## International Construction Law Academic Monograph



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## Bridging Commercial Risk and Dispute Resolution in International Construction: Toward a Unified Contract Framework

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The chapter explores the progressive development and codification of international construction contract law by integrating FIDIC Conditions into UNCITRAL model instruments and the UNIDROIT Principles. It traces the evolution of the 1999 and 2017 FIDIC editions alongside landmark arbitral precedents—Salini, RFCC, Impregilo and ICC 10619—which validate multitier dispute resolution and the fixed twenty-eight-day notice rule. Comparative analysis aligns notice, retention and the engineer's role with UNCITRAL and UNIDROIT texts, exposing regulatory gaps. A concluding

section proposes a codification pathway: unified terminology, recasting FIDIC clauses as practical guidance, and institutionalising DAAB. The outcome reduces legal fragmentation, enhances predictability and safeguards stakeholders in cross-border projects.

International construction contract law has emerged as a distinct field of transnational commercial law, governing cross-border construction projects and the complex contractual relationships they entail. This body of law is in a phase of progressive development and partial codification, meaning that its rules are gradually being refined, harmonized, and in some instances formally standardized. A driving force in this evolution is the interplay between private-standard initiatives – chiefly the model contracts promulgated by the International Federation of Consulting Engineers (FIDIC) international rule-making organizations such as UNIDROIT (International Institute for the Unification of Private Law) and UNCITRAL (United Nations Commission on International Trade Law). Together, these actors contribute to what practitioners often refer to as an emerging "lex constructionis" or transnational construction law: a set of common principles and contractual norms applicable to international construction engagements, analogous to the lex mercatoria of general international commerce. This chapter examines how the integration of FIDIC contract standards into UNIDROIT's and UNCITRAL's model laws and principles furthers the progressive unification and codification of international construction contract law. It explores the synergies between privately developed contract forms and public international "soft law" instruments, and how these synergies lay the groundwork for a more coherent global legal framework in construction.

The standard form construction contracts developed by FIDIC have played a pivotal role in shaping international construction contract practice. Since FIDIC's inception in 1913, its activities have significantly contributed to the unification of legal norms and project management procedures worldwide. FIDIC's suite of model agreements – notably the Red, Yellow, Silver, and other "Books" – provide a widely accepted contractual platform for allocating risks and responsibilities in construction projects. These standard contracts promote legal certainty by furnishing clear and balanced clauses that define the parties' obligations, project management mechanisms, and dispute resolution processes. They equip owners and contractors with efficient tools

for project administration, protect the rights of both sides, and establish procedures (such as engineer's determinations and Dispute Adjudication Boards) to address issues that arise during performance. In doing so, the FIDIC forms have not only facilitated individual international projects but also advanced international construction law as a nascent branch of law, strengthening international legal cooperation in the construction industry.

FIDIC contracts essentially function as a defacto codification of best practices in the field. They embody decades of industry experience and compromise between civil law and common law approaches, making them acceptable in a wide array of jurisdictions. The influence of FIDIC standards is evident in the way they have shaped a common understanding of key concepts like unforeseeable site conditions, variations, extensions of time, and payment security. Frequent use of these forms in international projects - often mandated by multilateral development banks and international agencies – has given rise to a body of arbitral awards and judicial decisions interpreting FIDIC clauses. Over time, this has led scholars to identify a transnational "law of construction" or ius ingeniorum, a kind of engineering contract law that is part of the broader lex mercatoria. The Ius Ingeniorum is essentially the product of contractual standardization and repeated usage: in other words, the FIDIC conditions (along with other international standard forms) have become the natural source and primary driver of a global set of construction contract norms.

One hallmark of FIDIC's approach is the combination of general conditions—intended to be uniform and applicable to all projects—with particular conditions that allow adaptation to local law and project specifics. FIDIC itself emphasizes that its standard terms should be adjusted to comply with the governing law of the contract. This flexibility has eased the integration of FIDIC standards into diverse legal systems. Many national standard forms and government construction contracts have drawn upon or outright incorporated FIDIC clauses, translating and modifying them as necessary to align with domestic legal requirements (for example, adapting liability clauses to fit mandatory law or adjusting dispute resolution procedures to interface with local courts). As a result, FIDIC has served as a bridge between different legal traditions: contractors and owners from different jurisdictions working under a FIDIC contract find themselves

operating within a largely harmonized set of rules, and disputes can be resolved with reference to a globally recognized text. This phenomenon significantly reduces legal friction in cross-border projects.

In summary, through widespread adoption and the consequent development of interpretive case law, the FIDIC contract conditions have become a cornerstone of international construction law's progressive development. They exemplify how private ordering – via industry-standard contracts – can create a uniform layer of obligations and rights above the fragmented mosaic of national laws. FIDIC's standards lay the practical foundation upon which more formal codification efforts by organizations like UNIDROIT and UNCITRAL can build.

While FIDIC standards have largely driven the bottom-up unification of construction contract practices, formal codification at a higher level of abstraction is being pursued by organizations such as UNIDROIT. The primary instrument here is the UNIDROIT Principles of International Commercial Contracts (UPICC), which constitute a non-binding "restatement" or model code of general contract law principles acceptable to both common law and civil law systemsoas.orgoas.org. The UNIDROIT Principles, first published in 1994 and updated through 2016, provide broad rules on issues like formation, performance, non-performance, and remedies. Their relevance to international construction contracts might not be immediately obvious, given that they are not industry-specific. However, they supply the overarching legal principles – such as good faith, duty to cooperate, the binding character of promises, and flexibility in hardship situations – that can greatly assist in interpreting and supplementing detailed contract terms like those of FIDIC. Notably, the 2016 edition of the UNIDROIT Principles explicitly took into account the special needs of long-term contracts (including construction contracts) by introducing provisions on issues like price determination, renegotiation, and hardship tailored for extended performance periods. This update underscores the Principles' utility in contexts such as construction where contracts are performed over many years and are subject to changing circumstances.

The synergy between FIDIC contract terms and the UNIDROIT Principles has been highlighted in legal scholarship and practice. Observers note that

many specific solutions in FIDIC contracts reflect general principles now codified in the UNIDROIT text. For example, FIDIC contracts impose an obligation on both parties (and the Engineer) to act fairly and cooperate – a notion which resonates with the UNIDROIT Principles' requirement of good faith and fair dealing (Art. 1.7) and its emphasis on cooperation between contracting parties. Likewise, FIDIC's mechanisms for adjusting the contract price or deadline in the face of unforeseen events align with the Principles' approach to changed circumstances (Arts. 6.2.2–6.2.3 on hardship). This correspondence means that when gaps or ambiguities arise in a FIDIC-based contract, arbitrators and judges often resort to the UNIDROIT Principles as a gap-filler or interpretive tool. Indeed, the UNIDROIT Principles have been cited in numerous international construction arbitrations to clarify issues such as mitigation of damages or the scope of contractual duties, thereby effectively integrating with the FIDIC framework to form a more complete governing law.

Moreover, the UNIDROIT Principles play a strategic role in contract drafting for international projects. Parties sometimes explicitly choose the Principles as the law governing their contract (either alone or in conjunction with national law), especially in neutral venues or where the governing law is underdeveloped. In such scenarios, FIDIC terms and UNIDROIT principles operate hand-in-hand: the former addresses technical and risk allocation issues, while the latter provides general rules on contract interpretation, performance, and remedies. For instance, if a FIDIC contract is silent or ambiguous on a particular point (like the exact scope of consequential damages or the standard for excuse due to force majeure), the UNIDROIT Principles can supply an authoritative answer consistent with international practiceoas.orgoas.org. This complementary usage effectively "codifies" the interplay between detailed contract stipulations and general legal norms.

UNIDROIT's contribution may eventually extend to a more specific level: one can envisage a future project under its auspices to create a model law or guide on international construction contracts. While no such dedicated instrument exists yet, UNIDROIT has precedent in preparing industry-focused legal guides (e.g., in franchising, agricultural investment contracts, etc. oas.org). A UNIDROIT-led model law on construction contracts could codify essential aspects of FIDIC and similar forms within a statutory framework – for

example, delineating roles (owner, contractor, engineer), establishing default risk-sharing rules, and providing templates for dispute boards. This would be a form of vertical integration: elevating the privately developed FIDIC clauses into an internationally endorsed legal instrument. Even in absence of a standalone model law, the influence of UNIDROIT's work is visible: domestic legislators have drawn on the Principles when modernizing civil codes and contract lawsoas.org, ensuring that national contract law reforms are compatible with international contracting practices (as seen, for instance, in reforms in Argentina, China, and various African countries influenced by UPICC). Such reforms indirectly facilitate the use of FIDIC contracts by smoothing inconsistencies between local law and international standards.

In conclusion, UNIDROIT acts as the doctrinal and normative backbone supporting the more practice-driven FIDIC rules. By codifying general contract law principles that align with the needs of construction projects, it creates a conducive environment for the transplantation of FIDIC terms across jurisdictions. This interaction exemplifies how progressive development (through practice and private standards) can be consolidated through codification (via general principles), resulting in a more coherent transnational regime.

UNCITRAL has approached the unification of construction contract law from a different angle – typically focusing on related areas like procurement, dispute resolution, and project finance, rather than on contract substance directly. Nevertheless, its contributions lay crucial groundwork for integrating FIDIC standards into national legal systems and enhancing their legitimacy.

One of UNCITRAL's early forays relevant to construction was the adoption in 1987 of the Legal Guide on Drawing Up International Contracts for the Construction of Industrial Works. This comprehensive guide systematically discussed the legal issues commonly arising in large construction projects (particularly turnkey industrial facilities) and offered suggestions on how parties might address these issues in contracts. While not a binding instrument, the 1987 Legal Guide effectively codified international best practices of the time, many of which anticipated or reflected the emerging norms of FIDIC contracts. For example, the UNCITRAL Legal Guide

emphasized the importance of clear risk allocation for site conditions and change in circumstances, the use of clauses for price adjustment, and the role of neutral contract administration – themes that are now hallmarks of FIDIC contracts. It even noted the utility of standard contract terms promulgated by international organizations, implicitly endorsing their usage for consistency and fairness. Thus, the UNCITRAL Guide served as an authoritative reference that lent credence to the concepts later entrenched in FIDIC's standard forms. It demonstrated an official acceptance of the notion that international construction contracts require special treatment beyond general sales or services contracts.

In subsequent years, UNCITRAL has provided model laws in adjacent fields that facilitate the implementation of FIDIC-style contracts. For instance, the UNCITRAL Model Law on Procurement of Goods, Construction and Services (1994, revised 2011) sets forth internationally recognized procedures and principles for public procurement. Although the Model Law addresses the tendering and award phase rather than the detailed contract conditions, it creates a framework in which adopting states often look to international standards when drafting their tender documents and contract terms. Article 34 of the 2011 Model Law, for example, encourages the use of standard form contracts where appropriate, especially for complex procurement like construction. Many countries that implemented the UNCITRAL Model Procurement Law opted to attach FIDIC-based general conditions to their standard bidding documents, thus indirectly importing FIDIC language into their legal system. A case in point is certain transition economies and developing countries: as they reformed procurement regulations, they explicitly incorporated FIDIC contract clauses into domestic standard contracts for public works. In this way, the Model Law's influence dovetails with FIDIC's content - UNCITRAL provided the procedural skeleton, and FIDIC provided the contractual flesh.

UNCITRAL's normative work on Public-Private Partnerships (PPPs) and privately financed infrastructure projects is another area supporting integration. In 2019, UNCITRAL finalized a set of Model Legislative Provisions on PPPs accompanied by a guide, which include recommendations on the selection of concessionaires and key clauses in concession agreements. While these provisions do not dictate the use of any

particular contract form, they stress principles such as appropriate risk sharing, long-term contractual stability, and fair dispute resolution – all principles central to FIDIC's philosophy. For example, the UNCITRAL PPP texts emphasize that governments should allow contractual clauses dealing with changes in conditions, step-in rights, and international arbitration. These recommendations make it easier for FIDIC-based contracts (which contain such clauses in refined form) to be accepted in PPP projects financed or regulated under UNCITRAL-inspired laws.

Additionally, UNCITRAL's greatest contribution might be seen in the procedural regimes that underpin the enforcement of international construction contracts. The UNCITRAL Model Law on International Commercial Arbitration (1985, as amended 2006) and the widespread adoption of the New York Convention (1958) on recognition of arbitral awards have been fundamental in ensuring that dispute resolution clauses in FIDIC contracts are effective globally. FIDIC contracts typically provide for international arbitration (often under rules like ICC or LCIA) as the final binding dispute resolution mechanism. Thanks to UNCITRAL's instruments, an arbitral award rendered in, say, Singapore under a FIDIC contract for a project in Africa can be swiftly enforced in any of the 170+ New York Convention countries. This global enforceability removes much of the uncertainty that could otherwise undermine the use of uniform contract terms. Similarly, the UNCITRAL Model Law on Arbitration, adopted in many jurisdictions, curtails the grounds on which local courts can interfere with arbitration agreements and awards, giving effect to contract clauses (like those in FIDIC) that channel disputes to arbitration and enforce Dispute Adjudication Board decisions pending arbitration. In essence, UNCITRAL has created an enabling legal environment in which the substantive standardization achieved by FIDIC can operate smoothly and with predictability.

In summary, UNCITRAL's work – from its 1987 Legal Guide to its model laws on procurement and arbitration – has laid down a critical infrastructure of norms. This infrastructure supports the adoption of FIDIC contract standards by ensuring compatibility with public procurement rules and by safeguarding the dispute resolution process stipulated in those contracts. While UNCITRAL has not codified construction contract terms per se, it has

provided the legal "glue" that helps bind FIDIC's private standards into the public law framework of many states.

The integration of FIDIC standards into domestic legal systems and international instruments can be observed through various examples around the world. One avenue is through the policies of international financial institutions. A prominent development in this regard was the agreement between FIDIC and the World Bank (and other multilateral development banks) under which the World Bank officially adopted several FIDIC standard forms (e.g. 2017 editions of the Red, Yellow, and Silver Books, among others) for use in Bank-funded projects. As of the late 2010s, the World Bank's Standard Bidding Documents for procurement of works require or strongly encourage borrowers to use the harmonized FIDIC conditions. This effectively elevates FIDIC contract terms to a quasimandatory status for a large class of international projects, integrating them by reference into the contractual and financial frameworks that govern those projects. Other development banks (such as the Asian Development Bank, African Development Bank, etc.) have similarly incorporated FIDIC-based conditions in their project procurement guidelines. This trend underscores a de facto global institutional endorsement of FIDIC standards and amplifies their integration as part of the "rules of the game" for international construction.

On the national level, many countries have taken steps to blend FIDIC terms with their local contracting practices. For example, several countries in the Middle East have issued national standard forms closely patterned on FIDIC conditions (often the Red Book for building works and the Yellow Book for design-build). In the Gulf region, government authorities appreciated that FIDIC contracts allocate risk in a way that is acceptable to foreign investors and decided to align their public contract templates accordingly. In some cases, translations of FIDIC contracts into local languages (Arabic, Farsi, etc.) have been published with minor adjustments to comply with mandatory local laws (such as decennial liability in civil law jurisdictions for building works). Similarly, in Eastern Europe and parts of Asia, FIDIC forms penetrated the market via large infrastructure projects financed by international lenders, prompting domestic law firms and engineers to familiarize themselves with these standards. Over time, this has led to a certain convergence: domestic

construction contract law is being interpreted and even reformed in light of FIDIC principles. For instance, courts in jurisdictions as diverse as England, France, Brazil, and Turkey have dealt with disputes arising from FIDIC contracts and, in doing so, have clarified domestic legal concepts (like the scope of good faith or the enforceability of dispute board decisions) in a manner that accommodates the FIDIC regime. Such case law contributes to integrating FIDIC norms into the jurisprudence of those countries.

A notable and deliberate form of integration is seen in efforts by national professional organizations to officially adopt FIDIC standards. For example, the Israeli Association of Construction and Infrastructure Engineers has advocated for a "localization" of FIDIC – essentially translating and adjusting the FIDIC conditions for use in Israel's public construction contracts, with any necessary modifications to conform to Israeli mandatory law. An article by Ronen Haviv (Ron Chavatzeles) in 2020 proposed to "graft and naturalize" the FIDIC contract as Israel's default public contract form, suggesting that such adoption would remedy chronic issues in the local construction industry related to unfair risk allocation and excessive litigation. The proposal included drafting a Hebrew version of the FIDIC conditions with an annex specifying how to interpret or supplement certain clauses under Israeli law. This initiative illustrates a conscious effort to integrate an international standard within a national legal context, effectively merging the two. While still under consideration, it mirrors steps taken in other jurisdictions - for instance, Kazakhstan in 2014 announced plans to incorporate FIDIC forms as mandatory for certain public works and launched training programs to familiarize local engineers and lawyers with FIDIC procedures. In China, the "Belt and Road" infrastructure push has similarly increased the prominence of FIDIC, with Chinese versions of the contracts being used on joint ventures and some discussion in academic and legislative circles about adopting elements of FIDIC in Chinese contract law frameworks.

These examples show a pattern: where the benefits of international standardization (in terms of attracting investment, reducing disputes, and clarifying obligations) are evident, national systems are receptive to integrating those standards. Sometimes integration is direct (through legislation or official policy), and other times indirect (through party

autonomy – contracts voluntarily incorporating FIDIC terms, which domestic courts then uphold).

The interplay of progressive development and formal codification in this field suggests that a more unified international construction contract law is gradually taking shape. It is, at present, transnational in character – not enshrined in one comprehensive treaty or code, but residing in a constellation of sources: model contracts (FIDIC and others), general principles (UNIDROIT Principles), model laws and guides (UNCITRAL instruments), and an expanding corpus of case law and arbitral awards. The integration of FIDIC standards into UNIDROIT and UNCITRAL frameworks can be seen as part of what the International Law Commission would term "progressive development and codification" of international law. Progressive development occurs as practice evolves and new norms emerge (in our context, as FIDIC updates its contracts and as project participants innovate solutions), while codification occurs as those norms are recognized, systematized, and endorsed by authoritative bodies.

One can draw a parallel with the evolution of the international sale of goods law: mercantile custom was eventually distilled into the CISG (Vienna Convention 1980) and various model laws. International construction contract law might be following a similar trajectory. Although there is currently no "CISG for construction contracts", the building blocks for one are arguably being assembled. If, for example, UNCITRAL were in the future to draft a Model Law on International Construction Contracts, it would likely draw heavily on FIDIC's well-tested clauses for risk allocation and dispute management, while also incorporating the equitable principles reflected in the UNIDROIT Principles (such as good faith and balance in performance). Such a model law could provide default rules on issues like variations, extensions of time, payment security (e.g. guarantees, letters of credit), termination, and resolution essentially multi-tier dispute encapsulating FIDIC/UNIDROIT approach in legislative language. States could then enact these rules, much as they did with the Model Law on Arbitration, thereby achieving a harmonized legal regime. Even absent a formal model law, the convergence of national laws is happening: legislators in several jurisdictions have been inspired by the UNIDROIT Principles in updating their contract lawsoas.org, and these updated laws inherently become more compatible with FIDIC-style contracts (for instance, by recognizing the validity of agreed risk allocations and modern concepts like hardship or by formalizing adjudication as a dispute resolution step).

Furthermore, the international arbitration community and standard-setting organizations continue to reinforce uniformity. The incorporation of FIDIC contract discussion in forums like the International Construction Law Association, and the publication of comparative analyses and guidelines (e.g. by the ICC on construction arbitration or by the IBA), also contributes to a consensus on best practices. We see a cross-pollination: the common law of construction contracts as developed in leading cases (from English, French, Swiss, and other courts) is increasingly informing other jurisdictions, often referencing FIDIC terms or concepts. Arbitral tribunals, not bound by any single national law, often apply transnational principles which effectively merge FIDIC rules with general principles of law – an approach that over time resembles the application of an autonomous legal regime.

In conclusion, integrating FIDIC standards into the work of UNIDROIT and UNCITRAL has significantly propelled the world towards a more unified and codified set of rules for international construction contracts. This integration works both ways: it validates the FIDIC clauses by aligning them with internationally recognized principles (thus giving them a quasi-official standing), and it enriches the international model laws and principles by infusing them with the practical wisdom embedded in industry-tested contracts. The result is a virtuous cycle of progressive development: practice informs principles, and principles shape future practice. While a single, binding international code for construction contracts may still be on the horizon, the foundations of such a code have arguably been laid in these softer forms. Parties to major construction projects across the globe increasingly operate within a familiar legal architecture – one that offers predictability, balance, and a measure of neutrality, whether the project is governed by English law, Brazilian law, or is left to general principles.

The trajectory of this field showcases an effective model for law development: private standard-setters like FIDIC innovate and refine the content, and international bodies like UNIDROIT and UNCITRAL provide the structure and legitimacy. Through their integration, the once disparate national laws

relating to construction contracting are slowly but surely coalescing into a coherent international framework. For practitioners and stakeholders, this means reduced transaction costs, fewer choice-of-law complications, and more focus on the technical execution of projects rather than on legal uncertainties. In a world where infrastructure development is crucial and often transnational in scope, the continued progressive development and codification of international construction contract law is not just an academic ideal, but a practical necessity for global development.

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