrastructure, but also on issues affecting society; on political issues; on poor policies and procedures; on investment; on education. Squeaky wheels get attention. The industry formed a critical wheel in the machinery of our society, but it was too well-oiled to be heard. We needed to squeak much more.

Secretariat

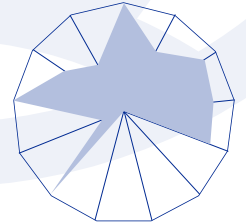
Throughout the year of turmoil, the FIDIC Secretariat remained stable. Additional resources were brought in on an ad hoc basis to undertake specific pieces of research. If anything, demands increased still further, as reflected in the increased commercial activity, and in the number of new projects launched by FIDIC. Fortunately, the continued high level of business provided FIDIC with the opportunity to continue investing in new products and services, to upgrade existing services, and to enhance the capacity of FIDIC training programmes.

Committees

Recognising the value of its largely volunteer committees, FIDIC invested more in their ability to contribute effectively. Clearly

FIDIC Scorecard

The FIDIC Executive Committee has established a scorecard (see fidic.org/scorecard) covering FIDIC activities. Nearly 60 indicators make up four 'balanced scorecard' categories (stakeholder; systems; learning and growth; financial). The score as of August 2009 was 50.4%, indicating that many targets have been largely achieved with a few still needing a significant amount of action. Illustrated on the left is the radar plot for the stakeholder category's 13 indicators.



defined terms of references, budgets and timeframes assisted task groups in focussing on outcomes, with FIDIC lending more support with inputs. With nine committees and numerous task groups, there were some 80-100 keen supporters active within the federation at any given time. The coordination and overview of their activities formed an important part of the Secretariat's duties. Committees and their task groups also became more involved in the marketing and promotion of new products and services, in addition to their production.

Products and Services

Products and services form the lifeblood of a sustainable industry association. Members become involved in order to become associated with the FIDIC brand, and to benefit from international best practice; clients come to FIDIC for the various products and services offered. As with any business, these products and services needed to be continually maintained and enhanced in order to meet market needs and conditions. The impact of the financial crisis did not appear to have affected revenues, as the overall demand for projects remained at a very high level: FIDIC Bookshop sales and the interest in services supplied by FIDIC both increased in 2008. These services included advice about FIDIC contacts and procurement best practice, the appointment of adjudicators, and industry surveys.

Events

FIDIC events covered two core areas, namely the FIDIC annual and regional conferences, as well as other conferences in which FIDIC participated and the rapidly expanding *International Training Programme* and the *Capacity Development Programme*. Conferences formed an important part of FIDIC's profile, as well as providing networking, business development, and the promotion of new products and services. The training and capacity development programmes targeted users of FIDIC's contracts and business practice while also raising the profile of FIDIC and the consulting engineering industry as a whole.

Enrico Vink, FIDIC Managing Director

