



**SORAINEN**

Risk allocation under  
FIDIC contracts –  
lessons from Latvia

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06 October 2023



# CONSTRUCTION IN LATVIA



Photo: LETA, Evija Trifanova



## CARTEL ALLEGATIONS

- more than 70 objects
- (EUR > 680,000,000)
- 10 out of top 11 companies

## DESIGN AND LEGAL CHALLENGES

- poor design quality
- public safety concerns
- unclear liability border re: detailed drawings
- claims often come at very early stages after concluding the contract



**STATUTORY  
LIABILITY**

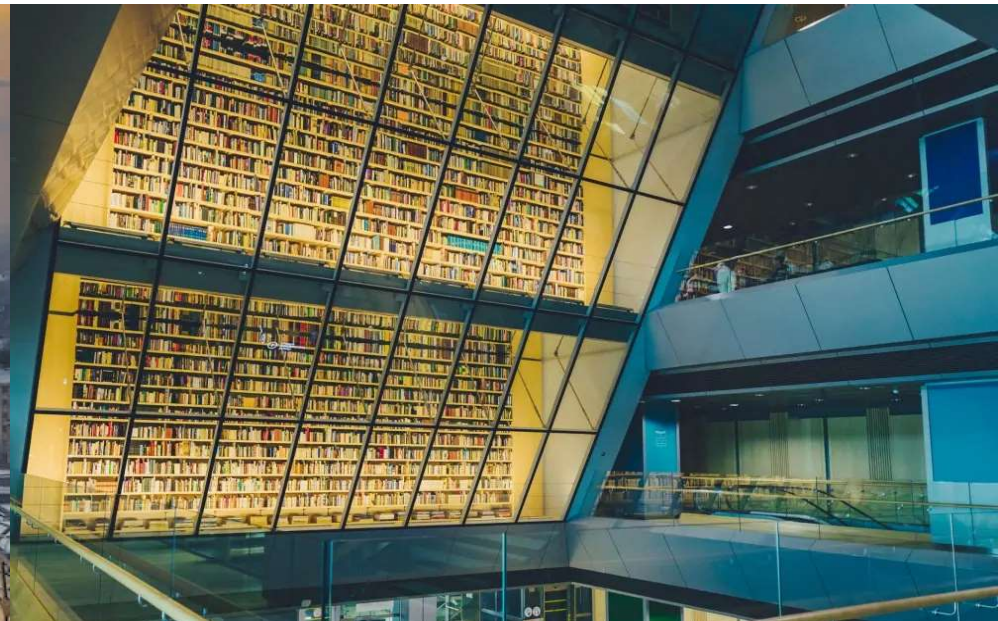


*Image via Twitter*



## CASE LAW


- statute of limitations commences upon completion of the works
- contractor may remain at the site after termination and request continuation of works



*Photos by Reinis Hofmanis via liveriga.com*

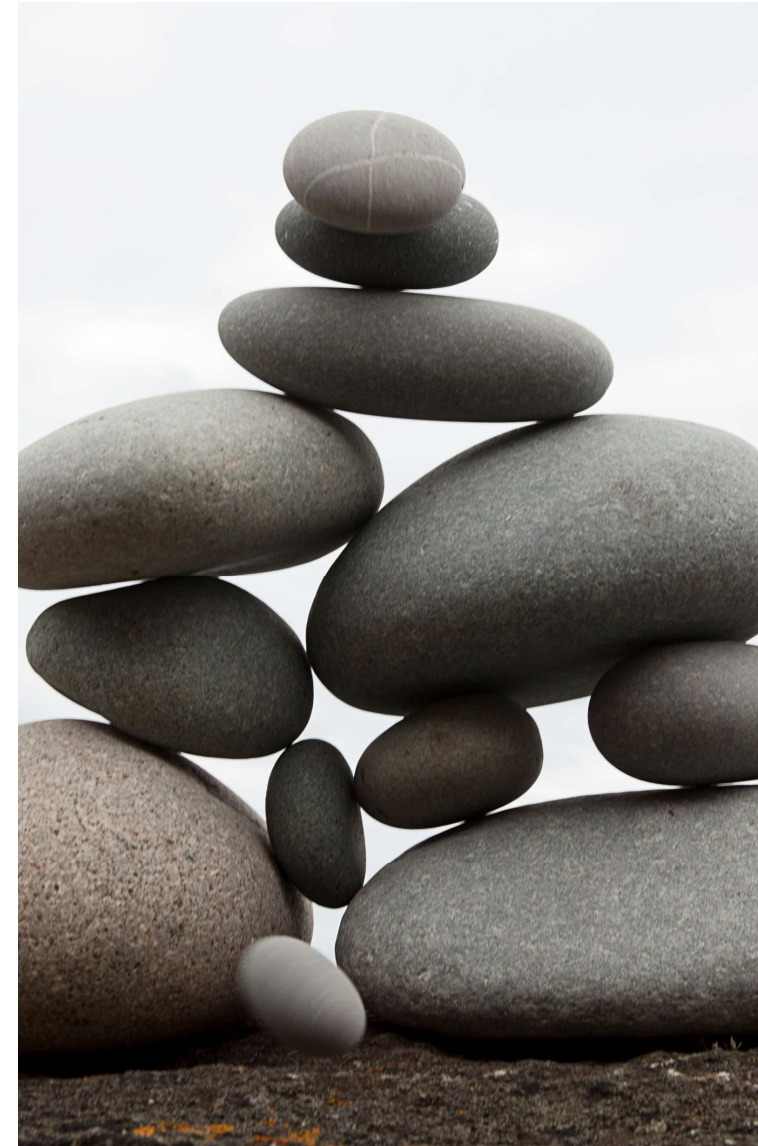
# RESULTS



- 
- **contractor's early involvement in design stage (liability unclear)**
  - **scrutiny obligations with liability transfer (liability over implementing erroneous design)**
  - **liability transfer over existing design**
  - **easy exit at any stage with no FIDIC strings attached**

## TO BALANCE

- payment within 14 – 30 days (often includes review of works)
- payment scope upon termination as per FIDIC
- statutory balance – weak performance security
- assignment of claims vs. the initial architect
- exit options for contractor in case no compromise is reached after scrutiny (not widely used)
- employers becoming more flexible re: payment structure



## LESSONS

- unless employer is willing to jeopardise the timeline of the project, contractor will have an upper hand in settlement negotiations irrespective of contract provisions
- flexibility is key (ordering works; changing the scope; termination)
- arbitration > local courts
- bigger trust between market participants is needed for Golden Principles to apply



*Image via posterlounge.ie*

# Thank you!

## Contact us



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