

Annex: Factsheet on NEC4 Contract

The NEC4 contract is designed to facilitate and encourage good management of risks through mutual trust and cooperation of project parties. The target cost payment option allows project parties to share the cost of risks and savings made, and this can encourage them to resolve issues and explore more productive solutions together.

2 This contract is not new and has been adopted in various jurisdictions. Hong Kong government carried out their first NEC pilot in 2009 and has been extending its use for various public sector construction projects. Preliminary analysis shows that NEC4 contract can help improve performance in terms of cost and time management, including large and complicated projects delivered on time and within budget. Based on a review in 2021 by the Hong Kong government¹, NEC projects are found to achieve 10% saving in time and 2% saving in costs, compared to those procured under their standard General Conditions of Contract (GCC) forms.

Benefits

3 Aligned with collaborative contracting, NEC4 contract offers these potential benefits to project parties:

- a. Time and cost control: The contract includes provisions for effective time and cost management, helping developers to better control project schedules and budgets.
- b. Better risk management: The early warning system stipulated in the contract allows issues to be identified early so that project parties can avoid or mitigate the risks by dealing with them early.
- c. Efficient project management: The contract emphasises efficient project management through effective communication, clear response timelines and encourage project parties to settle claims quickly. This can lead to streamlined processes and reduced delays for all project parties, resulting in earlier project delivery.

¹ More information on the 2021 review by Hong Kong government is at <https://www.neccontract.com/news/hong-kong-government-review-confirms-performance-benefits-of-nec-contracts>

Localised Clauses

4 NEC4 contract is a form of construction contract used internationally. BCA had worked with NEC to develop a set of Y clauses to align the contract with Singapore's law, which comprise amendments for complying with local laws such as the Security of Payment Act (SOPA).

5 Firms adopting NEC4 contract may wish to incorporate this set of Y clauses as part of their contracts. The Y clauses will be made publicly available on NEC website (<https://www.neccontract.com/Singapore-Y-Clauses>) on 1 May 2024.