

# FIDIC Latin America Contract Users' Conference



**Panama City, 2-3 October 2018**

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International Federation of Consulting Engineers  
The Global Voice of Consulting Engineers





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# **Using the FIDIC Red Book: A Millennium Challenge Corporation (MCC) experience**





## Salient Features For Contract Management

- Contract Payment Based on Bill of Quantities
- Fair Allocation of Risks
- Notices



## Example Project For Civil Works Contract

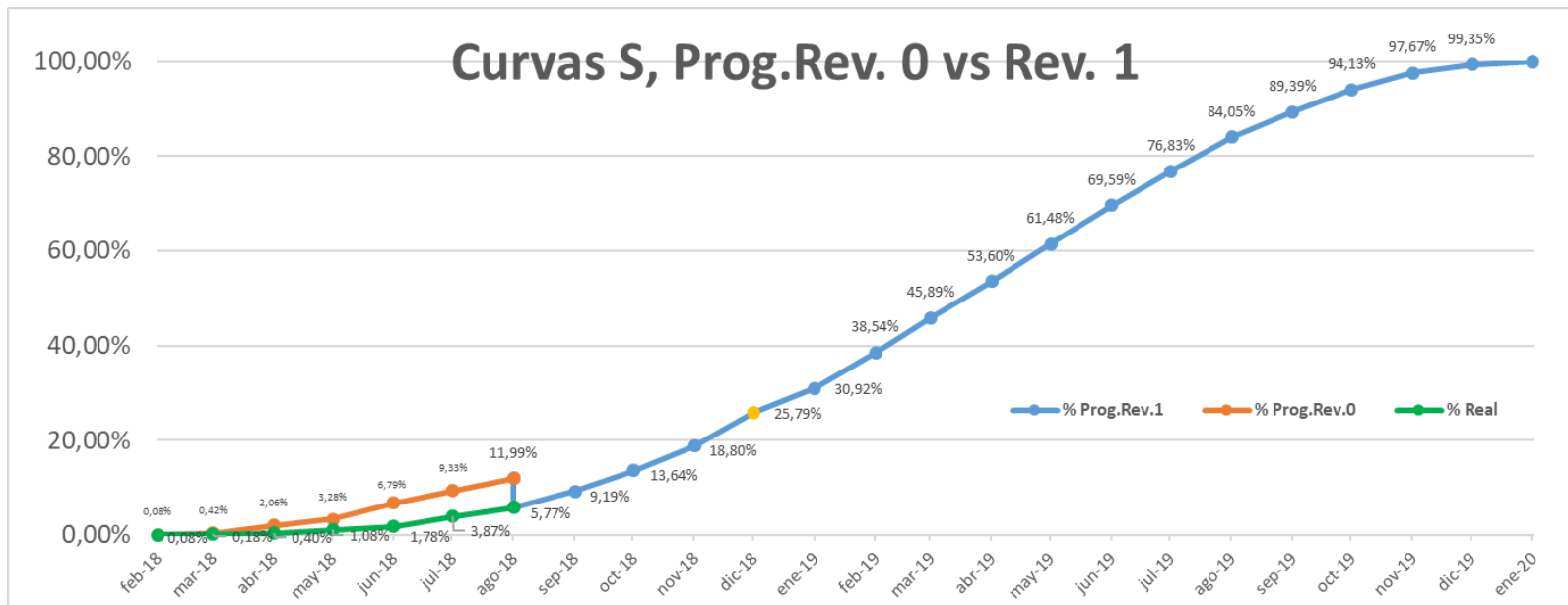
- Improvement of approximately 30 km of a primary road, construction of four bridges and a 50 houses resettlement site
- Five offers were received, the lowest bid was selected as the best offer
- The Engineer was selected
- The contracts were signed and the order to proceed was issued around the same time for both



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## Project Progress





## Contract Payment Based on Bill of Quantities

- Simplify tender analysis
- Easy calculation of interim and final payments
- Pricing variations orders
- Calculation of taxes
- Approval of executed work
- Payment certification by the Engineer







## Fair Allocation of Risks

- Several clauses in FIDIC Conditions of Contract deal directly with the following risks:
  - Design responsibility
  - Change in quantities
  - Variation
  - Force Majeure
  - Unforeseen situations
  - Price escalation



## Risks Allocated to Employer

- Main responsibility for design lies with Employer
- Employer accepts the risk of variation in:
  - Final quantities
  - Variation of rates
  - Variation of prices tendered





## Natural Risks

- Sub-clause 8.4 specifies
  - Risks concerning the climatic conditions are shared between the Employer and the Contractor
  - Employer shall allow an extension of time if exceptionally adverse climatic conditions affect the Contractor's construction progress



# Political and Social Risks

- Sub-clause 17.3 specifies:
  - Clause 19-Force Majeure, most of the political and social risks are allocated to the Employer, such as war, civil commotions, disorders and strikes



## Behavioral Risks

- Those caused by one party's action or inaction that adversely impacts the project or other parties
- Employer is responsible for his own behavioral risks, including the risks of Engineer who acts on the Employer's behalf
- Contractor is responsible for his own risks, including those of the Subcontractor

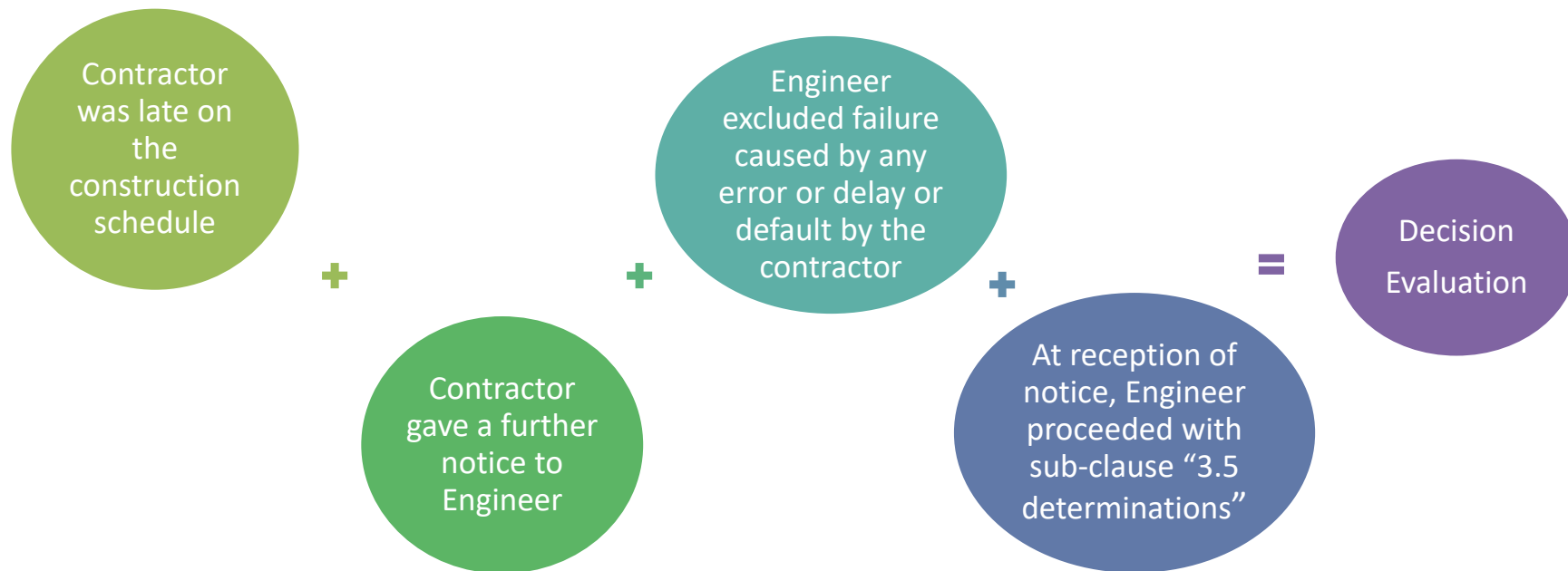


## EXAMPLE OF NOTICES

- Engineer identifies lack of progress and requests explanation
- Contractor gives notice to the Engineer as soon as practicable
- Contractor issue Sub-Clause 20.1 Notice an Extension of Time (and/or additional costs) are claimed
- Contractor is to proceed in accordance with the Sub-Clause 3.5 [Determinations]
- Engineer may consider and review the physical conditions as compared to when the Contractor submitted the Tender



## Notices of the Typical Project



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**Thank you!**

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