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## CONCEPT NOTE

### **CICA-EIC Conference on collaborative approaches in construction**

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In a context of post-Covid-19 pandemic, high geopolitical uncertainty, inflation and higher risks of supply chain disruptions, **we observe a loss of appetite of the contractors to absorb the more and more unpredictable construction risks for the delivery of complex infrastructure projects.**

CICA and EIC have initiated a dialogue with international development finance institutions to come up with new approaches with an aim to collectively de-risk the projects.

For several years, the Heads of Procurement of the Multilateral Development Banks have observed and deplored the loss of appetite for fixed-price contracts and the decrease of the number of bidders for their projects. The OECD also organized expert meetings to explore the relevance of the perceived changes and possible responses.

The need for more collaborative approaches with an early and proactive dialogue appeared as one of the ways to deliver more successfully some of the projects.

For instance, when we tend to observe a decrease in the financing of preliminary studies, Early Contractor Involvement can provide a development phase for complex projects and the establishment of a common risk mitigation plan that is shared and priced.

Additionally, collaborative approaches may facilitate compliance with the requirements for the decarbonization of the projects considering the whole life-cycle of the infrastructure. Sustainable design relies critically on knowledge found in construction supply chains. Promoting collaborative and innovative approaches for the efficient delivery of resilient and sustainable infrastructure projects shall also be a key step to attract young and diverse talents to the construction industry.

CICA and EIC consider that developing standardized practices for these collaborative delivery models (CDMs) shall be an industry task, working closely with public regulators and policymakers.

**Collaborative Delivery Models** (CDMs) are an approach to the procurement, contracting and management of projects where the essential features are:

- the creation and use of a **collaborative contractual framework** between the Client, Project Manager, Contractors, Designers and Specialist Subcontractors working in an integrated delivery team;
- the appointment of Contractors and Specialist Subcontractors early in the preconstruction stage so as to develop and agree the right designs, costs and construction programmes
- the **establishing of common outcomes**, goals and measures of success aligned with the clients' primary interests;
- the joint management of risks through early appointments and through early warnings so as not to pass risk down the supply chain by default but instead to **allocate risks to the party best able to manage them;**
- systems of project management and joint decision-making which support collaboration and focus on maximising **value-for-money;**

- Transparency. An open book approach to foster transparency, trust, and effective cost management among all parties involved;
- An agile on-site dispute resolution process that allows for the prompt resolution of issues, ensuring they do not escalate or disrupt the project's progress.

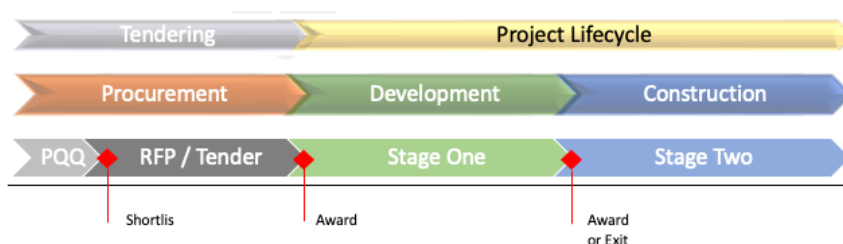
It is a systematic approach in which all relevant parties collaborate together as one team, on a basis of equality and clarity in tasks, roles and responsibilities, to prepare the delivery phase such that the outputs will be maximised, and that the delivery will be as predictable (in programme and cost whilst minimising change) as possible.

**Two-stage process.** CDMs typically involves the following process:

- **Pre-qualification:** Historic capability, financial standing, compliance leading to the down selection to a specified and limited number of tenderers.
- **Competitive Tendering:** the proposals are evaluated according to **Commercial criteria:** Stage 1 price, fee, etc., and **Qualitative criteria:** Overall approach to Stage 1 / Stage 2, organisation and CVs, etc.
- **Stage 1:** Working up the design, costs and construction programme combined with joint management of risks to agree a Target Cost based on the final design solutions which have been refined by the team. Once the Target Cost is agreed with the Employer, a Notice to Proceed is issued, triggering Stage 2.-Failing an agreement, the Employer may turn to another contractor for Stage 2 or choose not to proceed with the project at all.
- **Stage 2:** Project Delivery using systems of project management and joint decision-making which support collaboration and focus on maximising value-for-money. The team or contractor's performance can be incentivised to ensure they are making their best efforts to encourage cost savings and share the rewards.

CDMs promote a development phase to leverage expertise and capability, foster innovation, and mitigate risk from the project. This approach is particularly effective for complex projects, enabling integrated, multidisciplinary teams to improve project outcomes.

Different contracts may apply to each stage of the process to suit its specific needs, such as the New Engineering and Construction Contract (NEC) or any other form of collaborative contract. For example, in the first stage, a cost+fee or/and open-book contract could be used to allow flexibility and promote open collaboration during the design and planning phases. For the second stage, a target cost contract with a pain-and-gain mechanism can be implemented to incentivize efficiency and cost control during construction. This tailored approach ensures that all parties are aligned, risks and rewards are shared appropriately, and every stakeholder is fully committed to the project's success.



## EIC Golden Rules

### 1. Identify the right Project.

It is crucial to identify the appropriate projects for this approach, as it demands specific expertise and capabilities which may be unnecessary in other contexts.

### 2. Teams which are integrated and displaying / implementing appropriate collaborative behaviours.

An integrated team, including an experienced client-side team that also interacts with stakeholders, ensures efficient decision-making, reduces rework, and aligns the project with the client's vision, ultimately improving quality, managing risks, and ensuring successful project delivery.

### 3. Two-Stage Process.

This phased approach ensures a more thorough understanding of the project's complexities, promotes innovation, and leads to more accurate cost estimates and timelines, ultimately resulting in a smoother construction phase and a higher-quality outcome.

### 4. Sufficient time for the development phase/ first stage.

Sufficient time for the development phase, or first stage, of a collaborative delivery model is crucial because it lays the foundation for the project's success.

### 5. Reimbursed initial stage

By paying for this early involvement, clients benefit from a more refined project plan, reducing the likelihood of costly changes or delays during construction, ultimately saving time and money in the overall project.

### 6. Robust initial estimated budget and planning and design definition.

By setting an initial budget that accurately reflects the project requirements, the team can ensure smoother progress during the first stage to agree on a solution and target cost.

### 7. Transparency (Open Book/ risk register) and budget is essential.

This collective effort reduces the likelihood of disputes, ensures efficient use of resources, and contributes to the project's overall success by aligning everyone's interests toward delivering a high-quality outcome within the agreed-upon budget.

### 8. Clear list of tasks and responsibilities during ECI that ensures proper risk allocation to the party best able to manage.

Clarity is crucial for ensuring timely project delivery, minimizing delays, and fostering a more collaborative and productive project environment.

### 9. Appropriate choice of contract.

The right contract choice ensures that all parties are aligned, risks and rewards are shared appropriately, and everyone is fully committed to the project's success.

### 10. Agile on-site dispute resolution.

Conflicts are addressed quickly and effectively, thereby the project team can maintain a cooperative atmosphere and keep the project on track, reinforcing trust and collaboration among all parties involved.



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CICA and EIC believe that collaborative delivery models can be the right approach for some complex projects where the Clients also have the capacity and skills to implement the adequate contract management and monitoring.

The Conference organized at CICA's Headquarters in Paris on November 26 "Promoting collaborative and Innovative approaches for an efficient delivery of resilient and sustainable construction projects" aims at gathering the main stakeholders of the construction industry. The conference shall underline the importance of the development phase of infrastructure projects, also considering the sustainability aspects and whole life cycle of the projects, and the need for agile dispute avoidance and resolution.

CICA and EIC will gladly discuss this approach further with public regulators and the Multilateral Development Banks.

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