

EUROPEAN INTERNATIONAL CONTRACTORS (EIC)



Duccio Astaldi, IT
President



Frank Kehlenbach, EIC
Director

Organisation

European International Contractors (EIC) was founded in 1970 and has been registered since 1984 as a legally independent business association under German law in Berlin. EIC's members are construction industry federations from 14 countries, which are directly or indirectly affiliated to FIEC.

EIC's mandate is to represent the international interests of the European construction industry. Therefore the federation maintains close relations with all international and other important organisations with policies relevant for the international construction business. This includes, for instance, the European Commission (EC), the European Investment Bank (EIB), the Organisation of Economic Co-operation and Development (OECD) and the World Bank.

EIC produces annually International Contracts Statistics, which for 2012 recorded an all-time high. International turnover of EIC's member companies rose 7% year-on-year to €167.6 billion. This excellent result was confirmed by the latest survey "Top 225 International Contractors", published in the magazine Engineering News-Record, which shows that the market share of European contractors (including Turkey) on the international construction market amounted to more than 50%.

According to EIC's latest update on the global infrastructure PPP market, 22% of the world's PPP projects, in terms of value, are being developed by EIC member companies with the main field of activity being roads and the main geographical area of activity being OECD countries.

At the end of 2013, the composition of the EIC board was as follows:

- Duccio Astaldi** (Condotte d'Acqua) Italy (President)
- George Demetriou** (J&P Avax) Greece (Vice-President)
- Jules Janssen** (Besix) Belgium (Treasurer)
- Juha Kostianen** (YIT) Finland
- Colin Loughran** (Lagan Construction) United Kingdom
- António Mota** (Mota-Engil) Portugal
- Per Nielsen** (NCC) Sweden
- Juan António Santos de Paz** (Acciona Concesiones) Spain
- Stefan Roth** (Bilfinger) Germany
- Emin Sazak** (Yukse) Turkey
- Karl-Heinz Strauss** (Porr) Austria
- Harbert van der Wildt** (Ballast-Nedam) Netherlands

President **Duccio Astaldi** also represents EIC as Vice-President on the FIEC Steering Committee.

Tasks & Objectives

The three main objectives of EIC are the following:

- EIC aims at **creating new business opportunities** and improving the political, legal and financial framework conditions for the international business activities of its member companies.
- EIC lobbies for a **bigger and better market** for European international contractors by motivating international financial institutions and especially European donor agencies to allocate more funds to infrastructure projects, by promoting Private-Public-Partnerships on a global level and by advocating fair and innovative forms of procurement and contracts. EIC aims for a level playing field for European contractors worldwide with international environmental, ethical, social and corporate standards.
- Moreover, EIC provides a **unique forum for networking** and the exchange of international experience.

Within the broad range of operating conditions influencing the work of European international contractors, the following topics had the highest priority for EIC in 2013:

I. EIC reviews FIDIC standard forms of contract

For many decades, FIDIC has been consulting EIC as a “friendly reviewer” of its newly published or updated standard forms of contract. Both contractors and clients agree that the FIDIC forms are a good starting point to facilitate the tendering and negotiation of international construction contracts. Over the past years, EIC has published five Contractor’s Guides to the FIDIC standard forms.

In 2013, EIC’s Working Group “Contract Conditions” continued to meet with the FIDIC Updates Task Group and submitted a number of pro-active proposals for the new edition of

the FIDIC “Yellow Book” which is expected in the year 2015. In the meetings, EIC and FIDIC came to the common understanding that the scope of the Works should be described as precisely as possible in the Employer’s Requirements and that the Employer should not benefit from his own negligence when omitting certain information. Other EIC proposals concern the Fitness for Purpose obligation as well as the Programme and the Employer’s Personnel.

In September, EIC President Astaldi gave a keynote speech at the FIDIC Centenary Conference on major global infrastructure needs and how to meet these future challenges. He spoke out for efficient procurement involving qualified consultants and contractors. Rather than relying on price as the sole award criterion clients, consultants, contractors all have a common interest to spend infrastructure budgets in the most efficient way.

President Astaldi also criticised in his presentation the frequent misuse of the FIDIC standard forms of contract and, following the conference, FIDIC President Pablo Bueno expressed his willingness for a Joint Public Statement with EIC on this topic. As a first step towards closer collaboration on this issue, the EIC Working Group “Contract Conditions” has prepared a list of sacrosanct clauses that must not be amended by ill-willing contracting authorities. This list has been forwarded to FIDIC with a proposal for further joint action.



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II. EIC promotes ITF 2.0 – a blending tool for EU-financed contracts in Africa

In January 2013, the EIC Working Group “Africa” met with representatives of the European Commission’s Directorate-General for Development and Cooperation (DG DEVCO) to further discuss the federation’s proposal for an EU Infrastructure Blending Instrument for Africa. EIC proposes to review the rules underlying the EU-Africa Infrastructure Trust Fund (ITF) in order to include a blending mechanism that would allow for a mix of development and commercial finance by blending EU Official Development Assistance (ODA) with ECA-covered commercial finance for transport infrastructure projects carried out in Africa by the European construction industry.

EIC President Astaldi also outlined EIC’s concept in letters to EC Vice-President and Commissioner for Industry and Entrepreneurship Antonio Tajani, EU Commissioner for Development Andris Piebalgs and EIB President Werner Hoyer.

As a reaction, the item was added to the agenda of the Thematic Group 5 “International Competitiveness of the Construction Sector”, which was set up as one of five working groups under the EU Construction 2020 strategy initiative. In November, DG Industry also included EIC’s proposal for the new ITF

blending mechanism in the recommendations for the EU’s High Level Tripartite Strategic Forum for follow-up actions on the communication on sustainable construction.

At the European Development Days in November 2013, DG DEVCO invited EIC to take part in an exclusive brainstorming session on “Blending as a catalyst for private financing”. DG DEVCO also consulted EIC regarding sector and country specifics, best practice examples and preconditions as part of its ongoing “Study to assess the application of Design Build and Design Build Operate methods to EC financed infrastructure projects in developing countries”. The study is set to be completed in the first half of 2014.

EIC was invited by DG DEVCO to take part in the 5th EU Africa Business Forum in Brussels on 31 March/1 April 2014, where the head of the Working Group “Africa” co-chaired the Round Table on Infrastructure and Construction. The Business Forum convened around 500 high-level personalities from the European and African private sectors as well as top political leaders, such as European Commission President Barroso and Vice-President Antonio Tajani, EU Council President Herman van Rompuy, EIB Vice-President Pim van Ballekom and the Chairperson of the African Union Commission Nkosazana Dlamani-Zuma.

The Final Declaration of the Forum mentioned at EIC's request that concerning the infrastructure sector, PPP is seen as an option to finance infrastructure in Africa under certain preconditions, such as economic viability, proper risk allocation and professional preparation.

III. EIC represents European construction industry in global debate on future development policies

With 2015 approaching, the target year of the UN Millennium Development Goals, the European Union and the OECD as well as other institutions are debating how to follow-up.

The EC intends to issue a Communication on the role of the private sector in development, to formulate in more operational terms the EC's strategy on working for and with the private sector in development co-operation.

The new Director for Sustainable Growth and Development in DG DEVCO, Mr. Roberto Ridolfi, invited EIC to attend a Commission consultation on this new Communication in November. EIC participated with four member companies in this consultation and contractors emphasised the advantages of the "European business model" for delivering infrastructure in Africa.

European contractors employ and train the local workforce in accordance with international standards. They collaborate with local contractors and suppliers, transfer technical know-how and protect the environment for example with waste management and energy efficiency measures. A follow-up meeting was convened in January 2014 during which the EIC Working Group "Africa" discussed related issues with Commission representatives, such as increasing the employment impact of private sector support, using the private sector as a "delivery channel" for development and the role and responsibility of the private sector in a post-2015 framework.

In the international context, EIC contributed actively to the Development Task Force established by the Business and Industry Advisory Committee to the OECD (BIAC). In February 2013, BIAC submitted its "Preliminary Perspectives for the Post-2015 Development Agenda" through the private sector representative in the UN High Level Panel of Eminent Persons.

In March 2014, EIC took part as a BIAC representative in a Senior Level Meeting of the OECD Development Assistance Committee (DAC). The main focus of the meeting was on development finance – specifically the definition of ODA. On this occasion, EIC Past President Michel Démarre pointed towards the need for a more flexible handling of ODA and for an increase in available development financing. Whereas the amounts made available to developing countries in terms of development aid and market based financed (export credits) were of the same magnitude, only very few of the export credit resources were actually tapped for development projects

IV. World Bank Procurement Policy review

In 2012 the World Bank launched the most comprehensive review of its procurement policies and procedures in its history, in order to lay the ground for changing the overall framework regarding policies. The Bank held consultations in 85 countries with more than 1,900 stakeholders from governments, the private sector, academia and civil society – one of them being EIC. The federation set up a new Working Group "World Bank Procurement Review" which prepared the position submitted to the Bank. EIC comments included a broad range of recommendations, such as quick and effective dispute settlement and mandatory international arbitration, award on the basis of the



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most economically advantageous tender (MEAT) instead of the lowest price, the possibility of rejecting abnormally low bids, a more rigid pre-qualification procedure including sustainability criteria and, last but not least, an anti-corruption policy that is applied in favour of or against the Borrower.

The World Bank also set up an International Advisory Group on Procurement (IAGP), in which EIC is presented by its former treasurer Uwe Krenz, which reviewed drafts of the new framework and gave its proposals to the World Bank Board of Executive Directors.

The Executive Directors of the World Bank Group approved the Proposed New Framework on Procurement in World Bank Investment Project Finance in November 2013. The vision statement of this new approach to procurement is "Value for money with integrity in delivering sustainable development." The Bank's management then started working on an implementation plan with the next phase of consultations planned for spring 2014.

EIC joined forces with CICA and FIDIC in a Joint Position Paper to call upon the World Bank to continue applying its Procurement Guidelines and Standard Bidding Documents for Consultants and Works for large and complex projects following the planned implementation of the New Procurement Policy Framework.

CICA, EIC and FIDIC call upon the World Bank to ensure that the Standard Bidding Documents for Consultants and Works remain mandatory for such projects. In case the Bank decides against this and accepts national procurement arrangements for large and complex works, at least the use of the FIDIC standard forms should be mandatory. CICA, EIC and FIDIC outline that the GPA and UNCITRAL sample documents cannot serve as a yardstick for "equivalent" or "acceptable" procurement practices in a given country.

V. Commission Vice-President Tajani's "Missions for Growth" (M4G)

At the end of 2011, Commission Vice-President Tajani decided to organise such missions, which are not "trade missions", because they do not address questions of trade policy or barriers to trade. "M4G" have the purpose, among others, "to strengthen cooperation between EU and other countries and regions of the world by combining political meetings with a business

dimension (door-opening/prepare steps to match-finding) on enterprise and industry policy issues" and "to facilitate the internationalisation of European enterprises, in particular SMEs". The effect of "M4G" is strengthened by follow-up missions led by DG ENTR Director General Daniel Calleja, in order to implement the agreements concluded during the "M4G".

For more details, please refer to DG ENTR's dedicated website http://ec.europa.eu/enterprise/initiatives/mission-growth/missions-for-growth/index_en.htm, where it is also possible to register for "M4G" which are being prepared.

From the beginning, the construction sector was chosen as one of the key sectors, considering the huge markets for construction services in other continents. FIEC and EIC were represented by high ranking contractors on most growth missions.

EIC General Assemblies

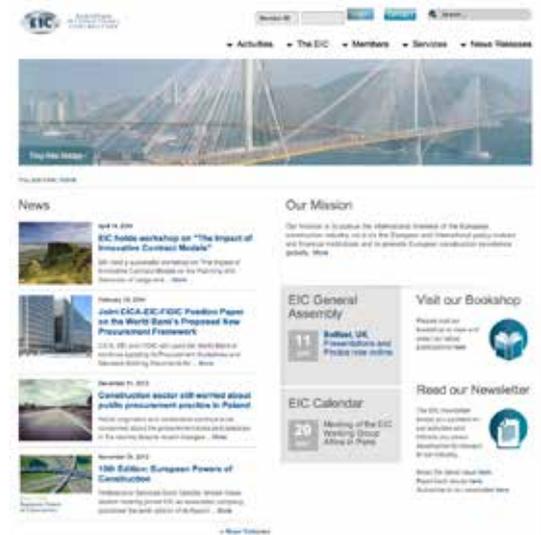
Every six months, EIC holds its General Assembly at the invitation of one of its member federations in a different European country. In connection with these conferences, business workshops are organised on issues related to the international construction business, which are traditionally attended by senior international managers from the leading European contractors as well as related industries.

On 26 April 2013, the Finnish member federation hosted an EIC conference in Helsinki with a workshop on "Risk Management in International Projects - Tools for Contractors". The EIC conference on 18 October 2013 was hosted by the Spanish member federation in Seville with a workshop on "Global Trends in PPP and Project Finance Markets".

For joint FIEC/ EIC Actions, please refer to the specific chapter (page 8).

More information is available on the EIC website: <http://www.eic-federation.eu>

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EIC publications



EIC Turnkey Contract, 1994



EIC Contractor's Guide to the FIDIC Conditions of Contract for Construction, 2002



EIC White Book on BOT/PPP, 2003



EIC Contractor's Guide to the FIDIC Conditions of Contract for Plant and Design-Build, 2003



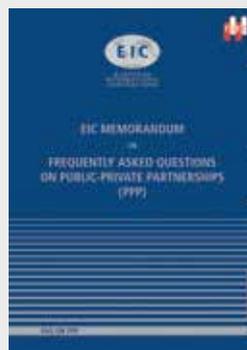
EIC Contractor's Guide to the FIDIC Conditions of Contract for EPC Turnkey Projects, 2003



EIC Blue Book on Sustainable Procurement, 2004



Contractor's Guide to the FIDIC Conditions of Contract for Design, Build and Operate Projects, 2009



EIC/FIEC Memorandum on Frequently Asked Questions on Public-Private Partnerships (PPP), 2006



EIC Contractor's Guide to the MDB Harmonised Edition of the FIDIC Conditions of Contract for Construction (June 2010), "The Pink Book Guide", 2011