

Project Contracts

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Lecture 1



Project Contracts



Project Contracts

A project is a temporary organization to which the owners assign resources to achieve their development objectives. For anything but the smallest projects, the owner will not have sufficient resources in-house, and so will need to procure additional resources from outside.

Thus contracting is an essential part of project management. It is the way the project owner brings in additional resources to create the project organization.

Project Contracts

**Targeted
environment**

The owner should want all the resources to be motivated to achieve the objectives. In order to do this, the owners should create a contracting environment which encourages a cooperative organization, and aligns the contractors' objectives with theirs.

Project Contracts

**Targeted
environment**

They should not create a conflict organization, in which the contractors have a completely different set of objectives. Unfortunately, project owners so often aim for the latter under the misguided view that it will give them a better outcome, whereas all they create is a lose–lose outcome.

Contracting for Project Management

Edited by
J. Rodney Turner

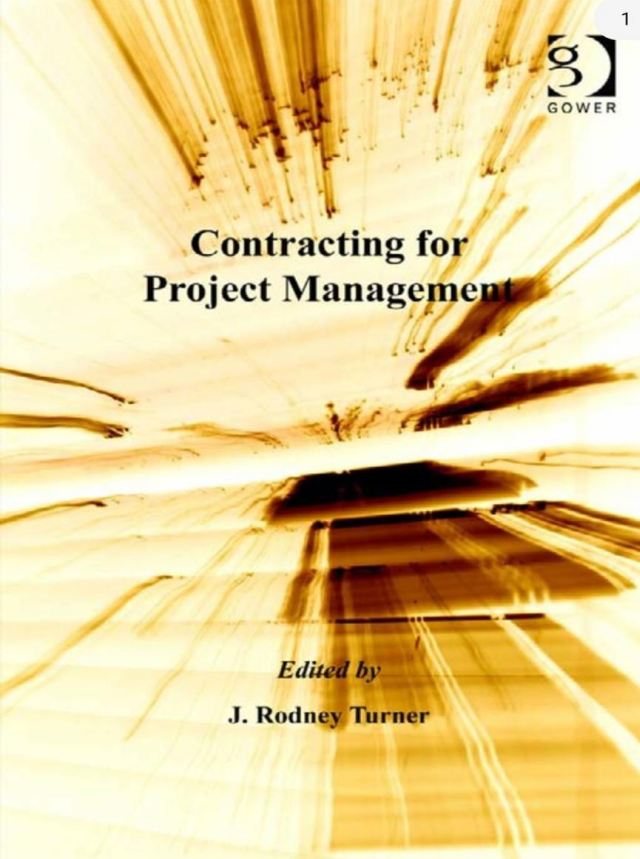
Contracting for Project Management

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The book aims to:

The book aims to provide an introduction to project contract management for project managers.

The first four chapters describe forms of contract. The remaining five chapters are each on a separate topic. There is a chapter giving an overview of contract law, followed by a chapter on partnering, benchmarking and incentive contracts.



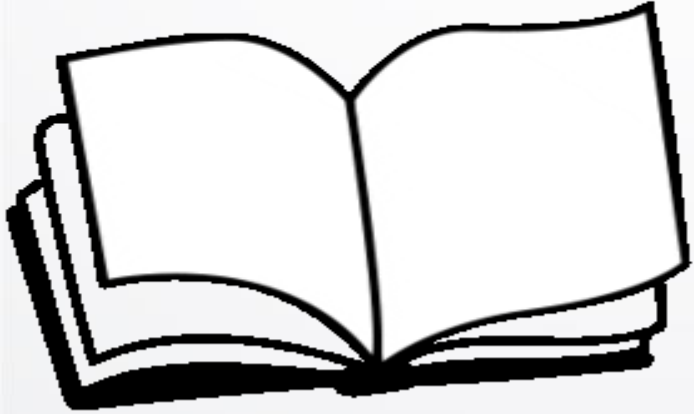
The book aims to:

The next chapter describes how the owner procures contracts and materials. This is followed by a chapter written from the perspective of the contractors, describing how they should bid for work.

Finally, there is a chapter on variations, claims and disputes.

Chapter 1

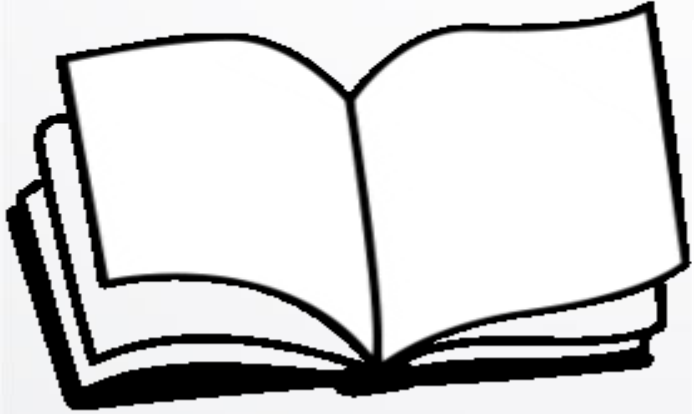
Roles and responsibilities in project contract management



This chapter aims to define roles various parties can fulfil on a project, especially the managerial roles. It then describes how different types of contract attempt to define these roles, and deals with the relationship that arises between the clients, their contractors and subcontractors.

Chapter 1

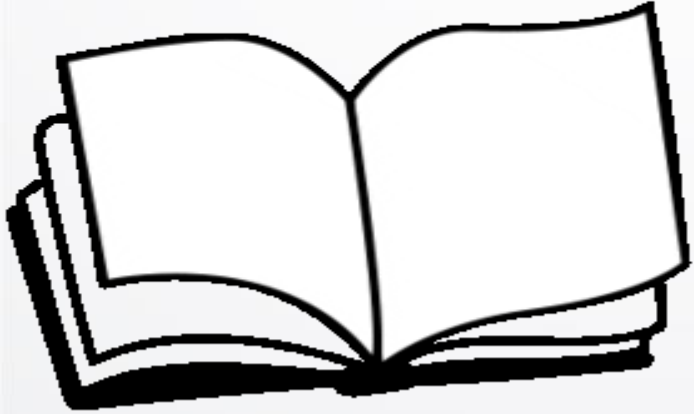
Roles and responsibilities in project contract management



It then describes some of the other more modern, but now common, approaches. There are integrative approaches, which give the contractor responsibility for more steps of the life cycle, and there are managerial approaches, which give the contractor greater management responsibility. Finally, he considers some of the emergent routes now being used. He also describes the terms and conditions for the employment of project managers.

Chapter 2

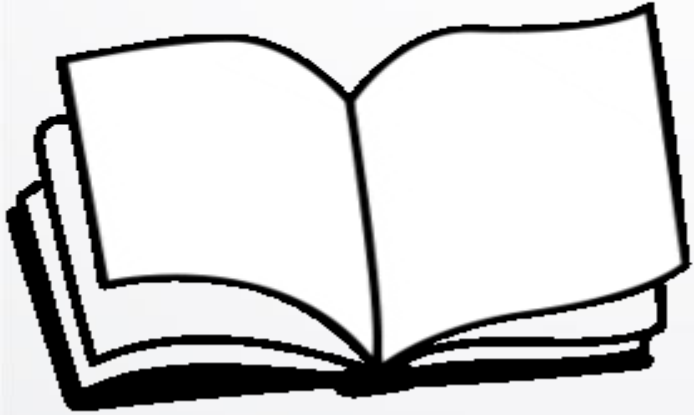
Contracts and payment structures



In Chapter 2, it describes the other dimension of contract forms, the different methods of pricing contracts. These include fixed price, cost plus and re-measurement contracts. He then considers how the contract price is set, and how progress is measured and payments made as the project progresses.

Chapter 2

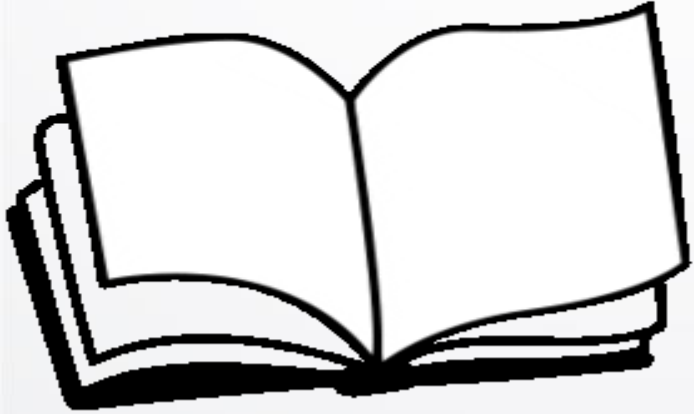
Contracts and payment structures



It starts with an overview of the contract forms as described by Nigel Smith, and includes a section on the factors to be considered when choosing contract forms.

Chapter 3

Farsighted project contract management

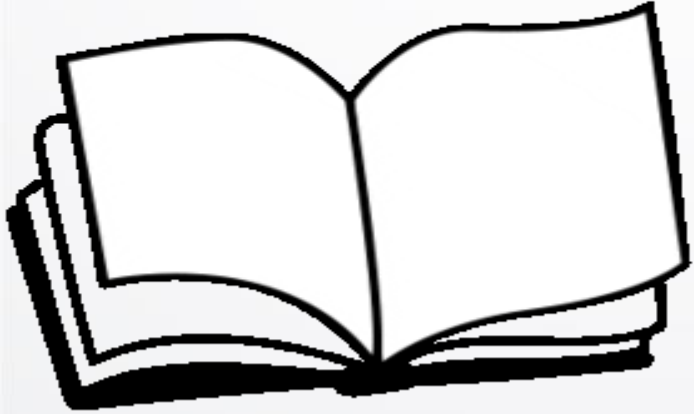


In Chapter 3, it derive a methodology for choosing contract forms. as a start with the premise that the aim of project contract management should be to build a cooperative project organization in which the contractors are motivated to achieve the owner's objectives.

The contract needs to be set up in a way that properly motivates the contractor. It also needs to be farsighted and flexible enough to deal with unforeseen circumstances as they arise.

Chapter 3

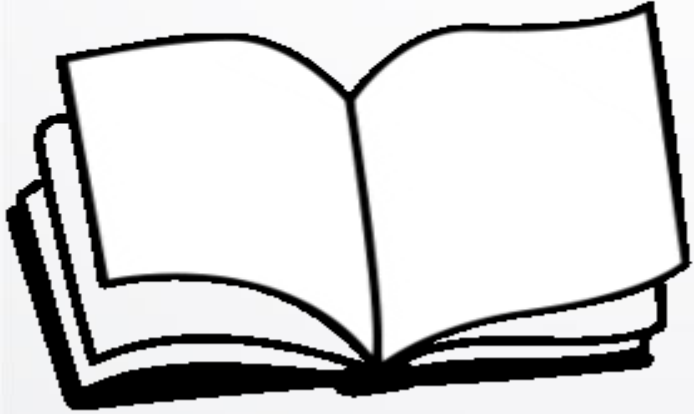
Farsighted project contract management



It then describes two schemas from the transaction cost literature. One measures the ability of a contract form to incentivize and appropriately reward the contract, taking account of the risk. The other measures its ability to provide farsighted, flexible governance. then describing modern practice in choosing different contract forms, and use that to derive a methodology.

Chapter 4

Standard forms of contract

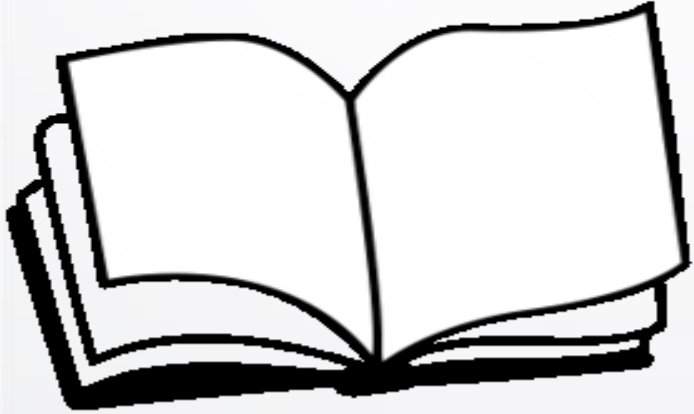


It describes the use of standard forms, and give a listing of some of those available.

Parties to a contract can draw up a bespoke contract document at the start of every project. However, that is both inefficient and subject to error. Better to use standard forms of contract, which are tried and tested, based on expert knowledge and readily available. Almost every industry has standard forms of contract, especially the three branches of the construction industry.

Chapter 5

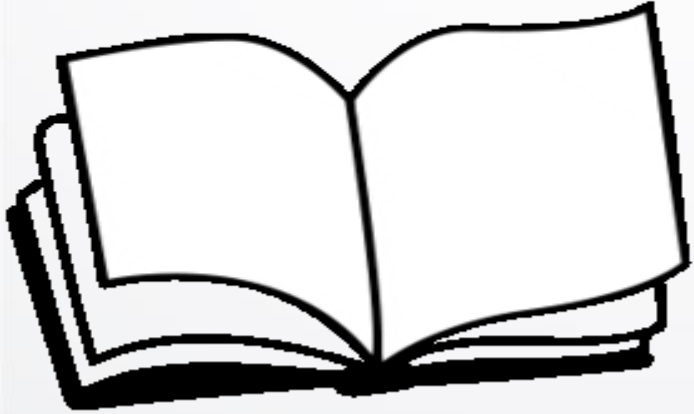
Standard forms of contract



In Chapter 5, it gives an overview of contract law. its coverage is primarily based on English law, but most of the elements of English contract law are common in other legal systems. It describes the elements of contract formation, including offer, acceptance and consideration.

Chapter 5

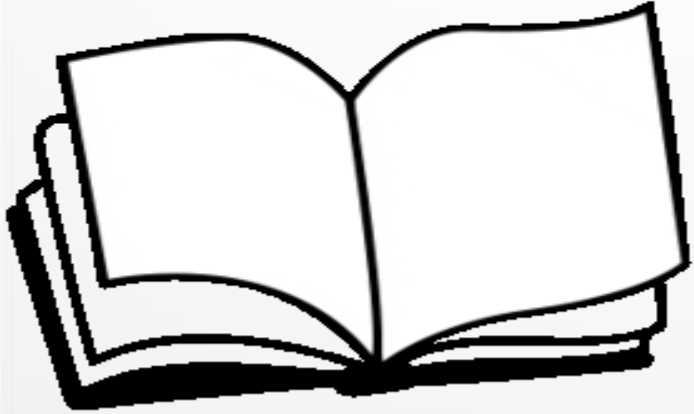
Standard forms of contract



Finally, it describes the terms of the contract called conditions and warranty. These include issues such as the price of the contract and payment, quality and performance, guarantees and exclusions, the passing of property and risk, delivery, completion and possible damages in the event of breach.

Chapter 6

Partnering, benchmarking and incentive contracts

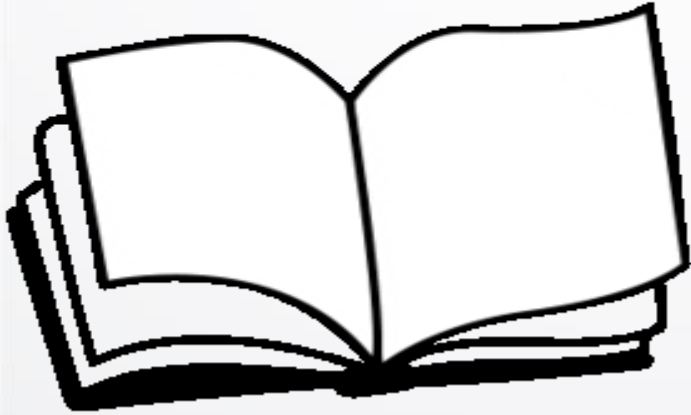


In Chapter 6, it describes partnering. These types of contract are becoming increasingly popular and aim to remove the adversarial culture that has built up in the construction industry.

It defines partnering and describes its key elements. It then considers its benefits to both parties and barriers to its successful achievement.

Chapter 7

Procurement

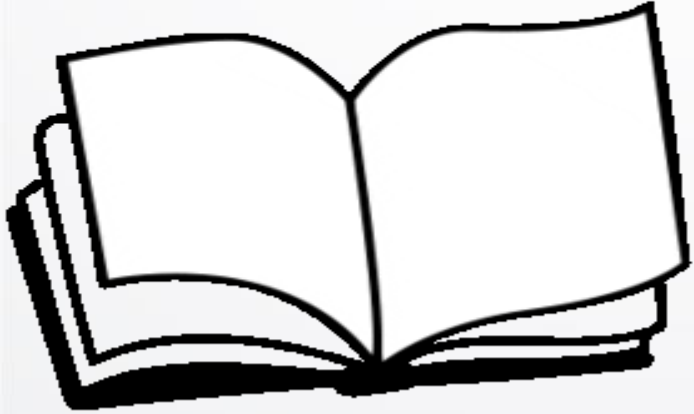


There now follow two chapters about how the client and contractor go about entering into a contract.

In the first, Chapter 7, it describes project procurement. It considers the special characteristics of project purchasing and the role of the project purchasing manager.

Chapter 7

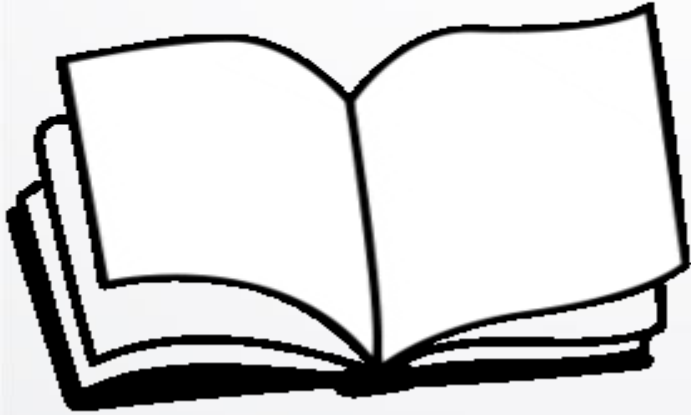
Procurement



It then describes the procurement of contracts and subcontracts, and the purchasing of goods and equipment. There are two short sections on the amendment of purchase orders and electronic data interchange.

Chapter 8

Bidding

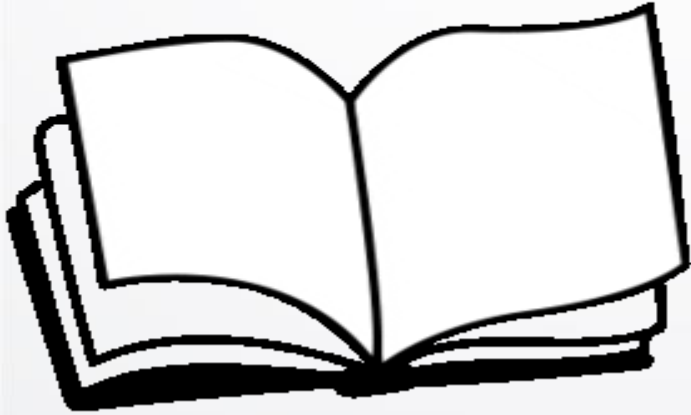


Contract management is often written from the client's perspective.

In Chapter 8, it addresses that balance. It describes how a contracting organization should bid for work.

Chapter 8

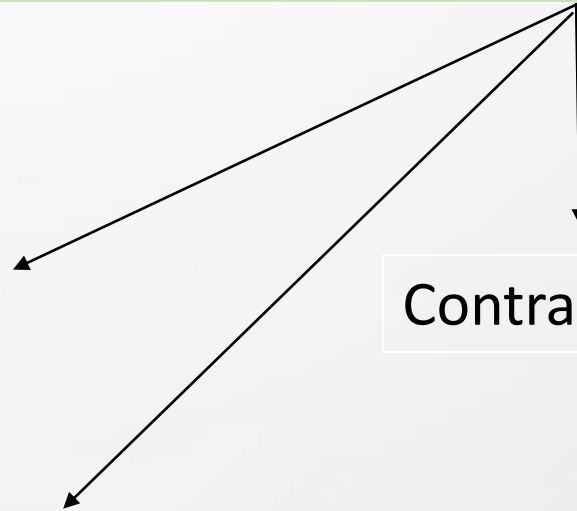
Bidding



Before receiving the
invitation to tender

Bid preparation and
submission

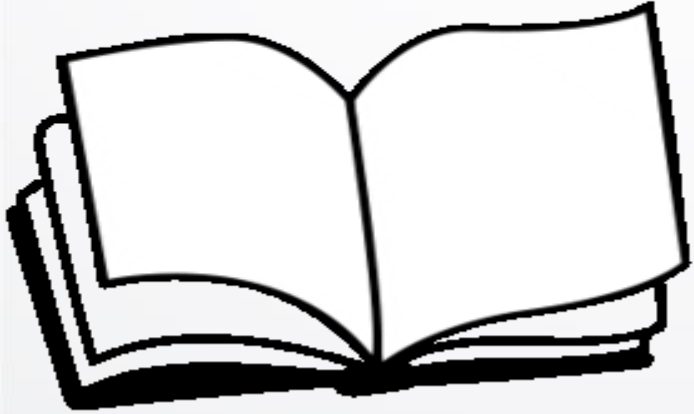
There are three stages in the bid process:



Contract negotiation

Chapter 9

Managing variations, claims and disputes

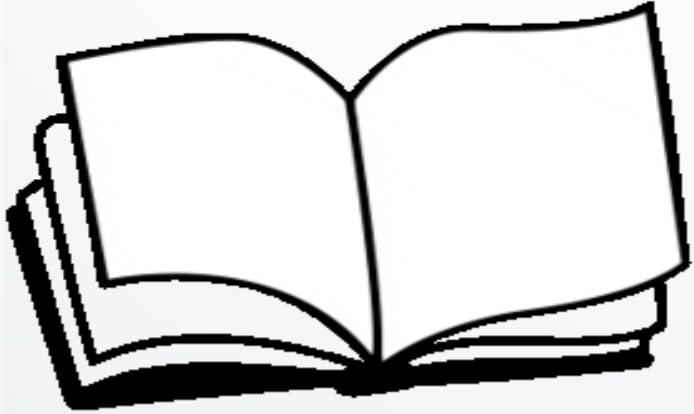


The main purpose of the contract is to describe how the relationship will work. However, it would be dangerously complacent to assume it will work perfectly every time.

It is therefore necessary to deal with situations where it will be less than perfect. In most cases, the changes to the contract will be relatively small and they can be dealt with simply. It is even possible to deal with quite large changes within the structures of most contracts.

Chapter 10

Managing variations, claims and disputes



However, in the worst cases there is disagreement about the extent of the change, or who is responsible. That may lead to a more extensive claim and, if either party disagrees about the claim, possibly to a dispute.

In Chapter 10, it describes variations, claims and disputes.

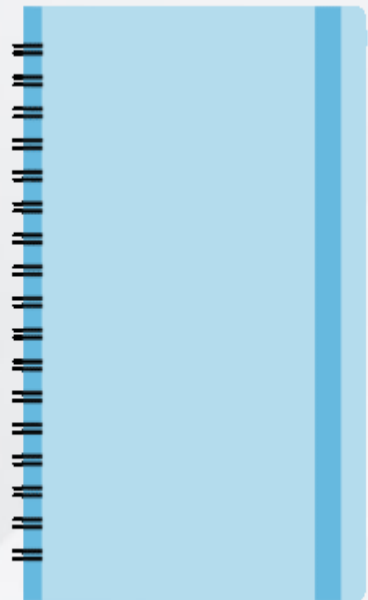
What I expect from you?



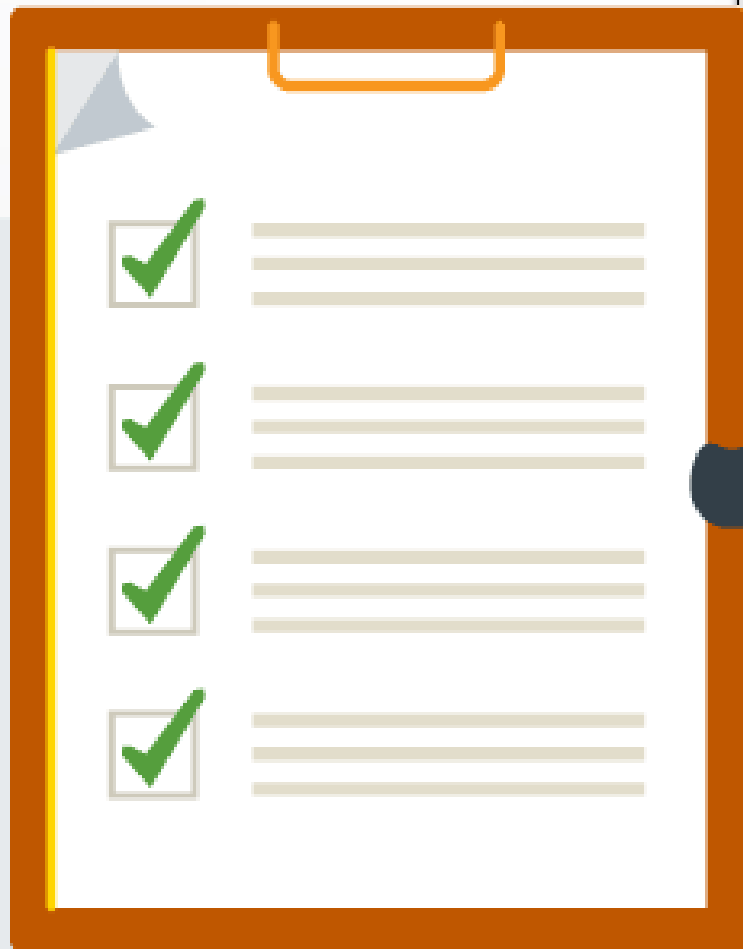
What I expect from you?

STUDY
STUDY
STUDY
STUDY

What I expect from you?



What I expect from you?



What I expect from you?



merna@esu.ac.ae

thank
you!

The text "thank you!" is written in a blue, cursive script. It is surrounded by several short, orange, horizontal dashes that are slightly tilted, giving it a hand-drawn or celebratory feel. There are three dashes on the left and three on the right, with one dash positioned below the word "thank" on each side.