**Decision Tree for Termination of Construction Contract**

| **Step** | **Question / Condition** | **Code** | **Answer** | **Sub-Code** | **Action / Outcome** |
| --- | --- | --- | --- | --- | --- |
| **1** | **Has the employer terminated the construction contract?** | **T1** | **No** | **T1.1** | **No termination has occurred; continue with the contract or address other issues.** |
|  |  |  | **Yes** | **T1.2** | **Proceed to Step 2.** |
| **2** | **Does the construction contract include specific grounds for termination by the employer?** | **T2** | **No** | **T2.1** | **Without specific grounds, the employer’s right to terminate may be limited; proceed to Step 7.** |
|  |  |  | **Yes** | **T2.2** | **Proceed to Step 3.** |
| **3** | **Did the employer provide notice of termination as required by the contract?** | **T3** | **No** | **T3.1** | **Failure to provide proper notice may render the termination invalid; contractor may claim compensation.** |
|  |  |  | **Yes** | **T3.2** | **Proceed to Step 4.** |
| **4** | **Is the reason for termination listed as a valid ground under the contract (e.g., delays, poor workmanship, breach)?** | **T4** | **No** | **T4.1** | **The termination may be invalid if not based on a contractually valid ground; contractor may claim compensation.** |
|  |  |  | **Yes** | **T4.2** | **Proceed to Step 5.** |
| **5** | **Has the contractor been given an opportunity to remedy the breach?** | **T5** | **No** | **T5.1** | **If the contract requires an opportunity to remedy and it was not provided, the termination may be premature; contractor may claim compensation.** |
|  |  |  | **Yes** | **T5.2** | **Proceed to Step 6.** |
| **6** | **Did the contractor fail to remedy the issue within the specified time frame?** | **T6** | **No** | **T6.1** | **If the contractor remedied the issue, the termination might be unjustified; contractor may claim compensation.** |
|  |  |  | **Yes** | **T6.2** | **Proceed to Step 7.** |
| **7** | **Was the employer’s decision to terminate made in good faith and in accordance with the contract?** | **T7** | **No** | **T7.1** | **If bad faith is suspected, or the contract was not followed, the termination could be contested; contractor may seek compensation.** |
|  |  |  | **Yes** | **T7.2** | **The termination is likely valid, and the employer may have a legitimate claim; contractor may have limited grounds for compensation.** |
| **8** | **Does the applicable law or contract provide the contractor with rights to claim compensation in unjustified termination?** | **T8** | **No** | **T8.1** | **If there are no provisions for compensation, the contractor’s ability to claim may be limited, but other remedies may be explored.** |
|  |  |  | **Yes** | **T8.2** | **Proceed to Step 9.** |
| **9** | **Has the contractor incurred losses or damages directly as a result of the termination?** | **T9** | **No** | **T9.1** | **Without demonstrable losses, the contractor’s claim for compensation may be weak.** |
|  |  |  | **Yes** | **T9.2** | **Proceed to Step 10.** |
| **10** | **Can the contractor prove that the termination was unjustified and that they complied with obligations?** | **T10** | **No** | **T10.1** | **If the contractor cannot prove this, their compensation claim may be difficult to succeed.** |
|  |  |  | **Yes** | **T10.2** | **The contractor may have a strong claim for compensation due to wrongful termination.** |

**Summary of Outcomes**

| **Step/Code** | **Outcome** |
| --- | --- |
| **T1.1** | **No termination has occurred; continue with the contract.** |
| **T1.2** | **Proceed to evaluate the termination process.** |
| **T2.1** | **Employer’s right to terminate is limited; jump to Step 7.** |
| **T2.2** | **Proceed to check notice compliance.** |
| **T3.1** | **Improper notice renders termination invalid; contractor may claim compensation.** |
| **T3.2** | **Proceed to check validity of termination grounds.** |
| **T4.1** | **Termination invalid if not based on contractually valid grounds.** |
| **T4.2** | **Proceed to assess whether contractor was given an opportunity to remedy.** |
| **T5.1** | **Termination premature without remedy opportunity.** |
| **T5.2** | **Proceed to check contractor’s performance in remedying.** |
| **T6.1** | **If contractor complied, termination unjustified.** |
| **T6.2** | **Proceed to good faith assessment.** |
| **T7.1** | **Termination may be contested if bad faith suspected.** |
| **T7.2** | **Termination likely valid.** |
| **T8.1** | **Contractor’s rights to compensation may be limited under law/contract.** |
| **T8.2** | **Proceed to loss/damage assessment.** |
| **T9.1** | **Weak claim without losses.** |
| **T9.2** | **Proceed to burden of proof of wrongful termination.** |
| **T10.1** | **Contractor’s compensation claim may fail.** |
| **T10.2** | **Contractor has strong claim for compensation.** |

**Notes and Explanation**

1. **Step-by-Step Logic: The tree ensures a logical progression, where each condition narrows the pathway toward either a valid termination or a potential claim.**
2. **Contractual Compliance: The focus is on whether the employer complied with notice requirements, valid grounds, and remedy opportunities, which are core in FIDIC and most construction contracts.**
3. **Good Faith Check: International arbitration and court practice emphasize good faith in termination decisions; its absence weakens the employer’s case.**
4. **Legal Safeguards: Even if contract terms allow termination, national laws (civil codes, common law doctrines) may override unfair clauses.**
5. **Compensation Rights: The contractor’s right to damages depends on both contractual provisions and proof of actual loss.**
6. **End States: The tree leads to clear outcomes:**
   * **Termination valid → Employer may pursue claims.**
   * **Termination invalid/unjustified → Contractor may claim damages.**
   * **Unclear cases → Outcome depends on proof of loss and compliance.**