

UNDERSTANDING FIDIC CONTRACTS A LEGAL PERSPECTIVE FOR THE SAUDI MARKET

As Saudi Arabia drives forward with mega-projects like NEOM, The Line, and Qiddiya under the ambitious Vision 2030 framework, the demand for standardized and internationally recognized construction contracts has surged. The FIDIC suite of contracts, developed by the International Federation of Consulting Engineers, has become a cornerstone for infrastructure development in the Kingdom, particularly among government and semi-governmental entities.



This article explores how FIDIC contracts operate in the Saudi market, their legal significance, and the implications for project stakeholders.



What is FIDIC Saudi Arabia?

FIDIC, the International Federation of Consulting Engineers, is an international organization known for developing standard contract forms that govern construction and engineering projects worldwide; it represents over one million engineering professionals and 40,000 firms in about 100 countries worldwide. These contracts aim to streamline roles, responsibilities, and risk allocation between employers, contractors, and consultants.



Why FIDIC Matters in Saudi Arabia

Due to their standardized, balanced risk allocation and robust dispute resolution mechanisms, which are crucial for the kingdom's ambitious Vision 2030 projects such as NEOM, The Line, and other giga-projects reshaping the Kingdom's landscape, the use of internationally accepted contract frameworks like FIDIC ensures consistency, legal clarity, and global investor confidence. Moreover, government entities and many semi-governmental institutions in Saudi Arabia often mandate the use of FIDIC-based contracts, to be drafted and reviewed by a Saudi law firm, for large-scale projects.



NEOM

Key Features of FIDIC Contracts

FIDIC contracts are structured to promote clarity, efficiency, and balanced risk allocation in construction and engineering projects. Their standardized formats are widely adopted in both domestic and international contexts due to the following core features:

1 Clear Allocation of Responsibilities

FIDIC contracts meticulously outline the obligations and responsibilities of each party involved:

- **Employers** – often responsible for providing project design and performance specifications to contractors.
- **Contractors** – accountable for execution (and sometimes design works).
- **Engineers** – act as contract administrators, with a duty of impartiality.

This clear delineation helps avoid ambiguity and reduces the potential for disputes.

2 Equitable Risk Distribution

Each FIDIC contract type (Red, Yellow, Silver, etc.) allocates risk in a way that reflects the nature of the project.

- **The Red Book** as revised in 2017 provides for balanced risk allocation between the employer and contractor.
- **The Silver Book** shifts most of the risk to the contractor and mostly used for EPC works.

This enables parties to select a contract model aligned with their risk appetite and project objectives.

3 Engineer's Role as Contract Administrator

In FIDIC contracts, the engineer plays a pivotal role in supervising the works, certifying payments, assessing variations, and resolving on-site issues. Although appointed by the employer, the engineer is expected to act impartially in decision-making processes.

4 Time and Cost Management Mechanisms

FIDIC contracts contain robust procedures for handling:

- **Delays and Extensions of Time (EOT).**
- **Variation Orders.**
- **Claims for Additional Payment.**

These provisions ensure that changes in project scope or delay claims are managed transparently and in an organized manner.

5 FIDIC dispute resolution KSA Framework

FIDIC provides a multi-tier dispute resolution process:

- **Amicable settlement** Adjudication via a Dispute Adjudication/Avoidance Board (DAB/DAAB).
- **International arbitration.**

This system encourages early resolution while preserving the right to escalate disputes when necessary.

6 Change and Variation Clauses

FIDIC contracts recognize that projects often evolve. They include structured provisions to assess and implement variations in scope, design, or method without disrupting the contractual balance.

7 Standardized Yet Flexible

While the contracts follow a standard format, they are also adaptable to accommodate project-specific requirements and local legal frameworks, particularly important for compliance with Saudi Arabian laws, FIDIC force majeure Saudi law, and regulatory standards.



Commonly Used FIDIC Contracts

FIDIC offers a suite of contract models, each designed to address different types of construction and infrastructure projects. Selecting the appropriate FIDIC contract depends on factors such as project complexity, design responsibility, risk allocation, and financing arrangements.

Below are the most commonly used FIDIC forms in the Saudi Arabia market and internationally:

1 Red Book – Construction

Use: For building and engineering works designed by the employer.

Key Feature: The employer provides the design, and the contractor is responsible for executing the work.

Typical Projects: Roads, buildings, and infrastructure where design is already completed; common scenarios requiring FIDIC Red Book interpretation in Saudi Arabia.

2 Yellow Book – Plant & Design-Build

Use: For design-build projects where the contractor is responsible for both design and construction.

Key Feature: Greater design responsibility on the contractor, ideal for technically complex projects where FIDIC Yellow Book legal counsel in KSA is often advisable.

Typical Projects: Power plants, industrial facilities, and treatment plants.

3 Silver Book – EPC/Turnkey Projects

Use: For large-scale, high-risk turnkey projects where the contractor assumes most of the risk.

Key Feature: The Employer provides performance requirements; the contractor delivers a fully operational facility in line with FIDIC Silver Book.

Typical Projects: Energy, oil & gas, large infrastructure.

4 Green Book – Short Form of Contract

Use: For building and engineering works designed by the employer.

Key Feature: The employer provides the design, and the contractor is responsible for executing the work.

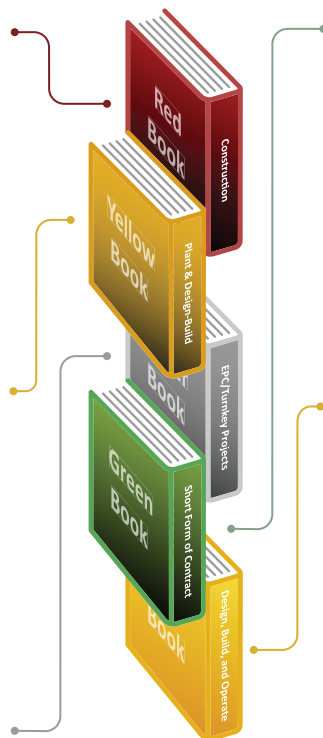
Typical Projects: Roads, buildings, and infrastructure where design is already completed; common scenarios requiring FIDIC Red Book interpretation in Saudi Arabia.

5 Gold Book – Design, Build, & Operate

Use: For long-term projects involving operation and maintenance after construction.

Key Feature: Contractor handles design, construction, and operation for a defined period.

Typical Projects: Infrastructure requiring long-term performance (e.g., water treatment plants).



FIDIC in the Saudi Legal and Commercial Environment

In Saudi Arabia, many public and semi-governmental entities favor the Red, Yellow, and Silver Books, particularly for projects tied to Vision 2030. These contract models offer flexibility while ensuring accountability, transparency, and adherence to international best practices, in line with local regulatory requirements.



FIDIC and Saudi Law: Compatibility and Customization

Saudi regulatory framework, specifically, Civil Transaction Law, does not restrict parties to agree on terms vis-à-vis rights and obligations of parties as well as dispute resolution mechanism and the governing law. However, provisions conflicting with Sharia principles (e.g. provision of interest- Riba) are not enforceable. Besides, if the FIDIC contracts provide Saudi Arabian law to be the governing law, the parties will have to be aware of provisions of the Saudi Arabian Civil Transactions Law.

Customization is often required for

- **Payment terms (financing cost related clauses must comply with Shari'ah)**
- **Dispute clauses**
- **Force majeure definitions under Saudi law**



Conclusion

FIDIC contracts have become essential forms for structuring construction and infrastructure projects in Saudi Arabia, particularly as the Kingdom undertakes its Vision 2030 giga-projects. Their standardized approach to risk allocation, dispute resolution, and contract administration make them attractive to both public authorities and private investors.

However, applying FIDIC contracts in Saudi Arabia require more than familiarity with their standard forms. It demands a deep understanding of local laws, including Shari'ah principles, the Civil Transactions Law, and the public procurement regulations.

At ALGhazzawi & Partners, we help clients navigate these complexities by localizing FIDIC contracts to align with Saudi legal requirements while preserving international standards. Whether advising on contract drafting, risk assessment, or dispute resolution, our team brings decades of experience in high-stakes construction and infrastructure matters across the Kingdom.