

29 April 2024

Dear Sir/Madam,

## LAUNCH OF NEC4 Y(SG) CLAUSES FOR NEC4 CONTRACT IN SINGAPORE

### Objective

This circular informs the Built Environment (BE) sector on the launch of NEC4 Y(SG) clauses, which will accompany the use of NEC4 contract for construction and engineering projects in Singapore.

### Collaborative Contracting in Singapore

2 In line with the Built Environment Industry Transformation Map (BE ITM), the Building and Construction Authority (BCA) has been working with industry partners to drive the adoption of collaborative contracting in Singapore. Efforts include identifying pilot projects to use the Public Sector Standard Conditions of Contract (PSSCOC) Collaborative Contracting Option Module<sup>1</sup> and more recently, the NEC4 contract. Thus far, public sector developers such as the Housing and Development Board (HDB), JTC Corporation (JTC), and Land Transport Authority (LTA) will be piloting the use of NEC4 contract in their upcoming projects. BCA will work with industry partners to facilitate the adoption of NEC4 contract in their projects as suitable opportunities arise.

### About NEC4 contract

3 NEC4 contract originated from the United Kingdom and has been increasingly adopted overseas (e.g. the United Kingdom and Hong Kong.). The NEC4 contract provides the option for a target cost approach rather than stipulating lump sum payments. With the pain share and gain share mechanism, project parties are further incentivised to innovate for better project performance and to jointly resolve issues expediently.

- 4 The NEC4 contract offers the following benefits to the client and main contractor:
- a. Time and cost control: The contract includes provisions for effective time and cost management, helping clients to better control project schedules and budgets.
  - b. Better risk management: The early warning process stipulated in the contract allows issues to be identified early so that project parties can avoid or mitigate the risks.
  - c. Efficient project management: The contract emphasises efficient project management through effective communication, clear response timelines and encourages project parties

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<sup>1</sup> The Option Module comprises of a set of collaborative clauses to be used together with the PSSCOC which is a common contract form used for all public sector construction projects in Singapore.

to settle claims quickly. This can lead to streamlined processes and reduced delays for all project parties, resulting in earlier project delivery.

## NEC4 Y(SG) clauses

5 A set of additional contract clauses (“NEC4 Y(SG) clauses”) has been developed to align the NEC4 contract<sup>2</sup> with Singapore’s laws<sup>3</sup>. The Y clauses will be made publicly available on NEC website (<https://www.necontract.com/Singapore-Y-Clauses>) on 1 May 2024.

## Raising Competencies in Collaborative Contracting

6 With the launch of NEC4 contract in Singapore, the built environment sector now has more options to consider when adopting collaborative contracting in their projects for better project delivery. Private and public sector developers can start their collaborative contracting journey early by adopting the PSSCOC Option Module or the NEC4 contract. Some consultancy firms and contractors have proactively undergone training to deepen their knowledge on NEC4 contract and other collaborative contracting provisions.

7 In anticipation of the training demand, the BCA Academy, Singapore Academy of Law, Institutes of Higher Learning (e.g. Singapore University of Social Sciences), industry associations (e.g. SCAL, ACES, SPM<sup>4</sup>) and firms have introduced courses and seminars to raise competencies in collaborative contracting. Moving ahead, the BCA Academy will also provide training to facilitate the adoption of NEC4 contract in the pilot projects.

8 Further resources on collaborative contracting can be found in the following links:

- i. PSSCOC Option Module for Collaborative Contracting - <https://www1.bca.gov.sg/procurement/post-tender-stage/public-sector-standard-conditions-of-contract-psscoc>
- ii. NEC4 contract – <https://www.necontract.com>

9 For clarification on this circular, please direct your queries to <https://www.bca.gov.sg/feedbackform/>

Thank you.

Yours faithfully

Ng Man Hon  
Director, Procurement Policies Department  
Building and Construction Authority

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<sup>2</sup> NEC4 contract is the latest edition of a suite of collaborative contracts for construction and facilities management projects. The Y clauses are developed to align the NEC4 contract with Singapore’s laws when used for the appointment of a contractor for engineering and construction work.

<sup>3</sup> The Building and Construction Industry Security of Payment Act 2004, the Contracts (Rights of Third Parties) Act 2001, the Insolvency, Restructuring and Dissolution Act 2018, the Prevention of Corruption Act 1960 and the Penal Code 1871.

<sup>4</sup> Singapore Contractors Association Ltd (SCAL), Association of Consulting Engineers Singapore (ACES), Society of Project Managers (SPM)