

## International Contract Law for Project Managers

International contract law contains a specialized vocabulary that project managers must master to negotiate, draft, and administer contracts that cross national borders. The following explanation outlines the most important terms, provides practical examples, and highlights typical challenges that arise in international projects. Each term is presented in a concise definition followed by an illustration of how it might be applied in a real-world project environment. The emphasis on key concepts is marked with bold or italic styling, limited to short phrases so that the focus remains on the surrounding explanation.

**Contract** – A legally binding agreement between two or more parties that creates enforceable rights and obligations. In an international construction project, the contract may be a multi-million-dollar document governing the design, supply, and erection of a plant in a foreign country. The contract sets out the scope of work, payment schedule, risk allocation, and dispute-resolution mechanisms.

**Offer** – A definitive proposal by one party to enter into a contract on specified terms. The offer must be clear, communicated to the offeree, and capable of acceptance. For example, a supplier in Germany sends a quotation to a client in Brazil, stating the price, delivery schedule, and technical specifications. The quotation functions as an offer if it indicates the supplier's intention to be bound upon acceptance.

**Acceptance** – The unconditional assent by the offeree to the terms of the offer, creating a contract. Acceptance must be communicated in the manner prescribed by the offer. If the Brazilian client signs and returns the supplier's quotation, that act constitutes acceptance. In electronic transactions, acceptance may be conveyed through email, electronic data interchange (EDI), or a secure online portal.

**Consideration** – The value exchanged between the parties, which can be money, services, or a promise to do or refrain from doing something. In an international joint-venture, one partner may contribute capital while the other contributes technology; each contribution serves as consideration for the partnership agreement.

**Capacity** – The legal ability of a party to enter into a contract. Capacity can be limited by age, corporate authority, or statutory restrictions. A project manager must verify that the foreign entity signing the contract has the corporate authority to bind its shareholders, often by obtaining a corporate resolution or a power-of-attorney.

**Legality** – The requirement that the contract's subject matter be lawful in the jurisdictions concerned. A contract that requires the export of controlled technology to a sanctioned country would be illegal and unenforceable. Project managers must conduct due-diligence checks against export-control regulations and sanctions lists.

**Jurisdiction** – The court or tribunal that has the authority to hear a dispute. The jurisdiction clause in an international contract determines which country's courts may adjudicate a claim. A project based in the United Arab Emirates might specify the courts of Dubai as the jurisdiction, while also providing for

arbitration under a separate clause.

**Governing Law** – The legal system that will be applied to interpret the contract. The governing law clause separates the law that governs the contract from the jurisdiction that may hear disputes. For instance, an agreement between a U.S. Contractor and a Japanese client may state that the contract is governed by English law, even though any court action would be heard in Tokyo.

**Choice of Law** – An alternative term for governing law. The choice-of-law clause is critical because it determines how contractual terms such as “force majeure” or “liquidated damages” will be interpreted. Project managers often select a neutral legal system, such as English law or the United Nations Convention on Contracts for the International Sale of Goods (CISG), to reduce perceived bias.

**Choice of Forum** – The venue where disputes will be resolved, which may be a specific court, an arbitration center, or a mediation facility. A common choice of forum is the International Chamber of Commerce (ICC) Arbitration in Paris. The forum clause complements the governing-law clause and provides certainty about the procedural rules that will apply.

**Arbitration** – A private dispute-resolution process where an arbitrator or panel renders a binding decision, known as an award. Arbitration is favored in international contracts because it offers neutral jurisdiction, flexible procedures, and enforceability under the New York Convention. A project manager may initiate arbitration if a foreign supplier fails to meet delivery deadlines, seeking damages under the arbitration rules.

**Mediation** – A non-binding, collaborative process in which a neutral mediator assists the parties in reaching a mutually acceptable settlement. Mediation can be stipulated as a prerequisite to arbitration, helping preserve business relationships. For example, a contractor and a client may agree to mediate any claim arising from a change order before proceeding to arbitration.

**Force Majeure** – An event beyond the parties’ control that makes performance impossible or impracticable, such as war, natural disaster, or government embargo. The force-majeure clause typically requires the affected party to give notice and may suspend or terminate obligations. A cyclone that destroys a port in the Philippines would trigger a force-majeure event, excusing the carrier from timely delivery.

**Hardship** – A doctrine that allows a party to renegotiate contract terms when an unforeseen event fundamentally alters the equilibrium of the contract, making performance excessively burdensome but not impossible. Hardship differs from force majeure in that performance remains possible, albeit at a much higher cost. If a sudden increase in steel prices renders a construction project financially untenable, the contractor may invoke hardship to seek price adjustments.

**Impossibility** – A legal doctrine that discharges parties from performance when an objective condition makes the contract’s performance literally impossible. Impossibility is rare in international contracts because parties often allocate risk through force-majeure or hardship clauses. An example would be the destruction of a unique piece of equipment required for a project, leaving no substitute.

**Frustration** – Similar to impossibility, frustration occurs when an unforeseen event destroys the contract’s purpose. The doctrine is more common in common-law jurisdictions and may lead to automatic

termination. A project to build a stadium for a specific sporting event that is canceled could be considered frustrated.

**Assignment/Novation** – The substitution of one party for another, with the consent of all original parties, resulting in a new contract that extinguishes the old one. Novation is often used when a project's ownership changes. If a client sells its interest in a plant to a new investor, the parties may execute a novation to transfer all rights and obligations to the new owner.

**Subcontracting** – The delegation of part of the contractual work to a third-party subcontractor. Subcontracting clauses typically require the main contractor to obtain the client's consent and to remain liable for the subcontractor's performance. A project manager must manage the flow of information and ensure that subcontractors comply with the primary contract's standards.

**Indemnity** – A contractual promise to compensate the other party for losses arising from specified risks. Indemnities are often broad in international contracts, covering third-party claims, regulatory penalties, and consequential damages. A supplier may indemnify the purchaser against claims that the supplied equipment infringes a patent.

**Limitation of Liability** – A clause that caps the amount of damages a party can be required to pay. The cap may be expressed as a fixed sum, a multiple of the contract price, or a percentage of the total value. Project managers must balance the need for protection with the client's requirement for sufficient recourse. A clause limiting liability to the contract value, excluding liability for gross negligence, is a common arrangement.

**Warranty** – A promise that goods or services will meet certain standards for a defined period. Warranties may be express (written) or implied by law. In an international equipment supply contract, the supplier may provide a two-year warranty covering defects in materials and workmanship. Warranty provisions also define the remedies available, such as repair, replacement, or refund.

**Guarantee** – A secondary promise by a guarantor to fulfill a primary obligor's duty if the primary obligor defaults. Guarantees can be financial, such as a bank guarantee, or performance-based, such as a parent company guaranteeing its subsidiary's obligations. Guarantees are often required by financiers to secure project loans.

**Performance Bond** – A type of guarantee issued by a bank or insurance company that ensures the contractor will fulfill its contractual obligations. If the contractor fails to perform, the bond can be called upon to compensate the client. Performance bonds are common in public-sector procurement and provide a safety net for project sponsors.

**Retention** – A portion of each progress payment that is withheld until the project is substantially complete, serving as security for the client against defects. Retention rates typically range from 5% to 10% of each invoice. The retained amount is released after the defects liability period expires, provided the contractor has remedied any outstanding issues.

**Liquidated Damages** – A predetermined amount of compensation stipulated in the contract to be paid in

the event of a breach, usually delay in performance. Liquidated damages must be a genuine pre-estimate of loss, not a penalty. For example, a contract may specify a daily rate of \$10,000 for each day of delay beyond the agreed completion date.

**Penalty Clauses** – Provisions that impose a punitive amount for breach, often considered unenforceable in many jurisdictions if they are not a genuine pre-estimate of loss. International contracts typically avoid penalties and instead rely on liquidated damages or the right to claim actual damages.

**Termination** – The right to bring the contract to an end before its natural expiry, either for cause (e.G., Material breach) or for convenience (e.G., Strategic decision). Termination clauses outline the notice period, the obligations upon termination, and any termination fees. A client may terminate for convenience if the project is no longer needed, but must usually pay a termination compensation.

**Breach** – The failure to perform a contractual obligation as agreed. Breaches can be material (significant) or minor. A material breach gives the non-breaching party the right to terminate and claim damages. Project managers must assess the severity of a breach and respond in accordance with the contract's remedy provisions.

**Remedy** – The legal means by which a party can enforce its rights or obtain compensation for a breach. Common remedies include damages, specific performance, rescission, and injunctions. In international contracts, damages are the most frequently sought remedy, but parties may also pursue specific performance for unique goods.

**Specific Performance** – A court order requiring a party to fulfill its contractual obligations, rather than paying monetary damages. Specific performance is more common in civil-law jurisdictions and is often unavailable for personal services. A buyer may seek specific performance to compel the delivery of a custom-manufactured turbine that cannot be sourced elsewhere.

**Damages** – Monetary compensation awarded for loss suffered due to a breach. Damages can be compensatory (to put the injured party in the position it would have been in), consequential (losses that flow indirectly from the breach), or nominal (a small sum when no actual loss is proven). Project managers must document all loss elements to support a damages claim.

**Mitigation** – The duty of the injured party to take reasonable steps to reduce the loss caused by a breach. Failure to mitigate can reduce the recoverable damages. For example, if a supplier fails to deliver steel on time, the purchaser must seek alternative sources promptly and cannot claim the full cost of the delayed delivery without showing efforts to mitigate.

**Excuse of Performance** – A doctrine that relieves a party from liability when performance becomes impracticable due to an unforeseen event. It is similar to force majeure but is applied by courts rather than contract clauses. Project managers should be aware of the jurisdiction's approach to excuse of performance, as it may affect risk allocation.

**Contractual Risk** – The exposure to loss arising from the terms of the contract, including performance, financial, regulatory, and reputational risks. Effective risk management involves identifying, allocating, and

mitigating contractual risks through clauses such as indemnities, insurance, and limitation of liability.

**Risk Allocation** – The process of assigning specific risks to the party best able to manage them. International contracts often allocate political risk to the buyer, while construction risk is allocated to the contractor. Project managers must negotiate risk allocation to reflect their organization’s risk appetite and capabilities.

**Insurance** – A risk-transfer mechanism whereby a third-party insurer agrees to compensate for specified losses. Common policies in international projects include builder’s risk, contractor’s all-risks, professional liability, and political risk insurance. Insurance requirements are typically set out in the contract to ensure adequate coverage.

**Incoterms** – International Commercial Terms published by the International Chamber of Commerce that define the responsibilities of buyers and sellers for the delivery of goods. Incoterms such as FOB (Free on Board), CIF (Cost, Insurance, and Freight), DAP (Delivered at Place), and DDP (Delivered Duty Paid) allocate costs, risks, and customs obligations. Selecting the appropriate Incoterm is essential for freight planning and cost estimation.

**FOB** – “Free on Board” indicates that the seller delivers the goods onto a vessel nominated by the buyer, bearing all costs and risks up to that point. The buyer assumes responsibility for freight, insurance, and onward transport. In a maritime supply contract, the seller in China would load the cargo onto the vessel at the port of Shanghai, after which the buyer in Brazil would take over.

**CIF** – “Cost, Insurance, and Freight” requires the seller to pay for the cost of the goods, marine insurance, and freight to the destination port. Risk transfers to the buyer once the goods cross the ship’s rail. CIF is commonly used when the seller wishes to retain control over shipping logistics.

**DAP** – “Delivered at Place” obliges the seller to deliver the goods to a named destination, ready for unloading. The seller bears all risks and costs up to that point, but the buyer is responsible for import duties and customs clearance. DAP is often chosen for multimodal shipments where the seller can arrange inland transport.

**DDP** – “Delivered Duty Paid” places the maximum responsibility on the seller, who must deliver the goods, clear them for import, and pay any duties and taxes. DDP is suitable when the seller has a strong logistics network in the buyer’s country. However, it exposes the seller to customs-related risks.

**Payment Terms** – The schedule and method by which the buyer will pay the seller. Common structures include advance payment, milestone-based payments, progress payments, and final payment upon acceptance. Payment terms must align with cash-flow requirements and risk considerations. A typical milestone schedule might require 10% upfront, 40% upon completion of foundation work, 30% after erection of the main structure, and 20% on final acceptance.

**Letter of Credit** – A documentary credit issued by a bank that guarantees payment to the seller upon presentation of stipulated documents. Letters of credit are widely used in international trade to mitigate payment risk. A buyer in Saudi Arabia may open an irrevocable letter of credit in favor of a supplier in Italy, ensuring the supplier receives payment once shipping documents are presented.

**Bank Guarantee** – A commitment by a bank to pay a beneficiary if the principal fails to meet contractual obligations. Bank guarantees are often required as performance security, bid bonds, or warranty bonds. For a large infrastructure project, the contractor may provide a bank guarantee equivalent to 10% of the contract price as a bid bond.

**Escrow** – An arrangement where a neutral third party holds funds or documents until the parties meet specified conditions. Escrow can be used to protect the buyer's payment until the seller delivers the goods and obtains acceptance. In software licensing, the source code may be placed in escrow to be released to the licensee if the licensor becomes insolvent.

**Retention Money** – The amount of money withheld from each progress payment as security for the client. Retention is released after the defects liability period, subject to the contractor having remedied any defects. Retention mechanisms incentivize contractors to complete works to a high standard and to address any post-completion issues promptly.

**Confidentiality** – The obligation to keep certain information secret. Confidentiality clauses are often included in contracts to protect trade secrets, proprietary data, and commercial negotiations. A project manager must ensure that confidential information shared with a foreign consultant is safeguarded according to the clause's terms.

**Non-Disclosure Agreement** – A separate contract that formalizes the confidentiality obligations of parties. NDAs are frequently signed before detailed technical discussions begin. They may specify the duration of confidentiality, permitted disclosures, and remedies for breach. In joint-development projects, NDAs are essential to protect intellectual property.

**Intellectual Property** – Legal rights that protect creations of the mind, such as patents, trademarks, copyrights, and trade secrets. International contracts must allocate ownership, licensing, and protection of IP. A software development contract may grant the client a perpetual, worldwide license to use the code, while the developer retains ownership of the underlying methodology.

**Patent License** – An agreement granting permission to use a patented invention. Patent licenses can be exclusive or non-exclusive and may include royalty payments. When a manufacturer incorporates a patented component into its product, it must secure a patent license to avoid infringement liability.

**Trademark** – A sign, symbol, or expression that identifies the source of goods or services. Contracts may include provisions for the use of the other party's trademark, specifying the quality standards and any required approvals. A franchise agreement typically outlines how the franchisor's trademark may be displayed.

**Copyright** – Protection for original works of authorship, such as drawings, manuals, and software code. In international contracts, copyright ownership and licensing terms must be clearly defined. A design-build contract may stipulate that the contractor assigns all copyright in the design documents to the client upon final payment.

**Data Protection** – Legal requirements governing the collection, processing, and transfer of personal data.

The European Union's General Data Protection Regulation (GDPR) is a prominent example that applies to any entity handling EU residents' data, regardless of location. Project managers must ensure that data-processing clauses comply with applicable data-protection laws.

**GDPR** – The EU regulation that establishes strict rules for personal data handling, including principles of lawfulness, purpose limitation, and data minimisation. International contracts that involve the transfer of EU personal data must include appropriate safeguards, such as Standard Contractual Clauses or Binding Corporate Rules.

**Compliance** – The act of adhering to applicable laws, regulations, and contractual obligations. Compliance programs in international projects cover anti-corruption, export controls, sanctions, labour standards, and environmental regulations. Failure to comply can result in fines, contract termination, and reputational damage.

**Anti-Corruption** – Laws and policies that prohibit bribery and other corrupt practices. Examples include the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. Contracts often contain anti-corruption clauses requiring parties to certify that they will not engage in prohibited conduct. Project managers must implement due-diligence procedures, such as background checks on third-party agents.

**Sanctions** – Government-imposed restrictions on trade, investment, or financial transactions with certain countries, entities, or individuals. Sanctions regimes can change rapidly, affecting supply chains and financing. A contract may include a clause requiring compliance with all applicable sanctions and providing for termination if a sanction is imposed on a party.

**Export Controls** – Regulations that restrict the export of certain goods, technology, or software for national-security or foreign-policy reasons. The U.S. International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR) are principal examples. Project managers must verify that the items being exported are not subject to licensing requirements.

**Dispute Resolution** – The set of mechanisms by which parties resolve disagreements, ranging from negotiation and mediation to arbitration and litigation. A well-drafted dispute-resolution clause reduces uncertainty and helps preserve business relationships. It should specify the steps to be taken, the applicable rules, and the language of the proceedings.

**Jurisdiction Clause** – The provision that designates the courts or tribunals that will have authority over disputes. A jurisdiction clause can be exclusive (only the named courts may hear the case) or non-exclusive (the parties may also bring actions elsewhere). Project managers need to consider the enforceability of judgments in the chosen jurisdiction.

**Governing Law Clause** – The provision that determines which substantive law will be applied to interpret the contract. The clause should be clear and unambiguous, naming the jurisdiction and, where appropriate, the specific statutes or conventions that will govern. For example, "This contract shall be governed by the laws of England and Wales, excluding any conflict-of-law rules."

**Choice of Arbitration** – The part of the contract that designates the arbitration institution, seat, language,

and procedural rules. The seat of arbitration determines the law governing the arbitration process, while the language determines the language of the proceedings. A common choice is “ICC Arbitration in Paris, conducted in English, under the ICC Rules.”

**Enforcement** – The process of obtaining compliance with a judgment or arbitral award. International enforcement is facilitated by treaties such as the New York Convention for arbitration awards and the Hague Convention on the Recognition of Foreign Judgments. Project managers should assess the likelihood of enforcement in the relevant jurisdictions.

**Recognition of Awards** – The legal act by which a court accepts an arbitral award as enforceable. Most jurisdictions are signatories to the New York Convention, which obliges courts to recognize and enforce foreign arbitral awards, subject to limited grounds for refusal (e.G., Public policy). Understanding the recognition process helps parties choose a favorable seat of arbitration.

**Third-Party Rights** – The ability of a non-contracting party to enforce a term of the contract. Some legal systems, such as those following the Contracts (Rights of Third Parties) Act 1999 in England, allow third parties to enforce contractual provisions if the contract expressly provides for it. Project managers should be aware of any third-party beneficiary clauses that may affect risk.

**Privity of Contract** – The principle that only parties to a contract can enforce its terms. Privity can be circumvented through assignments, novations, or third-party beneficiary provisions. In international projects, privity issues may arise when a parent company seeks to enforce a contract signed by its subsidiary.

**Assignment Clause** – The contractual provision that governs the ability to assign rights. An assignment clause may be “permitted with notice,” “prohibited without consent,” or “allowed freely.” Project managers must negotiate appropriate assignment rights to enable financing arrangements such as factoring or securitisation.

**Novation Clause** – The provision that sets out the conditions under which a novation may occur. Novation clauses typically require the consent of all original parties and may specify the documentation required. In a project where the original contractor sells its interest, a novation clause will facilitate the transfer of obligations to the new contractor.

**Force Majeure Clause** – The clause that defines the events that constitute force majeure, the notice requirements, and the consequences for performance. A well-drafted clause will list specific events (e.G., Acts of God, war, terrorism), require written notice within a reasonable time, and provide for suspension of obligations or termination if the event persists beyond a set period.

**Hardship Clause** – The provision that allows a party to request renegotiation when performance becomes excessively onerous due to unforeseen circumstances. The clause should describe the threshold for hardship, the procedure for invoking it, and the mechanisms for reaching an agreement (e.G., Mediation or expert determination). Hardship clauses are increasingly common in long-term supply contracts.

**Change Order** – A written amendment to the contract that modifies the scope, price, or schedule. Change

orders are essential for managing variations in large projects. The contract should require that change orders be approved in writing before work proceeds, and that they specify any adjustments to the contract price and completion date.

**Variation** – A broader term for any alteration to the original contract, including change orders, scope adjustments, and schedule changes. Variation clauses typically set out the process for initiating, approving, and pricing variations. Project managers must track variations closely to avoid cost overruns and schedule delays.

**Scope of Work** – The detailed description of the work to be performed, often attached as a schedule or annex. The scope of work defines deliverables, technical specifications, quantities, and performance criteria. Clear scope definition reduces the likelihood of disputes over what is included in the contract price.

**Milestones** – Specific points in the project timeline at which certain deliverables must be completed. Milestones are often linked to payment triggers. For example, a milestone may be “completion of civil works” and, upon certification, a progress payment is released. Milestones help align the interests of the client and contractor.

**Progress Payments** – Payments made in proportion to the work performed, usually based on certified measurements or completed milestones. Progress payments improve cash flow for contractors and provide the client with assurance that payment is tied to performance. The contract should specify the documentation required for each payment claim.

**Retention Release** – The process by which the retained amount is paid back to the contractor after the defects liability period. The contract should define the conditions for release, such as receipt of a final acceptance certificate and a statement of no outstanding defects. Prompt retention release is important for the contractor’s cash-flow management.

**Retention Cap** – The maximum amount of retention that a client may hold. Some contracts limit retention to a fixed percentage of the contract price, while others may cap the total dollar amount. Retention caps help prevent excessive withholding of funds from the contractor.

**Performance Metrics** – Quantitative measures used to assess the contractor’s performance, such as on-time delivery, quality defect rate, and safety incidents. Performance metrics are often incorporated into the contract as key performance indicators (KPIs) and may affect payment or incentive structures.

**KPIs** – “Key Performance Indicators” are specific, measurable targets that reflect the success of the project. KPIs can be tied to bonuses or penalties. For instance, a KPI may require that 95 % of deliveries arrive on schedule; failure to meet the KPI could trigger a reduction in the progress payment.

**Service Level Agreement** – A contract that defines the level of service expected from a service provider, including response times, availability, and performance standards. SLAs are common in IT outsourcing and maintenance contracts. Breach of an SLA may give rise to liquidated damages or the right to terminate.

**SLAs** – The abbreviation for Service Level Agreements. In an international IT support contract, the SLA might

stipulate a 4-hour response time for critical incidents and a 99.9% System uptime. The SLA will also set out remedies for failure to meet the agreed levels.

**Warranty Period** – The time frame during which the seller must repair or replace defective goods at no cost to the buyer. The warranty period may be separate from the defects liability period, which is often longer for construction works. Project managers should track warranty expirations to plan for potential post-project support.

**Defects Liability Period** – The period after practical completion during which the contractor must remedy any defects identified by the client. The defects liability period is typically expressed as a number of months (e.G., 12 Months). During this period, the contractor may still be liable for latent defects that emerge later.

**Defects** – Imperfections or non-conformities in the work that do not meet the contract specifications. Defects may be minor (e.G., Paint touch-ups) or major (e.G., Structural deficiencies). The contract should define the process for defect notification, rectification, and any associated penalties.

**Substantial Completion** – The point at which the work is sufficiently complete for the client to occupy or use the facility for its intended purpose, even though minor items may remain. Substantial completion often triggers the start of the defects liability period and the release of a portion of retained monies.

**Practical Completion** – Similar to substantial completion, it denotes that the works are ready for use, subject to minor punch-list items. The distinction between practical and substantial completion varies by jurisdiction, but both are important milestones for payment and risk transfer.

**Notice** – Formal communication required by the contract to trigger certain rights, such as invoking force majeure, claiming a breach, or terminating the agreement. Notice provisions typically prescribe the method (e.G., Registered mail, courier, email), the time frame, and the recipient. Failure to give proper notice can forfeit contractual rights.

**Notice Period** – The amount of time a party must give before exercising a right, such as termination for convenience. Notice periods vary by contract and may be expressed in days, weeks, or months. A 30-day notice period for termination for convenience gives the other party time to mitigate losses.

**Termination for Convenience** – The right of a party, usually the client, to end the contract without cause, subject to compensation. This clause provides flexibility for the client to cancel a project if business needs change. Compensation may be based on the value of work performed, remaining costs, and any termination fees.

**Termination for Cause** – The right to end the contract when the other party commits a material breach. Termination for cause usually requires a cure period, during which the breaching party can remedy the breach. If the breach is not cured, the non-breaching party may terminate and claim damages.

**Force Majeure Event** – The actual occurrence that triggers the force-majeure clause, such as an earthquake, embargo, or pandemic. The event must be beyond the control of the parties and must prevent or substantially impede performance. Documentation, such as government declarations or news reports, is

often required to substantiate the claim.

**Mitigation Measures** – Actions taken by a party to reduce the impact of a breach or force-majeure event. Mitigation may include sourcing alternative suppliers, reallocating resources, or adjusting schedules. Project managers must document mitigation efforts to preserve the right to recover damages.

**Risk Register** – A tool used to identify, assess, and manage project risks. The risk register should capture contractual risks, such as exchange-rate fluctuations, political instability, and supplier insolvency, along with mitigation strategies and owners. Maintaining an up-to-date risk register supports proactive risk management.

**Exchange-Rate Risk** – The risk that currency fluctuations will affect the value of payments. International contracts often address this risk through currency clauses, such as fixing the contract price in a single currency or using a hedging strategy. A project manager may require that payments be made in USD to avoid exposure to local currency volatility.

**Currency Clause** – The provision that specifies the currency of payment and any mechanisms for adjusting the price due to exchange-rate movements. A typical clause may state that the contract price is in EUR, and any change in the EUR/USD rate exceeding 2% will trigger a price adjustment. Clear currency clauses help prevent disputes over price changes.

**Force Majeure Notice** – The formal communication required to invoke the force-majeure clause. The notice must describe the event, its impact on performance, and the expected duration. It must be sent within the time limits set out in the contract, often within 10 days of the event's occurrence.

**Excusable Delay** – A delay that is permissible under the contract because it is caused by an event covered by a clause such as force majeure or a permitted delay event. Excusable delays do not constitute a breach and typically do not give rise to liquidated damages. However, they may affect the project schedule and require a revised program.

**Non-Excusable Delay** – A delay that is not covered by any contractual excuse and therefore may constitute a breach. Non-excusable delays can trigger liquidated damages or allow the client to terminate the contract. Project managers must monitor schedule performance closely to avoid non-excusable delays.

**Schedule of Values** – A detailed breakdown of the contract price by work item or cost element. The schedule of values is used for progress billing and for tracking the financial performance of the project. A well-structured schedule of values facilitates accurate payment applications and reduces the risk of over-billing.

**Progress Claim** – The contractor's request for payment based on work completed to date. Progress claims typically include a statement of work performed, supporting documentation (e.G., Measurement sheets, test reports), and a calculation of the amount due. Prompt and accurate progress claims help maintain cash flow.

**Payment Certificate** – The document issued by the client's engineer or representative certifying the amount

payable for a progress claim. The payment certificate confirms that the work meets the contract specifications and that the amount claimed is appropriate. The contractor may appeal a payment certificate if it disagrees with the amount certified.

Retention Release Certificate – The document that confirms the release of retained funds after the completion of the defects liability period. The release certificate may be conditioned on the issuance of a final acceptance certificate and the resolution of all outstanding defects. Timely issuance of the release certificate is crucial for the contractor's final cash-flow.