



International Federation of Consulting Engineers
The Global Voice of Consulting Engineers

What the FIDIC-IDB contracts 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), and Inter-American Development Bank (IDB) 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 both WB and IDB, the leading source for development financing in the World, Latin America and the Caribbean, 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 IDB and what is their mission?
- An outline of IDBs 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 with the IDB

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 Inter-American Development Bank that will see the international funding organisation adopt the use of six 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 six major FIDIC contracts 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 Inter-American Development Bank and FIDIC.

This briefing note outlines below some of the Inter-American Development Bank'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 IDB and what is their mission?

Established in 1959, the IDB are the leading source of development financing for Latin America and the Caribbean

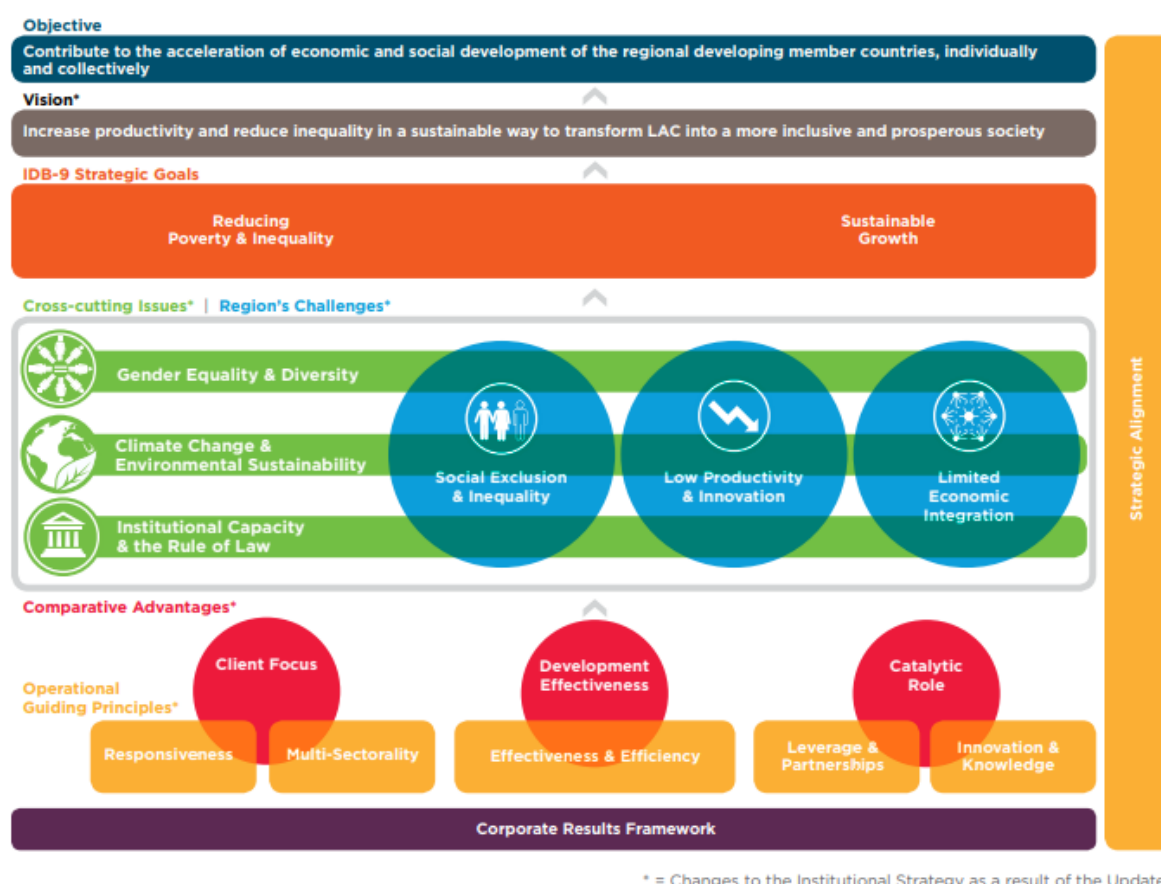
The IDB similar to other multinational development banks through financial instruments and technical support helps countries that are working to reduce poverty and inequality, by assisting with investment in health and education, and advance infrastructure

The IDB focus is currently on three areas which includeⁱⁱ:

- Three development challenges of social inclusion and equality, productivity and innovation, and economic integration
- Three cross-cutting issues of gender equality and diversity, climate change and environmental sustainability; and institutional capacity and the rule of law.

These goals and objectives are summarised as part of the IDBs “SUMMARY: Update to the Institutional Strategy 2016-2019”ⁱⁱⁱ and are shown graphically in their summary below:

Figure: 1 – putting all the pieces together – IDB strategy

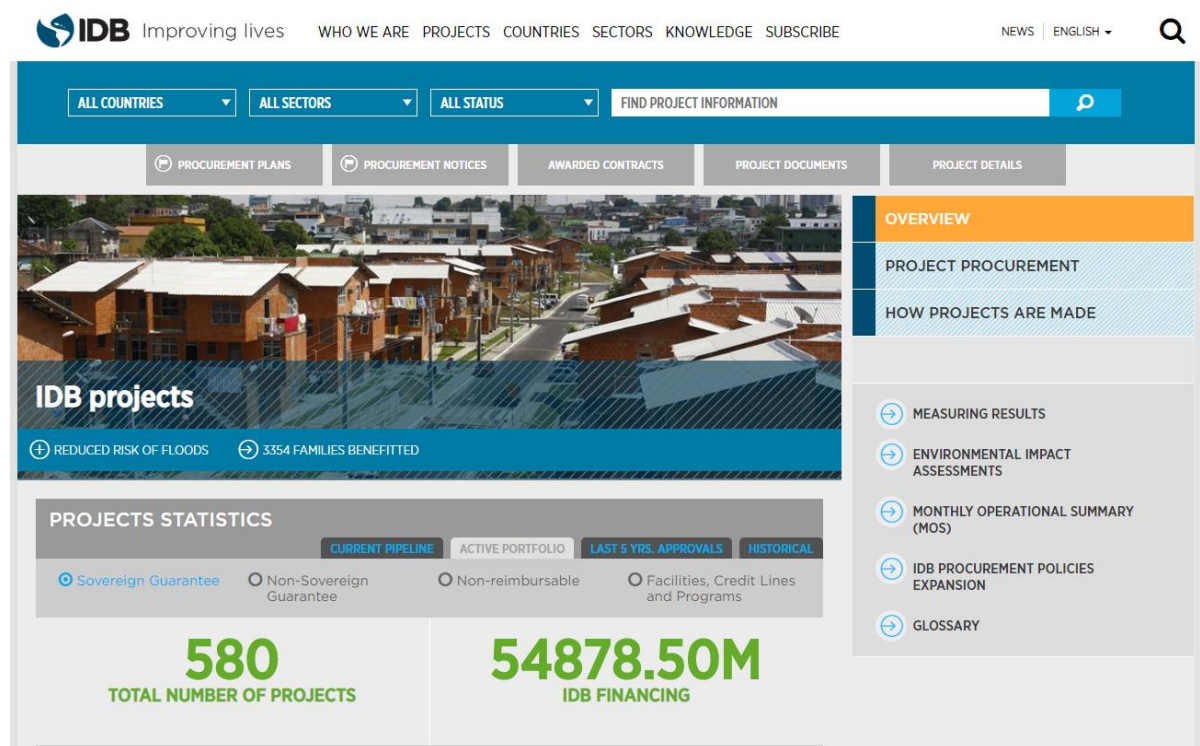


Source: The IDB

Understanding more about the IDB projects

The IDB has tools on its website to help companies in understand the types of projects they engage with, their geographical spread and a current and historic project pipeline^{iv} as shown in figure 2 below.

Figure: 2 – IDB – projects portal



Source: IDB

Below we have provided a short summary for members on the value of the projects listed within the IDB projects portal as well as some figures demonstrating the extent of the coverage across the geographical region in which it operates.

Figure: 3 – IDB – number of historical sovereign guarantee projects by region

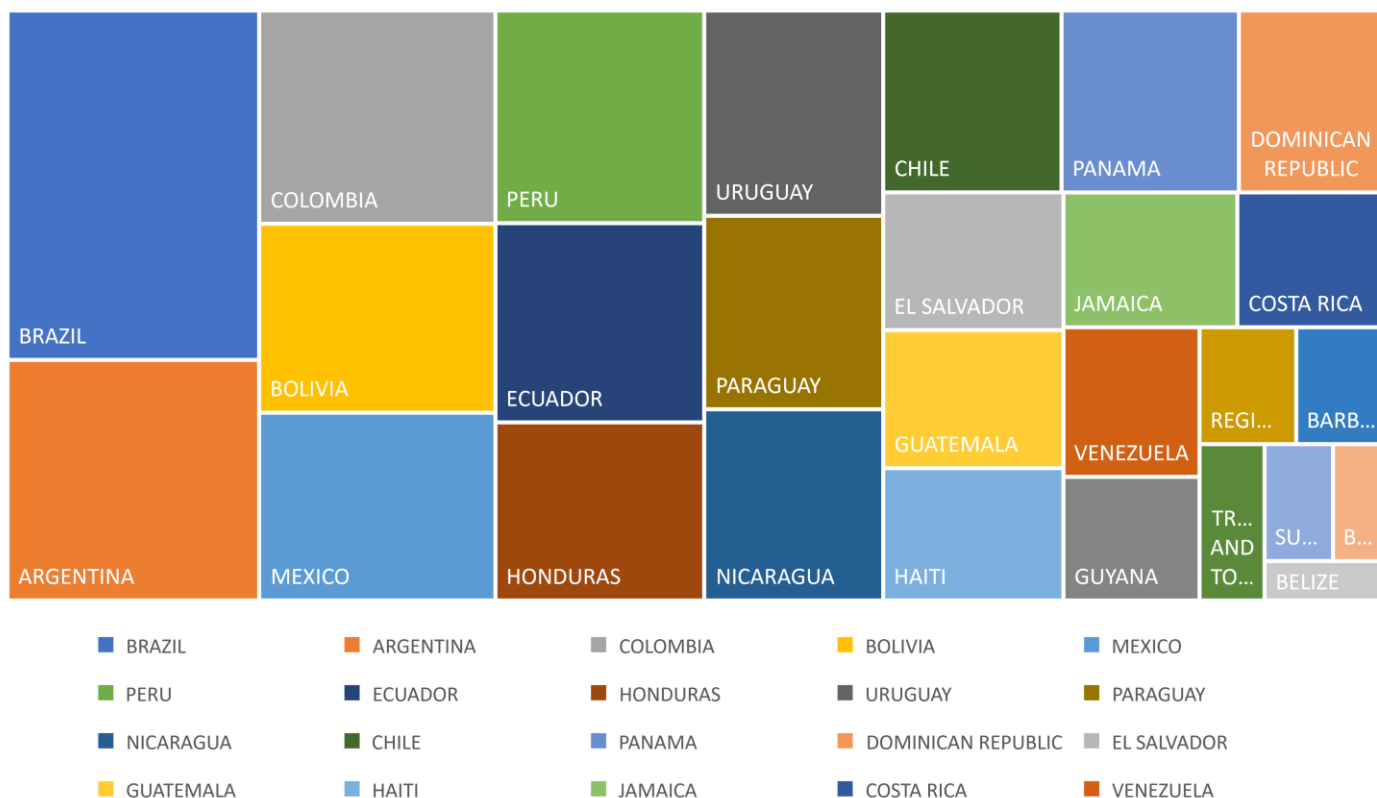


As can be seen from the figures 3 and 4 below to provide an idea to members of the spread of projects across the region in which the IDB operate we have plotted and mapped historical sovereign guarantee projects.

There is a total of 4177 projects across 26 countries worth 446bn^v

Source: IDB as of June 2019

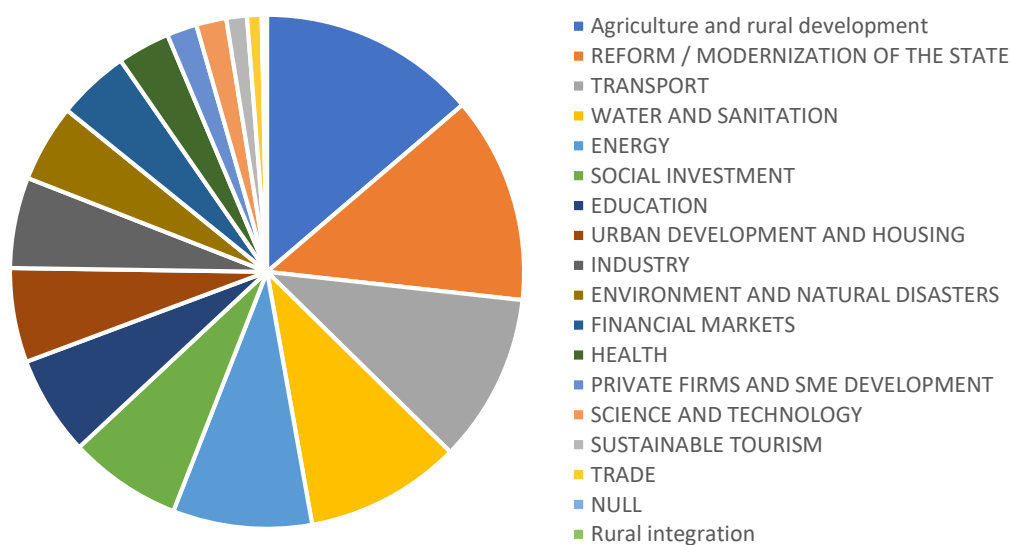
Figure: 4 – IDB – number of historical sovereign guarantee projects by region



Source: IDB

Given the banks goals and objectives it is also possible to look at the sectors these historical projects cover. As with the other multinational development banks, the IDBs project cover a wide number of areas in which FIDIC members operate. The agreement between FIDIC and the IDB therefore has the potential to put a significant number of projects onto the well-respected FIDIC contracts.

Figure: 5 – IDB – number of historical sovereign guarantee projects by sector



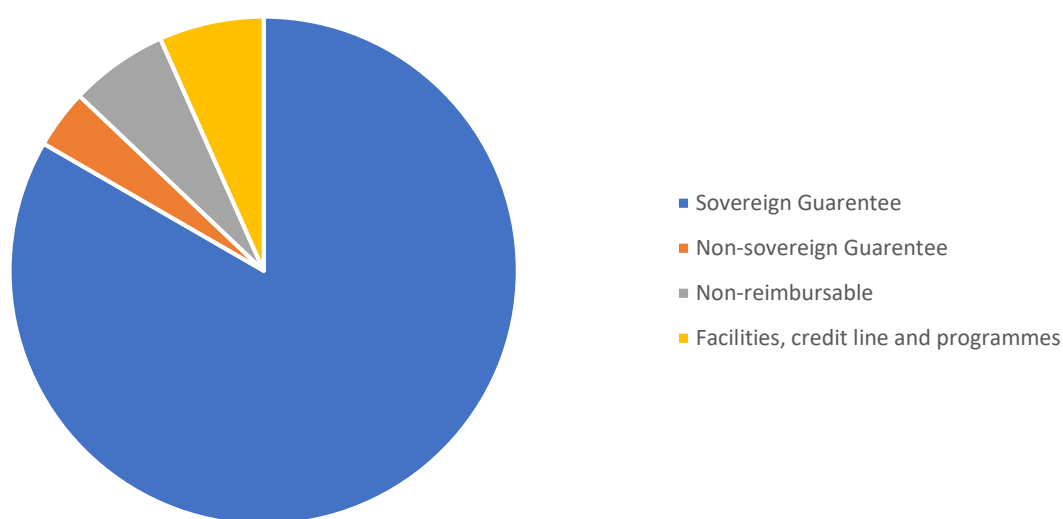
Source: IDB

The current IDB project pipeline

Whilst historical projects show the extent of the IDB activity and the scale of its investments since 1959, this briefing note will now outline for members the potential opportunities that are in the pipeline.

As shown in figure 6 and 7 below, looking at the various finance options and the latest project information on the IDB website^{vi}. In the current pipeline with the majority (approx. 200) being financed using sovereign guarantee operations in borrowing countries for a total value of \$17bn (approx. \$17bn).

Figure: 6 – IDB – number of historical types of lending instruments



Source: IDB

The IDB accessing project information

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 the IDB projects. As we have seen in the previous chapter there are a significant number and wide variety of projects that range from the small to very large in terms of their investment requirement.

The IDB has a projects notices area where the current list of projects out to tender as can be accessed.

- Procurement notices page ([click here](#))
- You can also search for the details and documents of individual projects

Each of these results can be downloaded into an excel spreadsheet using the download to excel function at the top right of the results that are generated.

The IDB and how it interacts with countries and projects

As part of its engagement with countries to utilise the various products and services offered by the IDB they outline the policies they expect procuring parties to follow.

These policies^{vii} reflect the interest of the IDB and its member countries and aim to instil best practice to provide:

- Transparency
- Competition
- Equality of opportunities
- Principles of economy, efficiency and integrity in the procurement of IDB-financed operations.

The IDB through its operations supports the procurement processes for goods, works, and services provided by firms and individuals.

The IDBs goal is to have borrowing member countries use their own systems to carry out procurement processes for IDB-financed projects, under the threshold for international competitive bidding (ICB).

As part of this on their website they provide a guide as to what the acceptance criteria^{viii} are for a countries own procurement system to meet the standards of the IDB and if they do not any project arranged must run procurement in line with their standards to continue.

The IDB - products and services

The IDB provides a number of finance services to countries to enable project financing. The two main mechanisms^{ix} it uses for this are via the use of:

- Sovereign guaranteed operations
- Non-sovereign guaranteed operations

Figure 8 and 9 below outlines these mechanisms in more detail.

Figure: 8 – IDB Sovereign guaranteed operations

The IDB continues to engage and develop country strategies with the borrowing member country. As part of this they will identify initiatives that can be incorporated into the IDBs project pipeline.

The results of the identification of initiatives are then developed into a Project Profile (PP). This profile provides basic information on the project, including:

- Its justification and objectives
- The technical aspects and its relevant sector background
- The proposed environmental and social safeguards
- A fiduciary evaluation
- The projected funding amounts
- A preliminary agenda for the project's execution.

The PP is first evaluated at the Eligibility Review Meeting (ERM), which determines the eligibility of the operation, its strategy for development, and validates its timeline and resource requirements.

Following approval, a Proposal for Operations Development (POD) is drafted. This specifies the activities, resources and a timetable that are necessary to prepare and supervise the project and also includes:

- the Development Effectiveness Matrix (DEM)
- Monitoring and Evaluation Plan (M&E)
- The Economic Rate of Return (ERR).

Following further review and refinement as Draft Loan Proposal (DLP) is prepared for the Operations Policy Committee (OPC) for approval, which if successful will then be sent to the board for approval.

Source: IDB

Figure: 9 – IDB Non-Sovereign guaranteed operations

The IDB can provide financing to entities such as commercial banks and institutional investors, via its Structured IDB Invest

About IDB Invest

IDB Invest, the private sector arm of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting the private sector in Latin America and the Caribbean.

IDB Invest finances sustainable enterprises and projects to achieve financial results that maximize economic, social and environmental development for the region. With a current portfolio of \$11.6 billion under management and 330 clients in 21 countries, IDB Invest pushes new frontiers to provide financial solutions and advisory services that meet the evolving demands of its clients and markets.

Source: IDB

IDB – procurement of projects

The IDB as with many multilateral development banks is keen that procurement processes occur in a way that ensures it meets its goals but also are transparent and fair.

The borrowers or executing agencies carry out the procurement of the investment operations through standard bidding documents. These documents are published in the IDB website to facilitate the business opportunities for prospective bidders or participants.

These documents are intended to meet the objectives and compliance with the principles of economy, transparency, efficiency and integrity of the IDB are met. The IDB procurement portal can be [found here](#)

Broadly speaking these documents cover 4 areas:

1. Goods
2. Works
3. Consultancy services^x
4. National harmonised documents

The consultancy services document relates to projects with a value under \$200,000 or a specific small assignments process exists

The consultancy services procurement document contains a number of sections which include:

- Section 1 – letter of invitation
- Section 2 - Instructions to Consultants and Data Sheet
- Section 3 - Technical Proposal – Standard Forms
- Section 4 - Financial Proposal – Standard Forms
- Section 5 - Eligible Countries
- Section 6 - Bank's Policy – Fraud and Corruption and Prohibited Practices
- Section 7 - Terms of Reference (TORs)
- Section 8 - Standard Forms of Contract

This is where the agreement with FIDIC benefits members as it ensures that the standard forms of contract are those that member firms can recognise and have utilised before.

As well as the standard bidding documents to IDB also has a policy document^{xi} it expects consultants and countries seeking consultancy services to follow.

This document outlines that there are five main considerations on the selection process:

1. the need for high-quality services
2. the need for economy and efficiency
3. the need to give all qualified consultants an opportunity to compete in providing the services financed by the Bank
4. the Bank's interest in encouraging the development and use of national consultants in its borrowing member countries
5. the need for transparency in the selection process.

The budget criteria covered by the policy document include:

- Selection under a Fixed Budget (FBS)
- Least-Cost Selection (LCS)
- Selection Based on the Consultants' Qualifications (CQS)
- Single-Source Selection (SSS)

FIDIC contracts within the IDB Agreement



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”), Second edition 2017;



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;



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



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Endnotes

ⁱ The six FIDIC contract documents covered by the FIDIC/World Bank agreement are as follows:

- 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”), Second edition 2017;
- 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. (can we justify the text below)

ⁱⁱ IDB, About Us, accessed 10/05/2019 ([click here](#))

ⁱⁱⁱ IDB, SUMMARY: Update to the Institutional Strategy 2016-2019, accessed 10/5/2019 ([click here](#))

^{iv} IDB, Projects, accessed 10/5/2019 ([click here](#))

^v IDB projects, historical, sovereign guarantee, accessed 01/06/2019 ([click here](#))

^{vi} IDB projects, current pipeline, sovereign guarantee, accessed 10/05/2019 ([click here](#))

^{vii} IDB, project procurement, accessed 14/5/2019 ([click here](#))

^{viii} IDB, Guide for the Acceptance of the Use of Country Procurement Systems, accessed 14/05/2019 ([click here](#))

^{ix} IDB, how projects are made, accessed 14/05/2019 ([click here](#))

^x IDB, selection of consultants, accessed 27/05/2019 ([click here](#))

^{xi} IDB, Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank , March 2011, accessed 27/05/2019 ([click here](#))