



International Federation of Consulting Engineers
The Global Voice of Consulting Engineers

Coronavirus (COVID-19): FIDIC Guidance for Global Consulting Engineering Businesses

FIDIC guidance document

March 2020 – version 1



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COVID 19

The COVID 19 pandemic is challenging our people and our businesses in ways many of us had not planned for and requires a response to protect both and to give both future good health and success.

The FIDIC board has taken many steps to protect our organisation, our staff and our members from the adverse impacts of COVID19. Our CEO, Nelson Ogunshakin is implementing measures to enable FIDIC to function as best we can through the pandemic and to be sustained beyond the crisis.

The purpose of this document is to provide some guidance to FIDIC member Associations and consulting engineering firms to survive the crisis and to thrive beyond it.



William Howard

President, FIDIC



Dr Nelson Ogunshakin OBE

Chief Executive Officer, FIDIC



**Dr Oleksandr
Nepomnyashchyy**

President, ICEG

Oleksandr Nepomnyashchyy, ICEG President, would like to assure the industry representatives that the ICEG will not slowdown its activity on promoting the best international practices in Ukraine. The ICEG representatives continue working in the relevant Task groups under the MinInfrastructure, Minregion, committees of the Verkhovna Rada of Ukraine by electronic means of communication.

Our team believes that sharing up-to-date information and cooperation between member companies within FIDIC will contribute to a significant mitigation of the potential economic damage though the crisis, as well as help Ukraine to develop and confidently progress towards the implementation of involvement of a consulting engineer in large and small infrastructure projects.

About FIDIC

FIDIC, the International Federation of Consulting Engineers, is the global representative body for national associations of consulting engineers and represents over one million engineering professionals and 40,000 firms in more than 100 countries worldwide.

Founded in 1913, FIDIC is charged with promoting and implementing the consulting engineering industry's strategic goals on behalf of its member associations and to disseminate information and resources of interest to its members. Today, FIDIC membership covers over 100 countries of the world.

FIDIC member associations operate in over 100 countries with a combined population in excess of 6.5bn people and a combined GDP in excess of \$30tn. The global industry including construction is estimated to be worth over \$22tn this means that FIDIC member associations across the various countries are an industry worth over \$8.5tn.

Mission and vision for the future

FIDIC's key role and that of its member associations around the world is to help improve people's quality of life through the promotion of quality, integrity and sustainability in the infrastructure industry and the projects and services it delivers on a global scale

About ICEG

Public Union "Interstate Consultants Engineers Guild" (ICEG) brings together professionals and firms whose major income comes from independent knowledge and consulting services in the field of urban planning, infrastructure and environment. The Union aims to harmonize a current market model of consulting engineering services in Ukraine with the international industry standards.

The ICEG is an Affiliate member of the International Federation of Consulting Engineers (FIDIC), since 2015, and the European Federation of Engineering Consultancy Associations (EFCA), since 2017. The EFCA is a FIDIC representative in Europe.

The ICEG represents 38 firms and 911 individual entrepreneurs, covering around two thousand professionals in the industry in total.

Professor Oleksandr Nepomnyashchyy, ICEG President, is the Doctor of Science in Public Administration, a founder and the Head of the Scientific School of Risks Management in Construction and Operation of Real Estate.

The ICEG provides to its member and partner organisations assistance as follows:

- guidance and support though public procurement procedures;
- advising on the elaboration of contract documents, particularly those based on the FIDIC standard forms of contract subject to the legislation of Ukraine;
- advising and guidance on project management, elaboration of cost estimates, paperwork, health and safety and variation management during the project implementation;
- advising on the identification of the list of possible risks, their allocation between the parties under the project and risk management during the project implementation.

The board

Many boards and management executives will have planned for crises of various sorts and will have some plans in place for the events they contemplated. Harvard Business School¹ doubt that many will remember earlier pandemics and possibly have had their plans tested in real situations.

While one can look to legal obligations and theories, it is, at this time, more important to look at the circumstances through a lens of our values and purpose, which may include:

- Protect our people and keep them and their families as safe as possible
- Conserve our financial resources to enable the organisation/business to survive the crisis
- Provide as much certainty as possible for clients, staff, the organisation/business and share holders
- Communicate and update our staff and stakeholders with the best information available
- Be supportive and empathetic towards managers, staff, partners and suppliers
- Develop crisis management plans to mitigate the impact and keep the business running as effectively as possible

The situation is evolving fast and it is not possible for us to forecast how this pandemic may develop.

Some of our thoughts on what COVID 19 potentially means to engineering and consulting (E&C) firms includes:

- Management will need support and empathy
- Staff will need support and empathy as well since their personal and lives will be impacted in a variety of ways
- Client situations are likely to negatively impact revenues since some projects may well be stopped or delayed
- Other projects may well be brought forward through public health needs or economic stimulus packages
- Uncertainty and changing circumstances can be expected for many months
- Cash flow pressures may impact the ability to pay suppliers and staff and to support the business
- Some services and supply chains will be disrupted
- Investment decisions will take courage and may take some time to materialise
- Longer term economic consequences are likely
- Shortages of essential goods and services may cause prices to rise
- Governments are likely to try to stimulate economic activity, albeit it is unclear as to whether infrastructure spending may be part of such packages.

For Boards, this means that they may need to:

- Monitor the risks and manage the overall exposures of the business
- Develop a risk register and risk tolerance profile for the business
- Plan for various scenarios and develop revenue and cash projections to evaluate their viability, effectiveness and sustainability
- Identify any investments required to see the business work through the pandemic
- Reset financial and performance expectations of the business and management
- Clarify the new priorities for the business during and beyond the pandemic
- Reset policy, even if only temporarily, to accommodate the pandemic environment

- Advise shareholders of the circumstances and where necessary foreshadow the need to retain cash and not to pay dividends for a period
- Support the CEO to develop and execute a board communications programme for clients, shareholders and staff
- Support the CEO and senior managers to lead the business through the pandemic
- Review the leadership team and its adequacy to lead the business through the pandemic, making changes and providing support where necessary.

Management

Managing a business through a pandemic crisis is a significant challenge. Managers need to provide confidence to all stakeholders, empathy and support to those under challenge.

Businesses also have a very important role to play in helping communities reduce the spread of the pandemic. This responsibility is both a moral, ethical and in some cases a legal obligation.

There are significant resources available online to assist businesses to plan and work their way through the pandemic, such as:

- [Harvard Business Review: Guide to leading your business through the coronavirus crisisⁱⁱ](#)
- [Harvard Business Review: Prepare Your Supply Chain for Coronavirusⁱⁱⁱ](#)
- [Harvard Business Review: What organisations need to survive a pandemic^{iv}](#)
- [Harvard Business Review: What's your company's emergency remote-work plan?^v](#)
- [Hogan Lovells: Coronavirus FAQ: Key corporate and commercial considerations^{vi}](#)
- [Hogan Lovells: Coronavirus as a contractual force majeure event: A simple checklist^{vii}](#)
- [Hogan Lovells: Coronavirus and cracks in your armor: Recognizing impending financial stressors spawned by a health pandemic^{viii}](#)
- [Hogan Lovells: Insurance and planning for the effect of coronavirus on business^{ix}](#)
- [Switzerland Global Enterprise: coronavirus – what swiss exporters need to be aware of^x](#)

There are also numerous documents being published by government to help businesses understand what they are dealing with. It is valuable for businesses to consider how they use these documents, potentially providing links to these documents on the firm's intranet.

In working through a plan as to how to survive the pandemic and how to survive beyond it, a business will face a number of key challenges including:

- The leadership to see the business through the crisis and plan for recovery
- The resilience of clients to keep operating and provide revenue for the business
- The financial strength of the business to accommodate revenue reductions and cash flow slow downs
- The technology and processes to enable people to participate meaningfully in the business through the pandemic
- The tension between reducing cash flows and meeting staff salaries and other costs.

In terms of the business, FIDIC recommends that businesses:

- Review the financial capacity of the business to survive reductions in revenue and cash flow shortages
- Identify key action trigger points and develop decision criteria and action plans to steer the business through the pandemic

- Investigate whether it is possible to renegotiate with staff to adopt a salary model to enable the business and the staff to retain its staff and survive the crisis
- Cancel or defer all in-person events, conferences, workshops and meetings
- Cancel all non-essential travel
- Implement technology-based solutions for all meetings
- Enable working from home for all staff where practicable
- Put in place visitor arrival and engagement protocols to protect all involved from potential contact risk
- Follow all government and official guidelines and requirements
- Review the applicability of sick leave, carers leave and other human resources policies in terms of relevance to the COVID19 pandemic
- Engage partners, vendors and suppliers to facilitate a collaborative and coordinated approach to working through the circumstances.
- Identify services which the business can safely provide such as designing 'shovel-ready' projects so that they are available to rapidly 'jump-start' the economy when the crisis ebbs.

A pandemic is different from many other events which disrupt business. The building we work in, the technology we use is still working and available. Our clients, our business and our people are the ones affected. Our key staff are critically important assets and resources to help us survive the pandemic.

In terms of staff confidence, FIDIC recommends that businesses:

- Advise staff of the duty of care and commitments it makes to staff
- Brief managers and reception staff as to what action is required from them if a staff member arrives at work with COVID19 symptoms or is otherwise ill
- Remind staff of the programs it may have in place to support them and their families e.g. medical insurance, employee assistance programs, counselling
- Set up hotlines or help desks for staff queries
- Set up an intranet, social media or other site for staff to be able to access all information relevant to COVID19 and the business's approach to it
- Regularly communicate the reality of COVID19 to staff
- Provide links for staff to reliable sources of information on COVID19
- Remind staff of the values that they are required to uphold through the crisis
- Remind staff as to where they can find policy documents etc. relevant to the situation
- Focus on the health and safety of their staff and their families
- Implement an office-wide all facilities and fixtures and workstation surface cleaning programme
- Use posters in the office to remind everybody of expectations on personal hygiene
- Develop, if not already available, and communicate guidelines for staff on:
 - personal hygiene in the workplace, including sanitizer stations, hand washing, no touching or shaking hands
 - social distancing in all situations
 - banning face to face meetings
 - travel to and from work
 - staying home if unwell
 - working from home
 - access to use of company systems while working remotely

- Advise staff of the company's requirements regarding the health status, family care arrangements and their personal workplan
- Provide all relevant business contact details for human resources and payroll queries

Staff and salaries

For staff, there are also many concerns and potential implications around job security and the resilience of the business. They have financial obligations and commitments to support their families and ensure they have adequate housing. Staff are generally familiar with the potential impact of changes in economic circumstances, but a pandemic is not necessarily well understood.

In normal times, it is expected that salaries will be established with reference to the market, the role and the contribution or performance of the individual. These are not normal times. The pandemic itself requires a response which will disrupt normal business and beyond the pandemic there is potential for recession in many economies.

While the laws in various countries are very different, it is likely that downward pressures on revenues will cause businesses to need to reduce staff numbers and/or reduce the total salary costs in the business. On the other hand, some businesses may need to add staff, at least in the short term, to provide additional expertise and support for management or to provide emergency services such as management assistance to the health sector or designing and building hospitals.

FIDIC sees the need to consider a pandemic differently from other economic recessionary activities and urges firms to explore and consider negotiating staff salary arrangements which enable the business to survive the pandemic and the recession which may follow. This is likely to involve the adoption of a "living wage concept" during the pandemic as a minimum for all staff depending on circumstances. Such a concept may still reflect differences in roles.

Such a proposal may involve some senior staff taking greater salary reductions than less senior staff.

At the same time, businesses may consider "profit sharing" models, which enable businesses to share an agreed proportion of the profit at EBIT level, if any, with staff who participate in the "living wage" scheme to retain staff and underwrite the financial resilience of the business.

Other schemes have been adopted which involve staff taking % pay reductions. However, such schemes may be viewed negatively by less senior staff as the absolute impact on them may be greater.

Whatever approaches are adopted, FIDIC encourages open discussions and communication with staff and collaboration as the best ways to retain their engagement and support. This will help secure staff, provide more certainty and help managers focus on business-critical issues around winning work, maintaining revenues and positive cash flow.

Nonetheless, the recessionary impact of the pandemic may cause businesses to need to reduce staff. In doing so, regular updates on the business circumstances, clarity around the reasons why such action may be required and respectful appreciation for those leaving the business is vital to maintaining the morale of those remaining

Cash flow

Managing cashflow in a crisis is core to a company's survival. In many countries, directors must ensure a company can pay its debts when they are due and payable - the solvency test.

As the pandemic disrupts businesses, costs must be managed against the available revenue. Many businesses will survive the consequent downturn in profit or even tolerate a loss.

However, getting through the crisis successfully requires that firms have adequate cash to do so. It is, firstly, very important to understand the cash needs of the business, when cash comes in and when it is paid out. Planning for a number of different cash flow scenarios is wise, to understand the likelihood and severity of impact of each scenario.

It is important to identify ways and sources from which we can improve our cash flow. These may include the obvious: increasing revenue and reducing or deferring costs.

However, it is likely that through a prolonged pandemic, other sources of cash will be needed. Some of these are explored below.

- Renegotiate payment terms in contracts with clients either to achieve a pre-agreed monthly cash flow or to secure payment in advance or payment within, say, 5-10 days of invoice.
- Approach tax authorities to secure a return, reduction or deferral of tax payments. Many countries require companies to pay company tax throughout the year based on prior year's profit, actual quarterly profits or profit estimates. A reduction or deferral in tax payments, can provide substantial cashflow relief. In the current circumstances, many governments will recognise this as a valid way to support business, retain jobs and avoid more substantial economic damage.
- Approach the firm's bank(s) to secure increased capacity in debt finance available to the business. With potential recession in mind, it is likely that central banks may reduce interest rates and initiate some quantitative easing. Again, in a number of countries, banks will see this as an opportunity and an important exercise of their corporate social responsibility and may do so at lower than usual interest rates.
- Approach senior equity holders to provide unsecured loans to the business. This approach has been adopted by many privately-owned firms in prior economic crises and proved to be quite successful. In some cases, these people mortgaged their own properties to obtain the finance they made available to the businesses. This can be problematic and challenging, but some will no doubt have the financial capacity and the belief to assist.
- While not so common, in some private firms in the past, individual owners, on request, have provided additional capital by way of equity or additional share issues to the company. This can be complicated and a process requiring shareholder approval for any substantial increase in equity and may also create long term distortions in the share allocation model used in more normal times. No doubt some private equity firms will also see this as an opportunity to take a stake in businesses they may later wish to acquire.

Whatever the solutions, those firms that develop their cash flow scenarios early in the pandemic, develop a cash flow management plan and approach those who may be able to offer solutions quickly and professionally will be well placed to survive the cash flow challenge.

In the event of a serious cash flow crisis, firms may not be able to negotiate their way through the challenge and ultimately may lose the true value of those businesses for shareholders and staff.

The way forward

FIDIC will be updating and issuing revised version of this briefing to take on board feedback from the industry and to keep the document relevant.

Alongside this, FIDIC will develop a series of webinar programmes that provide an opportunity for industry leaders and stakeholders to discuss how they are addressing the COVID 19 challenge. This output will be communicated and supplement this guidance note.

This output will involve, member associations, stakeholders, affiliates, companies, committee members and chairs, task group members, board members and other relevant stakeholders to contribute. This programme will be published on the FIDIC website and communicated via social media.

Resources

Further information outside of this note should be available from governmental agencies, professional organisations and other similar groups.

If you have further ideas or suggestions and would like to be involved please contact the ICEG at office@iceg.com.ua by mentioning *Coronavirus (COVID-19) FIDIC Guidance* in your subject line. All suggestions will be consolidated and addressed to FIDIC Strategic Policy and Economics for further processing.



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Endnotes

ⁱ Harvard Business Review: What's your company's emergency remote-work plan?, accessed 19/3/2020 ([click here](#))

ⁱⁱ Harvard Business Review: Guide to leading your business through the coronavirus crisis, accessed 19/3/2020 ([click here](#))

ⁱⁱⁱ Harvard Business Review: Prepare Your Supply Chain for Coronavirus, accessed 19/3/2020 ([click here](#))

^{iv} Harvard Business Review: What organisations need to survive a pandemic, accessed 19/3/2020 ([click here](#))

^v Harvard Business Review: What's your company's emergency remote-work plan?, accessed 19/3/2020 ([click here](#))

^{vi} Hogan Lovells: Coronavirus FAQ: Key corporate and commercial considerations, accessed 19/3/2020 ([click here](#))

^{vii} Hogan Lovells: Coronavirus as a contractual force majeure event: A simple checklist, accessed 19/3/2020 ([click here](#))

^{viii} Hogan Lovells: Coronavirus and cracks in your armor: Recognizing impending financial stressors spawned by a health pandemic, accessed 19/3/2020 ([click here](#))

^{ix} Hogan Lovells: Insurance and planning for the effect of coronavirus on business, accessed 19/3/2020 ([click here](#))

^x Switzerland Global Enterprise: coronavirus – what swiss exporters need to be aware of, accessed 19/3/2020 ([click here](#))