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Introduction

of FIDIC Module 4 Online Training
Contract Management and Administration
of 1999 FIDIC Contracts

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Vision: Enabling the development of a sustainable world, as the recognised global voice for the consulting engineering industry

Mission: Work closely with stakeholders to improve the business climate in which members operate and enable them to contribute to making the world a better place to live in, now and in the future

Founded in 1913

Headquarters in Geneva





60,000 consulting firms
Representing **1.5 million** CE professionals
in more than **100** countries



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About FIDIC Online Training Programmes

- ➔ FIDIC online training programmes cover (at present):
 - » Module 1 (Basic),
 - » Module 1 Advanced and
 - » Module 4.
- ➔ The programmes are closely linked to **FIDIC documents and recommended procedures** -» as interactive combination of case work on a debate platform, lectures and classroom discussions.
- ➔ Participants are engaged in discussions of **specific real life cases** related to the formal clauses and specific **recommendations by the Mentors**. Through the **interactive discussion platform** they will learn from each other and relate their individual experience to conditions and practices in other countries.



About FIDIC Online Training Programmes

Online training is convenient:

- If location, and number of participants necessitate, they are divided into teams according to time zones (max. 2 teams).
- The programme starts with test sessions: to make sure your connections and audio equipment are in order.
- Next step: introducing the virtual Podio platform and the Adobe Connect classroom.
- Sessions are held every second week.
- The active case work is supported by FIDIC Guides and dedicated lectures by the Mentors. Presentations are uploaded as recordings.



About FIDIC Online Training Programmes

Online Training is relevant

- Cases and questions relate to real life cases for specific projects.
 - Everybody engages in the discussion on the Podio platform.
 - Discussions are summarized in classroom by two editors from the team.
 - Everything is recorded and uploaded for reviewing and for participants who may have to be absent from class.
- A Manual for operating on Podio and in the Adobe Connect classroom will be forwarded by mail prior to start.



About FIDIC Online Training Programmes

Certificates:

- Getting a **Certificate of Successful Completion** requires having responded in writing on Podio to all questions and attending at least half the classroom sessions.
- Getting a **Certificate of Participation** requires having participated in at least **50 % of all activities**.
- Certification is NOT subject to any exam.



What is included in Module 4 ?

- FIDIC's Module 4 course's title is: "*FIDIC Contract Management and Administration*".
- This Module focuses on procedures included in-, and management of FIDIC Contracts -» departing from the 1999 Red Book, but pointing out differences as far as the other contract forms of the 1999 suit are concerned.
- The online Module 4 course has the same content as the "normal" training Module, but it is optimised for the online way of delivery.



What is the Contents of Online Module 4 ?

- ➔ The course will consist of **9 online Sessions** and **8 Case Works** to be elaborated by the participants.
- ➔ There will be **6 major areas of FIDIC conditions of contracts** covered in a detailed manner:
 - » The Contract Documents
 - » Start-up
 - » Financial Control
 - » Ongoing Supervision
 - » Taking Over the Works, Defects Liability, Completion
 - » Disputes and Dispute Resolution, Termination

The above main areas will introduce the detailed and overarching mechanisms that are built in these contract conditions.



Who benefits from attending Online Module 4 ?

- Anyone, who wishes to understand how the mechanisms of the 1999 FIDIC contract forms work, but especially **consulting engineers** may benefit most from attending.
- These FIDIC forms are based largely on the “**Engineer’s**” active participation (except EPCT and the Short Form). So this course focuses on the “*what*”-s, “*why*”-s and “*how*”-s regarding the Engineer’s complex role and activities in these contracts.
- Any entities, playing any of the “*Parties*” role (either “**Employer**” or “**Contractor**”) in a FIDIC 1999 contract, can highly benefit from attending this Module 4 course – as they will become familiar of these contractual procedures, which are inevitably important also for them to follow.

The Focus of Online Module 4: Practical Aspects

- ➔ Module 4 Online course highly concentrates on **how** the included procedures are working and **how** to manage and administer FIDIC 1999 contracts.
- ➔ The course will include a number of real-life origin case works (to be analysed and elaborated by the course attendants). These will cover (among others) the following contractual issues:
 - » Commencement of Works & Late Access to Site
 - » Variations – how to avoid Contractor's delays
 - » Resolving a Concurrent Delay Situation
 - » Interfacing Contracts – Analysis of a complex situation

...and many more...




Highlights from the Sessions

www.fidic.org Online Module 4, Session 1: Introduction to FIDIC, Contract Documents

2. Background to FIDIC Contracts

- Updates of **Red**, **Yellow** and **Orange** published in 1999 as **Construction**, **Plant and Design-Build** and **EPC/Turkey** Contracts.

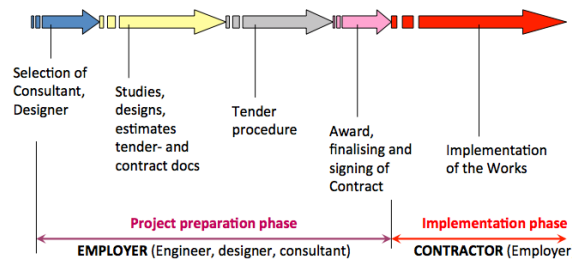


Aims:

- standardise the terminology;
- make the documents as user-friendly as possible;
- solve the problem of the Engineer not seen as acting impartially while he was employed and paid by the Employer.

www.fidic.org Online Module 4, Session 1: Introduction to FIDIC, Contract Documents

14. Typical Project Phases Timeline



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31/34

7. Identifying Sufficiency and Discrepancies (continued)

Method of Measurement (MoM)

- ▶ should always accompany the *Bill of Quantities (BoQ)*; *Preambles to the BoQ* should state that the **MoM shall be read in conjunction with the BoQ**.
- ▶ **MoM to clearly state:**
 - those **works** which are **included** under items or categories of items of the *BoQ*;
 - **how** each measured quantity under line items of the *BoQ* is to be **measured**.

15. Typical Basic Mistakes

- ▶ Late selection of Consultant / Engineer
- ▶ Wrong choice of contract form
- ▶ Unclear design responsibilities
- ▶ Employer's excessive interference
- ▶ Ineffective management / late decisions
- ▶ Onerous interpretation of Contract Conditions
- ▶ Lack of co-operative attitude
- ▶ Etc.

Highlights from the Sessions (2)

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Online Module 4, Session 2: Start-up (part one)

6. Commencement Date (continued)

▶ Engineer should:

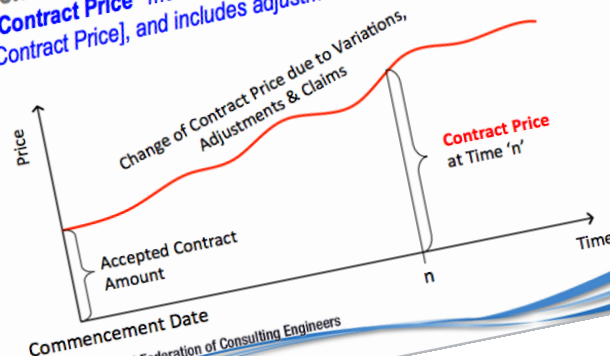
- **consult with the Employer and Contractor before** issuing the Notice of Commencement Date;
- at the time of giving notice of the Commencement Date, formally advise the Contractor of his obligation to submit his proposal for **appointment of the Contractor's Representative**.



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13. Contractor's Cash Flow (continued)

- ▶ **Definition 1.1.4.2:** "Contract Price" means the price defined in Sub-Clause 14.1 [The Contract Price], and includes adjustments in accordance with the Contract.



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29/05

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Online Module 4, Session 2: Start-up (part one)

4. Pre-commencement Meeting (continued)

- > **works or materials to be provided by the Employer;**
- > procedures for **measurement**, notices, instructions, submissions and responses;
- > requirement that no Interim Payment Certificate will be processed until the Contractor has submitted a **Monthly Progress Report**;
- > procedures for **interim valuations, certifications and payments**;
- > procedures for **monitoring the progress of the Works**.

BEWARE of potential concurrent delay situation!

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Online Module 4, Session 2: Start-up (part one)

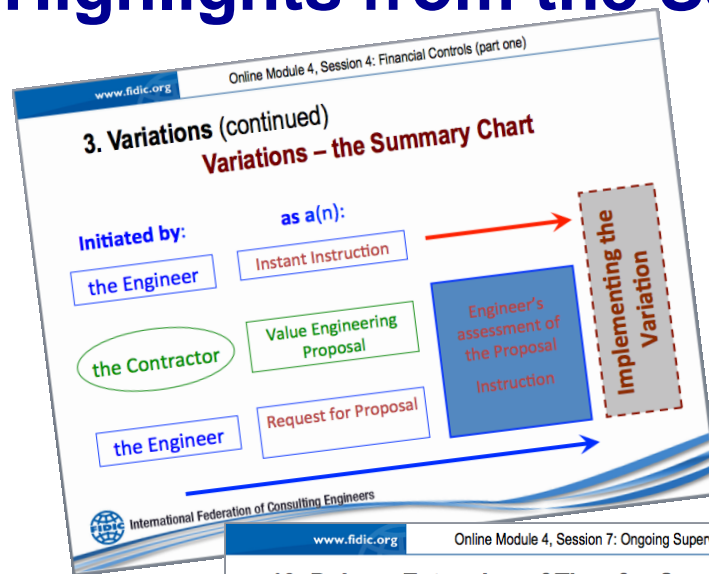
10. Breakdowns of Lump Sums

- ▶ It is advised that the Engineer requires the Contractor to submit a **breakdown of lump sums** within 28 days after the Commencement Date.
 - ▶ **Unit rates and prices for new or varied works** should, wherever possible, be **derived from Contract** unit rates and prices for similar works.
 - ▶ Having the Contractor's breakdowns of Contract rates and prices provides a valuable tool for **establishing rates and prices for new or varied works**.
- HOWEVER [P & D-B S-C 14.1]:** "any quantities or price data which may be set out in a Schedule shall be used for the purposes stated in the Schedule and **may be inapplicable** for other purposes"

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Highlights from the Sessions (3)



www.fidic.org Online Module 4, Session 4: Financial Controls (part one)

5. Variation Orders (continued)

- ▶ Unnecessary for the Engineer to prepare and issue a VO for **every minor variation** instructed.
- ▶ Recommended that the Engineer **bundle minor variations under various work categories** as construction proceeds.
- ▶ Engineer to **maintain a running record of VOs** submitted showing:
 - » VO number, title and total value;
 - » Date of submission to Employer;
 - » Date of receipt from Employer of approved VO;
 - » Date of issue by Contractor.

Summary of all VOs.

www.fidic.org Online Module 4, Session 7: Ongoing Supervision (part two)

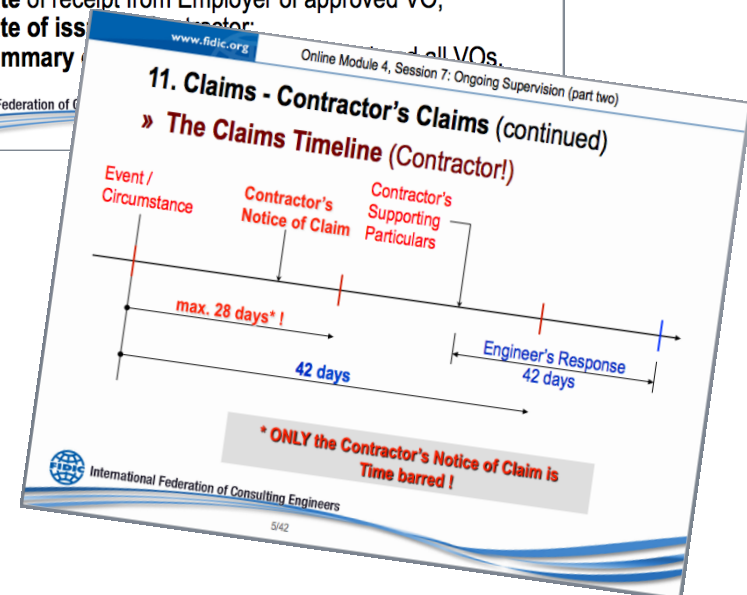
13. Delays, Extension of Time for Completion & Claims for Additional Costs

Procedures for Extension of Time Claims (continued)

- ▶ Contractor:
 - to **demonstrate** that the **delays prevented completion** of the Works within the Time for Completion;
 - **must mitigate delay or disruption** to the extent that was practicable and within his control;
- ▶ EoT is **determined by the Engineer from particulars** submitted by the Contractor and from **contemporary records**.
- ▶ Engineer **must consult** the Contractor and the Employer (in order to reach agreement, before making a determination).

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27/42



Highlights from the Sessions (4)

www.fidic.org Online Module 4, Session 8: Taking Over the Works, Defects Liability, Completion

1. Completion and Taking-Over (continued)

Tests on Completion

» ...if unduly delayed by

the Employer

↓

Contractor becomes entitled to EoT and cost + profit

the Contractor

↓

Engineer's notice to complete **within 21 days**

↓

Contractor's failure:
Employer to have others to complete these tests at the risk and cost of the Contractor

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www.fidic.org Online Module 4, Session 9: Disputes and Dispute Resolution, Termination

1. Disputes and Dispute Resolution (continued)

» The dispute adjudication timeline [1999 Red Book]

Commencement Date

Appointment of DAB (28 days)

Referral of dispute (84 days)

Submission of documents, hearings

Notice of dissatisfaction (28 days)

DAB decision (56 days)

Commencement of arbitration (∞)

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www.fidic.org Online Module 4, Session 8: Taking Over the Works, Defects Liability, Completion

6. Defects Notification Period (continued)

The Defects Notification Period

Taking-Over

Rectifying snaglist items

Notifying Defects

Contractor's remedial actions

Defects Notification Period

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www.fidic.org Online Module 4, Session 9: Disputes and Dispute Resolution, Termination

7. Payment on termination

for Contractor's failure	for convenience	by the Contractor
Withhold payments to the Contractor until Costs incurred by the Employer are determined	The price of works carried out	The price of works carried out
Recover from the Contractor any losses and damages incurred	Cost of Plant and Materials – paid by and delivered to the Employer	Cost of Plant and Materials – paid by and delivered to the Employer
The balance to paid to the contractor	Cost or liability reasonably incurred	Cost or liability reasonably incurred
	Cost of removing Temporary Works and repatriation of staff	Cost of removing Temporary Works and repatriation of staff
		+ loss of profit!

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FAQ – related to Module 4

- ➔ *I have never heard much, never worked with FIDIC contracts. Is it beneficial for me attending the Module 4 course?*
 - » No, most probably not. It is recommended to attend FIDIC Module 1 course first.
- ➔ *For the first sight, Module 1 and Module 4 seem to be very similar. Are they at all different, and if yes, to what extent?*
 - » Of course, there are certain similarities (because both Modules are dealing with the same set of Conditions of Contracts), but the emphasis is completely different. Compare: *WHAT* are these contracts, *WHAT* is included vs. *HOW* to operate these contracts.
- ➔ *In what way could this Module 4 course contribute to improving my everyday activities related to FIDIC contracts?*
 - » Among others: Better understanding of procedures, more confidence in managing these contracts, more efficient contract administration



If you are uncertain of the appropriate answers to the following questions...

What are the likely consequences if a Variation is not instructed in a timely manner?

What circumstances to consider before notifying the commencement date?

What is the best practice to manage concurrent delays and how to avoid them?

What are the possible ways to improve contractor's cash-flow, and why to keep it positive?

...you are welcome to join the online course!



If you are seeking the best solutions how to...

...manage your 1999 FIDIC based contract in the most effective manner?

...make sure, that all the stakeholders follow the contractual procedures?

...avoid delays and disruptions?

...ensure, that the required quality is achieved?

You are welcome to join the online course!



About to deal with a FIDIC contract, but no clue?

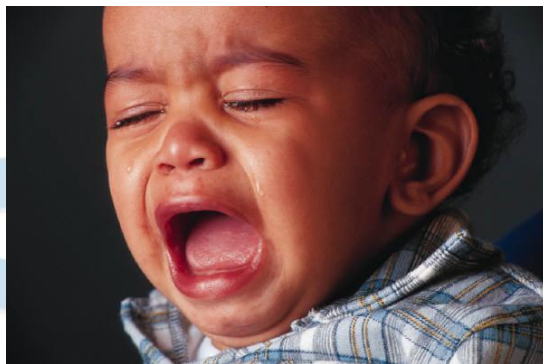


Seeking for best practice?



No time for a conventional training?
Travelling thousands of miles, leaving your work for 4 consecutive days?

Already in trouble with a FIDIC contract?



JOIN FIDIC's Online Module 4 course starting in this August!



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Thank You Very Much for Your Kind Attention !

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