

Law No. (8) of 2014
Amending
Law No. (6) of 1997 Concerning Contracts of Government
Departments in the Emirate of Dubai¹

We, Mohammed 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 and its amendments,

Do hereby issue this Law.

Article (1)

Article (32) of the above mentioned Law No. (6) of 1997 will be superseded by the following:

Article (32)

1. An interest-free performance bond of ten percent (10%) of the value of the Contract will be collected from the winning bidder. The performance bond will be in the form of an unconditional and irrevocable letter of guarantee issued by a bank operating in the UAE, and will be submitted on a special form prescribed by the concerned Department. Unless the Committee decides otherwise, the performance bond must 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.
2. Where the Contract value cannot be precisely determined, the value of the performance bond will be a lump sum .

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¹Every 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.

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3. The amount of the performance bond must be increased if the value of the 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 will not be less than ten percent (10%) of the value of the uncompleted part of the Contract.
5. Notwithstanding the provisions of paragraph (1) of this Article, exemption from the requirement to provide a performance bond may, subject to the approval of a Director General or his authorised representative, be granted in the following cases:
 - a. where the supply period stipulated in a 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 a period of not less than thirty (30) days of the final delivery of supplies;
 - b. in case of Contracts for supplying materials and services where the party contracting with the Department is a foreign company operating within or outside of the UAE, or a company established in a free zone, and 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;
 - c. without prejudice to Article (64) of this Law, in case of works or consultancy services Contracts where the value of the Contract does not exceed five hundred thousand Dirhams (AED 500,000);
or
 - d. without prejudice to Article (64) of this Law, where the contractor is unable to provide the performance bond and the Contract is for works whose value exceeds five hundred thousand Dirhams (AED 500,000), up to two million Dirhams (AED 2,000,000), in which case ten percent (10%) of the payments owed to the contractor will be retained as security due to failure to provide the performance bond until the final delivery of the project, and the retained amount may be paid to the contractor in return for providing a bank guarantee for the same amount.
6. Public authorities and corporations, and companies in which the Government holds at least fifty percent (50%) of the share capital, 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 21 May 2014

Corresponding to 22 Rajab 1435 A.H.