

FIDIC General Conditions / Payments Clause

FIDIC refers to (Fédération Internationale Des Ingénieurs Conseils)

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Abstract

For any international construction project, Contract is one of the major documents for construction industry. FIDIC General Conditions are the most common used all over the world. Payments term is very important clause and all the project team members need to be aware completely about it. Thus, this paper is considering illustrated payments clauses by flow chart technique to ensure that all the engineers are handling easily those terms.

Without real understanding of those clauses usually the project will get cash flow tribbles.

Keywords: payments term, FIDIC, general conditions, clause 14

1. Introduction

Engineering projects. The last major update of this suite stems from 1999. Corbett (2002) referred to the standard forms which were published in 1999 as 'FIDIC's rainbow' because FIDIC refers to them under different colors.

The most used one is Red Book 1999: Conditions of Contract for Construction, 1st end (FIDIC, 1999a Red Book, FIDIC, Geneva, Switzerland).

So, we are going to consider the 1999 Red Book for this research to standardizing and simplifying our point of view.

2. Research Objective

Payment term is one of the major clauses in FIDIC General Condition or we may say, it is one of the most important clauses in any contract conditions.

Sometimes we decided not to submit our bid due to unfair payment clause.

Cash flow is depending on the payments term and without smooth cash flow the project will never succeed.

So, we are going to study clause 14 / Payments and try to clarify it by flow chart technique

To ensure the right understanding for all project engineers.

3. FIDIC General Conditions / Payments Flow Chart

Clause 14: Contract Price and Payment:

➤ Typical sequence of Payment Events envisaged in Clause 14:

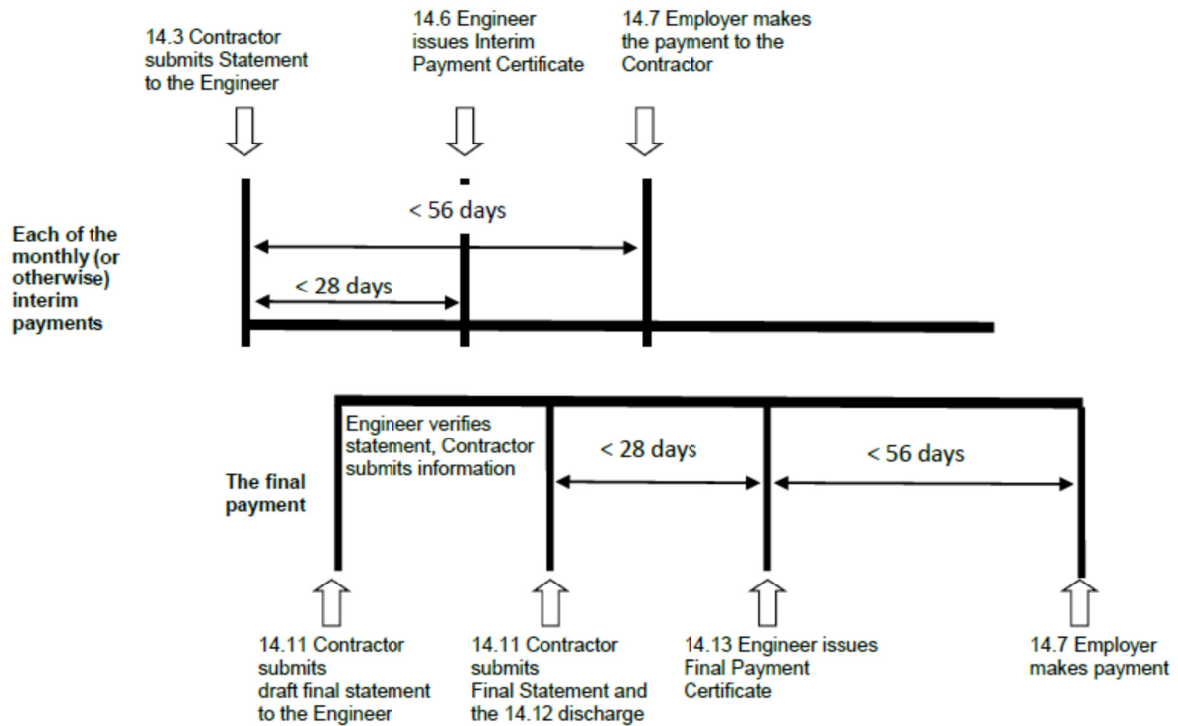


Figure 1. Typical sequence of payment events envisaged in clause 14, FIDIC (1999)

3.1-Flow Chart of: Sub-Clause 14.7 “Payment”:

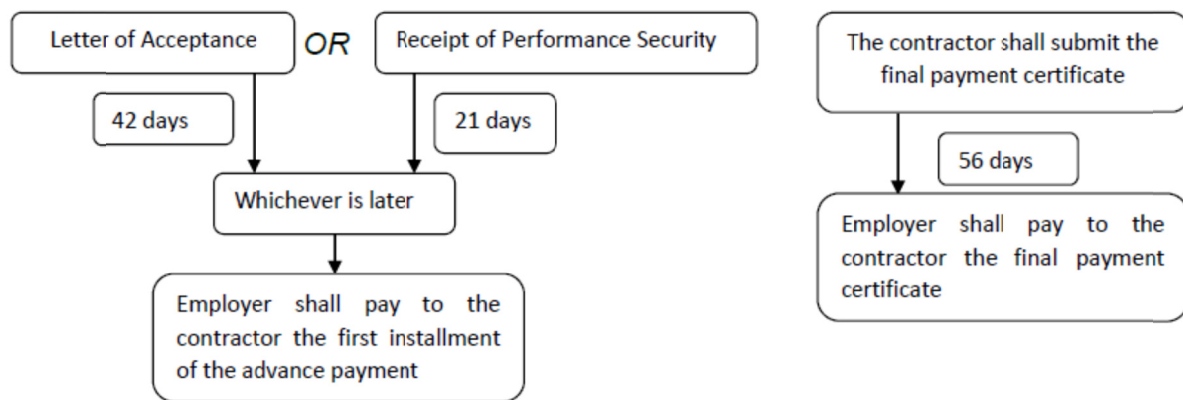


Figure 2. Flow chart of: sub- clause 14.7 “payment”

3.2 Flow Chart of: Sub-Clause 14.9 “Payment of Retention Money” & Sub-Clause 14.10 “Statement at Completion”:

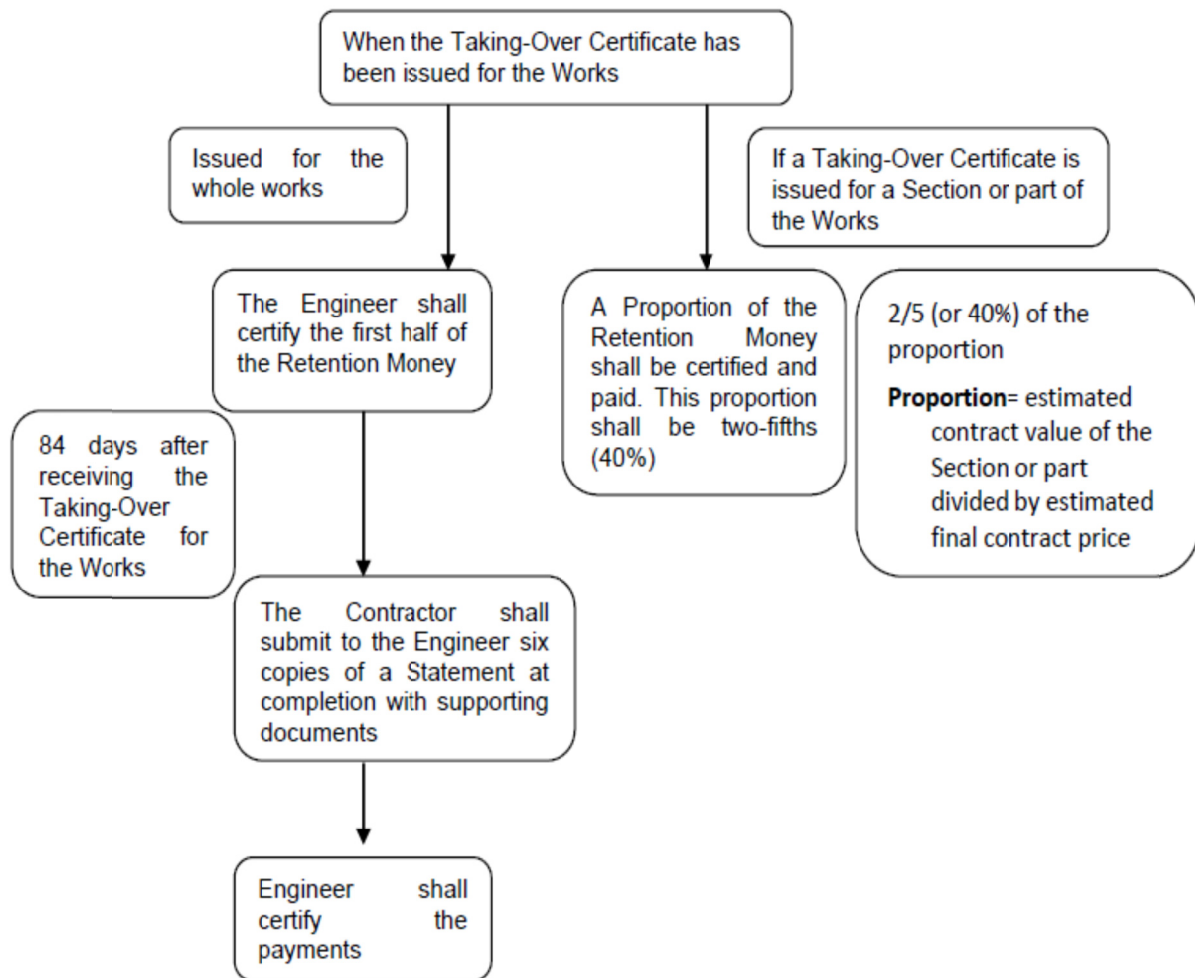


Figure 3. Flow chart of: sub- clause 14.9 “payment of retention money” & sub-clause 14.10 “statement at completion”

3.3-Flow Chart of: Sub-Clause 14.11 “Application for Final Payment Certificate” & Sub-Clause 14.12 “Discharge”:

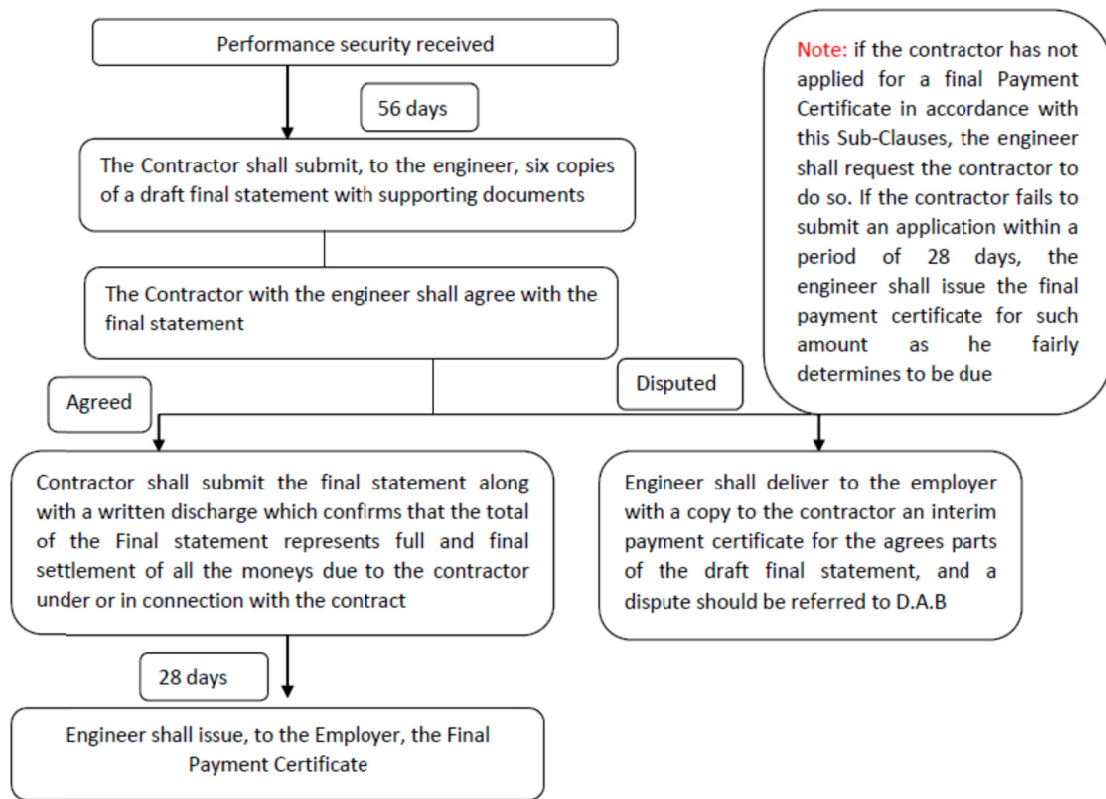


Figure 4. Flow chart of: sub- clause 14.11 “application for final payment certificate” & sub-clause 14.12 “discharge”

3.4-Flow Chart of: Sub-Clause 14.13 “Issue of Final Payment Certificate”:

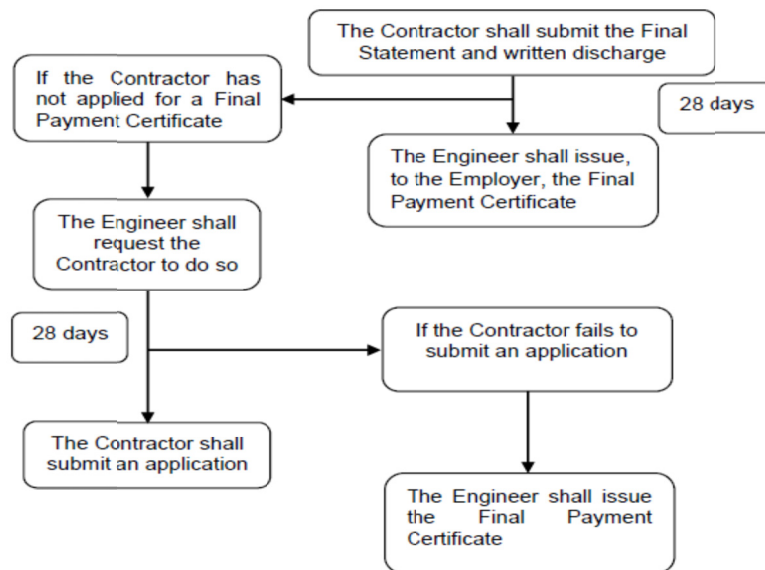


Figure 5. Flow Chart of: sub- clause 14.13 “issue of final payment certificate”

4. Conclusion

We believe that after illustrating the sub- clauses of clause 14 by flow charts, most of the project team will be capable to use it and understand their rights clearly.

To the same degree of importance, the client and client represented staff plus the consultant or project engineer need to carefully care about the clause wording “*payment within 42 days*”,

“*within 21*” & “*Within 84 days*” extra means before the end of this period, money is the most important resource for the contractor and his cash flow will be destroyed for any payment delay without good reasons. The contractor is not investing in the project he made his plan based on the client payment on time, and this note is not for the benefit of contractor, but it is really for the project success as once he suffers payments delay he will transfer it to the suppliers then subcontractors and finally his staff which will lead to project delay and a lot of claims issues.

5. References

FIDIC Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer, (1st Ed.), 1999

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