

International Federation of Consulting Engineers
FIDIC



Rome

18 June 2015



International Federation of Consulting Engineers

6/19/2015

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



International Federation of Consulting Engineers

Groups of Member Associations

AFRICA

GAMA Group of Africa Member Associations
www.fidic.org.gama



ASIA-PACIFIC

ASPAC Asia-Pacific group
www.fidic.org.aspac



Regional Federations

LATIN WORLD

FEPAC Latin American countries + Spain and Portugal
www.fepac.org



EUROPE

EFCA European Federation of Engineering Consultancy Associations
www.efcanet.org





What FIDIC does

Develops and collects best business practice – it represents a collective store of information, for the industry



What FIDIC offers the industry

Delivers information, guidelines, training to the industry
Facilitates networking through FIDIC and EFCA meetings
DNS and YPF networks very important



What are FIDIC's governing principles

Promote **quality**
Actively promote conformance to a code of **ethics** and to **integrity**
Promote commitment to **sustainable** development



FIDIC Activities



Annual Conferences

Provide a meeting place for clients, contractors and consultants

Publications

Establish best practice procedures
Publish forms of contracts for the infrastructure industry



International Agencies

Keep the consulting engineering industry's concerns on the agenda
Strategic partnerships

Training

Capacity building for the consulting industry



Liaison

Maintain communication between members, committees and other organisations

www.fidic.org

Distribute updated information and services to members and society



Keep the CE industry's concerns on the agenda



Regular meetings as the industry's voice

The World Bank	WB
Asian Development Bank	ADB
European Bank for Reconstruction and Development	EBRD
Inter-American Development Bank	IADB
African Development Bank	ADB
Islamic Development Bank	IDB

Strategic partnerships



Joint activities to develop business practice

International Standards Organization	ISO
International Labour Organization	ILO
World Federation of Engineering Organizations	WFEO
United Nations Environment Program	UNEP
Confederation of International Construction Associations	CICA
Transparency International	TI
Federation of Consultants from Islamic Countries	FCIC
Organisation for Economic Co-operation and Development	OECD



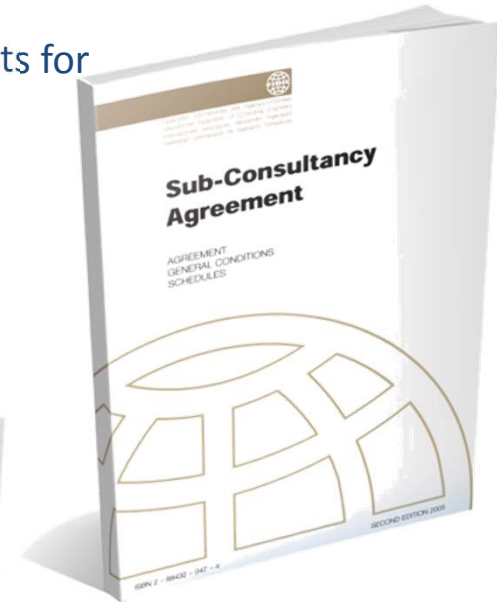
To be the Authority on Procurement and Business Practice

Quality of Construction
Informed Purchaser
Consultant Selection
Tendering Procedures
Conflict of Interest
Scope of Services Definitions
Reviewing the Work of Others
Project Delivery
HIV-AIDS
Consultants in Design-Build & PFI
Provision of OMS Services
Project Cost Estimates
Quality Management
Risk Management
Project Sustainability Management
Professional Liability Insurance
Insurance of Large Projects
Dispute Resolution



FIDIC publishes model agreements for professionals services:

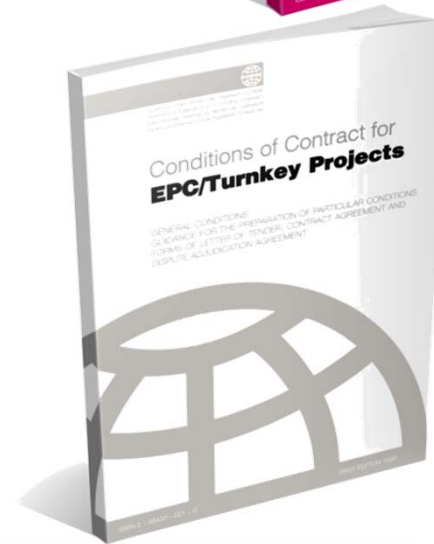
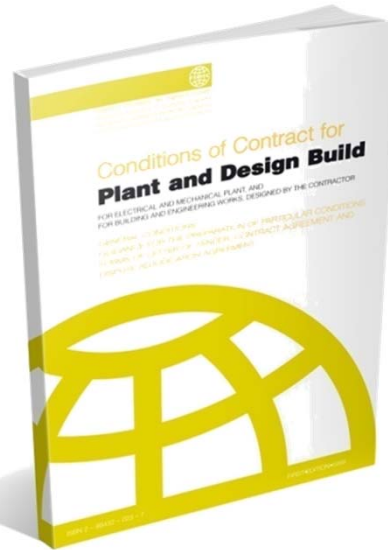
- Client/Consultant
- Joint Venture/Consortium
- Sub-Consultant
- Representative/Agent



New contract model endorsed by contractors



FIDIC publishes internationally recognised forms of contract for infrastructure works.



More than 40,000 copies supplied each year



FIDIC Contracts – Advantages

CLEAR, COHERENT

Essential clauses.
Detailed definitions.
Consistent structure.

FAIR, EQUITABLE

Risk allocated to party best placed to control it, bear it, and deal with it.

THIRD PARTY

Drafted by independent consulting engineers.

COMPLETE, FLEXIBLE

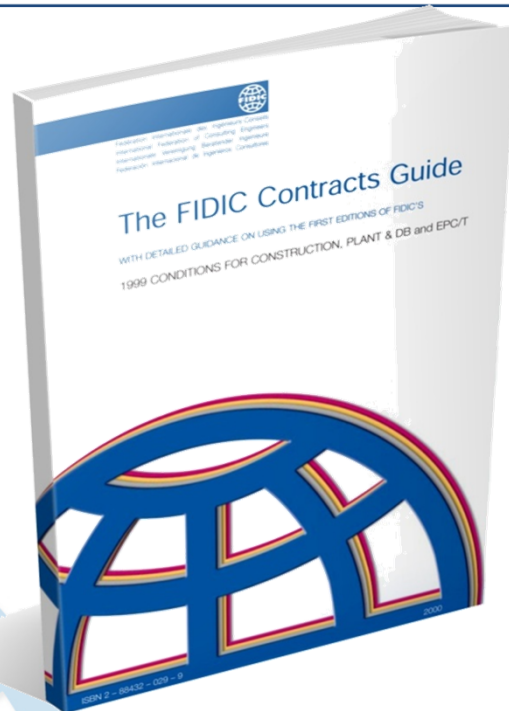
Range covers most needs.
Readily adaptable to fit requirements.

RECOGNIZED

Positive FIDIC image.
World-wide acceptance
Tested for more than 50 years.



Since May 2005
Multilateral Development Banks use
the FIDIC MDB Harmonised
Construction Contract



Adopted by bilateral development agencies
(Australia, France, Japan, Korea, USA, ...)
MDB Supplement to Contracts Guide available



Procurement Reform – Major Focus

Being led by the World Bank

FIDIC consulted as key player – IAGP

Likely impact on global procurement

Borrower development is important

Whole of Life approach

Best practice principles

Green procurement

Integrity

Sustainability

Capacity building

Fit for Purpose

Standard bidding documents – FIDIC?



Global Procurement Reform – World Bank

- Development Effectiveness – core objective
- Value for Money principles
- Bank's procurement rules for certain international projects
- Alternative Procurement Arrangements where appropriate

New Features overview

- Procurement strategy developed by Bank and Borrower – opportunities for CE industry
- May include sustainability principles
- Bank's integrity principles to be applied

Procurement should be fit for purpose

Capacity building for all parties – options to combine where appropriate e.g. contract management

- Standard bidding documents – FIDIC



Procurement Reform – World Bank

FIDIC Tools offered to the Bank (PSM, FIMS etc)

Recommend use Consulting Engineers to help develop procurement strategies

Suggest combine training where common

More involvement at local level – MAs should engage



FIDIC Integrity Management System (FIMS)

- Guide
- Training Kit
- User Survey
- User Forum



Government Procurement Integrity Management System (GPIMS)

- Draft Guidelines

Business Practice

- Code of Ethics
- Policies
 - Conflict of Interest
 - Anticorruption
- Model Representative Agreement



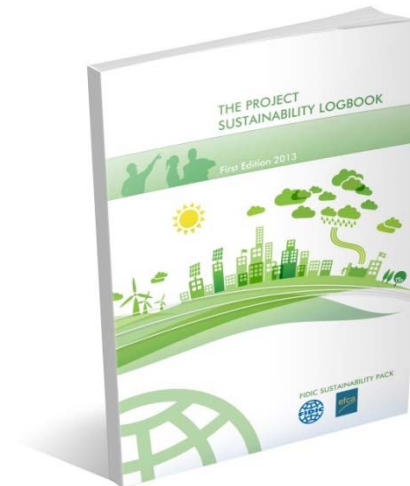
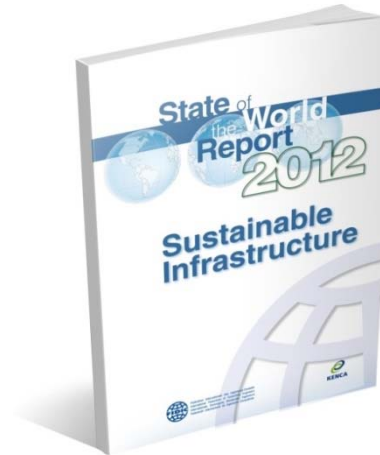
State of the World

Project Sustainability Management

Guide to the principles of sustainable projects using recognised indicators

Tools to define priorities and make informed decisions on:

- Economic factors
- Social factors
- Environmental factors
- Comprehensive guide to rating systems
- PS Logbook**



Business Practice Training Manual

- Training modules with resource kits
- Applicable in developed and developing countries

International Training Programme

- Events co-organised with Member Associations
- Based on Guide to Practice manuals

Accredited Trainer Development Programme

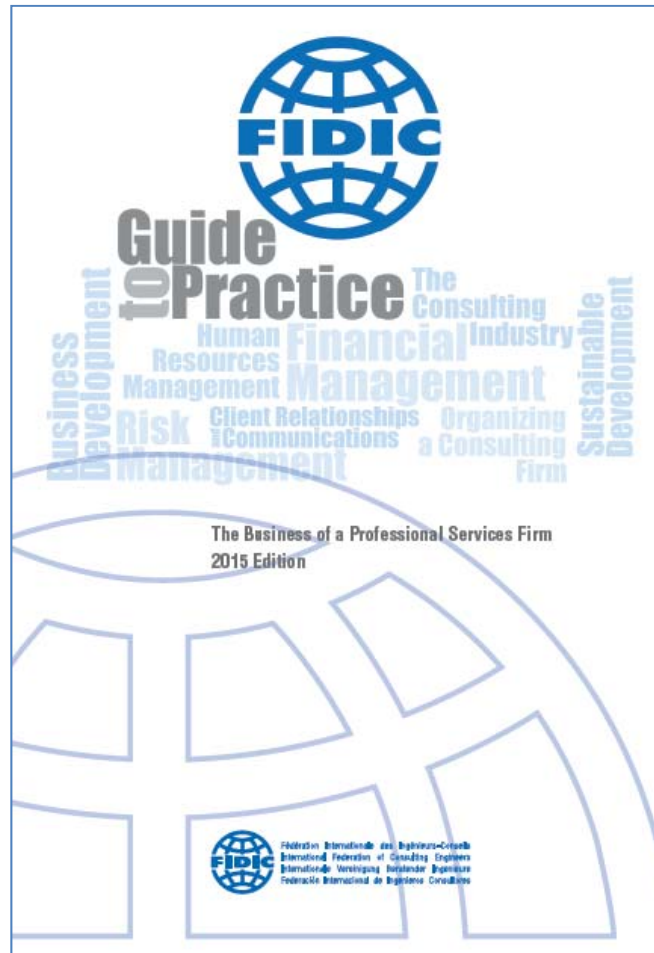
- Trainers available locally and international
- International standards

Training Suppliers

- Recognised Training Centres: China, India, Jordan
- Accredited Training Suppliers



FIDIC Guide to Practice (G2P)



Training Modules

- The consulting industry
- Organising a consulting firm
- Administration of the firm's activities
- Business development
- Human Resources Management
- Financial Management
- Client relationships and communications
- Project execution
- Risk Management
- Quality Management
- Business Integrity Management
- Performance Management



Each module specifies:

- **Content**
- **Resources**
- **Case studies**



FIDIC President's List of Approved Dispute Adjudicators

- For appointments to Dispute Adjudication Boards (DABs)
- DABs mandatory for the MDB Harmonised Construction Contract

FIDIC organises:

- Assessment Workshop
- Recommended Training Courses
- Appointments from List

FIDIC National Lists of Dispute Adjudicators

FIDIC organises:

- Guidelines to Member Associations for establishing and maintaining lists.
- www.fidic.org links.
- Development of accredited national training courses and accredited trainers.



**NEW IN
2015**



FIDIC Website

Vast collection of information on many topics.

- Resources Page
- Training and Events (options for MAs)

New Portal Planned

Association management

- By association managers, for managers (2 way exchange)
- How to run an MA effectively
- Adding value to membership

What do firms want?

Information and knowledge - business

Capacity building – management skills

Representation – political influence



International Federation of Consulting Engineers



- Know the issues – be informed !!
- Know the key people
- Collaborate
- Form alliances (local, regional and global)
- Understand the market conditions
 - Private & public; national and international
 - Procurement policies and practices
- Learn from others (FIDIC, EFCA, other MAs)
- Don't re-invent wheels – Get involved.....
- **GLOBAL KNOWLEDGE, LOCAL ACTION !!**



Life-Cycle Cost and Impact on Project Success

«Engineering has the greatest impact on the life-cycle cost of the project, yet it is the least costly component.»

(Greys Thomopoulos, FIDIC Past President.)



Life-Cycle Cost



Impact on Project Success



Engineering



Construction



Operation & Maintenance

« INVEST MORE IN THINKING BEFORE DOING TO REDUCE COSTS AND RISKS AND ENSURE PROJECT SUCCESS»

(Tweet. P. Bueno, FIDIC President.)



More countries are using different forms of QBS

The **Brooks Act** requires “qualifications-based selection” for Architectural and Engineering services when Federal funds are used...**not selection based on price.**

Enforcing the law requires constant vigilance.



The new 2014 EU Public Procurement Directive moves in the right direction

Art. 35 forbids electronic auctions competing on price only for intellectual services such as the design of works

Art. 67 allows selection based on quality only, without competing on price



Architect's / Engineer's Compensation in Germany

- The German Bundesrat applies QBS.
- It defines scopes and fees for engineering services
- Scopes and fees can be found at: www.hoai.de



Many clients do not understand Consulting Engineering costs

- Production staff or invoiceable salaries

- Social security contributions (Social taxes paid by the company, other insurance)
- Non-invoiceable hours (Public holidays, annual leave, sick leave, commercial work and proposals, training, downtime)
- Non-invoiceable staff salaries (Management, Administration and Finance, HR Legal Advisory, QA, Software Development, IT, Maintenance)
- Overheads or structural costs (Rental, electricity, telephone, electronic services, furniture and equipment depreciation, consumables, insurance, bonds, computer equipment, software licences, security and cleaning, audits and other professional services, business taxes and licenses, promotion and sales, professional association fees and employer and industry organizations)
- Research and development
- Utility
- Taxes

CH = Cost Hour

K = Multiplier (*Overhead*)

P = Price

$$P = CH \times K$$



A typical QCBS (Quality + Cost criteria) problem

Actual weighting is often not the intended weighting. Typical case:

Typical Q/C weighting is 80 / 20, in theory, but the reality is that financial scores differ more than technical scores, and the real weighting becomes the opposite:

Typical case:

	The "Q"	The "C"	The "S"
Bid#1	79.8	10	89.8
Bid#2	79.6	12	91.6
Bid#3	79.2	15	94.2
Bid#4	78.9	18	96.9
Bid#5	78.6	20	98.6
RANGE	1.2	10	
Theoretical weight of the cost:			20%
Actual weight of the cost (10 ÷ 11.2):			89%

Fair compensation for engineering services in D&B

«engineering services should be fairly compensated, including those in the proposal phase of D&B tenders»

(Tweet. P. Bueno, President of FIDIC)



...but cost selection is not the only negative trend...

Misinterpretation of conflict of interests

- **Conflict of interests** is different for engineering and for legal services
- A consulting engineering firm does not have a conflict of interest when providing construction supervision services (to the owner) just because the constructor was a client in the past
- Vertical conflict of interest. Architects do not face this problem



Unbalanced client and consultant guarantees

Guarantees to the client:

- performance bond
- advance payment bond (often maintained until the end of the contract)
- interim payment retention
- up front partial deliveries
- professional liability insurance
- arbitration and country legal guarantees

Guarantees to the consultant:

- arbitration and country legal guarantees



Unfair use of performance bonds (and other bonds in general)

- **The sole aim of the bond** is to guarantee that the client is compensated when the consultant has breached the contract and damages have arisen as a consequence which must be compensated.
- **But:** it is an independent third party who should judge whether the consultant has breached the contract and establish the compensation.

*«On-demand performance bonds are unfair.
One party of a contract cannot be the judge in a case of conflict»*

Tweet. P. Bueno. FIDIC President



Current global trends in the consulting industry introduce new challenges to the internationalization process:

- Consulting engineers should have a leading role during the planning phase
- A new trend: greater involvement of CE during O&M
- Selection based on qualifications and quality
- Quality Cost Based Selection process that ends up being a “Cost” process
- Make clients aware of actual consulting engineering costs
- Client misinterpretation of conflict of interest
- Unbalanced client and consultant guarantees
- Unfair use of performance bonds
- Legal uncertainty





Topics to be covered include:

- Global Markets
- Financing the Future
- Benchmarking consulting firms and Mergers & Acquisitions
- Managing remote workforces effectively
- Business opportunities in the Gulf Market
- Integrity Management
- Making Technology work





The first FIDIC International Conference in the Middle East

Designed by CEOs for Consulting Engineering firms' CEOs

Sponsored by the UAE Society of Engineers (SOE UAE)

Save the dates!
Register at
www.fidic2015.org



FIDIC Awards 2015



Awards will be presented during the International Conference Gala Dinner on Tuesday 14 September 2015



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6/19/2015



Register early!
www.fidic2015.org

**Discounts Available for
FIDIC Member
Associations**



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Jae-Wan Lee, *Korea*

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