

Law No. (2) of 2009
Amending
Law No. (6) of 1997 Concerning Contracts of
Government Departments in the Emirate of Dubai¹

We, Mohammad bin Rashid Al Maktoum, Ruler of Dubai,

After perusal of:

Law No. (6) of 1997 Concerning Contracts of Government Departments in the Emirate of Dubai (the “**Original Law**”),

Do hereby issue this Law.

Article (1)

Articles (13) and (32) of the Original Law are hereby superseded by the following:

Article (13)

Notwithstanding the provisions of paragraph (1) of Article 12 of this Law, a Government Department may enter into a Contract with a foreign company operating within or outside of the UAE or a company established in a free zone, provided that the Government Department is in urgent need of certain supplies or services, and no suitable alternative sourcing is available from national local companies.

Article (32)

1. An interest-free performance bond of ten percent (10%) of the bid value in the form of an unconditional and irrevocable letter of guarantee from a bank operating in the UAE will be collected from the winning bidder. The performance bond will be submitted on a special form prescribed by the concerned Department. Unless the Committee decides otherwise, the performance bond will be valid for ninety (90) days after expiry of the term of the Contract in case of supply and services Contracts, or until final delivery in case of works Contracts.

©2015 The Supreme Legislation Committee in the Emirate of Dubai

¹ *Every effort has been made to produce an accurate and complete English version of this legislation. However, for the purpose of its interpretation and application, reference must be made to the original Arabic text. In case of conflict the Arabic text will prevail.*

2. Where the Contract value cannot be precisely determined, the value of the performance bond will be a lump sum.
3. The amount of the performance bond must be increased if the value of supplies, works, or services exceeds the value specified in the Contract. Where a contractor fails to satisfy the full amount of the performance bond, the Department will be entitled to deduct the required amount from any sum due to the contractor.
4. In case of divisible supply Contracts, the amount of the performance bond may be gradually reduced according to the percentage of completion of the Contract, provided that the performance bond does not become less than ten percent (10%) of the value of the uncompleted part of the Contract. Such reduction will not be allowed in works Contracts, services Contracts, and indivisible supply Contracts.
5. Exemption from the requirement to provide the performance bond may be granted if the supply period stipulated in the Contract does not exceed fifteen (15) days from the date of signing the contract, in which case the validity of the bid bond must be extended for at least thirty (30) days from the date of final delivery, and the extension must be stated in the Contract.
6. Subject to the approval of a Director General, exemption from the requirement to provide performance bonds in respect of contracts for the supply of materials and services with foreign companies operating within or outside of the UAE, or companies established in free zones, may be granted if the supplier refuses to provide the performance bond while the Department is in urgent need of these supplies for which no appropriate alternative can be provided by another entity.
7. Public authorities and corporations, and companies in which the Government holds at least fifty percent (50%) of the shares, may be exempt from the requirement to provide bid bonds and performance bonds.

Article (2)

This Law comes into force on the day on which it is issued, and will be published in the Official Gazette.

Mohammed bin Rashid Al Maktoum

Ruler of Dubai

Issued in Dubai on 1 February 2009

Corresponding to 6 Safar 1430 A.H.