

GUIDANCE

Use of Framework Alliance Contract Model in Complex Projects

1 March 2024

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Section I: Purpose

This note provides guidance on use of the framework alliance contract model, as a project integrator enabling effective cooperation of multiple parties working on complex projects.

Section II: Definitions

Terms used in this Guidance have the following meanings. Terms not defined in this Guidance have the same meaning as set out in the Procurement Policies and Rules.

Alliance	means the multi-party relationships governed by FAC-1;
Alliance Activities	mean activities to improve value and achieve the project Objectives;
Alliance Manager	means the Client's representative or consultant, who manages FAC-1;
Alliance Members	mean the parties who sign FAC-1, or who sign a Joining Agreement;
BIM	means Building Information Management;
Core Group	means the group, which meets to review new suggestions and resolve problems;
Early Warning	means the FAC-1 system for notifying problems to other parties;
FAC-1	means the FAC-1 multi-party framework alliance integrator contract;
Framework Brief	means the Client's project brief issued to all other Alliance Members;
Framework Prices	means the FAC-1 prices submitted by each Alliance Member;
Framework Programme	means all the Contracts comprising a project;
Framework Proposals	mean the FAC-1 proposals submitted by each Alliance Member;
Improved Value	means improved time, cost, quality, efficiency, safety, sustainability;
Incentives	mean financial and other incentives to achieve the Objectives;
Intellectual Property Rights	mean patents, trademarks, designs, design rights, copyright, inventions, trade secrets, know-how, confidential information;
Joining Agreement	means an FAC-1 agreement to add an additional Alliance Member;
Legal Requirements	mean the legal requirements of any jurisdiction amending FAC-1;
Objectives	mean the objectives, success measures and targets for the project set by the Client;
Order	means a Client Order for Alliance Activities or Pre-Contract Activities;
Pre-Contract Activities	mean early works/supplies ordered in advance of a Contract;
Risk Management	means actions to eliminate, reduce, insure, share, apportion risks;
Risk Register	means the FAC-1 form describing risks and agreed Risk Management;
Stakeholders	means organisations outside the Alliance with an interest in a project;
Supply Chain	means subcontractors, suppliers and subconsultants appointed by an Alliance Member;
Timetable	means the FAC-1 form describing the deadlines and timescales for achieving the Objectives and for completing Alliance Activities;
User	means any party using the benefits of a project.

Section III: Scope

1. Introduction

EBRD has an extensive portfolio of public and private projects, involving investments in infrastructure. Many of these projects are based on delivery strategies which entail multiple contracts that are intended to achieve common project objectives.

EBRD considers that, in addition to conventional individual contracts for goods, works and services, its Clients may benefit from requiring their consultants, contractors and suppliers to enter into and use a multi-party framework integrator contract that covers the common objectives of the project as a whole. This additional multi-party contract integrates the different stages of the project and its multiple contracts in ways that are designed to improve the certainty, communication, value, performance and risk management of the project as a whole.

Inherently, multiple contracts require interfaces that complicate project management and that increase risks, often triggering conflicts between the parties and leading to disputes, cost overruns and delays. In order to improve the management of any project involving multiple intertwined contracts, this Guidance was prepared in cooperation with Dr David Mosey, Professor of the King's College London Centre of Construction Law and Dispute Resolution, to explain how the Framework Alliance Contract (hereinafter referred to as 'FAC-1') provides a multi-party integrator contract that enables more efficient interaction between multiple parties working on the same project.

This Guidance explains how the multi-party FAC-1 framework integrator contract can assist with preparation of projects and can improve the procurement and implementation of other contracts in ways that increase the opportunities for substantial time and cost savings, by providing contractual techniques that ensure sound project preparation, good procurement practices, successful project implementation and sustainable operations.

2. What is FAC-1?

FAC-1 is a model framework contract form, first published in 2016 and now being used in many countries around the world. It was based on consultations with employers, consultants, contractors, lawyers and academics in 14 jurisdictions and it has been translated for use in different countries. At the time of publication of this Guidance, FAC-1 has been used on projects with a total value in excess of EUR 100 billion, and it is recommended by some governments and construction industry organisations as achieving *'strategic planning, integrated teams, continuous improvement and the delivery of better, safer, faster and greener project outcomes'* (UK Construction Playbook 2022).

FAC-1 integrates the roles and responsibilities of the consultants, contractors and suppliers appointed at each stage of a project by connecting the multiple contracts awarded to each individual party and by connecting the activities that are performed at each stage of the project.

FAC-1 is a multi-party form governing important project issues that cannot be covered in each two-party contract. It describes the mutual duties and shared processes that support the achievement of improved efficiency in project delivery and that describe the commitments of consultants, contractors and suppliers working in any jurisdiction to achieve improved value, information flow, joint risk management and dispute avoidance.

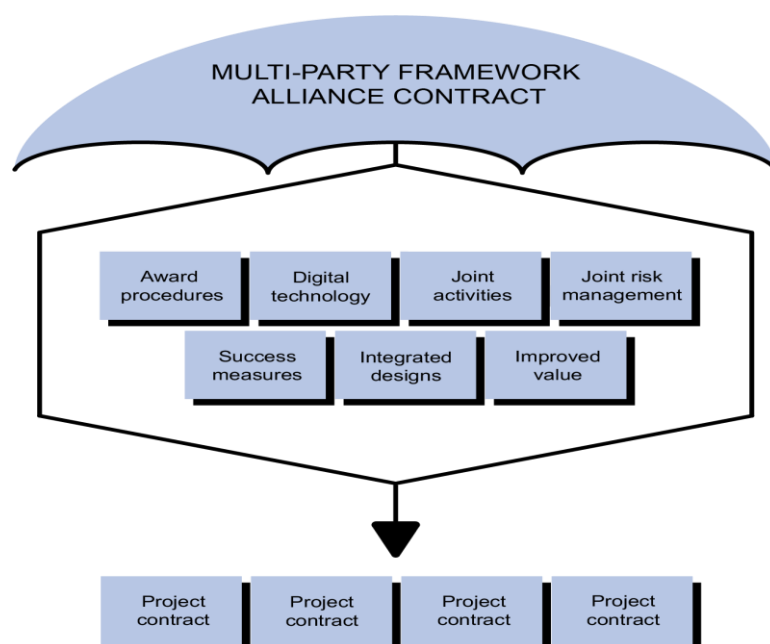
3. How It Works?

FAC-1 is a multi-party umbrella contract that improves project results through shared activities, shared learning and measured performance. It is an integrator for multiple contracts awarded by the Client to one or more consultants, contractors and suppliers in relation to the different parts of the project.

FAC-1 sets out:

- the Client's objectives for the overall project and the success measures and targets for achieving them;

- any required incentives for achieving the objectives, success measures and targets;
- the Client's award procedures for each of the contracts forming part of the project;
- a consistent and integrated approach to the use of digital technology;
- the ways in which designs will be integrated between the consultants, contractors and suppliers working on the project;
- the ways in which the consultants, contractors and suppliers will seek to improve the value of the project;
- the collaborative activities to be undertaken by the consultants, contractors and suppliers in seeking to improve efficiency, safety, quality, cost, time and environmental and social impact; and
- the joint risk management to be undertaken by the consultants, contractors and suppliers in seeking to resolve problems and avoid disputes.



4. Enhancements to Project Procurement and Contracting

FAC-1 is not a substitute for conventional contracts, and instead it provides an additional umbrella contract which an EBRD Client signs and uses in order to manage and implement its projects. FAC-1 reduces procurement and implementation risks and it increases the efficiency and effectiveness of project implementation by describing systems for seeking improved economic, social and environmental value (referred to as '*Improved Value*').

4.1 Contractual Platform for Well-Managed Exchange of Information

FAC-1 provides a contractual platform for well-managed exchanges of information between the Client and its selected consultants, contractors and suppliers (together referred to as '*Alliance Members*') because it:

- integrates the roles and responsibilities of the FAC-1 Alliance Members by requiring their commitment to shared objectives for achieving Improved Value for the project as a whole and to the measures and targets by which those objectives will be assessed (referred to as '*Objectives*');
- describes the incentives for achieving the Objectives (referred to as '*Incentives*') by which the Alliance Members may be offered early payments, additional payments, shared cost savings or additional work in return for delivering the Improved Value;
- describes how the Client can issue orders for long lead-in supplies or early works in circumstances

(referred to as '*Order*') after it has selected a consultant, contractor or supplier but before it has finalised all the details necessary for signing a Contract;

- describes the Client's procedures for the award and management of contracts for the works, services or supplies forming part of the project;
- describes how to review and finalise the designs, programmes, risks and costs proposed by the Alliance Members and how to improve value through other activities to be undertaken by the Alliance Members (referred to as '*Alliance Activities*'), including preparatory activities in advance of the Client authorising commencement of the implementation of the project;
- states the timing of the mutual commitments of the Alliance Members in a shared programme of deadlines and interfaces for the Alliance Activities (referred to as '*Timetable*'), which states what information is required from whom and when;
- describes the joint management of risks that affect the project (referred to as '*Risk Management*') using a shared risk register that identifies known risks and the agreed risk mitigation actions of each the Alliance Member (referred to as '*Risk Register*');
- describes the system for early notification of problems (referred to as '*Early Warning*') and the group of individuals appointed by each Alliance Member (referred to as '*Core Group*'), who together seek to improve project results and avoid disputes.

FAC-1 provides for management by an in-house or external Alliance Manager (usually this role is allocated to the Client's project implementation unit), who integrates the work of the Alliance Members, exercising any discretion fairly and constructively, and who, unless agreed otherwise:

- carries out the procurement and award of the Contracts;
- monitors and supports achievement of the agreed Objectives, Success Measures and Targets;
- monitors and supports achievement of deadlines and interfaces in the Timetable;
- organises the Core Group meetings and organises the Alliance Activities;
- monitors and supports the Risk Management.

FAC-1 states mutual commitments between the Alliance Members in respect of their intellectual property rights and in respect of the protection of confidential information. These direct commitments between the Alliance Members encourage the sharing of their proposals for improved efficiency, safety, quality, cost, time and environmental and social impact by making clear the extent of:

- the direct mutual licences and undertakings between the Alliance Members in respect of patents, trademarks, designs, design rights, copyright, inventions, trade secrets know-how and confidential information (together referred to as '*Intellectual Property Rights*') so that each party is confident when sharing its knowledge and proposals for designs and manufacturing with other Alliance Members, and when relying on the design and manufacturing information provided by those other Alliance Members;
- direct mutual confidentiality undertakings so that the Alliance Members can rely on each other regarding what information will or will not be shared with any party who is not an Alliance Member.

Additional benefits of the FAC-1 direct undertakings between the Alliance Members in respect of Intellectual Property Rights and confidentiality are that they support the efficient use of Building Information Modelling (referred to as '*BIM*'), and also that the rights and obligations in respect of Intellectual Property Rights and confidentiality are not enforced via claims made by the different parties against the Client.

FAC-1 is used on the projects alongside a range of different Project Contract forms, in order to ensure the efficient exchange of information between consultants, contractors and suppliers, and in order to increase the consistency, efficiency and value of their projects. It encourages different parties to review and develop improved designs, and to agree on how to provide cost savings, better components and better engineering systems. It also enables provision of early works and services before the Client fully commits to each

Project Contract and improves team integration and collaboration through Alliance Activities. It helps to optimise resource efficiencies and to mitigate and eliminate risks through joint Risk Management.

On projects involving multiple parties sharing intellectual property, FAC-1 helps to create direct mutual licences of Intellectual Property Rights and to integrate the BIM contributions between different consultants, contractors and suppliers.

It stimulates innovations and efficiency improvements leading to cost savings without eroding the quality or function of the project. The savings can be achieved, for example, via standardisation of the plant and materials provided by a range of suppliers or by reducing the project footprint using design input from different parties and the operational team. FAC-1 also helps to overcome significant environmental challenges caused by asbestos, soft ground conditions and the old substructures.

4.2 Contractual Platform for Early Warnings and Well-Managed Joint Problem Resolution

FAC-1 describes the mutual commitments of the Alliance Members to the structured Risk Management which ensures that risks are identified at the earliest opportunity, that their potential impacts are allowed for and that these risks and their impacts are eliminated, reduced shared or apportioned. FAC-1 includes a standard form Risk Register, which records:

- the nature of each risk, its likelihood and its impact;
- which Alliance Member(s) is responsible for the Risk Management actions intended to reduce the likelihood of each risk and to reduce its financial and other impacts;
- what are the periods or deadlines for completing the Risk Management actions.

The FAC-1 early warning system requires the notification of risk issues and exploration of the reasons behind them. Early warning of an emerging problem is to be issued by an Alliance Member to all other Alliance Members as soon as the problem arises, enabling decisions and actions to be taken promptly and helping to resolve a problem before it becomes a dispute.

The FAC-1 early warning system is combined with review by a Core Group of named individuals (or agreed alternates) who seek an agreed course of action in relation to any matter adversely affecting or threatening the Alliance or any Alliance Member's performance.

FAC-1 duties to give early warning and to undertake a Core Group review require the Alliance Members jointly to deal with problems quickly and openly, they encourage the Alliance Members to disclose important information and agree actions to mitigate the risks, and they lead to the agreed resolution of problems and avoidance of potential disputes. These FAC-1 systems have shown an excellent track record of avoiding potential disputes being referred to arbitration or litigation.

If a potential dispute is not resolved by agreed Risk Management actions, by early warning and by a Core Group decision, the parties in dispute can resort to the dispute resolution mechanisms provided for in their respective Contracts. In addition, FAC-1 also provides the options for the Client and other Alliance Members to use a neutral adviser agreed by all parties (referred to as '*Independent Adviser*') or to refer a dispute to conciliation, to a dispute board and to adjudication before referring it to arbitration or litigation.

FAC-1 encourages use of the contractual system for face-to-face discussions, enabling avoidance of disputes as issues can be discussed and resolved by open challenge and honest conversations based on agreed Objectives and shared information. Equally its collaborative systems ensure positive relationships between consultants, contractors, suppliers and other stakeholders even during stressful circumstances as well as when addressing natural or anthropogenic external factors.

FAC-1 enables early market engagement involving different actors in designs, programming and scoping decisions before works began, which provide for substantial savings. It is done using the FAC-1 Core Group as an essential means for joint problem solving and strategic decision making.

4.3 Contractual Bridge Connecting Multiple Stakeholders and Different Contracts

FAC-1 creates a contractual bridge between the Client, the Alliance Manager (if different from the Client) and all the other consultants, contractors and suppliers who sign FAC-1. The transparency created by FAC-1 helps the consultants, contractors and suppliers to understand each other's agreed roles, expertise and responsibilities, and it reduces the risks of gaps, duplications and misunderstandings.

FAC-1 states that the Alliance Members will work together and individually within the scope of their agreed roles, expertise and responsibilities to achieve the Improved Value for the project, and the Alliance Activities under FAC-1 are stated to be separate from the roles and responsibilities of each Alliance Member under its individual Contract.

FAC-1 improves the overall project performance and outcomes and the contributions of consultants, contractors and suppliers by improving preparation for the award and implementation of each Contract and by integrating wherever possible the work undertaken under the different Contracts awarded to the Alliance Members.

FAC-1 is designed to be compatible with any combination of Contracts, such as FIDIC and other contract forms, that are entered into in by the Client with its consultants, contractors and suppliers. FAC-1 does not duplicate or interfere with the scope of services, works and supplies governed by each Contractor with the other obligations of the parties under each Contract. It does not create direct liabilities or obligations between consultants, contractors and suppliers in relation to the matters governed by their individual Contracts.

FAC-1 is designed for use alongside multiple contract forms, but it does not override or amend the terms of these Contract forms. In the event of any discrepancy, the Contract takes precedence over FAC-1.

FAC-1 can be used to agree joint activities which connect the different Project Contracts awarded to consultants, contractors and suppliers so as to achieve significant benefits through a joint logistics and planning process, through deep-dive reviews of the critical path and risk reviews at early stages, which identify opportunities to accelerate works, overlap activities and re-sequence works so as to improve upon delivery timescales, and through risk mitigation at an early stage by testing and disproving risk assumptions made at procurement stage, for example agreeing alternative access routes and ecological interventions.

4.4 Effective Tool Creating Commitments by All Stakeholders to Take a Holistic View of the Project and its Expected Results

Projects often suffer from fragmentation and claims where different parties focus only on their individual parts or stages of the design, manufacture, construction and operation rather than on the whole project and its lifecycle. There can also be a tendency to separate the systems of strategy, procurement, contracting and management even though they relate to the same project, and this separation can lead to loss of information and missed opportunities.

FAC-1 breaks down the barriers of fragmentation and separation through its transparent multi-party structure, and it identifies and integrates the different skills of all contributors to the project at all its stages, providing a consistent basis for efficient practices and holistic commitments to achieve improved results.

FAC-1 describes and incentivises the commitment of all Alliance Members to focus on a holistic view of the project and its expected results, so that they do not focus only on their own separate roles. These holistic comments under FAC-1 include:

- the shared Objectives that focus on the project as a whole;
- agreed approaches to seeking the Improved Value that benefit the project as a whole;
- shared approaches to the joint Risk Management that benefit the project as a whole.

FAC-1 clarifies the important interactions between the Alliance Members and requires that in all matters

governed by FAC-1 they act reasonably and without delay. In addition:

- the requirement for reasonableness is extended to the individuals employed by each Alliance Member, and FAC-1 requires that an Alliance Member shall promptly replace any individual who disrupts or adversely affects the project or any Alliance Activities;
- the requirement to avoid delay is made clear in the time limits set out in the FAC-1 contract terms and in the standard form Timetable which states agreed deadlines and interfaces in respect of the Alliance Activities.

FAC-1 motivates the Alliance Members to take a holistic view of the project through fair and transparent management systems that integrate the roles and responsibilities of the different Alliance Members, that improve how they work together on the project and that reduce wasted time and cost by solving interface problems before they become disputes.

FAC-1 enables the Client to offer agreed the Incentives for the work of the Alliance Members in achieving the Improved Value, for example by early payments, additional payments, shared cost savings or additional work in return for meeting the agreed targets.

Through the collaborative early involvement of different actors FAC-1 encourages value engineering, which leads to improved whole life value, quality control and fewer defects, time savings and reduced health and safety incidents.

4.5 Integration with the Public Procurement Framework

FAC-1 represents normal multi-party contractual arrangements. As such, the FAC-1 contract should be identified by the Client, at the same time as other Contracts, in the procurement documents that are issued to prospective consultants, contractors and suppliers, whether the procurement is undertaken in accordance with the EBRD Procurement Policies and Rules or under an alternative procurement framework, including national procurement systems.

Each winning participant should be required to sign FAC-1 at the same time as, or sometimes in advance of, signing its individual Contract. The selected consultants, contractors and suppliers do not need to all sign FAC-1 at the same time, and FAC-1 includes a standard form of Joining Agreement by which some parties can sign later if they are selected at a later date, as explained in Section 6 below.

This approach allows the use of FAC-1 on the projects where the different Contracts may be subject to different procurement regimes and legal procurement frameworks, as often happens on complex projects that are implemented by the engagement of different key stakeholders and that are financed from several sources.

FAC-1 is referred to alongside other Contract forms at each stage of the procurement process. The relationships and processes described in FAC-1 help the Client to create and implement a clear overall procurement delivery strategy and procurement plan by bringing together the roles and responsibilities of the different consultants, contractors and suppliers under a single contractual umbrella at each stage of the project.

An FAC-1 Contract is identified, at the same time as the Client's other contract forms, in the procurement documents that are issued to prospective consultants, contractors and suppliers.

FAC-1 requires that the Client's overall brief for the project as whole (referred to as the '*Framework Brief*') is included in the procurement documents governing the award of each Contract in respect of any services, works or supplies forming part of the project. The Framework Brief is in the same form for all consultants, contractors and suppliers and it sets out:

- technical, management and commercial requirements in relation to the project as a whole;
- required approaches to design, costing, Risk Management and programming in relation to the project as a whole;

- other relevant procedures and expected outcomes in relation to the project as a whole;
- where appropriate, the required approach to BIM in relation to the project as a whole.

The above requirements are similar to the background information on a project normally forming an integral part of the Requirements section of the procurement documents.

FAC-1 requires that the participants in a procurement process for each Contract are invited to submit Framework Prices and Framework Proposals in response to the Framework Brief. These documents describe how the relevant participant will work with other selected Alliance Members in accordance with the Framework Brief to achieve the stated Objectives, and they also state whether the participant's Framework Proposals will involve any additional costs. These documents are held by the Client confidentially until the Client decides whether the relevant Framework Proposals may be implemented as part of the Alliance Activities in accordance with the Timetable.

The Framework Brief states whether any payments will be made under FAC-1 that are additional to the amounts payable under each Contract, and the amounts of those additional payments are quoted by consultants, contractors and suppliers in the Framework Prices. The additional amounts that the Client may agree to pay under FAC-1 include:

- payments under an Order for Pre-Contract Activities;
- payments under an Order for Alliance Activities, as described in Section 5 below;
- incentive payments.

The Client can decide which, if any, of the Framework Proposals:

- are approved for use at the point when FAC-1 is entered into;
- may be accepted at a later stage, either in accordance with agreed procedures or at the option of the Client.

5. FAC-1 Provides Benefits at Early Stages of the Project Cycle

There are benefits in applying the FAC-1 framework contract at the early stages of a project, which result in better market and stakeholder engagement. FAC-1 can improve performance and results on a project at early stages of the project procurement cycle by:

- focusing the attention of all Alliance Members on the Objectives, as soon as they are appointed;
- describing the project planning and preparatory processes that need to be undertaken in advance of the award of each Contractor in advance of the implementation phase of the project, which can include new and improved contributions to value from consultants, contractors and suppliers;
- using market consultation and procurement processes, allowing for the joint review and validation with market players of the assumptions made by the Client and its consultants when they created the requirements for the project, its implementation program and its risk profile.

FAC-1 provides other early opportunities for the Client to obtain proposals for Improved Value when:

- prospective consultants, contractors and suppliers are seeking to be selected by the Client;
- selected consultants, contractors and suppliers are undertaking the Alliance Activities with the Client and with other Alliance Members;
- selected consultants, contractors and suppliers are providing feedback on lessons learned from each stage of a project to the Client and to the other Alliance Members.

In addition, FAC-1 describes a system for the Client to make arrangements for the early project activities that may need to be performed by a consultant, contractor or supplier (referred to as '*Pre-Contract Activities* ') after their selection but in advance of signing a Contract. This enables the Client to instruct and

pay for long lead-in supplies or early works in circumstances where it has selected a consultant, contractor or supplier but has not yet finalised all the details necessary for signing a Contract.

FAC-1 includes a standard form Order in which to describes the agreed services, works or supplies that comprise the Pre-Contract Activities, plus their agreed costs and the time for their performance.

Each Order is governed by the FAC-1 contract terms, avoiding the risks of the Client instructing services, works or supplies that are not governed by agreed contract terms.

FAC-1 standard form Order states that the instructed Pre-Contract Activities will fall within the scope of the relevant Contract, as and when it is awarded, and that they will then be governed by the terms of that Contract. This avoids any confusion or duplication as to which contract terms govern long lead-in supplies or early works, and it ensures that these early supplies and works are treated as the part of the project and fall within the scope of the relevant Contract, when it is signed.

Via establishing a collaborative approach to programmed design, risk management and costing under the early conditional appointments of multiple contractors, subcontractors and suppliers, clients may achieve substantial savings, as joint work under these preconstruction appointments usually leads to earlier start on site as well as stimulates innovations and efficiency improvements.

6. FAC-1 Connects Parties, Who are Appointed at Different Times

Not all consultants, contractors and suppliers, who work on the project will be selected at the same time. If some consultants, contractors and suppliers are selected at a later date, then each of them can be required to join the FAC-1 Alliance by signing a standard form document (referred to as '*Joining Agreement*'), which describes their role, expertise and responsibilities as an Additional Alliance Member.

FAC-1 also enables engagement with parties outside the Alliance such as:

- Stakeholders (organisations; who are not Alliance Members and who have an interest relating to the project);
- Users (the parties; who will use the completed project).

FAC-1 requires the Alliance Members to take the interests of the Stakeholders and the Users into account, and it describes the means of engaging with the Stakeholders and the Users. The achievement of benefits for the Stakeholders and the Users is included in the FAC-1 definition of the Improved Value.

FAC-1 can describe the interests of EBRD as a key Stakeholder and can state how the Alliance Members are expected to engage with EBRD in terms of information sharing, reporting and consultations. By recognising EBRD as a Stakeholder, FAC-1 can clarify how EBRD will monitor the work of the various consultants, contractors and suppliers, who are engaged on the project, and how the Client can require that all other Alliance Members cooperate in providing the inputs that EBRD requires.

7. FAC-1 Clarifies the Interfaces Between Different Types of Project Related Contracts

7.1 Interfaces Between the Parties

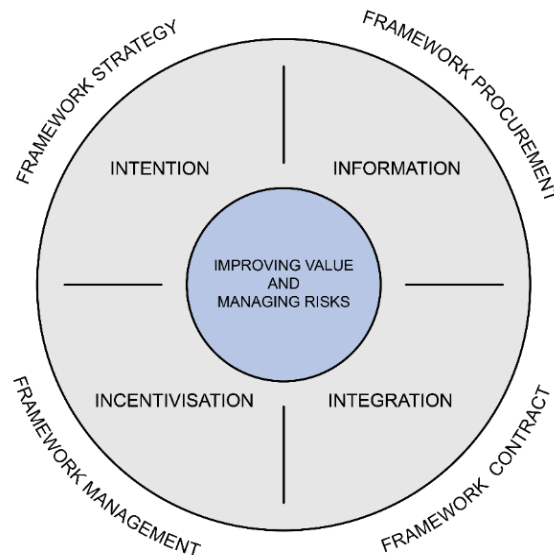
FAC-1 is a multi-party contract that can be entered by the Client with all the other parties who are engaged under any conventional project structure, such as one or more design consultants, the appointed project manager and one or more contractors. The signatories to FAC-1 can also include any one or more specialist subcontractors, suppliers and manufacturers, as well as any one or more parties engaged on the operation and maintenance of the completed project.

FAC-1 is an integrator for all the contributors to a project, who provide any level or combination of design, construction and operation contributions. FAC-1 can be combined with any allocation of design, supply and construction responsibilities, and the Alliance Activities, contract award processes and Pre-Contract Activities are supported by early integrated contributions from all the Alliance Members.

A regular FAC-1 contract can be created by a Client with the participants in a typical project such as the designers, the managers, the site remediation and preparation team, one or more contractors, their subcontractors, suppliers, specialists manufacturers, and the operator of the completed facility.

7.2 Interfaces Between the Different Phases of a Project Cycle

FAC-1 describes the integrated relationships and processes that govern each phase of a typical project and it links each phase through the shared Objectives through the shared Timetable and the Risk Register, and through the specific Alliance Activities to be undertaken during each phase.



FAC-1 connects the organisations who contribute to each phase of a typical project in ways that improve performance and results, for example by integrating the work of:

- different consultants during each phase;
- design consultants with the work of contractors and suppliers engaged on each phase;
- contractors and suppliers with the work of other contractors and suppliers engaged on each phase.

FAC-1 also integrates the different phases of strategy, procurement, contracting and management for the project as a whole in the following ways:

- the Client's intention and expectations in terms of its framework strategy, as expressed in the Objectives;
- the information issued by the Client and submitted by the successful bidders through the framework procurement process, as expressed in the Framework Brief and the Framework Proposals;
- the integrated roles and responsibilities of the consultants, contractors and suppliers under their different Contracts through the FAC-1 framework contract;
- the incentivisation of improved performance of the consultants, contractors and suppliers under their different Contracts through the framework management of their relationships and activities.

Clients can use FAC-1 to increase the potential for consistency, efficiency, improved value and lessons learned by integrating and connecting the capital and operational phases of each project through a whole life approach. They can ensure extended contractors' support during the operation and maintenance phase using the alignment and integration of digital information and data protocols plus ongoing commitments by subcontractors and suppliers.

7.3 Interfaces Between Foreign and Local Parties

It is essential to the success of many projects involving a foreign party and a local party that they work together for the benefit of the project as a whole. FAC-1 supports the relationships between international

and local parties (for example a foreign supplier and a local installation contractor), if they are each appointed separately by the Client under different Contracts or if one of them is appointed directly by the Client and the other is appointed as a subcontractor.

FAC-1 provides a clearer working relationship between a foreign party and a local party than is possible if they are appointed only under their separate Contracts or if one of them is a subcontractor and the Client is not involved in the basis for their appointment.

The features of FAC-1 that are relevant to integrating a foreign and a local party who are both Alliance Members include:

- commitment of the foreign party and the local party to the same Objectives;
- clarity and transparency in relation to the scope of their respective services, works and supplies and in respect of the obligations under their separate Contracts;
- the shared Timetable of interlocking deadlines and agreed interfaces between the foreign party and the local party;
- a shared approach to the Risk Management under the Risk Register by which the international party and the local party commit proactively to mitigate any problems arising, referring them to the project ore Group by means of early warning;
- the authority of the Alliance Manager to help resolve potential misunderstandings.

Where one party is an Alliance Member and another party is a subcontractor to that Alliance Member, FAC-1 protects the interests of subcontractors (referred to as '*Supply Chain*' members) by:

- requiring that the Alliance Members seek to establish and develop relationships with the Supply Chain members that are complementary to the relationships under FAC-1;
- requiring that the Alliance Members create contracts with the Supply Chain members that are consistent with the corresponding Contracts;
- including the option to examine the potential for achieving the Improved Value through the agreement of more consistent, longer term, larger scale Supply Chain contracts and through other the agreement between an Alliance Member and its Supply Chain members of other improved commitments and working practices.

These requirements and options avoid the loss of benefits to the Client that can arise if the Supply Chain members do not have contracts that are consistent with the Contracts or if they do not have the maximum opportunities to participate in the delivery of the Improved Value and the proactive Risk Management.

8. FAC-1 Fits Easily with Other Contract Forms in Different Jurisdictions

FAC-1 is designed for use with any one or more contract forms or contract models, including for example any of the FIDIC contract forms. In the event of any discrepancy between FAC-1 and a Contract that cannot be resolved by agreement of the Alliance Members following early warning, a Contract takes precedence over FAC-1.

FAC-1 does not describe the same relationships and activities as those set out in each individual Contract. Instead, it describes important activities, processes and interfaces that are not described in the individual Contracts and through which the Alliance Members can improve the planning and preparation for their Contracts and can deliver better outcomes from their Contracts.

Because FAC-1 and Contracts each deal with different activities, they do not need to use identical language. The language used in FAC-1 has been shown to be acceptable to the users of a wide variety of Contracts and to create an effective contractual bridge between the terms and requirements of those Contracts.

FAC-1 is designed for use in any jurisdiction, and it provides for the choice of the applicable law. The FAC-1 contract terms can also be supplemented or amended by particular legal requirements in order to comply with the laws of the selected jurisdiction.

The Client can clarify the effect of the governing law in the selected jurisdiction by stating:

- whether particular laws need to be listed or explained in the FAC-1 Legal Requirements;
- whether particular laws require amendments to the FAC-1 contract terms to be set out in the FAC-1 Legal Requirements.

The FAC-1 contract terms can also be supplemented or amended by special terms that do not express legal requirements, but that reflect the particular needs of the Client or are required by reason of the nature of the project.

Adaptations of FAC-1 for use in many countries in around the globe have shown that the only amendments required to reflect the legal requirements of these countries are those which incorporate national laws in relation to the duty of care, the system for dispute resolution, the definitions of the Intellectual Property Rights and insolvency events, and the appropriate method of contract signature.

Clients can use FAC-1 to create a consistent approach to collaborative activities when different forms of Project Contracts are used.

9. FAC-1 Benefits the Client and Also the Market Players (at Different Tiers), Who Sign It

The improved clarity and transparency that are provided under FAC-1 lead to tangible benefits for the Client and also for the consultants, contractors and suppliers who are the Alliance Members.

These benefits include:

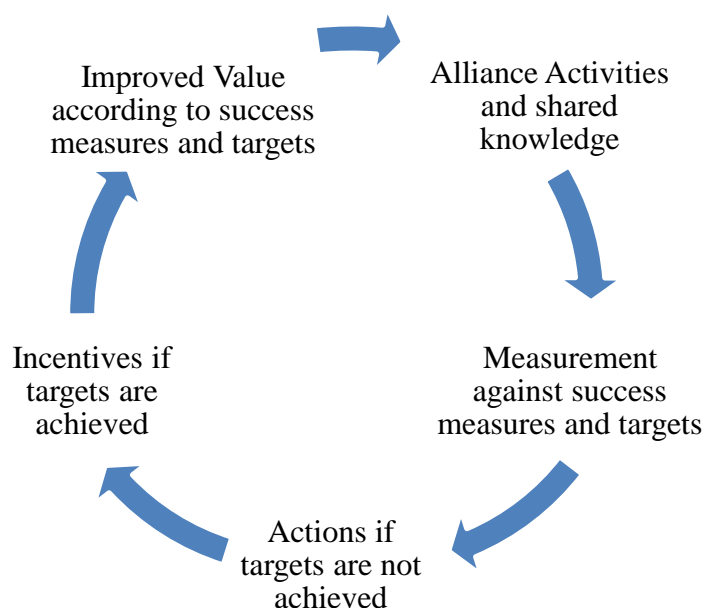
- greater confidence and greater commitments to the project because FAC-1 provides a proven contractual integrator;
- reduced risk allowances quoted by consultants, contractors and suppliers because integration through FAC-1 replaces the defensive and fragmented culture caused by fear of disputes and failure to share information;
- reduced risks and improved efficiency because FAC-1 improves the opportunities to integrate the work of multiple design consultants, contractors and suppliers and improves the opportunities to avoid gaps, overlaps and misunderstandings;
- reduced risks and improved efficiency because FAC-1 improves opportunities to integrate the design, construction and operation phases of the project and to avoid gaps, overlaps and misunderstandings.

FAC-1 requires that all Alliance Members seek the achievement of the Improved Value in ways that are consistent with the Objectives and the Improved Value is defined as including:

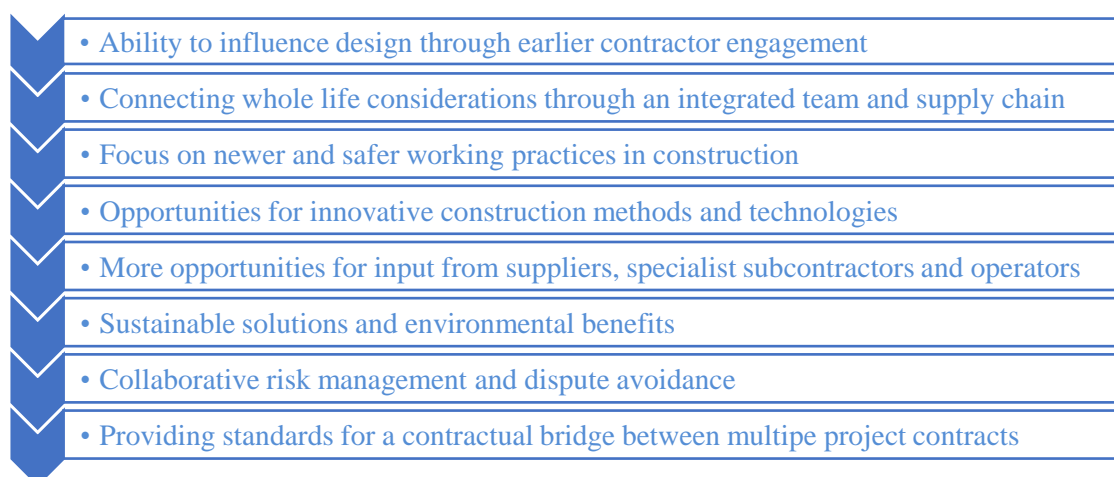
- improved cost and time certainty and provide for cost and time savings;
- improved quality;
- improvements in the use, occupation, repair, alteration and demolition of the project;
- improved staff and other resources;
- improved sustainability;
- improved efficiency;
- improved profitability.

FAC-1 provides the option for the Client to agree the Incentives that reward the Alliance Members if they achieve the Improved Value in accordance with the Objectives.

FAC-1 requires the Core Group to propose remedial actions if any of the Alliance Members fail to achieve the Improved Value in accordance with the Objectives.



Example of improved value: Below are some ways in which FAC-1 has been shown to achieve Improved Value on the projects, as reported by public authorities:



10. FAC-1 Helps to Meet Environmental and Social Policy Requirements

FAC-1 improves the opportunities and systems for Clients to meet environmental and social policy obligations and to improve building safety. The commitments and innovations of a Client towards meeting the 2016 Paris Alignment Agreement are supported by FAC-1 through its integrated approach.

FAC-1 defines Improved Value as improving environmental value, social value and building safety. Where the Objectives and Targets for the project include improved environmental value, social value and building safety, FAC-1 improves the potential for achieving these Targets by integrating the commitments of consultants, contractors and suppliers under specific Alliance Activities governed by the shared Timetable.

FAC-1 defines improved sustainability as part of the Improved Value that can be included in the Objectives and in the Timetable of Alliance Activities describing the shared commitments of Alliance Members. The scope of improved sustainability under FAC-1 includes:

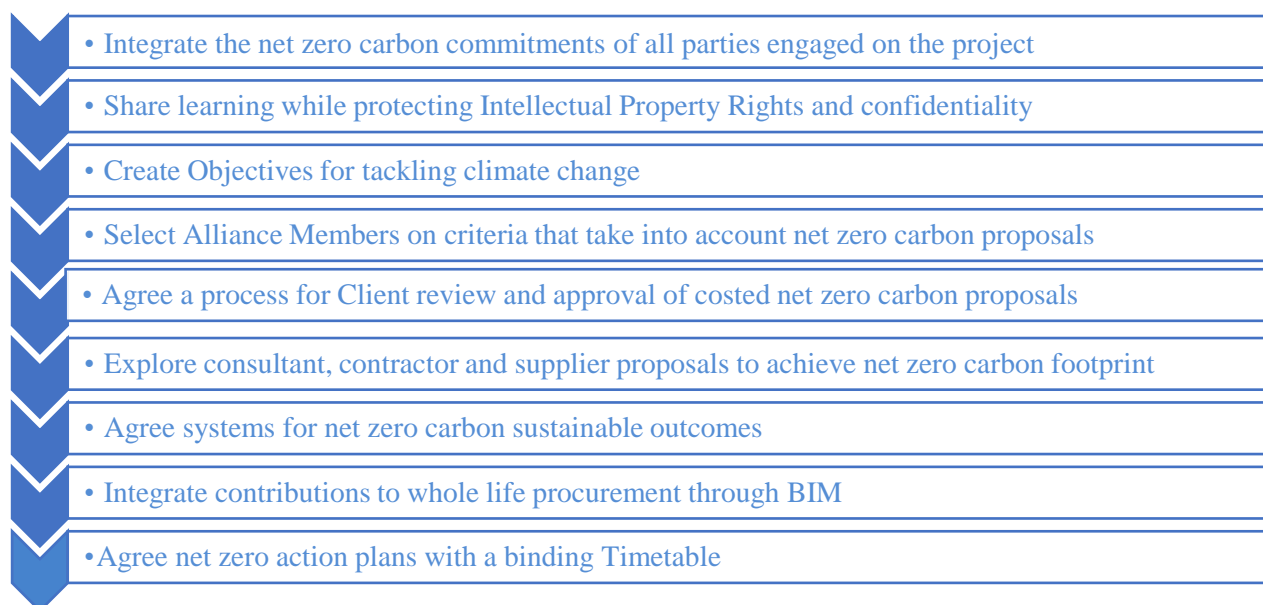
- reduced carbon emissions;

- reduced use of energy and or natural and manmade resources;
- improved waste management;
- protections and improvements to the condition of the environment.

FAC-1 assists the Client in meeting its environmental and social obligations through:

- comprehensive and regular assessment of project risks, involving all Alliance Members;
- disclosure of information about the risks and impacts arising on the project;
- engaging with stakeholders at an early stage in meaningful and effective ways;
- developing adaptation measures that manage environmental and social obligations.

The FAC-1 systems by which the Client and other Alliance Members can pursue improved sustainability are listed below:



Application of FAC-1 provides opportunities for Clients to create and implement a net zero carbon action plan to capture improved environmental value linked to incentives for contractors. It helps with identification and implementation of carbon consumption reductions and financial savings via a suite of low carbon design solutions and associated action plans, creation and application of a whole life cost and carbon tool, plus training on lower carbon alternative technologies and materials. FAC -1 also helps to influence design in respect of different key elements, including offsite manufacture.

FAC-1 improves health and safety onsite, as well as efficiency in construction through understanding of practical safety risks on site, creating more integrated working relationships and improving the overall safety culture.

FAC-1 can be used to ensure that all parties identify opportunities for Improved Value in respect of sustainability, for example in promoting, conserving and enhancing biodiversity, adhering to packaging regulations and reducing embedded carbon through the use of products and services such as solar photovoltaic, energy storage, heat pumps, heat network technical support and net zero carbon consultancy.

In many projects FAC-1 has enabled obtaining improved social value by ensuring that, through the ~~by~~ early appointment of the general contractor and the services contractor, the Client can ensure the evaluation and selection of local subcontractors on works packages resulting in engagement of local people as a large part of the work force on site.

11. Further Information on FAC-1

FAC-1 Framework Alliance Contract can be acquired at: <https://allianceforms.co.uk/>

FAC-1 Handbook, which contains 30 case studies and 46 practice notes, can be acquired at: <https://bit.ly/FAC1HB>

Section IV: Disclosure

This Guidance will be published on the Bank's website.

Section V: Effective Date

This Guidance is effective from 1 March 2024.

Section VI: Decision Making Framework

Director, Procurement Policy and Advisory Department, is accountable for this Guidance.

Associate Director, Procurement Policy Adviser, Operations, Procurement Policy and Advisory Department, is responsible for this Guidance.

Section VII: Related Documents

1. Bank's Procurement Policies and Rules of 15 May 2022;
2. Bank's Environmental and Social Policy of 15 April 2019.