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# Overview of FIDIC Conditions of Contracts



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# Introduction to FIDIC



## What is FIDIC?

**FIDIC** stands for Fédération Internationale des Ingénieurs-Conseils, or the International Federation of Consulting Engineers. Founded in **1913**, FIDIC represents consulting engineers from over 100 countries in the world.

## Core Mission

FIDIC promotes professional interests, maintains high ethical and professional standards, and disseminates best business practices throughout the consulting engineering industry.

## Key Contribution

FIDIC publishes internationally recognized **standard forms of contracts** for construction and engineering projects.; commonly known as the FIDIC Suite. These contracts are renowned for their **fair and balanced** risk/reward allocation between Employer and Contractor.

# Introduction to FIDIC

## What is FIDIC?

**FIDIC** contracts are used in Public infrastructure projects including;

- a. Roads and Bridges.
- b. Hyrdo Power Dams.
- c. Plant & Machinery.
- d. Oil and gas Projects



# The FIDIC Contract Suite

Contract Name	Color	Primary Use Case
Conditions of Contract for Construction	Red Book	Works designed by the Employer (Traditional Design-Bid-Build)
Conditions of Contract for Plant and Design-Build	Yellow Book	Works designed by the Contractor (Design-Build)
Conditions of Contract for EPC/Turnkey Projects	Silver Book	Contractor takes full responsibility for design and execution (EPC/Turnkey)
Short Form of Contract	Green Book	Works of small value or simple nature

## RED BOOK

- a. The Employer does the detailed design of the works.
- b. Allows some part of the temporary works to be contractor designed.
- c. It is not suitable if most of the works are designed by the Contractor.
- d. The Red Book has a balanced risk allocation between the Employer and Contractor.
- e. The Contractor is administered by the Engineer, whom the Employer appoints.
- f. The payments are certified through ad-measurement, by applying rates and prices from the Bill of Quantities.





## YELLOW BOOK

- a. The Yellow Book provides for the Conditions of Contract for Plant and Design Build for Electrical and Mechanical Plant, and for building and engineering works where the Contractor does the design.
- b. Clause 5 of the Yellow Book provides that the Contractor shall carry out and be responsible for the design and shall build in accordance with the Employer's requirements.
- c. The Contract Price is a lump sum, and the Contractors bears the risk of changes in quantities save for variations.
- d. The Contract is administered by the Engineer who issues instructions, certificates, facilitates agreements on claims and makes determinations.
- e. Payment of the lump sum price are made as work proceeds and are based on installments specified in the schedule of payments.



## **SILVER BOOK**

- a. The Silver Book is a contract for Engineering, Procurement and Construction/Turnkey projects.**
- b. It is suitable for power dams and private infrastructure projects, where full responsibility for design and execution is on the Contractor.**
- c. It is suitable for use with experienced Contractors familiar with sophisticated risk management techniques.**
- d. Unlike the Red and Yellow Books, the Contractor accepts a higher level of risk and assumes responsibility for design related risks.**
- e. The Employer still retains some risks, such as exceptional events.**
- f. The Silver Book provides for a lump sum fixed price with a greater level of cost certainty for such projects.**
- g. Unlike the Red and Yellow Books, there is no Engineer in the Silver Book but an Employer's Representative.**
- h. The Risk of ground conditions Is transferred to the Contractor.**
- i. The Contractor is obliged to fulfil the Employer's Requirements.**



# What is a FIDIC Contract

## General Conditions (GCs)

The standard, pre-printed clauses that establish the core framework and **fair and balanced risk allocation** between Employer and Contractor. These are the foundation of every FIDIC contract.

## Particular Conditions (PCs)

Project-specific amendments, additions, and variations to the GCs. These address the unique requirements of the site, project features, and Employer preferences while maintaining the integrity of the GCs.

## The Challenge

Overly aggressive or substantial changes in the PCs can destroy the intended balance, making the contract no longer a "true" FIDIC Contract. This is why the Golden Principles exist.



# The FIDIC Golden Principles

The **Golden Principles (GPs)** are the essential features that safeguard the integrity and brand of FIDIC contracts. Introduced to prevent misuse of FIDIC contract forms, they ensure that any contract referred to as a "FIDIC Contract" maintains the **fair and balanced** risk/reward allocation between Employer and Contractor.

- 1 **Roles & Responsibilities**
- 2 **Risk/Reward Balance**
- 3 **Dispute Resolution**
- 4 **Clarity of Conditions**
- 5 **Reasonable Time Periods**



# Golden Principle 1

## GP1 Statement

The duties, rights, obligations, roles, and responsibilities of all Contract Participants must be generally as implied in the General Conditions and appropriate to the project.



## What GP1 Requires

- Roles of Employer, Contractor, and Engineer must **not be fundamentally altered** from the General Conditions
- Contract Participants include Contractor, Employer, Engineer, Employer's Representative, DAB/DAAB, and Subcontractors
- The **appropriate FIDIC form** must be selected for the specific project features
- Particular Conditions should only clarify and supplement, not restructure roles

## Implications for Projects

- Prevents unfair **power imbalance** between parties
- Ensures predictability and consistency across international projects
- Protects the **FIDIC brand** and contract integrity
- Maintains fair risk allocation as originally designed

# Golden Principle 2

## GP2 Statement

The Particular Conditions must be drafted clearly and unambiguously



### Clear Drafting

Amendments must use precise language that leaves no room for misinterpretation or confusion.

### Consistency with General Conditions

Particular Conditions must align with and reference the General Conditions to avoid conflicting provisions.

### Transparent Identification

All changes and amendments should be clearly marked and easily identifiable within the contract documents.



# Golden Principle 3

## GP3 Statement

The Particular Conditions must not change the balance of risk/reward allocation provided for in the General Conditions.



## Core Concept

GP3 is closely linked with GP1. Significant changes to roles, duties, obligations, and rights will inevitably alter the fair and balanced **risk/reward allocation** established in the General Conditions.

## Key Implication

Particular Conditions should not transfer risks allocated to one party in the GCs to another party without corresponding adjustments in reward (price or time).

## Examples of Proper Application

- Requiring the Contractor to design minor parts of the Works under a Red or Pink Book contract
- In the Red Book, the Contractor is not required to perform a full design review of the Employer's design
- Adjusting contract price or time when additional responsibilities are assigned



# Golden Principle 4

## GP4 Statement

All time periods specified in the Contract for Contract Participants to perform their obligations must be of reasonable duration



## What GP4 Requires

- Time periods must **not be reduced excessively** in the Particular Conditions
- Time periods must **not be prolonged excessively** unless justified
- Each time period in the GCs is based on FIDIC's experience as **reasonable** for that activity
- Consistency with fair and balanced risk/reward allocation (GP3)

## Why Time Periods Matter

- Allows parties a **realistic opportunity** to comply with obligations
- Promotes **efficient contract administration** and timely decision-making
- Prevents unrealistic demands that could lead to disputes
- Ensures **cash flow** and project continuity for all parties

# Golden Principle 5

Unless there is a conflict with the governing law of the Contract, all formal disputes must be referred to a Dispute Avoidance/Adjudication Board (DAAB) for a provisionally binding decision as a condition precedent to arbitration.

## The DAAB/DAB Mechanism

- Mandatory dispute resolution forum for all formal disputes
- Provides **provisionally binding** decisions on-site
- Operates as a **condition precedent** to arbitration
- Ensures disputes are resolved quickly and efficiently

## Key Implications

- Disputes cannot proceed directly to arbitration without DAAB/DAB review
- Promotes **on-site dispute resolution** and project continuity
- Reduces time and cost of dispute resolution
- Only exception: conflict with governing law of the Contract



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**Thank You!**