International Federation of Consulting Engineers
The Global Voice of Consulting Engineers

Strategic Plan

Appendix – Financial projections

2020 2024

Contents

Foreword from the President and CEO

William Howard
President, FIDIC

Dr Nelson Ogunshakin OBE
Chief Executive Officer, FIDIC

The last Strategic Plan was set in May 2017 and set FIDIC on a trajectory which involved significant change. This change has already produced positive results; however, it is vital that such momentum is maintained.

It is for this reason that FIDIC has not only reflected on the successes of recent years but has also consulted with its member associations and wider stakeholders to develop a new Strategic Plan for 2020-2024.

The content and approach of this new Strategic Plan continues the ambitious approach FIDIC has taken in the last few years and this s plan will therefore provide a new benchmark for the next four to five years.

This new Strategic Plan will for the first time place a greater emphasis on FIDIC's priorities, with goals and outcomes and their effects on industry, member associations and wider industry all considered.

This appendix document sits alongside FIDICs Strategic Plan and provides another degree of transparency to the thought process for the development of FIDIC going forward. This document:

- Provides a statement by the treasurer of FIDIC and following agreement of the board on the potential projection of FIDIC finances going forward
- This projection has to account for the COVID crisis

This has been done so that member associations and Stakeholders etc are able to see that FIDIC continues to ensure it strives to provide the transparency and quality they expect.

FIDIC 2020-2024 priorities

Lead the consulting and engineering industry visibly and effectively:

- Being the industry's credible global voice.
- Providing the nexus for all stakeholders.
- Facilitating improvement and growth in business.
- Addressing global challenges.

All of the above is for the benefit of society, FIDIC members and their member firms.

International Federation of Consulting Engineers

The Global Voice of Consulting Engineers

2 Financial statement for the 2020 – 2024 Strategic Plan

2020

2024

2 Financial statement for the 2020–2024 Strategic Plan

Gavin English
Treasurer, FIDIC

This Strategic Plan is designed to maintain the momentum developed as part of the 2017 plan. Importantly, to maintain such momentum, it is vital that resources are allocated appropriately. For that reason, this is the first Strategic Plan that FIDIC has produced which contains a clear statement on the financial position we expect going forward.

As the treasurer of FIDIC and with the support of the board we have discussed, analysed, scrutinised and stress-tested the way we use not only member association subscriptions but also the income FIDIC generates from its commercial activity.

Commercial income ultimately means that FIDIC can serve its members at a lower cost than would otherwise be the case. As such, it is important that this Strategic Plan considers how the financial envelope will develop going forward.

This brings me to ‘the elephant in the room’ since early 2020 COVID 19 has affected the majority of business across the globe and FIDIC is no exception. Our sector will inevitably go through a degree of restructuring and adjustment because of this pandemic. The direct health effects of COVID 19 may not last the length of this Strategic Plan, but its economic effects will be felt for years to come.

FIDIC therefore presents as part of this Strategic Plan an unfortunate but very real variety of prospects going forward.

As always a budget was approved at the GAM in 2019 in Mexico, but the circumstance around this budget over the course of the year have changed significantly. As such, a revised budget was presented to the Risk and Audit Committee and subsequently signed off by board on 1st May. This was then subject to further revision on 7th July 2020. This budget is now the one which will be considered for the 2020 GAM and this strategic plan.

FIDIC adopted a 3-model approach, simulating what we believe, even in an uncertain period to be the best, middle and worst-case scenarios.

The assumptions

The FIDIC board approved the best and worst case scenarios for 2020 based on assumptions such as a total collapse in income or inability to run the annual conference, reduced membership payments, freezing staff payments and reducing expenses committee expenditure etc.

The above were considered for the 2021 and 2022 period. This strategic plan the models these scenarios going further forward. Where:

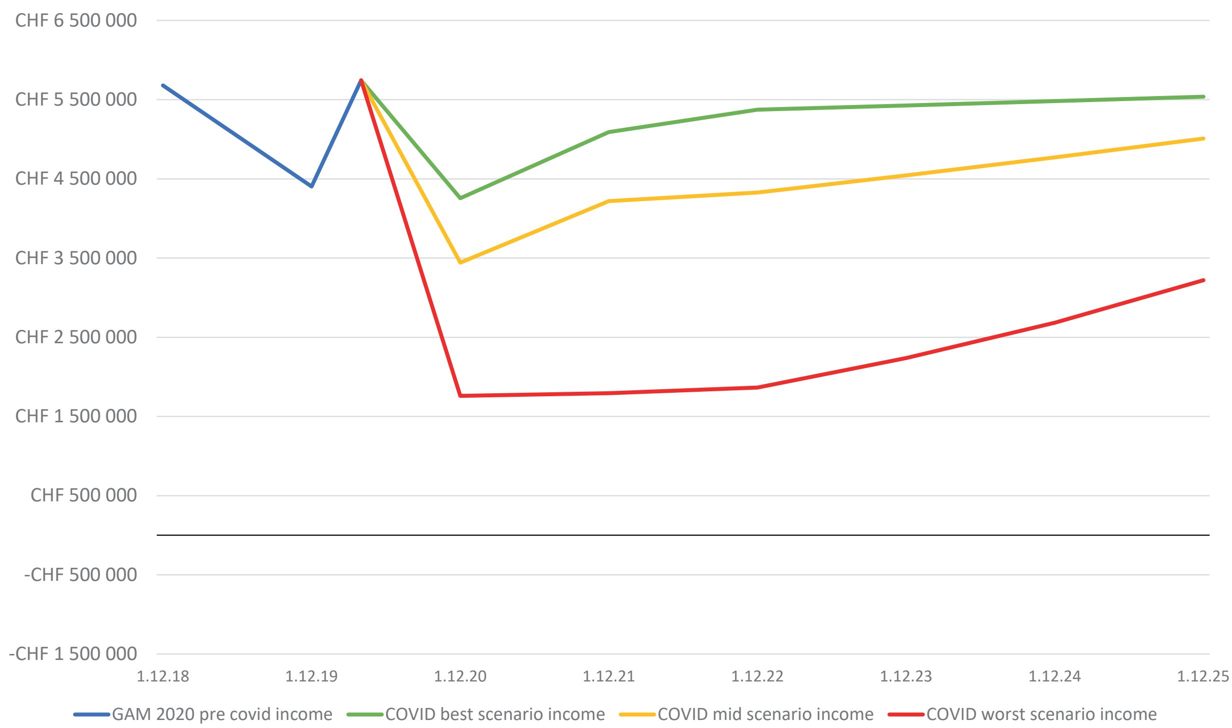
- In the middle scenario income growth is consistent at 5%, there is a small but noticeable impact for 2-3 years and then slow recovery
- In the best scenario, COVIDs impact is not significant to FIDIC, however, it does affect the global economy and so global growth eventually slows. We therefore assume growth of 1% for the later period, this is consistent with a u shape effect of COVID or a subsequent recession as a result of COVID.
- Finally, the worst case sees the opposite, it does not envisage a quick v shape recovery but a significant effect until 2022 when the economy picks up. Having had a significant recession, it assumes fast growth out

of the recession like the V shaped recession but after a protracted period. This would bring FIDIC back to previous position in 4-5 years which is consistent with a lot of industries following the last recession, but it would extend out significantly if growth was reduced. This position is therefore sits between the V and U shape economic impact.

Income

As can be seen from the chart below FIDIC is not immune to the economic effects of COVID 19. Each of the stress tests we have performed see FIDICs income falling from the position agreed in the GAM in 2019. In the best-case scenario income falls slightly and recovers but both the mid and worst outcomes see FIDICs income suffering significantly until 2022 or beyond.

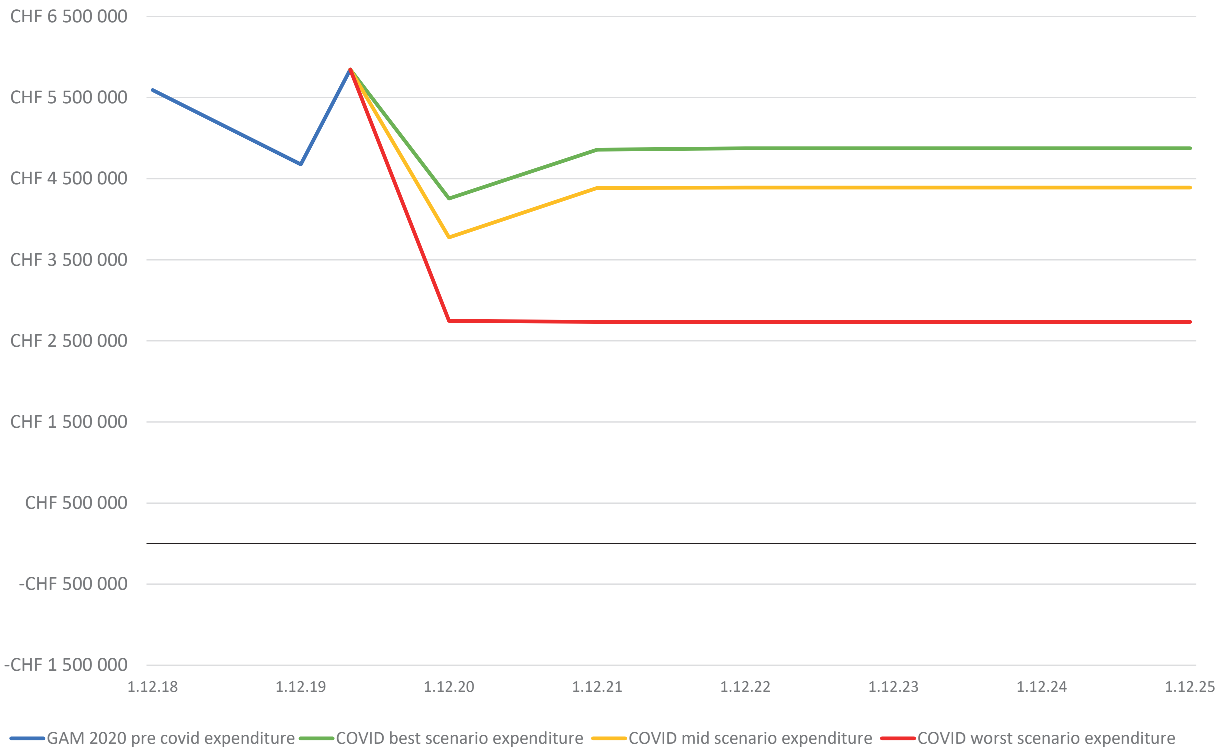
As with many companies in the sector this was not something that was envisaged only 12 months ago but as can be seen by the worst case projection does mean there will be a significant effect on FIDIC activity going forward.



Income is only part of the equation. FIDIC will do all it can to ensure it serves its members as well as possible. This does, however, mean real choices. FIDIC can only serve its members to the extent that it has the staff and resources to do so. The last Strategic Plan in 2017 was clear that the secretariat needed improvement. Having undertaken such reforms and improvement it would be a shame to go backwards in this task.

As can be seen by the expenditure figures below FIDIC does foresee a fall in expenditure but then aims to limit and maintain its position from 2021. This is a significant challenge but is necessary to better serve industry and FIDICs member associations.

Expenditure



The best and worst case outcomes result in stable expenditure but at a level that is equivalent to or below 2019, the worst case outcome, however, sees FIDIC having to almost half its expenditure which will ultimately impact on member services.

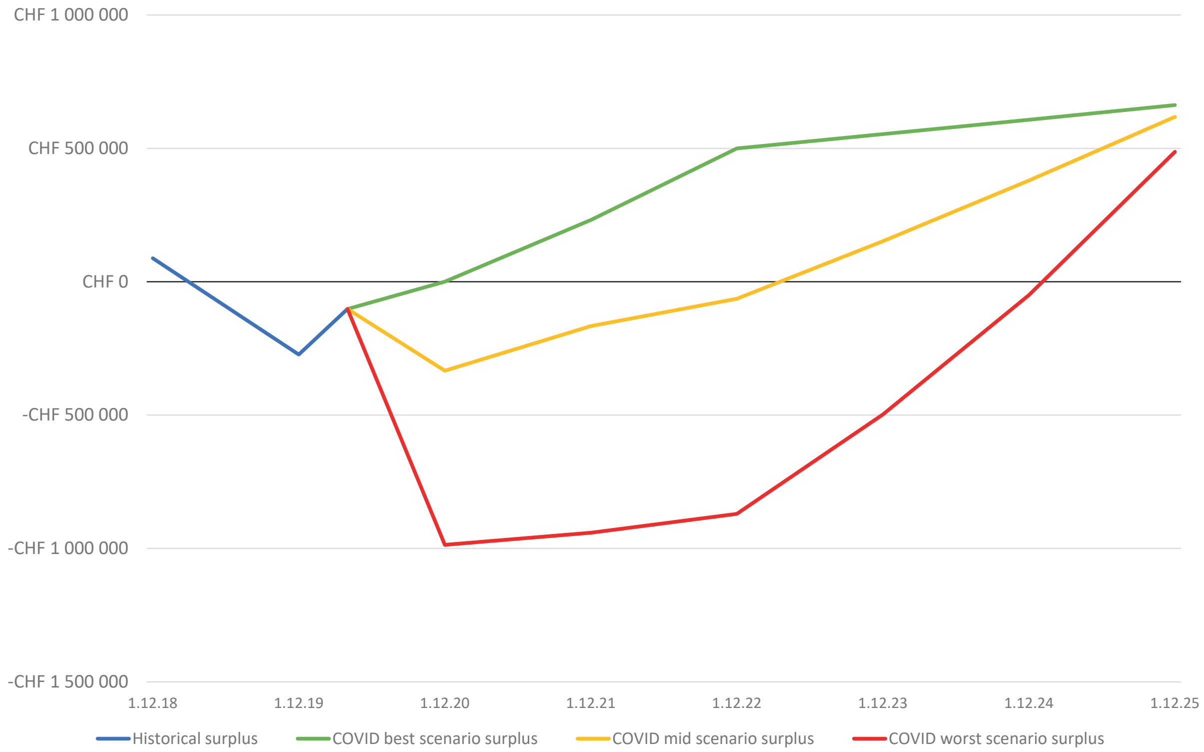
So what does this mean for FIDIC, its reserves, its longevity etc?

As can be seen from the chart below the best-case scenario sees FIDIC grow its reserves and continue out of this crisis. The middle scenario, however, shows that reserves will be reduced each year until 2022 when growth picks up and FIDIC returns to surplus.

It is now important to discuss the worst case. Under this there is a significant and protracted effect on the economy, industry and subsequently FIDIC to the extent that it does not return to surplus until 2024.

As mentioned, previously whilst this would definitely be a negative outcome, such periods of slow recovery were seen in the last recession.

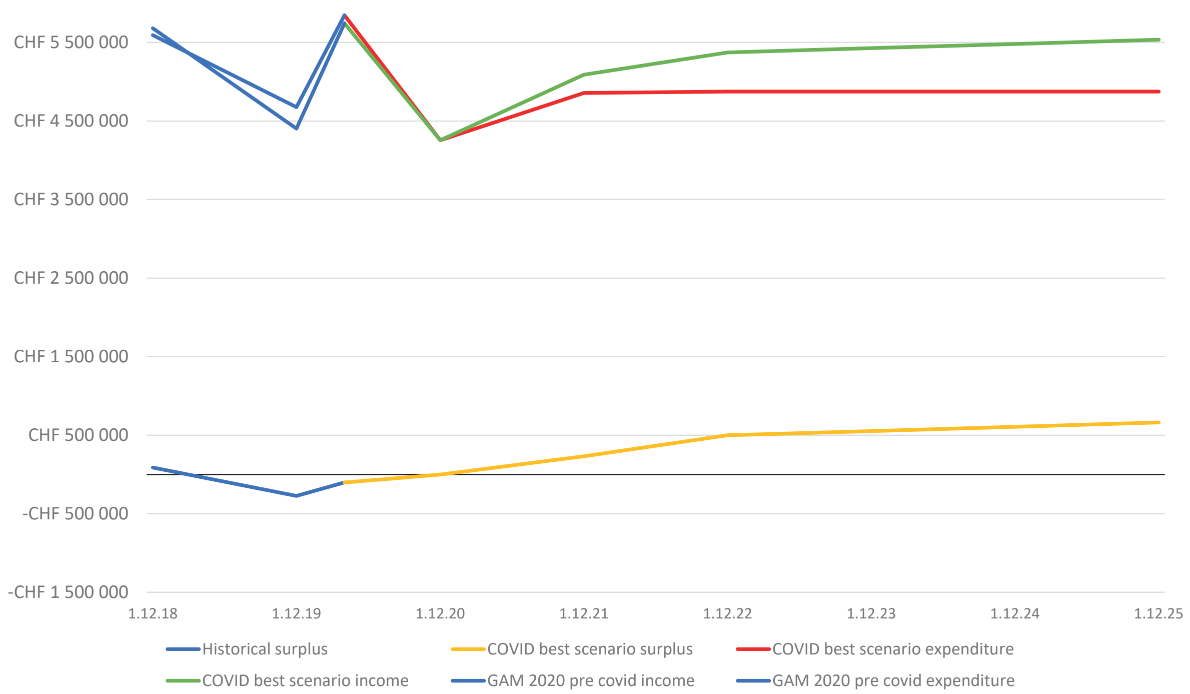
Reserves / net position



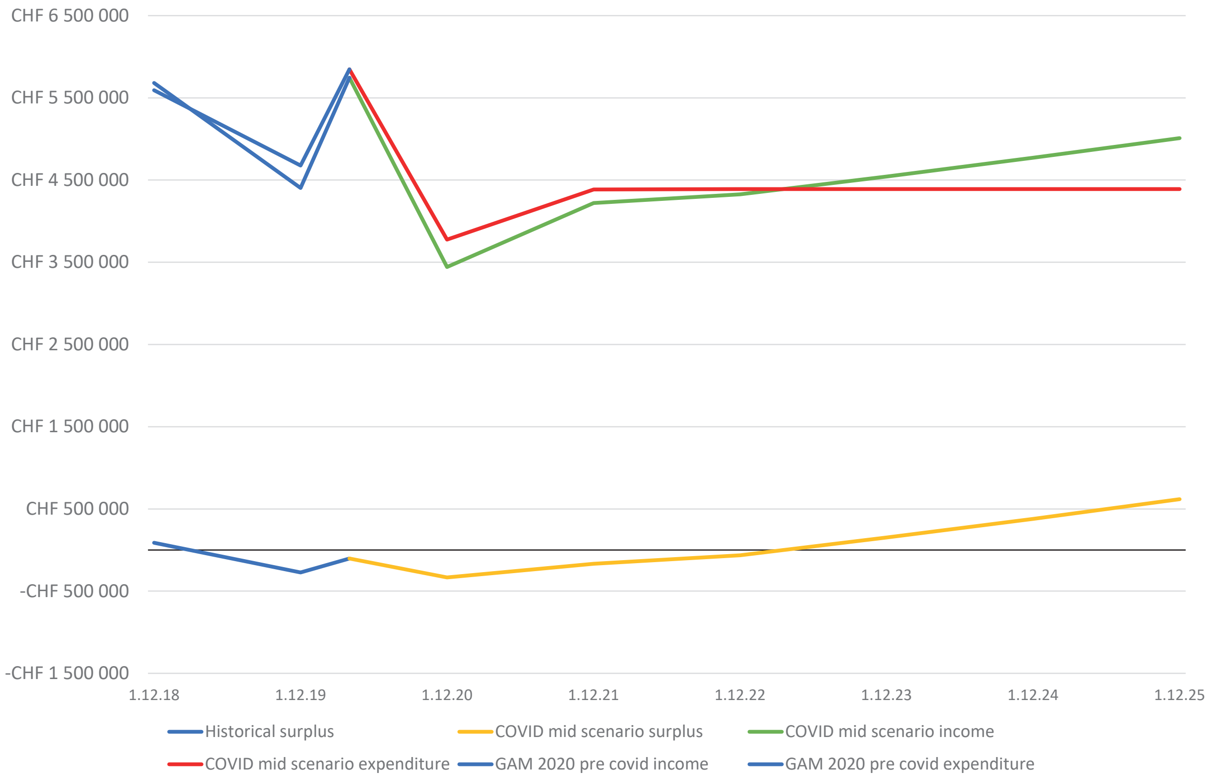
This demonstrates the challenge that is ahead not only for FIDIC but for many companies and the industry. Whilst separating out these components is useful it is also important to see their effect in their entirety.

Below FIDIC also presents the, best, middle and worst scenarios displaying income, expenditure and surplus (nett outcome).

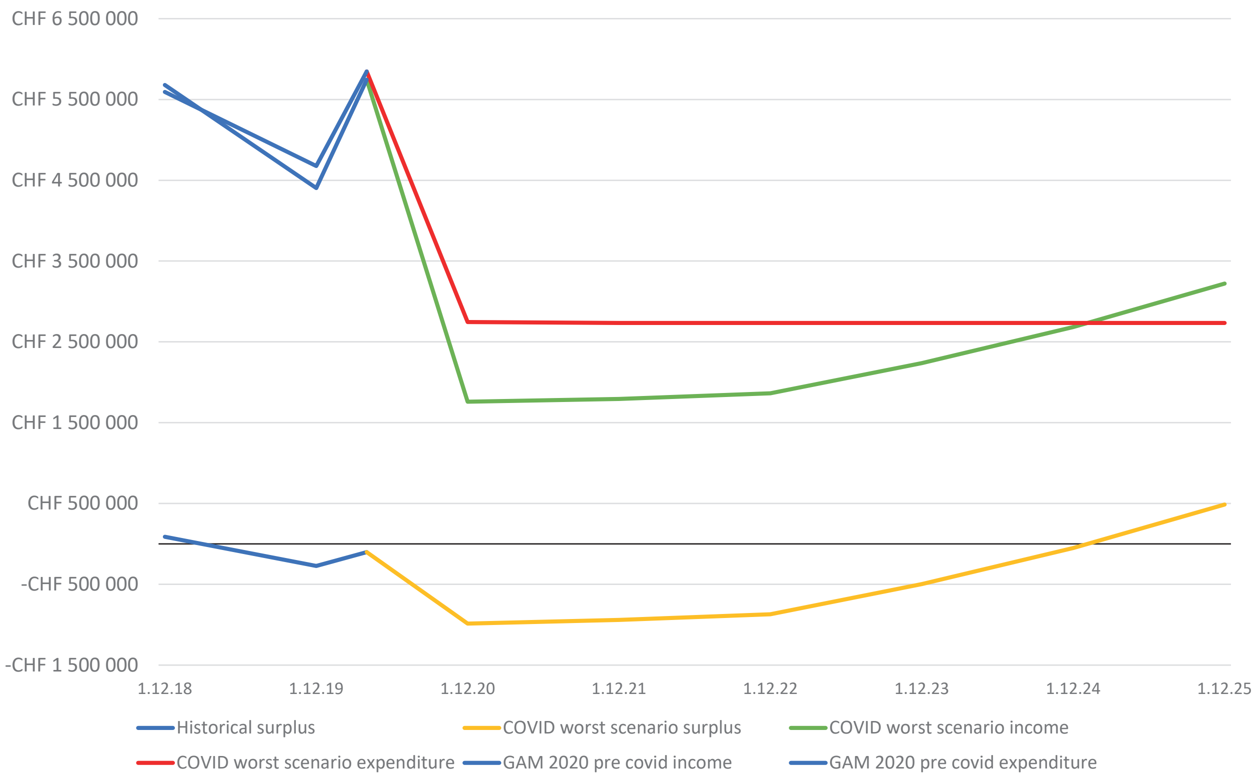
Best



Middle



Worst



/Financial statement for the 2020–2024 Strategic Plan

As can be seen from the above the extent and length of COVID 19 and its economic effects has a direct relationship to the length of time FIDIC may have to draw on reserves.

Fortunately, FIDIC has prepared for such eventualities but there is the real prospect that it could affect its ability to services its ambitions going forward.

This Strategic Plan works on the basis of trying to hit a middle case outcome even if expenditure or income need to vary in ways other than anticipated to meet this goal.

If COVID 19 has taught companies including FIDIC anything it is that flexibility is the new normal and so whilst this plan is ambitious, it has also been considered in the light of being able to ramp up or scale down deliverables to meet the challenging conditions of the economic environment we face.

International Federation of Consulting Engineers
The Global Voice of Consulting Engineers

3 About FIDIC

2020 2024

FIDIC, the International Federation of Consulting Engineers, is the global representative body for national associations of consulting engineers and represents over one million engineering professionals and 40,000 firms in more than 100 countries worldwide.

Founded in 1913, FIDIC is charged with promoting and implementing the consulting engineering industry's strategic goals on behalf of its member associations and to disseminate information and resources of interest to its members. Today, FIDIC membership covers over 100 countries of the world.

FIDIC member associations operate in over 100 countries with a combined population in excess of 6.5bn people and a combined GDP in excess of $30tn. The global industry including construction is estimated to be worth over $22 trillion. This means that FIDIC member associations across the various countries are an industry are worth over $8.5 trillion.

Mission and vision for the future

FIDIC's key role and that of its member associations around the world is to improve people's quality of life through the promotion of quality, integrity and sustainability in the infrastructure industry and the projects and services it delivers on a global scale.

International Federation of Consulting Engineers (FIDIC)
World Trade Center II, Geneva Airport P.O. Box 311 CH-1215 Geneva 15 - Switzerland
Tel. +41 22 799 4900 - Fax +41 22 799 4901
Author: FIDIC Board
Email: fidic@fidic.org www.fidic.org

The FIDIC Board would like to thank Gavin English, Luobing Liu, Anthony Barry from the FIDIC board for their efforts in providing strategic guidance into this plan. In addition the FIDIC board would like to thank Dr Nelson Ogunshakin, Graham Pontin, Christophe Sisto, Nadia van der Waltova and Andy Walker from the secretariat and WPI Economics for their collective contributions to the development and editing of the plan.

Disclaimer

Endnotes