



## FIDIC Policy Statement

INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS

### Background

The term "conflict of interest" is widely used in commercial and legal transactions, and is acknowledged in the codes of ethics of professional bodies, including engineering associations, to identify behaviour that may be unacceptable.

Despite international use of the term, a great deal of confusion and serious problems, both real and perceived, have materialized because there is no universally accepted definition of conflict of interest. The problem is amplified by the globalisation of the consulting engineering industry leading to confusion, with different interpretations of what constitutes conflict in different countries and even within countries.

There has been a number of major ethical breaches involving different industries in various countries. These have been of such a magnitude that domestic as well as international regulators are taking action that can have a profound effect. FIDIC is concerned that international actions may be applied across the board to all industries, with suppliers of consulting engineering services being drawn in and maybe forced to comply with a series of actions ill suited to the efficient conduct of their business.

FIDIC is strongly committed to the avoidance of conflict of interest in the consulting engineering industry, and to the concept that clear, transparent and internationally accepted principles should be applied.

The FIDIC Policy Statement *Conflict of Interest* was approved by the FIDIC Executive Committee in May 2004. Printed copies can be obtained from the FIDIC Bookshop, either individually or as inserts in the binder *FIDIC Policy Statements*. Electronic versions are available from [www.fidic.org/policies](http://www.fidic.org/policies). Reproduction is permitted provided the source is acknowledged.

### Actions by others

#### EFCA

The European Federation of Engineering Consultancy Associations (EFCA) has been involved in negotiations with the European Commission on the conflict of interest issue with respect to the procurement of consulting services. To date, the Commission is maintaining a very strict interpretation of conflict of interest contrary to the position of the consulting engineering industry.

EFCA believes that cases of conflict of interest should be restricted to very well defined circumstances, such as:

- conflict between consulting activities and the procurement of goods or works;
- certain conflicts within consulting assignments, for example the preparation of terms of reference and participation in the resulting tenders;
- the execution of a project or study execution and the evaluation of the same project or study;
- the design of a project and the study of its impact on the environment;
- advice given to both government and buyer in, for example, privatization;
- a conflict arising from family or other personal relationships.

EFCA further states that the fact that a consultant has participated in a previous phase of a project, other than the preparation of the terms of reference, is not *per se* a conflict of interest as long as all preliminary investigation documents are made available to all participants to ensure fair and transparent procurement.

## OECD

The OECD has had an initiative since the late 1990's dealing with the *Principles for managing ethics in the public service* [2]. While this work is not directly applicable to the case of consulting engineering, there is common ground on several of the principles, and with the general objective of improving morality in public service. The OECD work is instructive for consulting engineering industry concerns as evidenced by the following approved principles:

- Ethical standards should be clear and reflected in the legal framework (Principles 1 and 2).
- The decision-making process should be transparent and open to scrutiny (Principle 6).
- There should be clear guidelines for interaction between the public and private sectors (Principle 7).
- Adequate accountability mechanisms should be in place (Principle 11).
- Appropriate procedures and sanctions should exist to deal with misconduct (Principle 12).

## International finance institutions

The various international finance institutions (IFIs) have the conflict of interest issue among their concerns, and ongoing consultation takes place at several levels. For instance, comments were received by FIDIC from several IFIs during the FIDIC 2003 Annual Conference in Paris, and during various meetings with officials in Washington and other locations. The conflict of interest issue was also raised at the 1999 *Biennial Meeting of the International Lending Agencies with the Consulting Industry* (BIMILACI) and addressed by the British Consultants Bureau (BCB), now the British Consultants and Engineering Bureau (BCEB), in the 1998 briefing paper *World Bank conflict of interest study* [3]. This brief reviewed the background and also the practice of how to deal with conflict of interest at several IFIs and in other industries. The brief concluded by offering several recommendations.

Conflict of interest was subsequently addressed at other BIMILACI meetings. In 2003, Françoise Bentchikou presented a paper outlining the World Bank position and gave a classification of the types of conflict of interest, as seen by the Bank [4].

The World Bank has also issued its *Consulting Services Manual* [5]. Chapter Four of this document, entitled "Conflict of Interest", sets out clearly the categories of conflict, giving examples of each and proposing actions to mitigate conflict of interest in the

various cases. The document provides excellent guidance for both borrower and consultants.

In preparing this Policy Statement, input was received from individual specialists and from members of the Conflict of Interest Task Group that formed part of the FIDIC Business Practices Committee. All input is gratefully acknowledged. Needless to say, a great deal of information is published, although it is difficult to make direct links to the issue as it affects the consulting engineering industry.

## Definitions

The focus of this Policy Statement is Section 1.9 of the *Guidelines: selection and employment of consultants by World Bank Borrowers* [6]. Other IFIs may or may not have similar guidelines, and a review of these various procedures can be found in the task group work undertaken by EFCA [1].

A good definition of the concept of conflict of interest is found in the opening paragraph of Chapter Four of the World Bank's *Consulting Services Manual* [5]:

*A consultant conflict of interest (COI) is a situation in which a consultant provides biased professional advice to a Borrower in order to obtain from that Borrower an undue benefit for himself, herself or affiliates. Although COI is an easily understood concept, to identify it and address its consequences, that is, the potential or actual prejudice to the Borrower's interests, requires in practice particular attention and expertise. COI is a concern when the consultant is in a situation in which its own or its affiliates' interests could prevail over the interest of the client.*

A slightly simplified version that can serve as FIDIC's definition of conflict of interest is as follows:

*A consultant conflict of interest (COI) is a situation in which a consultant provides biased professional advice to a client in order to obtain from that client an undue benefit for himself, herself or an affiliate and in so doing, places the consultant in a position where its own interests could prevail over the interests of the client.*

Problems often arise in the details. For example, they arise in defining "affiliates" and in attempting to distinguish actual as opposed to perceived conflict of interest.

As advocated in FIDIC publications dealing with Business Integrity Management [7], transparency is

an essential element and this requires full disclosure by the consultant at one or more points in the project formulation and delivery process. It also requires that the client also practices full disclosure in the process, particularly in the terms of reference and in the instructions to the bidders.

There must also be clear measures outlined for transgressions. Many potential problems in the procurement process related to unfair or competitive disadvantage can be avoided if the client states clearly in the terms of reference the preferences regarding:

- follow-on work;
- the extent of the assignment;
- preferences based upon special expertise or knowledge.

As long as these provisions are not in themselves anticompetitive and are approved by the client, then all potential service providers can make commercial decisions.

In defining “affiliates”, there must be some rational limit to the potential relationship. This is important because the consulting industry responds to the pressures from globalization, with firms growing in size, geographic distribution and scope of disciplinary capabilities. The operative issue is control. When minority ownership interests arise and management control is strongly vested in the larger firm, with no overlap in a firm’s Board or other policy body, then the relationship can be described as minor and may not cause a problem that cannot be addressed by full, prior disclosure and mutually acceptable mitigation measures.

#### **FIDIC policy on conflict of interest**

FIDIC’s policy on conflict of interest requires that consultants provide professional, objective and impartial advice, and at all times hold the client’s interests paramount, without any consideration for future work and strictly avoiding conflicts with other assignments or their own corporate interests.

Consultants shall not be selected for any assignment that would a) be in conflict with their prior or current obligations to other clients, or b) may place them in a position of not being able to carry out the assignment in the best interest of the client. Without limitation on the generality of this rule, consultants shall not be engaged under the circumstances set out below:

#### **a Conflict between consulting activities and procurement of goods, works or services**

A firm that has been engaged by a borrower to provide goods, works or services for a project and any of its affiliates, shall be disqualified from providing consulting services related to those goods, works or services, unless the potential conflict arising from this situation has been identified and resolved in a manner acceptable to the client throughout the selection process and the execution of the contract.

Conversely, a firm engaged to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works or services resulting from or directly related to the firm’s earlier consulting services, unless the potential conflict arising from this situation has been identified and resolved in a manner acceptable to the client throughout the selection process and the execution of the contract.

#### **b Conflict among consulting assignments**

Consultants, including their personnel and sub-consultants, or any of their affiliates shall not be engaged for any assignment that, by its nature, may be in conflict with another assignment of the consultants unless the potential conflict arising from this situation has been identified and resolved in a manner acceptable to the client throughout the procurement and execution phases of the project.

As an example, consultants engaged to prepare engineering design for an infrastructure project shall not be engaged to prepare an independent environmental assessment for the same project, and consultants assisting a client in the privatization of public assets shall not purchase, nor advise purchasers of such assets. Similarly, consultants hired to prepare terms of reference for an assignment shall not be engaged for the assignment in question.

#### **c Relationship with the client’s staff**

Consultants, including their personnel and sub-consultants, that have a business or family relationship with a member of the client’s staff or of the project implementing agency’s staff may not be awarded a contract, unless the conflict stemming from this relationship has been resolved in a manner acceptable to the client throughout the procurement process and the execution of the contract.

# CONFLICT OF INTEREST

## References and resources

- 1 *Conflict of Interest statements*, EFCA, 2002, 2003: [www1.fidic.org/resources/bimilaci/2003/VanderPutten\\_Concerns%20withIFIs\\_EFCA.doc](http://www1.fidic.org/resources/bimilaci/2003/VanderPutten_Concerns%20withIFIs_EFCA.doc)  
[www.fidic.ch/internal/Documents/BPC/COITG/efca\\_coi\\_statement\\_brussels\\_sep03.doc](http://www.fidic.ch/internal/Documents/BPC/COITG/efca_coi_statement_brussels_sep03.doc)
- 2 *Principles for managing ethics in the public service*, OECD, 1998: [www1.oecd.org/puma/ethics/pubs/rec98/rec98.htm](http://www1.oecd.org/puma/ethics/pubs/rec98/rec98.htm)
- 3 *World Bank Conflict of Interest study*, British Consultants Bureau, 1998, BIMILACI'99: [www1.fidic.org/resources/bimilaci/1999/bcb.html](http://www1.fidic.org/resources/bimilaci/1999/bcb.html)
- 4 F. Bentchikou, *World Bank position and a classification of the types of conflict of interest as seen by the World Bank*, BIMILACI'03, May 2003: [www1.fidic.org/resources/bimilaci/2003/Bentchikou\\_COINewGuidProvisions\\_IBRD.doc](http://www1.fidic.org/resources/bimilaci/2003/Bentchikou_COINewGuidProvisions_IBRD.doc)
- 5 *World Bank Consulting Services Manual*, 2001: [siteresources.worldbank.org/PROCUREMENT/Resources/csm-final-ev3.pdf](http://siteresources.worldbank.org/PROCUREMENT/Resources/csm-final-ev3.pdf)
- 6 *Guidelines: selection and employment of consultants by World Bank borrowers*, World Bank, revised 2002, revised 2004: [siteresources.worldbank.org/PROCUREMENT/Resources/conguid-ev4.doc](http://siteresources.worldbank.org/PROCUREMENT/Resources/conguid-ev4.doc)
- 7 *Guidelines for Business Integrity Management in the consulting industry*, Test Ed 2001

Resources are available at [www.fidic.org/policies/coi](http://www.fidic.org/policies/coi)

## Implementation guidelines

The statements given above recognize that there is often subjectivity involved in matters of conflict of interest, where the all-important “question of degree” must be addressed.

Methods for avoiding or preventing conflict of interest as outlined in Chapter Four of the World Bank’s manual for consulting services [5] are reasonable steps in the whole process. Several key principles are also considered to be essential:

### Prior disclosure

A firm has an obligation to fully disclose any potential or real conflict of interest at the earliest opportunity, and to continuously monitor developments in the firm to ensure that subsequent events do not affect their previously stated position.

### Transparency

A firm must at all times be able to provide evidence that it follows a recognized code of ethics and that the practice is universal throughout the firm. The firm must be able to defend its actions, or lack thereof, with documented evidence of conformity to the conditions of engagement and the conduct of its contractual obligations.

### Independence

A firm must at all times maintain its independence from external influences that may affect

the ability of the firm to hold the interests of the client paramount, while not overlooking the interests of other parties identified in the code of ethics.

There have been cases where consultants acted in ways that would be, under normal circumstances and in light of the above policies, clearly in a conflict of interest situation. However, in these cases either the client had special requirements that were clearly spelled out at the onset of the project delivery process, or the client and consultant negotiated a procedure that offered a satisfactory mitigation methodology.

In any event, the nature of assignments, special requirements and client needs, and other factors necessitate the adoption of fair and reasonable processes and guidance for their application. The risk of becoming involved in a serious conflict of interest position and losing a firm’s long-developed reputation and standing is too great to gamble with. Full disclosure, full transparency, independence and adherence to a strong code of ethics should be by far the preferred choices for FIDIC members. The test should always be: Is it fair and reasonable? Is there full and prior disclosure and full transparency?

FIDIC - International Federation of Consulting Engineers  
World Trade Center 2, Geneva Airport  
Box 311, CH-1215 Geneva 15, Switzerland  
Telephone: +41 22 799 49 00 Email: [fidic@fidic.org](mailto:fidic@fidic.org)  
Telefax: +41 22 799 40 01 Web: [www.fidic.org](http://www.fidic.org)



## FIDIC Policy Statement

INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS

### Background

The disease of corruption is unfortunately spreading at the very time when world communications are improving and the economies of nations are becoming more interdependent as we move towards the global neighborhood. Corruption's taint includes the procurement of design and construction.

Corruption, that can be defined as “the misuse of public power for private profit”, is morally and economically damaging. Firstly, it jeopardizes procurement processes, is always unfair, and is often criminal: it saps money from required development projects and adversely affects their quality. Secondly, and worse than being pragmatically wrong, in allowing wasteful procurement corruption is basically wrong: it undermines society's values, breeds cynicism and demeans the individuals involved. It is more than stealing funds, it is stealing trust.

The consulting engineering industry which, as it should, has been motivated historically by concern for the needs of society, must seek to both prevent and react to the blight of corruption. FIDIC and its Member Associations, representing the leaders of the consulting engineering industry will neither ignore nor acquiesce with the tide of corruption. Nor will they consider that local corruption is cultural and unchangeable. The member firms of FIDIC's Member Associations will neither initiate nor accede to corrupt practices.

The FIDIC Policy Statement *Corruption* was approved by the FIDIC Executive Committee in September 2003. Printed copies can be obtained from the FIDIC Bookshop, either individually or as inserts in the binder *FIDIC Policy Statements*. Electronic versions are available from [www.fidic.org/policies](http://www.fidic.org/policies). Reproduction is permitted provided the source is acknowledged.

FIDIC has taken a proactive role in joining the worldwide effort to combat corruption by supporting international anticorruption initiatives, promoting high ethical standards, recommending the implementation of integrity management, and cooperating with agencies investigating corruption.

### Where corruption occurs

Corrupt practices can occur at all stages of the procurement process: in the marketing of engineering services; during the design; in preparing tender documents (including specifications); in pre-qualifying tenderers; in evaluating tenders; in supervising the performance of those carrying out the construction; while issuing payment certificates to contractors; and on making decisions on contractors' claims.

### Business development

The selection of a consulting engineering firm is a most important task, and is the basis for the essential and mutual client–consultant trust. The various selection criteria advocated by FIDIC, to be applied in judging a firm's suitability to carry out a project, are completely undermined if the selection process is tainted by corruption. The preparation of a short list is an important part of the process, and must be carried out openly.

Consulting engineering firms should promote the availability and capability to perform consulting services only on the basis of quality considerations. They should not seek work which calls for expertise beyond their particular training and experience.

A bribe of whatever form, intended to influence an evaluation committee during the prequalification phase, or later during the final retainer

discussions, whether directly or indirectly (using mechanisms such as scholarships, actions of agents, or currency exchange facilities) constitutes unethical behaviour.

### **Design, specification preparation and pre-qualification**

---

In the preparation of designs, and later the specification documents, the consulting engineering firm must pursue the best interests of the client. The consulting firm must not accept remuneration from suppliers which are under consideration for incorporation into the design, and must avoid references to brand names. The consulting firm must not be influenced to use products or processes because they are owned or promoted by organizations with whom the consulting firm may have an affiliation, except where the consulting firm has a role, known to the client, as an equity participant in, for example, a design and build project.

The delivery system or contractual approach recommended to the client must be the most appropriate for the project. Similarly, in evaluating potential tenders during a prequalification period, the best interest of the client must be paramount. This usually means the fostering of competitive tendering. The use of FIDIC forms of Conditions of Contract, which are balanced documents developed and revised in the light of experience, is recommended. Even more importantly, a tendering and evaluation process conducted with transparency and expedition will make

more likely a contract award which will be predicated upon proper factors. As quoted in the FIDIC document *Tendering Procedure*, 2nd Ed 1994 [1], the key factors and method of evaluation should be established in the introductions to the tenderers, in order that the subsequent evaluation will be objective and fair to all tenderers.

### **Construction supervision and claims**

---

During the course of construction, the consulting engineering firm is charged with the responsibility of exercising discretion in accepting materials, expressing satisfaction or approval, determining quantities and value, and giving opinion, consent or decision. The proper and impartial exercise of that responsibility, in the client's best interests, is at the core of the consulting firm's role, and is the essence of the FIDIC system.

Consistent with the objectives of this policy statement, it is noted that the *FIDIC Plant and Design-Build Contract*, 1st Ed 1999 [2], and the *EPC/Turnkey Contract*, 1st Ed 1999 [3], as with the laws of many countries, provide that bribery by the contractor is a basis for contract termination, much like the more conventional bases for default.

The consulting engineering firm must not offer or accept remuneration of any kind which may be perceived to, or in reality, attempt to influence the selection or compensation procedure or affect the impartial judgement of the consulting engineering firm.

### Therefore FIDIC recommends as follows

- 1 Member Associations and their members, both firms and individuals, should internally develop and maintain systems to protect their high ethical standards and codes of conduct. They should cooperate candidly with other organizations which seek to reduce corruption. Member firms should associate themselves only with other firms who share similar high ethical standards.
- 2 Member firms should have a commitment to integrity through the implementation of a Business Integrity Management System (see *Guidelines for Business Integrity Management in the consulting industry*, Test Ed 2001 [4]) involving all levels of management and every employee, focusing on corruption prevention.
- 3 Members Associations should assist member firms in developing a Business Integrity Management System, by providing guides, training and general support.
- 4 Member firms should have access to an independent evaluation of the Business Integrity Management System with guidelines developed by the consulting engineering industry.
- 5 To reduce the opportunities for corruption in the process of the procurement of engineering and construction services (see *FIDIC Guidelines for the selection of consultants*, 1st Ed 2003 [5]), quality-based selection procedures (see *Quality Based Selection for procurement of consulting services*, 1st Ed 1997 [6]) and competitive tendering (see *Tendering Procedures*, 2nd Ed 1994 [1]), respectively, should be used.
- 6 In implementing particular projects, consulting engineering firm should recommend to their clients the most appropriate and objective procurement process or delivery system, consistent with the demands of the project.
- 7 Funding agencies should be kept fully informed by the consulting firm of the procurement steps as they occur. The consulting firm shall notify funding agencies of any irregularities, in order that cancellation or other remedies may be exercised, in accordance with the loan agreement.
- 8 Member firms should be aware of local law regarding corruption and should promptly report criminal behaviour to the proper law enforcement authorities.
- 9 FIDIC Member Associations should take prompt disciplinary actions against any member firms found to have violated the *FIDIC Code of Ethics*. This could include, among other actions, expulsion and notification to public agencies. Procedures should be established by Member Associations to assure that the due process of law is afforded in such cases. The procedure for determining whether the expulsion of a member firm is warranted, should be conducted confidentially but expeditiously.
- 10 Member Associations should foster and support the enactment of legislation in their own countries, which is aimed at curbing and penalising corrupt practices.

## References and resources

---

- 1 *Tendering Procedures*, 2nd Ed 1994.
- 2 *Plant and Design-Build Contract*, 1st Ed 1999.
- 3 *EPC/Turnkey Contract*, 1st Ed 1999.
- 4 *Guidelines for Business Integrity Management in the consulting industry*, Test Ed 2001.
- 5 *Guidelines for the selection of consultants*, 1st Ed 2003
- 6 *Quality Based Selection for procurement of consulting services*, 1st Ed 1997.

Resources available at [www.fidic.org/policies/corruption](http://www.fidic.org/policies/corruption)

### Other relevant FIDIC publications

- *Model Representative Agreement, Test Ed 2004.*
- *Client/Consultant Model Services Agreement*, 3rd Ed 1998.
- *Joint Venture Agreement*, 1st Ed 1992.
- *Sub-Consultancy Agreement*, 1st Ed 1992.
- *Short Form of Contract*, 1st Ed 1999.
- *Construction Contract*, 1st Ed 1999.
- *The FIDIC Contracts Guide*, 1st Ed 1999.
- *Conditions of Subcontract for Work of Civil Engineering Construction*, 1st Ed 1994.
- *FIDIC Policy Statements*, 2004.
- *Capacity building: building the capacity of consulting firms*, 2001.
- *Sustainable development in the consulting engineering industry: a strategy paper*, 2000.
- *Engineering our future*, 1998.
- *Guide to Quality Management in the consulting engineering industry*, 2nd Ed 2001.
- *Guide to the interpretation and application of the ISO 9001:2001 Standard for the consulting engineering industry*, 1st Ed 2001.
- *Consulting engineers and the environment: guide for actions*, 1st Ed, 1994.
- *Risk Management Manual*, 1st Ed 1997.
- *Professional liability insurance: a primer*, 1st Ed 1991.
- *Insurance of large civil engineering projects*, 2004.
- *Amicable settlement of construction disputes*, 1st Ed 1992.
- *Construction, insurance and law*, 1st Ed 1986.
- *Mediation of professional liability claims*, 1st Ed 1993.
- *Risk Management expectations*, 1st Ed 1991.

FIDIC - International Federation of Consulting Engineers  
World Trade Center 2, Geneva Airport  
Box 311, CH-1215 Geneva 15, Switzerland  
Telephone: +41 22 799 49 00      Email: [fidic@fidic.org](mailto:fidic@fidic.org)  
Telefax: +41 22 799 40 01      Web: [www.fidic.org](http://www.fidic.org)



## FIDIC Policy Statement

INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS

### The HIV/AIDS epidemic

The disastrous impact of HIV/AIDS on the individuals and entire populations of many countries, particularly on those persons least able to cope, that is the poor and children, is widely acknowledged. FIDIC shares the worldwide concern on this scourge on humanity. FIDIC also recognises that construction sites in developing countries are potentially primary centres of HIV/AIDS. FIDIC member firms often have key roles on such sites and are thus in a position to make a difference.

FIDIC member firms are by no means immune from a serious involvement in respect to their own employees. Infection rates of 25% or more are reported in member firm offices in some countries.

Ambassador Richard C. Holbrooke, the President and CEO of the Global Business Coalition on HIV/AIDS, has stated on the issue "Why business must respond to AIDS" [1]:

*When AIDS first appeared twenty years ago no one could have predicted the impact it would have on our world. Already over 20 million people have died (2001 figure). Another 36 million live with the disease. And although we know how HIV is transmitted, over 16,000 people continue to be infected every single day.*

*AIDS affects people, and therefore AIDS impacts our business. For the last 20 years, AIDS has affected our employees, our managers, and our customers, and is*

The FIDIC Policy Statement *HIV/AIDS in the construction sector* was approved by the FIDIC Executive Committee in January 2004. Printed copies can be obtained from the FIDIC, Bookshop either individually or as inserts in the binder *FIDIC Policy Statements*. Electronic versions are available from [www.fidic.org/policies](http://www.fidic.org/policies). Reproduction is permitted provided the source is acknowledged.

*increasingly hitting the bottom line. And if your business does not feel the direct impact of the epidemic then I appeal to your corporate sense of social responsibility. For whatever we can say about business' very real financial interest in halting the spread of HIV/AIDS, this first and foremost a humanitarian cause.*

Some facts are shown in the tables below (for 2001 – the situation has further deteriorated according to reports).

UN Secretary-General Kofi Annan said in a recent call to action:

*There is no more time for half-measures. In terms of life lost, children orphaned and the destruction of the social and economic fabric of whole societies and whole countries, AIDS is an unparalleled nightmare. What is more, its impact continues to grow. In the worst affected countries, where more than one in five adults are infected, infrastructure, services and productive capacity are facing total collapse. The challenge is enormous, but we are not powerless to face it.*

### AIDS in the construction sector

In the introduction to the *Draft specification for HIV/AIDS awareness* [2], the Construction Industry Development Board of South Africa, says:

*Research indicates that the South African construction industry has the third highest incidence of HIV/AIDS in South Africa. The construction sector has a predominantly migratory labour force, making it a prime contributor to the spread of HIV/AIDS. Labour camps are a breeding ground for the spread of HIV/AIDS and Sexually Transmitted Diseases (STDs), this being compounded by the situation where migrant workers on contract generally ignore or are ignorant of the consequences of casual sexual relationships.*

*The prevalence of subcontracting, the emergence of many small contractors and the tendency toward labour-only subcontracting increased the complexity of developing an effective HIV/AIDS strategy that targets the full spectrum of those employed in construction. This level of complexity places a special responsibility on clients, the professions and industry leaders.*

*The construction sector has the potential to play an important role in the country's inter-sectoral approach to coping with the epidemic. The sector also provides entry-level local jobs, which may be crucial to the survival of youth-headed households and extended families in areas hard hit by the epidemic. Construction sites can accordingly provide a convenient location for HIV/Aids programmes to both construction workers and rural communities.*

FIDIC and FIDIC member firms have a corporate social responsibility, and FIDIC recognises that member firms can make a significant difference, because they have already done so in a number of countries.

For these reasons, FIDIC has developed this policy on HIV/AIDS in the construction sector.

#### **FIDIC Policy on HIV/AIDS in the construction sector**

---

FIDIC recommends that:

FIDIC member firms should at all times use their influence, position and strengths to reduce the impact of HIV/AIDS on their own employees and those of contractors, and their families, and for the wider community particularly, located at or related to construction sites on which a member firm is engaged.

#### **Five strategies for engineering and construction works contracts**

---

The responses of FIDIC firms in showing leadership and advocacy will normally comprise the following five strategies recommended for implementation in engineering and construction works contracts [3]:

- 1 Raising awareness about HIV/AIDS.
  - increased understanding about the disease, through dissemination of information and by generating discussion.
  - promote the benefits of abstinence/avoidance.
- 2 Ensuring that construction workers have access to condoms.

- 3 HIV voluntary counselling, testing and referral services.
- 4 Sexually Transmitted Infection (STI) diagnosis and treatment.
- 5 Monitoring of outcomes, in collaboration with national HIV/AIDS authorities.

These strategies are designed to build an HIV resilient workforce as well as HIV resilient communities associated with the workforce, i.e., communities that are able to draw on their own capacity to prevent further transmission of HIV, minimise the impact of the HIV/AIDS epidemic, and talk about HIV/AIDS.

The objectives of these strategies are to:

- Reduce the risk of transfer of the HIV virus between and among construction workers, their families and the local community;
- Raise awareness amongst construction workers and the local community of the risk of infection with the HIV virus;
- Promote the benefits of abstinence/avoidance;
- Promote voluntary early diagnosis; and
- Assist affected individuals to access care and counselling.

#### **HIV/AIDS Clauses for inclusion in contract documents**

---

FIDIC has prepared HIV/AIDS Clauses aimed at meeting the above objectives, and recommends that these Clauses be included in construction contracts wherever there is the slightest risk of HIV/AIDS infection relating to activities or the construction site.

It is recommended that the following Sub-Clause be added to Clause 6, Staff and Labour, of the Particular Conditions of the FIDIC *Conditions of Contract for Construction*, 1st Edition, 1999 [4]:

#### **EXAMPLE SUB-CLAUSE**

##### **HIV/AIDS Prevention**

*The Contractor shall conduct an HIV/AIDS Awareness Programme via an Approved Service Provider, and shall undertake such other measures as are specified in this Contract to reduce the risk of the transfer of the HIV virus between and among the Contractors Personnel and their families and the Local Community, to promote voluntary early diagnosis, and to assist affected individuals.*

## HIV/AIDS Technical Clauses

HIV/AIDS Technical Clauses are provided in Annex 1. These are drafted for use with the FIDIC *Conditions of Contract for Construction* 1st Edition, 1999 [4], as Clauses within the Contract Technical Specification, although the Clauses could be adapted to any form of Contract.

In drafting these Clauses, FIDIC has drawn upon the publications of South Africa's Construction Industry Development Board [2] and the International Labour Organization [3].

The intent of these Clauses is that the measures specified to be undertaken by the Contractor are to be measured and priced in the tender Bill of Quantities, and subsequently paid for on completion or progressively as measurable (pay) items in accordance with the General Conditions (Clause 12 of the FIDIC *Conditions of Contract for Construction*, 1st Edition, 1999).

## Wider use of HIV/AIDS Clauses

The FIDIC HIV/AIDS Clauses (Annex 1) have been drafted specifically for use with FIDIC Standard Contracts, drawing upon the sources referenced in [2] and [3].

However, FIDIC suggests that the Clauses may be adapted for wider use, including:

- with other forms of Contract;
- in designing anti-HIV/AIDS strategies in other applications such as other industries and community awareness generally;
- specifically in campaigns within the offices of member firms operating in AIDS-prevalent situations.

## Monitoring

FIDIC member firms working either as an Employer or when acting as Project Manager or Site Supervisor, are in a position to monitor the take up and effectiveness of anti-AIDS measures. FIDIC recommends that they do so. Examples of indicators to be monitored would include:

- HIV related absences amongst staff;
- frequency of attendance at training seminars
- take-up of condom use;
- understanding of the anti-HIV/AIDS messages amongst staff.

## Annex 1

### HIV/AIDS Clause for inclusion in the FIDIC Construction Contract, 1st Ed 1999

#### 1.1 For the purpose of this Clause:

"an Approved Service Provider" means a person or entity approved by the National HIV/AIDS Authority to provide the HIV Awareness Programme;"

the "Contractor's Personnel" or "Construction Workers" means, without prejudice to any other definition contained in the Contract, all personnel, who are under the Contractor's control and on the Site in connection with the Contract, including any workers who are under the control of any person or entity to whom the contractor has sub-contracted any of this obligations under the Contract other than those responsibilities set out in this Clause;

"the HIV Awareness Programme" means an HIV awareness programme [as set out in the Project documentation / in compliance with the HIV Awareness Programme curriculum and guidelines published by UNAIDS and/or National HIV/AIDS Authority];

"the Local Community" means the communities local to the Site most likely to have contact with the Contractor's Personnel and, in particular, vulnerable groups and sex workers in those communities;

"National HIV/AIDS Authority" shall mean the authority in the country where the Site is located designated by the relevant national government to have responsibility for preventing and/or combating HIV-AIDS;

"UNAIDS" shall mean the agency of the United Nations of that name or the United Nations Regional Task Force on mobile population and HIV vulnerability.

#### Abbreviations:

- STI: Sexually Transmitted Infection
- HIV: Human Immunodeficiency Virus
- AIDS: Acquired Immune Deficiency Syndrome

#### 1.2 It shall be a requirement of the contract that the Contractor:

- 1.2.1 sub-contracts with an Approved Service Provider to provide an HIV Awareness Programme to the Contractor's Personnel and the Local Community as soon as practicable after the Contractor's Personnel arrive at the Site but in any case within two weeks after the Contractor's Personnel arrive at site, and to repeat the HIV Awareness Programme at intervals not exceeding four months;
- 1.2.2 gives any representative of the Approved Service Provider, the Employer and the National HIV/AIDS Authority all reasonable access to the Site in connection with the HIV Awareness Programme;
- 1.2.3 if the National Aids Authority has not provided the names of available Approved Service Providers within two weeks after being asked the Contractor may select its own service provider after consultation with the appropriate UNAIDS and/or National HIV/AIDS Authority office;
- 1.2.4 instructs the Contractor's Personnel to attend the HIV Awareness Programme in the course of their employment and during their normal working hours or any period of overtime provided for in the relevant employment contracts and uses all reasonable endeavours to ensure this instruction is followed;
- 1.2.5 provides suitable space for delivery of the HIV Awareness Programme and does nothing to dissuade the Contractor's Personnel from attending the HIV Awareness Programme;
- 1.2.6 as soon as practicable, notifies the National HIV/AIDS Authority of its sub-contract with an Approved Service Provider to facilitate the National HIV-AIDS Authority's audit of Approved Service Providers;
- 1.2.7 gives all reasonable co-operation to the National HIV/AIDS Authority if it exercises its right to audit the provision by the Approved Service Provider of the HIV Awareness Programme.
- 1.2.8 makes condoms complying with the requirements of ISO 4074 available to all

contractor's employees at readily accessible points on the site, suitably protected from the elements, for the duration of the Contract;

1.2.9 either place and maintain HIV/AIDS awareness posters of size of not less than A1 in areas which are highly trafficked by construction workers, or provide construction workers with a pamphlet, in languages largely understood by construction workers, which reinforce the outcomes of the HIV Awareness Programme stated in 1.2.1;

1.2.10 encourages voluntary HIV/STI testing, and

1.2.11 provides information on services concerning counselling, support and care of those that are infected.

It is not a requirement of this contract for the Contractor to undertake or pay for treatment or medication for personnel found to be suffering from HIV/AIDS. Such personnel shall not be discriminated against however.

1.3 The outcomes of the HIV Awareness Programme shall as a minimum, result in Contractor's Personnel exposed to such a programme being able to:

- a communicate the existence of problems of HIV and be able to outline the consequences of transmission of HIV to or from the Local Community;
- b recall and communicate the mode of HIV transmission and preventative measures including the proper use of the condom;
- c be aware of the advantages of abstinence/avoidance.

#### 1.4 Reporting

1.4.1 The Contractor shall prepare and attach to his claims for payment a brief report which outlines how the actions taken by the Contractor in the period for which payment is claimed satisfy the requirements and a schedule which lists the names, identity numbers, trade/occupation and name of employer of all construction workers exposed to the programme.

1.4.2 The Employer's representative shall certify the report and schedule described in 1.4.1 whenever a claim for payment is issued to the Employer.

1.5 Where a clinic is provided on behalf of the Contractor on site, the Contractor shall ensure that such clinic provides to the Contractor's Personnel, on request and without charge:

1.5.1 counselling and advice on AIDS in compliance with UNAIDS or National HIV/AIDS Authority guidelines; and

1.5.2 condoms that comply with either the current ISO standard or WHO/UNAIDS *Specification and guidelines for condoms*, 1998, or any more recent equivalent publication by the National HIV/AIDS Authority.

1.6 The Contractor shall be entitled to be reimbursed by the Employer for any payments made under a sub-contract made on either cost incurred for the purpose of Sub-Clause 1.2 in accordance with the relevant provisions in the Contract, and in particular, for the amounts included in the Bill of Quantities.

1.7 Where the Contract does not provide for reimbursement of named costs, the amount paid by the Contractor to the Approved Service Provider shall be added to any lump sum to be paid by the Employer to the Contractor under the Contract and, before such lump sum is paid, the Contractor shall provide to the Employer evidence of:

1.7.1 payment of the amount claimed to the Approved Service Provider; and

1.7.2 provision of the HIV Awareness Programme (e.g., a Compliance Report issued by the Approved Service Provider - refer to Annex 3).

1.8 Where the Contractor sub-contracts any of its obligations under the Clause of the Contract it shall require any sub-contractor to comply with Sub-Clauses (1.2.2 to 1.2.11) of the Contract as if it were the Contractor.

## Annex 2

### Bills of Quantities pricing data

---

FIDIC recommends that the HIV/AIDS awareness requirements contained in the standard Clauses should be identified as separate items/activities and be included in the Bills of Quantities, or in activity schedules as a single item or a group of items.

#### Example

Item	Description	Unit	Rate	Amount
1	Conduct HIV/AIDS Awareness Programme on Site for Contractors personnel inclusive of all direct and indirect costs.			
2	Provide, fill and maintain condom dispensers.			
3	Provide and maintain HIV/AIDS awareness posters.			
4	Provide information regarding the voluntary testing of construction workers and counselling, support and care.			

---

### Annex 3

#### Compliance Report

---

Contract number: \_\_\_\_\_

Payment claim number: \_\_\_\_\_

Period covered by payment claim: \_\_\_\_\_

- 1 Distribution of condoms (briefly describe where and how condoms are distributed):
- 2 Posters/pamphlets (briefly describe where posters were placed/how pamphlets were distributed):
- 3 Voluntary HIV/STI testing (briefly describe the actions taken/information provided to promote testing)
- 4 Counselling, support and care (summarise information provided):
- 5 Schedule of construction workers exposed to the HIV Awareness Programme

Name	Identification number	Trade/occupation	Name of employer
------	-----------------------	------------------	------------------

---

I hereby declare the above to be a true reflection of actions taken to ensure compliance with the specification.

Name:

Position:

Date:

## References and resources

- 1 *Business action on HIV/AIDS – a blueprint*, Global Business Coalition on HIV/AIDS, 2001:  
[www.businessfightsaids.org/pdf/blue\\_print.pdf](http://www.businessfightsaids.org/pdf/blue_print.pdf)
- 2 *Specification for HIV/Aids awareness*, Construction Industry Development Board, South Africa, June 2003:  
[www.cidb.org.za/initiatives/HIV%20specification.pdf](http://www.cidb.org.za/initiatives/HIV%20specification.pdf)
- 3 *Implementing labour standards in construction* - a sourcebook, Water, Engineering and Development Centre, Loughborough University, UK, 2002.  
[wedc.lboro.ac.uk/publications/details.php?book=1%2084380%20017%209](http://wedc.lboro.ac.uk/publications/details.php?book=1%2084380%20017%209)
- 4 *FIDIC Conditions of Contract for Construction*, 1st Ed 1999.

Annex 1 (HIV/AIDS Clause) refers to:

“HIV Awareness Programme curriculum and guidelines published by UNAIDS and/or National HIV/AIDS Authority”.

The curriculum and guidelines are no longer available from UNAIDS, but they are referred to in various UNAIDS publications including:

*National AIDS Programmes: A guide to monitoring and evaluation*, UNAIDS, 2000.

Resources are available at [www.fidic.org/policies/hiv](http://www.fidic.org/policies/hiv)

FIDIC - International Federation of Consulting Engineers  
World Trade Center 2, Geneva Airport  
Box 311, CH-1215 Geneva 15, Switzerland  
Telephone: +41 22 799 49 00      Email: [fidic@fidic.org](mailto:fidic@fidic.org)  
Telefax: +41 22 799 40 01      Web: [www.fidic.org](http://www.fidic.org)

## Supplement

### AusAID projects: clarifications and amendments

---

Reference is made to the FIDIC Policy Statement *HIV/AIDS in the construction sector*. The following clarifications and amendments are proposed for use in AusAID projects.

#### 1 Contract agreement sub-clause

The sub-clause intended for inclusion in the Contract Agreement, Conditions of Particular Application, is provided on page 2, at the bottom of the second column:

##### HIV/AIDS Prevention

*The Contractor shall conduct an HIV/AIDS Awareness Programme via an Approved Service Provider, and shall undertake such other measures as are specified in this Contract to reduce the risk of the transfer of the HIV virus between and among the Contractors Personnel and their families and the Local Community, to promote voluntary early diagnosis, and to assist affected individuals.*

#### 2 Annex 1

This section is intended for inclusion in the Contract Technical Specification, and requires some amendments/additions

##### ERRATA

1. Heading: should read:  
“HIV/AIDS Clause for inclusion in the Contract Technical Specification”
1. Sub-Clause 1.4.1 line 2  
After “a brief report” add “in the form attached”.
3. Sub-Clause 1.6, line 3  
Delete “on either”. Replace with “or other”.

##### ADDITIONS

4. Sub-Clause 1.6  
Add new 2nd paragraph:  
“The amount included by the Contractor in its priced Bill of Quantities for the HIV/AIDS preventative provisions as defined in Sub-Clause 1.2, shall be not less than 1.0% of the Contract Price.”
5. New Sub-Clause 1.9  
1.9 Attention is drawn to the obligation of the Contractor to give preference to the employment of labour from communities local to the site(s) of the Works.
6. New Sub-Clause 1.10  
1.10 The requirements described in Sub-Clauses 1.2.1, 1.2.5, 1.2.9, 1.2.10, 1.2.11 and 1.4.1 shall be extended to include the local communities as defined by the Employer. The cost of such provisions to the local communities shall be deemed to be included in the rates and amounts in the priced Bill of Quantities

#### 2 Annex 2: Bill of Quantities

Add a Note:

- i) The rates and amounts applying to these items are to include for provisions of services to the local communities.
- ii) The total sum of this group of items shall be not less than 1.0% of the Accepted Contract Amount.



## FIDIC Policy Statement

INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS

### Informed purchasers

It is an obvious fact that in any endeavour, a well-informed team will produce results that are superior to those from a less informed or less capable team. Evidence shows that this is particularly true for engineering projects where the quality of the project team – that is, the client (or purchaser), the consulting engineer and other professionals, and the contractor – is paramount in producing the best value and most sustainable results. Each member of the team has a vital role to play, if the project is to succeed.

At a roundtable discussion at the FIDIC 2002 Annual Conference in Acapulco, Mexico, on the subject of informed purchasers, attended by consulting engineers and others from many countries, there was a clear consensus that the skill level of the purchaser of services has a direct bearing on the quality of the end product. Delegates pointed out that this relates to both public and private clients. Delegates and industry experts also identified a worrying trend towards potentially less informed purchasers, and quoted examples of resulting problems. Points made by industry experts and the FIDIC delegates included the following.

- Purchasers should maintain a stable staff and core competencies.
- Purchasers should accurately assess their ability as project managers and augment where necessary.
- Purchasers should fully understand contract conditions.

The FIDIC Policy Statement *Informed Purchasers* was approved by the FIDIC Executive Committee in September 2003. Printed copies can be obtained from the FIDIC Bookshop, either individually or as inserts in the binder *FIDIC Policy Statements*. Electronic versions are available from [www.fidic.org/policies](http://www.fidic.org/policies). Reproduction is permitted provided the source is acknowledged.

- Purchasers should understand the negative implications of procuring consulting services based on cost compared with the benefits of quality based selection.
- Purchasers should understand the cost to consultants of proposal preparation.
- Purchasers should understand the importance of providing complete, proper and accurate data for bidding and implementation of projects.
- Purchasers should understand and articulate what they expect from the consultant, define the scope, work within that definition, and not expect extra services without compensation.
- Purchasers should be technically competent in the subject of the project, and where lacking in-house skills, be prepared to engage skilled advisors.
- Purchasers need to understand the importance of fair and transparent processes for the selection of consultants and contractors, in achieving a best value and sustainable outcomes.

It should be noted that, even if worded with reference to a “project”, the points above and this FIDIC policy are equally relevant to larger investment programmes or other endeavours.

### Background

FIDIC policy is that purchasers of consulting services should be fully informed on both the technical aspects of the specific project and on the proper processes for the procurement and management of consulting services.

Also:

FIDIC policy is that purchasers of construction services from contractors should be fully informed on both the technical aspects of the specific project and on the proper processes for the procurement of construction services or the supply of plant or equipment.

## References and resources

- 1 *Guidelines for the selection of consultants*, 1st Ed 2003.
- 2 *Quality Based Selection for procurement of consulting services*, 1st Ed 1997.

- 3 *Quality of Construction - a guide for actions*, 2004.

Resources available at [www.fidic.org/policies/informed](http://www.fidic.org/policies/informed)

Well informed purchasers – whether government or private clients – are far more likely to undertake successful projects than purchasers who are inadequately informed or who are lacking in expertise. For a project to be successful in the best interests of the purchaser, the consultants and the end user (the public), both the purchaser and consultant must have an identical vision for the project.

FIDIC is committed to the pre-eminence of quality in the selection of the consulting engineers by purchasers, and has made a series of recommendations on best practice for selection in *Guidelines for selection of consultants*, 2003 [1]. FIDIC recommends Quality Based Selection (QBS) as the preferred selection method [2].

FIDIC is similarly committed to the principle that quality should be a factor in the pre-qualification and selection of contractors, and makes a series of recommendations to this purpose in *Quality of Construction - a guide for actions*, 2004 [3]

### Characteristics of the informed purchaser

As the leader of the project team, the client or purchaser should be informed, that is, knowledgeable and competent in all aspects of the project. This knowledge and competency can be in-house or brought in for the project. A key part of the competency is the capacity to manage the project.

At the outset or conceptual stage of a project, purchasers should evaluate their in-house capabilities and assess whether they have the expertise to properly develop and manage their project or programme. Proper expertise goes beyond the need for a contract administrator who may not have the technical understanding of the details required for a successful project or programme.

With the downsizing of government departments around the world, it is particularly important that government retain staff with core

competencies. It may be necessary to retain outside expertise to perform project or programme development tasks, including the procurement of consulting services and the procurement of construction or plant or equipment. FIDIC member firms can provide suitably qualified and experienced experts to assist clients in preparing project designs, requests for proposal, terms of reference and information to consultants and in evaluating bids and negotiating agreements with consultants and contractors.

In summary, a well-informed purchaser:

- Has the technical knowledge to articulate and share the vision of the project.
- Has a clear understanding of the methodology required to execute the project.
- Can evaluate the skills of consultants for projects using a proper and transparent selection process, based on quality.
- Understands the risks associated with the project and is willing to allocate these in a fair and appropriate manner.
- Understands the adverse impact of demanding an earnest money deposit or a security deposit for consulting services.
- Knows the significance of specifying a reasonable time frame for submissions and for approval of a project, and the importance of project monitoring.
- Understands the importance of specifying unambiguous payment terms and methodology for approval of invoices.
- Knows the essential difference between a consultant and a contractor.
- Has project management and technical skills, either in-house or contracted in to support management.

**FIDIC - International Federation of Consulting Engineers**  
 World Trade Center 2, Geneva Airport  
 Box 311, CH-1215 Geneva 15, Switzerland  
 Telephone: +41 22 799 49 00      Email: [fidic@fidic.org](mailto:fidic@fidic.org)  
 Telefax: +41 22 799 40 01      Web: [www.fidic.org](http://www.fidic.org)



## FIDIC Policy Statement

INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS

### Background

The FIDIC 2001 survey on the Quality of Construction within Member Associations confirmed that the failure to achieve an appropriate Quality of Construction was a worldwide problem. As could be predicted, the pressure to reduce the costs of construction and supervision were found to have had an adverse effect on quality. The problem was serious, and was evident in both developed and developing countries.

Within the conventional processes for the procurement of construction contracts, contractors, who are keen to win tenders, can do so by submitting low prices, but at the risk of not being able to a) produce construction work which fulfills specifications, or b) meet standards for sustainable development. Likewise, consultants may be under pressure to reduce the initial cost of construction and construction supervision so that contractors are unable to deliver the required quality.

Lack of Quality of Construction has been manifested in poor workmanship, unsafe structures, delays, cost over-runs and disputes in construction contracts.

Consultants are often appointed by a client to only render a partial service during the construction phase. This increases the risks to the client and the consultant with respect to the quality and safety of construction, and frequently increases the overall cost of the project when account is taken of delays and disputes.

The FIDIC Policy Statement *Quality of Construction* was approved by the FIDIC Executive Committee in January 2004. Printed copies can be obtained from the FIDIC Bookshop, either individually or as inserts in the binder *FIDIC Policy Statements*. Electronic versions are available from [www.fidic.org/policies](http://www.fidic.org/policies). Reproduction is permitted provided the source is acknowledged.

Longer-term costs such as increased maintenance will also be incurred.

FIDIC wishes to take a leading role in working with other industry stakeholders to address the potentially serious problem of inadequate Quality of Construction.

### FIDIC policy

FIDIC believes that construction should be sustainable, and to this end, it is the policy of FIDIC that each party in the construction process should be committed to satisfying its obligations with respect to achieving Quality of Construction.

The FIDIC publication *Quality of Construction: a guide for actions*, 2004, recommends a best-practice approach to achieving proper Quality of Construction, and proposes actions to be taken by each party concerned.

### Actions by government

#### Government as client

Governments who, as clients, want to achieve Quality of Construction should consider the following:

- Adopt a Quality Management approach towards projects and construction. Quality Management should include Quality Management Systems such as those based on the ISO 9001 Standard for their own departments and as a prerequisite for suppliers of goods and services who want to do business with a department.
- Adopting Quality Management may mean a fundamental review of the process by which government procures the services of consulting engineers and contractors (for instance, changing

- from an adversarial, “us versus them” approach to a partnership-based, “we together” approach).
- Recognise that Quality Management is a prerequisite for sustainable development, since a lack of adherence to appropriate quality standards will lead to waste in goods and services, whether, for example, through over-design, under-design or incorrect design, or through faulty construction requiring higher maintenance costs or early replacement.
  - Adopt a sustainable development approach towards construction by:
    - Taking cognisance of the need to internalise total project cost as is pointed out in *FIDIC's Sustainable development in the consulting engineering industry - a strategy paper*, 2000. For example, calling for tenders to achieve lowest price may seem like an attractive option, but once all external costs such as tender preparation costs and future costs owing to lack of quality are internalised, the outcome may be very different.
    - Reducing the volatility in the construction industry by, for example, overcoming boom-and-bust, or feast-and-famine, cycles. These notorious cycles increase the construction industry's risk, with the resulting loss of the most talented and highest calibre staff, thus impacting negatively on Quality of Construction and the industry's sustainability.
  - Insist that, for the purposes of ongoing management, operation and maintenance, local capacity must be developed on all projects. “Local” may have the meaning of local areas within a country or a larger geographic region. Useful guides include *FIDIC's Capacity building: building the capacity of consulting firms*, 2001, and *Improving transfer of technology: guide for actions*, 1992.
  - Adopt a Quality Based Selection approach for the procurement of consulting services, and include in the selection criteria the need for consultants to have the following in place:
    - Quality Management System
    - Business Integrity Management System
    - Environment Management System
    - Risk Management System
    - Professional indemnity insurance
    - Membership of a recognized body representative of the profession or industry.
  - Adopt a quality-oriented selection process for the procurement of construction contracts, including:
    - Pre-qualification: this is no guarantee of quality, but it at least excludes those who are obviously less likely to execute the contract successfully.
    - Previous track record: in the context of pre-qualification, while requiring a solid track record may exclude possible new entrants and make the industry less competitive, it is essential for ensuring capability.
    - An appropriate combination of price and non-price award criteria (also known as tender evaluation criteria). This selection process has the advantage that it can be extended to include separate sections for sustainability dimensions such as the submission of a social plan and an environment management plan. Depending on the nature of the contract, for example, routine as opposed to complex and high risk, price could constitute 80% of the tender with the remaining 20% used for the non-price award criteria.
    - Promote the adoption of standardised documentation by all clients, especially government departments and government authorities, for:
      - procurement procedures for consulting engineers
      - procurement procedures for contractors
      - client/consultant agreements
      - construction contracts
      - tender and construction documentation.

### Government as regulator

Government often has a second, very important function in that it can create, through laws and regulations, an enabling environment in which a construction industry can flourish and often, as a consequence, the economy in general. Such an enabling environment should provide more appropriate Quality of Construction since the “rules of the game are known and a good referee can help raise the quality of the game”.

Legislative and regulatory action that government may need to consider includes the following:

- Creation and application of effective anti-corruption policies and practices.
- Creation of a specific set of construction activity targets.
- Formation of a body geared towards creating a more enabling construction environment.
- Registration of professionally qualified firms and persons in their respective categories.
- Recognition of equivalent foreign qualifications and registrations.

## Actions by international agencies

International funding agencies are often as powerful as government in setting the right climate for what is expected from a construction project. Hence, the actions for international funding agencies are similar to those for government as a client. In summary, they are:

- Adopt a Quality Management approach towards projects and construction. This may mean a fundamental review of the process by which the agency procures the services of consulting engineers and contractors.
- Recognise that Quality Management is a prerequisite for sustainable development since the lack of adherence to appropriate quality standards will lead to waste in goods and services.
- Adopt a sustainable development approach towards construction by:
  - taking cognisance of the need to internalise costs.
  - reducing volatility in the construction industry.
- Insist that, for the purposes of ongoing management, operation and maintenance, local capacity must be developed on all projects. Useful guides include FIDIC's *Capacity building: building the capacity of consulting firms*, 2001, and *Improving transfer of technology: guide for actions*, 1992.
- Adopt a Quality Based selection approach for the procurement of consulting services, and include in the selection criteria the need for consultants to have the following in place:
  - Quality Management System
  - Business Integrity Management System
  - Environment Management System
  - Risk Management System
  - Professional indemnity insurance
  - Membership of a recognized body representative of the profession or industry.
- Adopt a quality-oriented selection process for the procurement of construction contracts, including:
  - Pre-qualification: at least excludes those who are obviously less likely to execute the contract successfully.
  - Previous track record: in the context of pre-qualification, a solid track record is essential for demonstrating capability.
  - An appropriate combination of price and non-price award criteria.
- Make provision on all construction projects for adequate supervision by a consulting engineer.
- Promote the adoption of standardised documentation for:

- procurement procedures for consultants
- procurement procedures for contractors
- client/consultant agreements
- construction contracts
- tender and construction documentation.
- Additional actions, which include:
  - Insisting on the implementation of effective anti-corruption policies and practices.
  - Insisting on capacity building and technology transfer, possibly using FIDIC guides for action and guidelines.
  - Taking cognisance of local economic cycles, and smoothing these cycles rather than exacerbating or deepening them.
  - Reducing the project initiation period as continuity of firms and their staff improves Quality of Construction.
  - Reducing prolonged payment periods for claims from consulting engineers and contractors as this reduces the incidence of unacceptable shortcuts, and therefore improves the Quality of Construction.

## Actions by industry

The various role-players in the construction industry, including FIDIC, FIDIC Member Associations, member firms and contractors, are mainly on the supply side of interventions intended to improve Quality of Construction.

FIDIC and FIDIC Member Associations are not direct providers of services, but have important roles to play in defining and disseminating best practice as facilitators, coordinators and providers of channels of communication.

## FIDIC

Actions for FIDIC include:

- Draw attention to the benefits of Quality of Construction at all times.
- Continue liaison with international agencies.
- Channel information between Member Associations.
- Facilitate the production, review and improvement of appropriate documentation, including contracts.
- Engage in education and training initiatives, and in the production of appropriate materials for Member Associations and their member firms.

## References and resources

*Quality of Construction: a guide for actions*, 2004.  
*FIDIC Policy Statements*, 2004.  
*Engineering our future*, 1998.  
*Capacity building: building the capacity of consulting firms*, 2001.  
*Client/Consultant Model Services Agreement*, 3rd Ed 1998.  
*Construction Contract*, 1st Ed 1999.  
*Guidelines for Business Integrity Management in the consulting industry*, Test Ed 2001.  
*Guidelines for the selection of consultants*, 1st Ed 2003.

*Guide to Quality Management in the consulting engineering industry*, 2nd Ed 2001.  
*Consulting engineers and the environment*, 1st Ed 1994.  
*Sustainable development in the consulting engineering industry: a strategy paper*, 2000.  
*Quality Based Selection for procurement of consulting services*, 1st Ed 1997.  
*Tendering procedures*, 2nd Ed 1994.

Resources are available at [www.fidic.org/policies/qoc](http://www.fidic.org/policies/qoc)

### FIDIC Member Associations

Actions for Member Associations include:

- Draw attention to the benefits of Quality of Construction at all times.
- Act as communication channels between FIDIC and member firms, and between the firms and their clients.
- Assist with the education and training of members.
- Assist with the implementation of improved quality and quality-related systems such as Quality Based Selection, Quality Management Systems, Business Integrity Management Systems, Environmental Management Systems, Risk Management and professional indemnity schemes.
- Lobby government for the adoption of the actions outlined in the section "Actions by Government".
- Assist in the development of standard specifications.
- Encourage the use of internationally accepted contract documents.
- Publicise examples of good and poor practice.

### Member firms

Actions for firms include:

- Produce standard but comprehensive tender and contract documents of the highest quality using established documentation.
- Include the requirement for project quality plans in bidding documents and contracts.
- Adopt Quality Management Systems, Environmental Management Systems, Business Integrity Management Systems and Risk Management.

- Review the Quality of Construction after the completion of projects for continuous improvement of the construction quality.
- Participate actively in Member Associations.
- Assist with:
  - lobbying government
  - reviewing FIDIC documentation and its local equivalents
  - providing feedback on systems and documents promoted by FIDIC for future review.
- Provide feedback to sub-consultants and contractors on performance regarding Quality of Construction.

### Contractors

Actions for contractors include:

- Recognise the importance of Quality of Construction.
- Adopt Quality Management Systems.
- Provide procedures for corrective action when quality control and/or acceptance criteria are not met.
- Provide feedback to consultants for improvement of Quality of Construction.
- Recruit, train and deploy a skilled work force.
- Take measures to ensure that subcontractors are qualified, and/or licensed as required.

Further actions should be developed in consultation with the representative bodies of the international contractors.

FIDIC - International Federation of Consulting Engineers  
 World Trade Center 2, Geneva Airport  
 Box 311, CH-1215 Geneva 15, Switzerland  
 Telephone: +41 22 799 49 00      Email: [fidic@fidic.org](mailto:fidic@fidic.org)  
 Telefax: +41 22 799 40 01      Web: [www.fidic.org](http://www.fidic.org)