



International Federation of Consulting Engineers
The Global Voice of Consulting Engineers

What the FIDIC-AIIB contract agreement means for members

FIDIC Briefing Note

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Foreword

There is a growing need for countries to invest in both social and economic infrastructure at a sustainable level. A recent study has revealed that global infrastructure investment needs to be \$94 trillion between 2016 and 2040, which is 19% higher than the current trend.

FIDIC has undertaken and succeeded with its proactive advocacy initiative programme that engaged with multilateral development banks, financiers, investors, insurers and private and public clients to ensure that FIDIC standard procurement contracts to secure delivery of infrastructure efficient and effective.

This standard contract document forms part of a suite of documents and a wider campaign to improve conditions for members firm and clients in the delivery of infrastructure projects.

The FIDIC community

FIDIC has secured a major agreement with The World Bank (WB), Inter-American Development Bank (IDB), Caribbean Development Bank (CDB), European Bank for Reconstruction and Development (EBRD) and now the Asian Infrastructure Investment Bank (AIIB) that will see the regional funding organisation adopt the use of FIDIC standard contracts for the next five years.

The licencing agreement signed with multilateral banks is a major win, a landmark achievements and good evidence of the value proposition for FIDIC member association, member firms and stakeholders associated with FIDIC.

Under the terms of this agreement, FIDIC has granted these banks the leading source for development financing in the World, Latin America, the Caribbean, Europe and Asia a non-exclusive licence to refer to FIDIC contracts for projects they finance, and the documents will be used as part of these multilateral bank's standard procurement bidding documents.

Member associations

The endorsement and adoption of the FIDIC standard contracts with multilateral development banks hails a significant step forward in FIDIC's policy and advocacy activities for its world-wide member associations. Such agreements not only promote the use of FIDIC contracts, which are globally recognised and make procurement processes more efficient, but they also aid in the promotion and development best practice in risk allocation, effective contract management, dispute avoidance and resolution within the global consultancy, engineering and construction sector.

As a result, FIDIC and its member associations enable the consultancy and engineering sector and continue to engage at a strategic level, while also ensuring the use of practical and efficient practices to ensure the efficient delivery of infrastructure.

FIDIC and the consultancy and engineering sector have worked for decades to establish the integrity and reputation of the sector, and it is vital that this work continues going forward. The establishment and signing of such agreements with multilateral development banks continues this important process. It continues to

add value to the sector for every player and person within it. Our member associations have access to FIDIC's network and expertise, which allows engagement in strategic conversations to shape and influence the sector going forward.

Member association firms

When licencing the use of its contracts, FIDIC considers a number of factors, one of which is the benefit to its member associations member firms. It is these firms that design, plan and deliver the infrastructure that will last for generations. It is crucial to the consultancy and engineering sector that, national associations and FIDIC work together and engage to ensure the efficient delivery of infrastructure with the integrity that leaves a legacy we can all be proud of.

The use of FIDIC contracts helps to manage risk, reduces costs for clients and companies, and provides a common base for procurement processes. The benefits of FIDIC contracts and the signing of licensing agreements with these multilateral development banks are felt across the entire supply chain.

FIDIC, its member associations and their member consultancy and engineering firms are proud to engage in such agreements as they form a vital part of meeting the scope of infrastructure delivery required to meet global challenges such as access to effective transportation system, clean and sustainable energy provision, safe drinking water, access to the internet, and mitigating the effects of climate change.

This report provides an important resource for member associations and their members as it sets out:

- Who are the AIIB and what is their mission?
- An outline of AIIB's project portal, historical projects and project pipeline
- How to access project information
- An outline of the types of products and services offered
- How to access procurement information and get involved

Over the months and years ahead, FIDIC will progress with the implementation of its advocacy programme to secure similar undertaken and endorsement from other multilateral banks, strategic sovereign government, financiers and private equity investors. Further endorsement and conversion with these strategic stakeholders will be incorporated into the future issued version of this report.

Finally, FIDIC will welcome feedback from member association, member firms and stakeholders on how best to improve future edition of this report to meet the needs of the consultancy and engineering business sector.

Background

The international engineering federation FIDIC (the International Federation of Consulting Engineers) has secured a **major agreement with the Asian Infrastructure Investment Bank (AIIB) that will see the international funding organisation adopt the use of nine FIDIC standard contracts for the next five years.**

Under the terms of the agreement, FIDIC has granted the Inter-American Development Bank a non-exclusive licence to refer to the major FIDIC contractsⁱ for projects they finance, and the documents may be used as part of the bank's standard bidding documents.

The contracts mainly include the 2017 Second edition FIDIC contracts, which cover a wide range of international construction and infrastructure work, and the with both the Inter-American Development Bank and World Bank signed up represents a major endorsement for the contracts from a major international funding organisation. FIDIC also expects to announce similar agreements with other multilateral development banks soon.

This briefing note has been written to assist both FIDIC member associations and their members in understanding the significance and opportunities available as a result of the partnership between the AIIB and FIDIC.

This briefing note outlines below some of the AIIB's activities, its interactions with FIDIC and how this is one of many steps in supporting member associations and their members in achieving the target of increasing investment to long term efficient, sustainable and socially beneficial levels.

Who are the AIIB and what is their mission?

The AIIB is a multilateral development bank with a mission to improve social and economic outcomes in Asia. Its headquarters are in Beijing and as a relatively new MDB they began operations in January 2016 but have grown to 100 approved members worldwide.

The AIIB similar to other multinational development banks through financial instruments and technical support helps countries to invest in sustainable infrastructure and other productive sectors in Asia and beyond, with the aim to better connect people, services and markets that will impact the lives of billions to build a better future.

They define their priorities in their 2019 business plan asⁱⁱ:

Priority 1 – Pursuing Strategic Directions: In 2019, AIIB will initiate two additional sector strategies for water and Information and Communications Technology (ICT); launch the development of AIIB's first Corporate Strategy; deepen technical strength and business lines for implementation; and institute the tools, such as the Corporate Results Framework, to ensure quality- and results-oriented operations.

Priority 2 – Serving Clients and Scaling-Up Operations: AIIB will expand country program consultations that began in 2018. It will add new financial products, including guarantees and pilot local currency financing, beginning in a few selected countries. It will strengthen project implementation and monitoring through its Project Prioritization and Quality (PPQ) framework and embed accountability and prompt support to clients. The Rules and Regulations of the Special Fund will be revised to better support the capacity of project preparation and implementation in less-developed countries. The review of the Environmental and Social Policy (ESP) will be launched by late 2019.

AIIB plans to invest approximately USD3.5-4.5 billion in 15 to 20 projects in 2019, of which 80 percent will be aligned with the Bank's thematic priorities. A greater ratio of projects than previously will be stand-alone. More than 80 percent of projects under implementation will not be classified as problem projects.

Priority 3 – Bolstering Financial Sustainability: AIIB will develop capacity in several financial and nonfinancial risk management areas and launch Phase III of its Risk Management Framework. To measure financial sustainability, in 2019 the Bank will begin to track its risk-adjusted return on capital, as well as the sustainability of its budget. Market conditions permitting, the Bank will launch its debut bond in 2019.

Priority 4 – Building the Institution: In 2019, AIIB will strengthen internal governance, build high calibre staff and strong corporate culture, and ramp up needed IT infrastructure and systems. To strengthen internal governance, the Accountability Framework will be implemented, the CEIU's roles and responsibilities will be formalized and the Internal Control Framework will be completed with a view to achieving Internal Control for Financial Reporting certification in 2019. High caliber and integrity remain the guiding principles for recruiting and engaging professional staff in 2019 and beyond. A strategic staffing plan and comprehensive Training and Development Roadmap will be developed and implemented. The attributes of AIIB's corporate culture will be incorporated into the Bank's frameworks and programs.

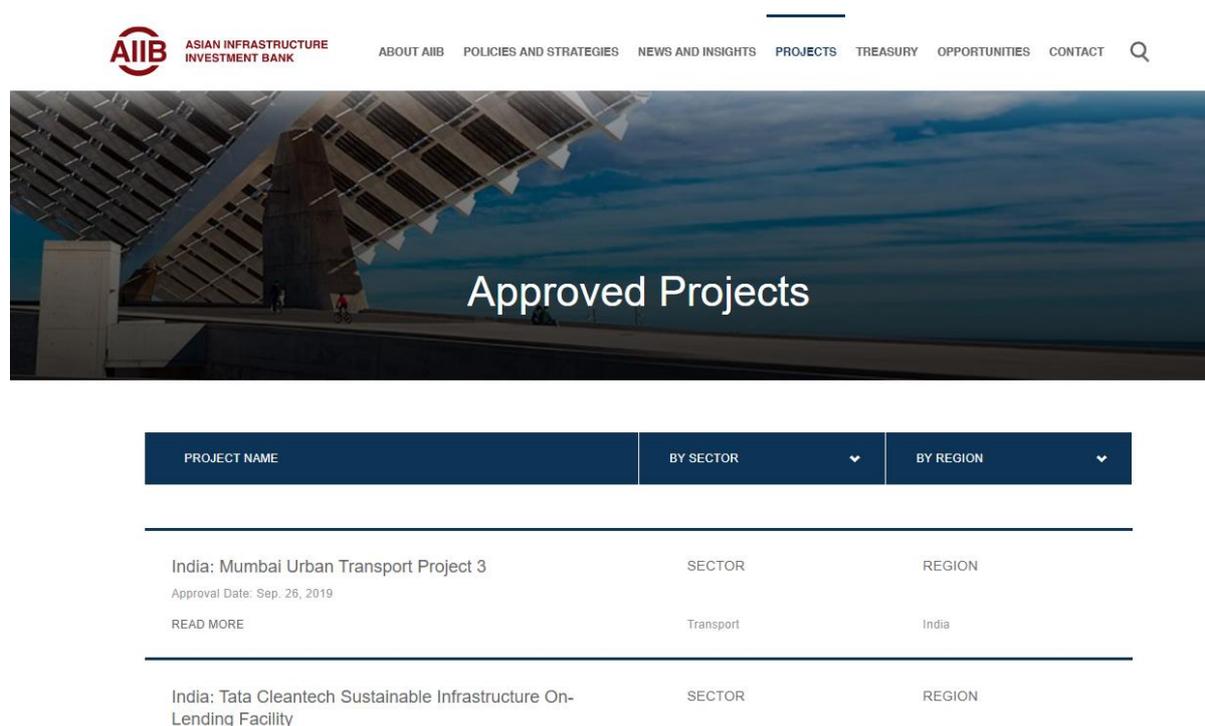
Source: AIIB

Understanding more about the AIIB projects

The AIIB has tools on its website to help companies in understand the types of projects they have engage with, their geographical spread and a current and historic project pipelineⁱⁱⁱ.

Below we have provided a short summary for members on the value of the projects listed within the AIIB projects area and contained within their annual reports which run from 2016-2019 as well as some figures demonstrating the extent of the coverage across the geographical region in which it operates.

Figure: 2 – AIIB – projects



PROJECT NAME	BY SECTOR	BY REGION
India: Mumbai Urban Transport Project 3 Approval Date: Sep. 26, 2019 READ MORE	SECTOR Transport	REGION India
India: Tata Cleantech Sustainable Infrastructure On-Lending Facility	SECTOR	REGION

Source: AIIB

Figure 2 (above) shows the current list of approved projects that is provided by the AIIB's website. These are supplemented by a summary of their progress and investment in their annual reports:

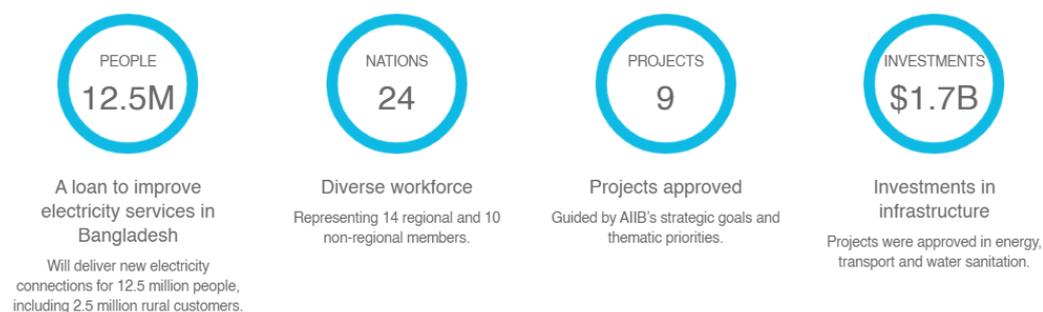
- [2016 AIIB annual report and financials](#)^{iv}
- [2017 AIIB annual report and financials](#)^v
- [2018 AIIB annual report and financials](#)^{vi}

As can be seen from Figures 3 to 6 (next page) considering the AIIB was only established in 2016 it has seen its project investments expand significantly and currently has invested \$9.64bn. This makes them a significant investor in the regions in which they invest.

The AIIB through these projects assists its borrowing member countries to optimise the use of their resources, improve social and economic outcomes in Asia.

Their involvement in projects promotes private and public investment and encourages the development of financial tools and institutions in the areas where projects occur.

Figure: 3 – AIIB – summary – 2016



Source: AIIB

Figure: 4 – AIIB – summary – 2017



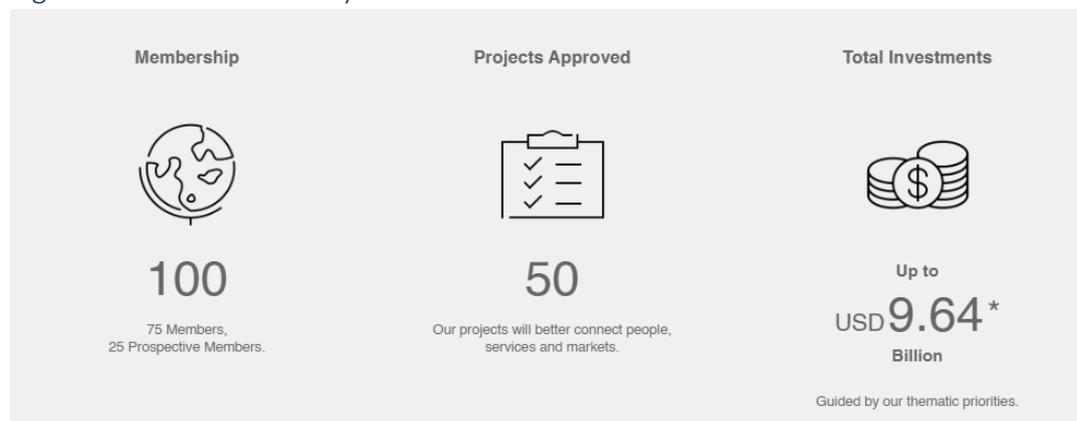
Source: AIIB

Figure: 5 – AIIB – summary - 2018



Source: AIIB

Figure: 6 – AIIB – summary - overall



Source: AIIB

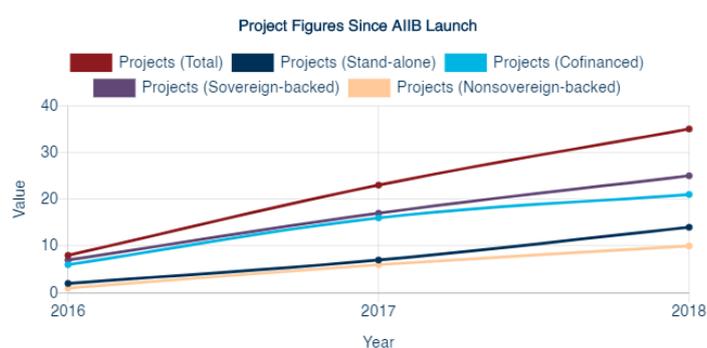
Put together as can be seen from Figure 7 below the historical trend data shows that the number of projects that are being invested in across the various financial instruments the AIIB are operating are growing at a significant pace.

Figure: 7 – AIIB – Historical trends^{vii}

Year	OTHER FIGURES*				
	PROJECTS*	INVESTMENTS*	MEMBERSHIP*	STAFF*	OTHER FIGURES*
Year	Total	Stand-Alone	Cofinanced	Sovereign	Nonsovereign
End-2018	35	14	21	25	10
End-2017	23	7	16	17	6
End-2016	8	2	6	7	1

Click to generate chart

- Projects (Total)
- Projects (Stand-alone)
- Projects (Cofinanced)
- Projects (Sovereign-backed)
- Projects (Nonsovereign-backed)



* Cumulative as of indicated year-end. Membership numbers aggregated (members plus prospective members).

** For sovereign-backed stand-alone and cofinanced investment projects, in accordance with International Open Competitive Tendering (IOCT) procedures.

Source: AIIB

As with the other multinational development banks, the AIIB's projects cover a wide number of areas in which FIDIC members operate. The agreement between FIDIC and the AIIB therefore has the potential to put a significant number of projects onto the well-respected FIDIC contracts.

The AIIB accessing future project information and opportunities

Institutions such as multilateral development banks are increasingly ensuring that projects which received backing increasingly adhere to outlined procurement principles and provide transparent information through procurement portals or national procurement portals.

This is done to ensure as far as possible that the process is well understood and delivered in a manner which helps to deliver the best value for money for their investment.

This section will outline and provide links to resources for AIIB projects. As we have seen in the previous chapter there are a growing number and wide variety of projects that range from the small to very large in terms of their investment requirement.

As can be seen from Figure 8 below, the AIIB has a projects notices area where the current list of projects out to tender as can be accessed.

- [Business opportunities page](#)^{viii}
- [Project Procurement Opportunities](#)^{ix}

When downloading an opportunity, a word document is provided that contains the following:

- Country
- Project:
- Project ID No
- Background
- Required experience and qualifications

Figure: 8 – AIIB – Procurement opportunities

Project Procurement Opportunities

DATE	COUNTRY / REGION	PROJECT / NOTICE	SECTION	TYPE
ISSUE DATE: Nov 07, 2019	PAKISTAN	Pakistan Lahore Water and Wastewater Management Project - Project Management Consultant/Owner's Engineer for "Sewerage System from Larech Colony to Gulshan-e-Ravi, Lahore (Through Trench-Less Technology)" 0074-PAK	Water	REQUEST FOR EXPRESSION OF INTEREST
<input type="button" value="DOWNLOAD"/>				
ISSUE DATE: Nov 07, 2019	PAKISTAN	Pakistan Lahore Water and Wastewater Management Project - Project Management Consultant/Owner's Engineer for "Construction of Surface Water Treatment Plant (SWTP) at BRBD Canal, Lahore." 0074-PAK	Water	REQUEST FOR EXPRESSION OF INTEREST
<input type="button" value="DOWNLOAD"/>				
ISSUE DATE: Oct 24, 2019	CHINA	Beijing-Tianjin-Hebei Low Carbon Energy Transition and Air Quality Improvement Project P000323 CHINA	Energy	GENERAL PROCUREMENT NOTICE
<input type="button" value="DOWNLOAD"/>				

Source: AIIB

The AIIB and how it interacts with consultants and procurement

As part of its engagement with various parties, consultants and engineers the AIIB has produced a procurement policy which provides an outline as to the practices and process they expect to occur to engage with and appoint consultants and other parties.

These policies reflect the interest of the AIIB and its member countries and the *“aims to support Recipients to achieve the successful implementation of Bank-financed Projects through efficient, fair, ethical and transparent procurement processes that optimize both value-for-money and social and environmental sustainability.”*^x A link to this procurement policy can be found below:

- [Procurement policy](#)

AIIB procurement policy

While the specific rules and procedures to be followed for engaging consultants will depend on the circumstances The AIIB document contains a section (5.1 - Core Procurement Principles) which outlines its core procurement principles. These relate to:

- Economy
- Efficiency
- Effectiveness
- Fairness; Good governance
- Value for Money
- Fit for purpose
- Transparency

Like other Multilateral development banks, the AIIB the procurement policy^{xi} outlines that prior to the implementation of the Project, the Recipient develops and furnishes to the Bank for review a proposed Project Delivery Strategy (“PDS”). The PDS provides the following details:

- Details of the proposed tendering and contracting strategy for the project
- The implementation arrangements, including resources and management structures;
- The proposed contract supervision arrangements
- The proposed procurement plan showing procurement activities and key milestones
- The key procurement objectives and outcomes.

It also encourages recipients to continually modernize their procurement systems including incorporating procurement through electronic means (e-procurement) as this can facilitate efficiency, economy and transparency in the procurement process. Which as noted from above form part of their core principles.

In figure 9 we have taken some of the key elements stated in the AIIB’s procurement policy documents which will be of interest to member firms if they are considering bidding for AIIB projects.

Importantly as a developing bank their current procurement policy notes that a number of documents are under development that will be of interest to member firms and those bidding for projects once they are released. These include:

- Directive: Procurement Instructions for Recipients
- Directive: Procurement Instructions for Staff
- Environmental and Social Policy

- Directive: Environmental and Social Procedures
- Policy on Prohibited Practices
- Operational Policy on Financing Operational Directive on Sovereign-backed Financing
- Public Information Interim Policy General Conditions applicable to Sovereign-backed Loans

Figure 9: – Selected items which will be of interest to member firms

Value for Money

“The procurement process enables the Recipient to obtain optimal benefits with the resources utilized. This may include not only the initial costs, but also costs over the economic life of the procured item, the quality of the output, fitness-for-purpose (see paragraph 5.1.6 below), timeliness, and the achievement of other socio-economic and environmental development objectives of the Recipient. Price alone may not necessarily represent VfM.”

Fit-for-Purpose

“To realise VfM, the procurement process ensures that the procurement methods and procedures applied by the Recipient for the Project, and the nature and extent of Bank oversight, are fit for purpose (“FfP”). The procurement modalities appropriately reflect the strategic needs and circumstances of the situation. Standardized approaches may be used for low-value, low-risk or low-complexity procurement. Where procurement complexity, risk and impact are high, a customized approach with transaction-specific documentation and method may be the most efficient and effective approach.”

Procurement of Consultants

“The procurement of consulting services financed by the Bank will apply the Core Procurement Principles and be conducted through competition among qualified short-listed firms and individuals in which the selection is based on the quality of the proposal and, where the Bank deems appropriate, on the cost of the services to be provided. All eligible consultants are provided an equal opportunity to participate in the competitive process. In exceptional cases, the Bank may agree to the use of a less-competitive or non-competitive process.”

Market price

“The Bank requires that contracts awarded by a Private Entity Recipient be in the best financial interest of the Private Entity Recipient as distinct from those of any other sponsor(s) of the Project. Where a shareholder of the Recipient or one of its affiliates, including parent companies and affiliates of such parent companies, is also a contractor or supplier to the Project, the Bank satisfies itself that the costs are in line with current market prices and the original cost estimates in the Project report, and that the contract conditions are fair and reasonable. The Bank does not finance costs that it determines exceed market prices.”

Source: AIIB

Examples of FIDIC contracts within the AIIB Agreement



Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer (“Red book”), First edition 1999 and Second edition 2017;



Conditions of Contract for Plant & Design-Build for Electrical & Mechanical Plant & for Building & Engineering Works Designed by the Contractor (“Yellow book”), First edition 1999 and Second edition 2017;



Conditions of Contract for EPC Turnkey Projects (“Silver book”), First edition 1999 and Second Edition, 2017);



Client/Consultant Model Services Agreement (“White book”), Fifth Edition 2017;



Conditions of Contract for Design, Build and Operate Projects (“Gold book”) First Edition 2008;



The Short Form of Contract (“Green book”), First Edition 1999.



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Endnotes

ⁱ The nine FIDIC contract documents covered by the FIDIC/AIIB Bank agreement are as follows:

- Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer (“Red book”), First Edition 1999;
- Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer (“Red book”), Second Edition 2017;
- Conditions of Contract for Plant & Design-Build for Electrical & Mechanical Plant & for Building & Engineering Works Designed by the Contractor (“Yellow book”), First Edition 1999;
- Conditions of Contract for Plant & Design-Build for Electrical & Mechanical Plant & for Building & Engineering Works Designed by the Contractor (“Yellow book”), Second Edition 2017;
- [Conditions of Contract for EPC Turnkey Project (Silver book), First Edition, 1999];
- Conditions of Contract for EPC Turnkey Projects (Silver book), Second Edition, 2017;
- Client/Consultant Model Services Agreement (“White book”), Fifth Edition 2017;
- Conditions of Contract for Design, Build and Operate Projects (“Gold book”) First Edition 2008; and
- The Short Form of Contract (“Green book”), First Edition 1999.

ⁱⁱ AIIB, 2019 Business Plan and Budget, Summary, December 2018 ([click here](#))

ⁱⁱⁱ AIIB, Approved projects, accessed 8/11/2019 ([click here](#))

^{iv} AIIB, 2016 AIIB annual report and financials, accessed 8/11/2019 ([click here](#))

^v AIIB 2017 AIIB annual report and financials, accessed 8/11/2019 ([click here](#))

^{vi} AIIB, 2018 AIIB annual report and financials, accessed 8/11/2019 ([click here](#))

^{vii} AIIB, 2018 AIIB annual report and financials, accessed 8/11/2019 ([click here](#))

^{viii} AIIB, Business opportunities, accessed 8/11/2019 ([click here](#))

^{ix} AIIB, Project procurement opportunities, accessed 8/11/2019 ([click here](#))

^x AIIB, Procurement policy, accessed 8/11/2019 ([click here](#))

^{xi} AIIB, Procurement policy, accessed 8/11/2019 ([click here](#))