

**Law No. (12) of 2020**  
**Concerning**  
**Contracts and Warehouse Management in the Government of Dubai<sup>1</sup>**

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**We, Mohammed bin Rashid Al Maktoum, Ruler of Dubai,**

After perusal of:

Federal Law No. (5) of 1985 Issuing the Civil Code of the United Arab Emirates and its amendments;

Federal Law No. (1) of 2006 Concerning Electronic Transactions and e-Commerce;

Federal Decree No. (55) of 2002 Concerning the Economic Agreement between the Gulf Cooperation Council Countries;

Law No. (5) of 1995 Establishing the Department of Finance;

Law No. (6) of 1997 Concerning Contracts of Government Departments in the Emirate of Dubai and its amendments;

Law No. (3) of 2003 Establishing the Executive Council of the Emirate of Dubai;

Law No. (12) of 2004 Concerning the Dubai International Financial Centre Courts and its amendments;

Law No. (23) of 2009 Concerning the Mohammed bin Rashid Establishment for Small and Medium-sized Enterprises Development and its amendments;

Law No. (6) of 2011 Regulating Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai;

Law No. (13) of 2011 Regulating the Conduct of Economic Activities in the Emirate of Dubai and its amendments;

Law No. (22) of 2015 Regulating Partnership between the Public Sector and the Private Sector in the Emirate of Dubai;

Law No. (26) of 2015 Regulating Data Dissemination and Exchange in the Emirate of Dubai;

Law No. (30) of 2015 Establishing the Smart Dubai Government Establishment;

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<sup>1</sup>*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.*

Law No. (1) of 2016 Concerning the Financial Regulations of the Government of Dubai;  
Law No. (13) of 2016 Concerning the Judicial Authorities in the Emirate of Dubai;  
Law No. (4) of 2018 Establishing the Financial Audit Authority; and  
Decree No. (24) of 2007 Forming the Supreme Fiscal Committee in the Emirate of Dubai  
and its amendments,

**Do hereby issue this Law.**

## **Chapter One Preliminary Provisions**

### **Section One Title, Definitions, Objectives, and Scope of Application of the Law**

#### **Title of the Law Article (1)**

This Law will be cited as "Law No. (12) of 2020 Concerning Contracts and Warehouse Management in the Emirate of Dubai".

#### **Definitions Article (2)**

The following words and expressions, wherever mentioned in this Law, will have the meaning indicated opposite each of them unless the context implies otherwise:

UAE:	The United Arab Emirates.
Emirate:	The Emirate of Dubai.
Ruler:	His Highness the Ruler of Dubai.
Government:	The Government of Dubai.
Executive Council:	The Executive Council of the Emirate of Dubai.
SFC:	The Supreme Fiscal Committee formed pursuant to the above-mentioned Decree No. (24) of 2007.
DOF:	The Department of Finance.

SDGE:	The Smart Dubai Government Establishment.
Government Entity:	Any of the Government departments, public agencies or corporations, Government councils or authorities, or other entities affiliated to the Government.
Director General:	The director general of a Government Entity or any other officer holding a similar position.
Competent Authority:	A Person authorised pursuant to the provisions of this Law to select the appropriate Procurement Method or Method of Disposal of Assets, and to conclude Contracts.

Concerned Unit:	The organisational unit(s) responsible for the management of Purchases and for Inventory Management within a Government Entity.
Contract:	A paper or electronic agreement concluded by a Government Entity with a Supplier to provide that entity with Purchases it needs; or an agreement concluded by a Government Entity with others to dispose of the Assets of that entity, in accordance with the provisions of this Law and the resolutions issued in pursuance hereof.
Procurement:	The process of supplying a Government Entity with Purchases it needs through a Procurement Method.
Purchases:	The works, materials, services, and the like, needed by a Government Entity.
Assets:	The movable and immovable property, and material and moral rights, that are held, managed, operated, or actually controlled by a Government Entity. These include, without limitation, land, buildings, vehicles, machinery, equipment, systems, software, patents, and copyrights.
Inventory Management:	This includes, without limitation, all processes and procedures related to the efficient and effective planning, designing, provision, recording, preservation, allocation, use, operation, maintenance, protection, and Disposal of Assets.
Disposal of Assets:	Disposition by a Government Entity of its Assets through sale, lease, or any other revenue-generating method; or through recycling, destruction, or donation of the same, in accordance with the provisions of this Law and the resolutions issued in pursuance hereof.
Procurement Method:	This includes any public tender, limited tender, direct agreement, negotiation, or competitive tender, whose conditions, rules, and procedures are stipulated in this Law and the resolutions issued in pursuance hereof.

Method of Disposal of Assets:	This includes any auction, negotiation, or direct agreement, whose conditions, rules, and procedures are stipulated in this Law and the resolutions issued in pursuance hereof.
Supplier:	A Person with whom a Government Entity contracts, in accordance with the provisions of this Law, to provide Purchases it needs. This includes civil contractors, suppliers of materials, and service providers.
Consultant:	A Person with whom a Government Entity enters into a Contract to supervise the project subject of that Contract.
Bid:	A paper or electronic document that is submitted by a Person with whom a Government Entity wishes to contract in accordance with the provisions of this Law and the resolutions issued in pursuance hereof; and that states the prices and the technical, financial, and contractual specifications and conditions offered by that Person in respect of the relevant Procurement or Disposal of Assets.
Award Letter:	A paper or electronic notice addressed by a Government Entity to a winning bidder informing him of the acceptance of his Bid.
Bid Bond:	The guarantee provided by a Person wishing to enter into a Contract with a Government Entity, in accordance with this Law and the resolutions issued in pursuance hereof, to prove the seriousness of his intent to enter into that Contract.
Performance Bond:	The guarantee provided in favour of a Government Entity by a Person contracting with that entity, in accordance with this Law and the resolutions issued in pursuance hereof, to ensure the performance of his obligations under the Contract.
Variation Order:	An order issued by a Government Entity to a Supplier to change or modify the quantities, specifications, design, or terms of delivery of Purchases; or to change or modify the dates or method of performance of the Contract, in

accordance with the rules and procedures stipulated in this Law.

**Purchase Request:** A paper or electronic document that contains the standards related to the quantities, types, and specifications of the materials, services, or works to be procured; and any other technical, financial, or contractual requirements that must be complied with when conducting Procurement.

**Purchase Order:** A paper or electronic document issued by a Concerned Unit to a Supplier, based on which the Purchases needed by the Government Entity are provided. This document contains the specifications and prices of the Purchases and the Concerned Unit's approval of the Bid submitted by the Supplier based on the details of the Purchase Request and submitted Bids.

**Commencement Order:** A paper or electronic document issued by a Concerned Unit to a Supplier to commence the performance of the Contract.

**Inventory Planning:** A plan prepared by a Government Entity to specify the materials it needs, on an annual basis, in its estimated budget for the relevant Financial Year.

**Initial Receipt:** The temporary receipt of the Purchases procured for a Government Entity, in accordance with the provisions of this Law, in preparation for completing the Final Receipt procedures.

**Final Receipt:** The final receipt of the Purchases procured for a Government Entity, in accordance with the provisions of this Law.

**Electronic System:** The Government central electronic system for the management of Contracts and inventory, including its subsystems and programmes.

**Committee:** Any of the committees formed, as the case may be, in a Government Entity pursuant to the provisions of this Law; or any other specialised committee formed within the Government Entity as mandated by the nature of its business.

Person: A natural person or a public or private legal person.

### **Objectives of the Law**

#### **Article (3)**

This Law aims to:

1. develop a modern and up-to-date framework that establishes the rules, procedures, and methods for procuring the Purchases needed by Government Entities, in line with the vision of the Emirate, the present and future policies and orientations of the Government, and the relevant international best practices;
2. develop an effective system that enables Government Entities to achieve the highest levels of quality, efficiency, and effectiveness in procuring their Purchases and managing their warehouses;
3. encourage the joint procurement of Purchases for Government Entities to ensure cost effectiveness and efficiency of the same;
4. achieve the highest level of cost-efficiency in procuring Purchases at fair and competitive prices;
5. promote integrity and transparency, and uphold the principles of equal treatment and equal opportunities among the Suppliers providing Purchases;
6. provide a legal framework for automation of the Procurement and Inventory Management processes at Government Entities in line with the Government's vision for the adoption of smart transformation in managing all Government business and activities;
7. standardise the rules and procedures for concluding Contracts and for the efficient and effective Inventory Management within the Government, through governance of the procurement of Purchases, Disposal of Assets, and Inventory Management; and
8. preserve, and efficiently and effectively manage, Government Assets.

### **Scope of Application**

#### **Article (4)**

- a. This Law applies to:
  1. all the Contracts concluded or renewed by Government Entities after the effective date of this Law; and the management by these entities of their inventory; and

2. the Contracts concluded by Government Entities before the effective date of this Law in respect of any matter not provided for in these Contracts or in the law under which they have been concluded.
- b. This Law does not apply to the following Government Entities, projects, and Contracts:
1. any Government Entity which is established, or whose business is regulated, under legislation that stipulates that its Contracts and Inventory Management be governed by special regulations;
  2. any Contract, project, Purchases, or Government Entity which is exempted from compliance with the provisions of this Law pursuant to a resolution of the Chairman of the Executive Council or his authorised representative; and
  3. any Partnership Agreement which is governed by the above-mentioned Law No. (6) of 2011 or Law No. (22) of 2015.

**Compliance with this Law**  
**Article (5)**

All Government Entities governed by this Law must, in procuring their Purchases, disposing of their Assets, or managing their warehouses, comply with the provisions of this Law and the resolutions issued in pursuance hereof, and with the provisions of the Procurement templates and policies adopted by the DOF. Any disposition undertaken in breach of these provisions will be voidable where the public interest so requires.

**Section Two**  
**Functions**

**Functions of the DOF**  
**Article (6)**

For the purposes of this Law, the DOF will, in coordination with the concerned Government Entities, have the duties and powers to:

1. prepare a manual for governance of Purchases, Disposal of Assets, and Inventory Management, in line with the provisions of this Law and the resolutions issued in pursuance hereof;
2. develop the policies related to uniform Procurement, fixed prices, and any other method that ensures efficiency of the joint procurement of Purchases, namely materials and services, for Government Entities; and conclude the relevant Contracts;



3. prepare a guidelines manual on the Disposal of Assets by Government Entities, whether with or without consideration;
4. prepare guiding templates for the general conditions of Contracts. Government Entities may use their own templates, provided that these templates do not conflict with the guiding templates developed by the DOF; and
5. perform any other duties required for the achievement of the objectives of this Law.

### **Functions of the SDGE**

#### **Article (7)**

For the purposes of this Law, the SDGE will, in coordination with Government Entities, create, operate, maintain, update, and supervise the Electronic System; and follow up compliance by Government Entities with the rules for using this system.

### **Functions of Concerned Units**

#### **Article (8)**

For the purposes of this Law, the Concerned Unit will, in coordination with the competent organisational units within the Government Entity, have the duties and powers to:

1. develop, in accordance with the relevant international best practices, the standards for the procurement of Purchases and Disposal of Assets of the Government Entity; and submit the same to the Director General for approval;
2. develop the plans required for Inventory Management within the Government Entity, and submit the same to the Director General for approval;
3. analyse and categorise the requested Purchases in terms of quality and price;
4. propose the appropriate Procurement Methods and Methods of Disposal of Assets, and obtain the Competent Authority's approval of these methods;
5. procure Purchases and secure after-sale services at the best prices and with the best specifications;
6. provide the necessary Data on the requested Purchases or the Assets to be disposed of;
7. classify Suppliers, follow up their performance, and prepare periodic reports on their performance of the Contracts concluded with them; and submit the same to the Competent Authority;
8. register Suppliers on, or strike them off, the relevant records and rolls maintained by the Government Entity; and coordinate with the SDGE to update the Electronic System accordingly;

9. submit to the Competent Authority recommendations on imposing penalties and measures against Suppliers who fail to perform the Contracts concluded with them;
10. prepare the documents related to Procurement and Disposal of Assets, and draft the relevant Contracts, in accordance with this Law, the resolutions issued in pursuance hereof, and the relevant templates approved by the DOF;
11. follow the pre-contract procedures in respect of concluding Contracts of Procurement and Disposal of Assets;
12. provide administrative and technical support to the Committees formed within the Government Entity pursuant to the provisions of this Law;
13. follow up the performance of Contracts, Purchase Orders, and Commencement Orders;
14. implement the Electronic System and supervise the entry of information and Data therein through the relevant process prescribed by the DOF;
15. create and update a database of all Purchases; categorise these Purchases based on their nature; and link the database to the Inventory Planning systems;
16. plan and supervise Inventory Management, and submit the relevant recommendations to the Director General; and
17. perform any other duties assigned to it under this Law and the resolutions issued in pursuance hereof, or assigned to it by the Director General or the Committees formed pursuant to this Law.

### **Section Three**

#### **Preliminary Procedures for Procurement and Disposal of Assets**

#### **Steps for Procurement and Disposal of Assets**

##### **Article (9)**

Procurement and Disposal of Assets will be conducted in accordance with the steps prescribed in the relevant resolution of the Director General. These steps must include the following:

1. The Concerned Unit will, in coordination with the competent organisational units within the Government Entity, draft a memorandum containing its relevant recommendations on the Procurement or Disposal of Assets; and will submit the same to the Competent Authority.

2. The Competent Authority will review the memorandum drafted by the Concerned Unit and give the relevant directives as it deems appropriate, including referring the matter to the competent Committee.
3. The competent Committee will consider the matter and perform the duties vested in it in respect of the Procurement or Disposal of Assets, and will submit the relevant recommendations to the Competent Authority to determine the Procurement Method or Method of Disposal of Assets.
4. The decision of the Competent Authority will be referred to the competent Committee to proceed with the Procurement or Disposal of Assets in accordance with the provisions of this Law.
5. The competent Committee will, in accordance with the provisions of this Law, determine the winning bidder; and will submit the relevant recommendations to the Competent Authority to approve the award decision and conclude the Contract.
6. Upon approval of the Award Letter by the Competent Authority and conclusion of the Contract, the competent Committee will follow up the performance of the Contract by the Concerned Unit in accordance with the provisions of this Law.

### **Preparing Documents**

#### **Article (10)**

- a. The Concerned Unit will, in coordination with the competent organisational units within the Government Entity, prepare the documents related to Procurement or Disposal of Assets, as the case may be. These documents must include:
  1. the detailed specifications of the requested Purchases or detailed description of the Assets to be disposed of;
  2. the conditions of Procurement or Disposal of Assets; and
  3. the general and particular conditions of the Contract and its appendices.
- b. Neither the Concerned Unit nor any of the Government Entity's employees may, in the course of preparing the documents referred to in paragraph (a) of this Article, disclose any information or Data that may undermine the interests of the Government Entity, the proper management of the Public Funds, or the principle of fair competition among bidders.

## **Establishing Specifications**

### **Article (11)**

- a. In establishing the specifications related to Procurement or Disposal of Assets, the Concerned Unit must, in coordination with the competent organisational units within the Government Entity:
  1. clearly and accurately determine the nature, description, quantity, and type of the requested Purchases or the Assets to be disposed of;
  2. clearly and accurately determine all technical specifications of the requested Purchases;
  3. determine the specifications related to performance and operational requirements;
  4. approve the technical specifications based on the recognised international Procurement standards, and in line with the needs of the Government Entity; and
  5. avoid referring to a specific trademark, trade name, patent, copyright, design, type, source, or Supplier unless the public interest requires otherwise.
- b. Notwithstanding the provisions of paragraph (a) of this Article, where the technical specifications related to Procurement or Disposal of Assets cannot be developed by the Concerned Unit, this unit may:
  1. seek the assistance of an external Consultant to develop or assist in developing the specifications. This Consultant must be selected and contracted in accordance with the provisions of this Law and the resolutions issued in pursuance hereof, and must not have any direct or indirect interest in the requested Purchases. Priority must be given to UAE national Consultants; and
  2. determine the general requirements relating to the Purchases, and invite bidders to propose the specifications that meet the needs of the Government Entity.

## **Chapter Two**

### **Contracts under which Government Entities Incur Expenses**

#### **Section One**

#### **Registration of Suppliers**

## **Central Register of Suppliers**

### **Article (12)**

- a. A Central Register of Suppliers will be created within the Electronic System. This register will be managed, supervised, and regularly updated by the SDGE. Government Entities will enter the Data specified in paragraph (b) of this Article in the Electronic System.
- b. The form and categories of the Central Register of Suppliers, and the Data that must be entered therein, will be determined pursuant to a resolution of the Chief Executive Officer of the SDGE. This register must contain the following essential Data:
  1. the names, addresses, and names of legal representatives of Suppliers;
  2. the legal form, commercial licence details, and names of legal representatives of Suppliers, in case of companies and corporations;
  3. the areas of business of Suppliers;
  4. the categories of Suppliers based on the classification criteria adopted by the Government Entity;
  5. the exclusive agency rights held by Suppliers, if any;
  6. the Procurement Contracts concluded with Suppliers and their track records with Government Entities;
  7. assessment of the performance of Suppliers based on previous Contracts;
  8. the extent of fulfilment by Suppliers of their social responsibility in the UAE; and
  9. the measures and penalties taken against Suppliers, if any.

### **List of Pre-qualified Companies, Corporations, and Individuals**

#### **Article (13)**

- a. A Government Entity may create a list of pre-qualified companies, corporations, and individuals whose activities are related to its business. This list must include the essential Data contained in the Central Register of Suppliers referred to in paragraph (b) of Article (12) of this Law, and must be linked to this register in coordination with the SDGE.
- b. The Concerned Unit will be responsible for managing, supervising, and updating the list referred to in paragraph (a) of this Article. This list will serve as a reference for procuring specific types and categories of Purchases needed by the Government Entity. In preparing this list, Suppliers will be categorised based on their specialities, qualifications, capabilities, and skills.
- c. Suppliers will be recorded in the list referred to in paragraph (a) of this Article in return for a fee to be determined pursuant to a resolution of the Chairman of the Executive Council.

## **Section Two**

### **Procurement Principles and Rules**

#### **Establishing Procurement Principles**

##### **Article (14)**

Each Government Entity will establish a set of technical and financial principles for the procurement of its Purchases. In establishing these principles, the following must be taken into account:

#### **I. Availability of Financial Appropriations**

It must be verified that the financial appropriations required to pay for the Purchases are available in the annual budget of the Government Entity.

#### **II. Actual Need for, and Acceptable Level of Quality of, Purchases**

The following must be ensured:

1. The Purchases are needed to enable the Government Entity to perform its functions and conduct its business and activities.
2. The Purchases meet the actual needs of the Government Entity.
3. The Purchases meet the prescribed specifications.
4. The Purchases meet the acceptable levels of quality prevailing in the market.
5. The stocking and consumption levels are observed, and no similar or alternative items that satisfy the intended purpose of the Purchases are available in the warehouses.

#### **III. Economic Feasibility**

Where the value of the Purchases needed by the Government Entity exceeds one million dirhams (AED 1,000,000.00), the financial, economic, and technical feasibility studies required for procuring these Purchases must be conducted.

#### **IV. Fair Value of Purchases**

The following must be ensured:

1. The prices of the Purchases are clearly and accurately specified.
2. The prices of, and costs of using, the Purchases are commensurate with the benefits expected to be derived from them throughout their useful life.
3. The prices of the Purchases include the costs expected to be incurred in using these Purchases.
4. Unjustified costs or expenses are avoided.

## **V. Supplier's Competence**

The following must be verified:

1. The Supplier's solvency, technical capabilities, trustworthiness, integrity, and compliance with the legislation in force.
2. The Supplier's performance and track record in performing previous Contracts with the Government Entity or other Government Entities.

## **VI. Potential Risks**

In line with the relevant policy adopted by the Government Entity, any legal, technical, or financial risks that may result from procuring the Purchases must be averted or minimised.

## **VII. Adaptability**

The Purchases must be replaceable and modifiable whenever required throughout their useful life.

## **VIII. Accountability and Transparency**

The Purchases must be procured in accordance with the following:

1. Procurement must be conducted in a responsible and transparent manner.
2. Procurement must be conducted in public.
3. Competition must be encouraged, and clear and accurate procedures must be followed.
4. All Procurement procedures must be documented.
5. As many as possible of the companies and corporations specialised in providing the Purchases must be invited.
6. Fair and equal opportunities must be granted to all bidders, and none of them may be given any preferential treatment in breach of the legislation in force.

## **IX. Avoiding Conflict of Interest**

The following will apply to the involvement of employees in any Procurement procedures or decisions:

1. An employee may not be involved in the Procurement process if his spouse, or any of his relatives up to the fourth degree, has a direct or indirect interest in the Procurement.

2. In case of any direct or indirect conflict of interest between an employee and any of the bidders, the employee must disclose that conflict and withdraw from the Procurement process.
3. An employee must disclose any material or moral benefit offered to him by any of the bidders participating in the Procurement process.

## **Procurement Rules**

### **Article (15)**

The following rules must be followed when conducting a Procurement process:

1. The company or corporation to be contracted with must be licensed and registered in the UAE, and authorised to provide the requested Purchases where the that company or corporation conducts its business in the UAE.
2. Unless otherwise mandated by a case of emergency or urgency, a bidder may not provide a Government Entity with Purchases without first receiving a Purchase Order or Commencement Order and providing the required guarantees in accordance with the provisions of this Law.
3. A bidder must be registered in the Central Register of Suppliers where possible.
4. A Government Entity may, prior to issuing any Purchase Order or Commencement Order or delivering it to the bidder, suspend any part of the Procurement process without incurring liability for any loss or damage that bidders may suffer.
5. Bids must meet the substantive and formal requirements stated in the Purchase Request. However, a competent Committee may, in accordance with the exigencies of public interest and pursuant to a reasoned decision, accept Bids that do not satisfy these requirements, provided that these Bids are consistent with the general principles of the Procurement process.
6. Bidders must submit their Bids by the scheduled deadline. A Bid submitted after the scheduled deadline may be accepted only if the competent Committee issues a reasoned decision accepting that Bid for the purpose of achieving the public interest.
7. A Government Entity must retain all intellectual property rights in the Bid documents unless these rights are registered with the competent entities in the name of the bidder and are protected under the legislation in force.

## **Section Three**

### **Bidders**



## **Requirements for Bidders**

### **Article (16)**

- a. A bidder must:
  - a. be a natural or legal person who is a UAE national or a national of a Gulf Cooperation Council state;
  - b. not have been deprived, by the Government Entity requesting the Procurement, of the right to submit Bids;
  - c. not be an employee of the Government Entity requesting the Procurement, whether he participates in the capacity of owner or partner;
  - d. be technically competent and financially capable of performing the Contract;
  - e. agree to the mandatory terms set by the Government Entity upon initiating the Purchase Request;
  - f. meet the financial, technical, and professional requirements stipulated in the terms of the Contract; and
  - g. meet any other conditions determined by the Government Entity.
- b. Notwithstanding the provisions of sub-paragraph (a)(1) of this Article, a Government Entity may enter into a Contract with a non-UAE national individual, with a company or corporation licensed in a free zone in the Emirate or in any of the other emirates of the UAE, or with a foreign company or corporation operating outside of the UAE, subject to satisfying the rules and conditions stipulated in this Law and the resolutions issued in pursuance hereof.

## **Prohibitions Imposed on Bidders**

### **Article (17)**

- a. A bidder is prohibited from committing any of the following acts:
  1. offering, giving, requesting, or receiving anything of material or moral value with the intent of influencing the Government Entity or its employees;
  2. performing or undertaking any act aimed to defraud the Government Entity, with a view to illegally obtaining a benefit or avoiding compliance with an obligation under the legislation in force;
  3. breaching any duty of confidentiality in respect of the Procurement process; divulging any relevant Data or information that is confidential by nature or deemed confidential by the Government Entity, or disclosing any Data related to the Procurement process without first obtaining the relevant approval of the Government Entity;
  4. agreeing or colluding with any Person to submit, or withhold the submission of, any Bid that would negatively affect any of the stages of the Procurement process, or that conflicts with the interests of the Government Entity; and
  5. undermining, or attempting to undermine, the interests of the Government Entity or its employees, or the public interest, in any manner whatsoever.

- b. A Government Entity must take the necessary measures and actions against any bidder who is proven to have committed any of the prohibited acts referred to in paragraph (a) of this Article. This includes rejecting his Bid, revoking his Contract, banning future dealings with him, initiating any legal actions or judicial proceedings against him in accordance with the legislation in force, and claiming compensation from him for any damage sustained by the Government Entity. The ban on dealing with the Bidder must be recorded in the Electronic System in coordination with the DOF and the SDGE.

## **Section Four Procurement and Committee Formation Powers**

### **Competent Procurement Authority**

#### **Article (18)**

The Director General of a Government Entity will determine the appropriate Procurement Methods, approve award decisions, and sign or terminate Contracts within the limits of the relevant financial appropriations allocated in the annual budget of the Government Entity.

### **Committee Formation and Terms of Reference**

#### **Article (19)**

- a. For the purposes of conducting Procurement processes under this Law, the following Committees will be formed in each Government Entity pursuant to a resolution of its Director General:
1. a tenders and negotiations Committee;
  2. a direct agreement Committee; and
  3. a competitive tender Committee.
- b. Each of these Committees must be comprised of a chairman, a vice chairman, and a number of experienced and specialised members. Members must include a representative from the Concerned Unit, a representative from the organisational unit in charge of financial affairs, and a representative from the organisational unit in charge of legal affairs; or their respective proxies.
- c. The chairman, vice chairman, and members of the Committee must submit a confidentiality, non-disclosure, and no conflict-of-interest undertakings, which must be valid throughout their membership term in the Committee.

- d. Where necessary, the Committee will be convened at the invitation of its chairman, or vice chairman in case of absence of the chairman. Committee meetings will be valid only if attended by at least two-thirds of its members, provided that the Committee chairman or vice chairman is in attendance.
- e. Resolutions and recommendations of the Committee will be passed by majority vote of the attending members; and in the event of a tie, the chair of the meeting will have a casting vote.
- f. The proceedings of the meetings, decisions, and recommendations of the Committee will be recorded in minutes signed by the chair of the meeting and the attending members, and will be maintained by the Concerned Unit.
- g. Where the Committee members disagree with one another on any matter, this must be recorded in the Committee minutes of meeting. Where the disagreement is over a technical matter related to Procurement, the chairman must refer the matter to a specialised technical Committee for opinion.
- h. A rapporteur will be appointed to the Committee by the Director General. The rapporteur will have the duties to:
  - 1. notify Committee members of its meeting dates and times; and prepare, in coordination with the Committee chairman, its meeting agendas;
  - 2. record the minutes of meetings of the Committee, and document its resolutions and recommendations and follow up their implementation; and
  - 3. perform any other duties assigned to him by the chairman of the Committee or the Director General.

### **Functions of Committees**

#### **Article (20)**

In addition to the functions assigned to it under this Law, a Committee will, as the case may be, have the duties and powers to:

- 1. verify that the specifications prescribed for Procurement are satisfied and that the relevant documents are provided;
- 2. consider Bids and submit the relevant recommendations to the Competent Authority;
- 3. document all actions it takes in minutes prepared in a clear and transparent manner;
- 4. form sub-committees and specialised work teams; and seek assistance from experts and specialists, from among the employees of the Government Entity or other

Persons, to assist it in performing the duties assigned to it under this Law without having the right to vote in its deliberations; and

5. perform any other duties assigned to it by the Director General.

## **Section Five Procurement Methods**

### **Determining Procurement Methods Article (21)**

- a. A Government Entity must determine the most appropriate Procurement Method for procuring the Purchases it needs. This method will be determined based on the nature and value of the Purchases; the availability of companies, corporations, or individuals that are capable of providing these Purchases; and the urgency of the need for the same.
- b. Suppliers will be selected through one of the following Procurement Methods:
  1. public tender;
  2. limited tender;
  3. negotiation;
  4. direct agreement; or
  5. competitive tender.

### **Standards for Determining Procurement Methods Article (22)**

Without prejudice to the conditions, rules, regulations, and procedures related to Procurement Methods, as stipulated in this Law, a Government Entity will prepare a manual that contains the standards, rules, and conditions for selecting each of the Procurement Methods stated in Article (21) of this Law.

## **Section Six Public Tenders**

### **Definition of Public Tender Article (23)**

Public tender is the primary Procurement Method. A public tender will be initiated through public announcement using all available means within and/ or outside of the

UAE. The public tender process and awarding will be conducted in accordance with the provisions of this Law.

### **Preparing Public Tender Documents and Conditions**

#### **Article (24)**

- a. The Concerned Unit will, in coordination with the competent organisational units within the Government Entity, prepare the public tender documents and conditions before announcement of the tender. These documents and conditions must:
  1. fully and clearly determine the technical specifications of the requested Purchases;
  2. specify the quantities of the materials to be purchased, the schedules and bills of quantities of the required works, or the scope of the requested services;
  3. where required for the public tender process, stipulate the provision of samples, guidelines manuals 'catalogues', illustrative drawings, or implementation programmes that are approved by the bidder;
  4. stipulate that the prices of the requested Purchases and the pricing currency be specified in the Bid, and that these prices be quoted on a uniform pricing basis. The prices offered by the Bidder will be quoted on FOB (free on board), CIF (cost, insurance, and freight), or C&F (cost and freight) basis; or any other uniform basis applicable to external tenders;
  5. specify the place and date of delivery, basis of packaging, weight, size, measurements, and country of origin;
  6. specify the start and end dates for submitting Bids and the date of Bid opening;
  7. stipulate that the Bidder guarantee the proper performance of the requested works and services; the validity of supplied material; and the performance of relevant maintenance throughout the period specified in the public tender documents, and propose the guarantees required in this regard;
  8. include the payment terms; and the guarantees for the implementation of works, supply of materials, or provision of services;
  9. include the penalty clauses, fines, and right to claim compensation where applicable;
  10. be drafted in Arabic in case of local public tenders. Where necessary, tender documents may be drafted in both Arabic and any foreign language, in which case the Arabic text will prevail in the event of any discrepancy between the Arabic and the foreign language versions. However, the tender documents and the specifications of any devices and technical equipment may be drafted in a

foreign language only in case of tenders that are announced outside of the UAE;  
and

11. include any other Data or requirements prescribed by the Government Entity.

- b. Notwithstanding the provisions of paragraph (a) of this Article, a Government Entity may, in accordance with the exigencies of public interest and based on the nature of the Purchases to be procured, prescribe a special process for preparing public tender documents and conditions, such as preparing and submitting bills of estimated quantities by the Suppliers based on the drawings and Contract documents, or undertaking the designing and implementation by the Suppliers based on the Contract documents under the supervision of a Consultant

### **Market Price Survey**

#### **Article (25)**

The Concerned Unit will, in coordination with the competent organisational unit within the Government Entity, conduct a market price survey to determine the estimated cost of the Purchases to be procured through public tender. The survey and its outcomes will be submitted to the tenders and negotiations Committee to be used as reference when comparing the prices offered by bidders in the public tender.

### **Public Tender Announcement**

#### **Article (26)**

- a. A public tender will be announced sufficient time before the estimated date of delivery of the requested Purchases in order to allow for reinitiating the tender where necessary. The tender will be announced through the Electronic System; and may also be announced through publication in at least two (2) different daily newspapers, on the Government Entity's website, or using any other means deemed appropriate by the Government Entity. The announcement will be made in Arabic, in both Arabic and a foreign language, or in a foreign language only if the announcement is required to be published outside of the UAE only.
- b. A public tender announcement must state the following essential Data:
1. the reference number of the public tender;
  2. the requested Purchases;
  3. the method of submitting Bids and the entity receiving the Bids;
  4. the time frame for submitting Bids;
  5. the validity period of the public tender Bids;

6. the fees for public tender documents; the method of obtaining these documents; and the required guarantees; and
7. any other Data or requirements the Government Entity deems necessary to be announced.

### **Public Tender Documents Fees**

#### **Article (27)**

- a. Upon the announcement of a public tender and collection of the tender document fees, the tender documents approved by the Government Entity, which include the conditions, lists, details, and specifications of the requested Purchases, will be provided to the Persons wishing to participate in the tender.
- b. Where the public tender is cancelled before Bid opening, the fees for tender documents will be refunded. Where the tender is cancelled after Bid opening, these fees will be refunded only to the bidders who have submitted their Bids. However, if a submitted Bid fails to meet the prescribed specifications or conditions, the relevant tender document fees may not be refunded.

### **Conditions and Considerations for Submitting Public Tender Bids**

#### **Article (28)**

In submitting public tender Bids, the following conditions and considerations must be observed:

1. Bids must be submitted in a confidential manner within the time frame determined by the Government Entity, and must be supported by the required documents and information.
2. Where requested by the Government Entity, samples must be delivered against a delivery receipt.
3. Purchases must be priced in the UAE official currency. The total price of the Purchases must be written in figures and letters; and in case of discrepancy, the price expressed in letters will prevail. Purchases may be priced in a foreign currency in case of external public tenders.
4. Where a bidder fails to price an item, he will be deemed to have excluded that item from his Bid for the public tender. However, his Bid in respect of other items may be accepted in the event of a divisible Contract, provided that it is in the interest of the Government Entity to accept the Bid. In the event of an indivisible Contract, the Government Entity may accept a Bid which includes an unpriced item if this is in the interest of the entity. In that case, the unpriced item may be assigned the highest

price included in other Bids for the purpose of comparison, and the lowest price included in other Bids for the purpose of tender awarding. However, this will not apply if the Committee decides to exclude the Bid.

5. Submitted prices will be deemed final, and may not be changed due to fluctuation of prices, currencies, taxes, or fees. Prices will remain binding until the delivery of materials, completion of works, or provision of services as per the prescribed schedules and at the specified places. The Government Entity may request bidders to modify their prices only with the approval of its Director General and if this serves the interests of the Government Entity.
6. Bids submitted on the basis of deducting a certain percentage from the lowest Bid will not be accepted, and prices must be clearly and accurately specified for each item in the public tender.
7. A participant may submit more than one Bid for the same public tender, provided that each Bid is submitted independently with a separate set of tender documents.
8. Under the pain of disqualifying the Bid, a public tender participant may not omit, modify, or replace any of the Bid items or any technical terms or specifications.
9. All Bid documents will be deemed the personal property of the public tender bidder, and may not be assigned to third parties.
10. Negotiations may be conducted with the winning bidder to secure any additional benefits for the Government Entity.

### **Process for Submission and Receipt of Bids Article (29)**

Bids will be submitted by bidders in the manner prescribed by the Government Entity against a paper or electronic receipt notification.

### **Bid Validity Period Article (30)**

In determining the public tender Bid validity period, the following will apply:

1. The Bid validity period specified in the tender documents will be observed. The Government Entity may, under the same initially prescribed conditions and prices, extend this period and the validity of the guarantees related to the Bid for a maximum period of sixty (60) days from the date of expiry of the validity period stated in the public tender documents. In this case, the bidder may not withdraw his Bid.



2. In case of supply of materials, the period required for any tests, chemical analyses, or technical experiments will be taken into account. In case of works or services Contracts, the validity period may be extended as required on a case-by-case basis.
3. The period required for rendering the tender award decision, and notifying it to the winning bidder using paper or electronic means, either upon expiry of the original Bid validity period or any extension thereof, will be taken into account.

**Bid Bond**  
**Article (31)**

- a. A Bid must be accompanied by a Bid Bond in the form of a cash amount, a certified cheque, or an unconditional and irrevocable bank guarantee issued in favour of the relevant Government Entity by a bank operating in the UAE; or any other guarantee determined by the Government Entity. The Bid Bond amount will be prescribed by the Government Entity, but must not exceed two percent (2%) of the estimated value of the public tender.
- b. The following categories will be exempt from the requirement to provide a Bid Bond:
  1. Government Entities;
  2. corporations and companies licensed in free zones or outside of the UAE, in case they are unable to provide Bid Bonds while the Government Entity is in urgent need of the requested materials or services;
  3. any entity exempted from providing Bid Bonds pursuant to the legislation in force; and
  4. any entity partially or fully exempted by the DOF from providing Bid Bonds.
- c. A Bid Bond must be valid as from the Bid submission date and for at least thirty (30) days after expiry of the Bid validity. Where the Bid validity period is extended, the bidder must extend the Bid Bond validity to cover the extension period, provided that the bidder is requested to do so by the Government Entity.
- d. A Bid Bond will be returned to the successful bidder upon expiry of the Bid validity period, or before that date if the tender is awarded and the Performance Bond is received from him. Bid Bonds will be returned to bidders if the public tender is cancelled, their Bids are disqualified, or the tender is postponed for more than sixty (60) days.
- e. The Bid Bond will be confiscated without the need for a notice or court judgement in any of the following cases:
  1. where the participant in the public tender withdraws his Bid before awarding the tender.

2. where extension of the Bid validity is decided but the bidder refuses to extend the validity of his Bid Bond without a reason acceptable to the Government Entity;
3. where the winning bidder refuses to sign the Contract; or
4. where the winning bidder fails to provide the Performance Bond within the prescribed time limit.

**Bid Opening**  
**Article (32)**

- a. Bids submitted by participants in public tenders will be opened in public by the Committee, using traditional or electronic means, on the date and time specified in the public tender documents.
- b. Notwithstanding the provisions of paragraph (a) of this Article, the Committee may open Bids privately in case of supplies that must be dealt with in private for considerations related to the public interest.
- c. When opening Bids, the Committee must observe the following procedures:
  1. verify the validity of the submitted Bids, record their number, and assign each Bid a serial number along with the public tender reference number;
  2. open Bids according to their serial numbers; ensure that the relevant requirements are fulfilled, the required documents are submitted, and the Bid Bonds are provided; and disqualify incomplete Bids, stating the reasons for their disqualification;
  3. prepare a list of accepted Bids, the names of tender participants, and the total value of each Bid expressed in figures and letters; and highlight unpriced items and any other reservations or conditions included in the Bid;
  4. submit Bid Bonds to the organisational unit in charge of financial affairs within the Government Entity for keeping and follow-up after verifying that they meet the validity period and amount requirements, and notify the Concerned Unit of the same;
  5. record the receipt of samples, presentations, guidelines manuals 'catalogues', illustrative drawings, or service programmes submitted by bidders in statements prepared for this purpose or by issuing the relevant receipts; and
  6. record the details of Bids on the form prepared for this purpose in a manner that facilitates comparison between them. Any conditions, remarks, or reservations made by bidders must also be recorded on this form.

## **Financial and Technical Assessments of Bids and Attached Items**

### **Article (33)**

The Committee will conduct a financial assessment and a technical assessment of the Bids and the samples, guidelines manuals 'catalogues', illustrative drawings, or service programmes attached thereto; and will determine the final results of these assessments. For this purpose, the Committee may seek the assistance of the competent organisational units within the Government Entity or, as it deems appropriate, any experts and specialists from among the employees of the Government Entity or other Persons, where the Bids and the attached items require special assessment or thorough technical analysis. This must be completed before the expiry of the original validity period of the Bids, or any extension thereof prescribed by the Committee.

### **Sole Bid**

### **Article (34)**

Where a sole Bid is submitted in a public tender, the Committee may, after considering the Bid in light of the financial and technical assessments, accept or reject that Bid in accordance with the exigencies of the public interest. Where the sole Bid is rejected, the public tender will be re-initiated. However, if a sole Bid is submitted again in the second tender, the Committee must consider the Bid and conduct a negotiation with the bidder. A Bid will be deemed a sole Bid even if other Bids are submitted which do not meet the prescribed specifications and requirements, or which contain reservations that lead to their disqualification.

### **Negotiations**

### **Article (35)**

- a. To ensure getting the best prices and conditions, the Committee will negotiate with the bidders whose Bids are accepted in the following cases:
  1. where the public tender documents provide for the Government Entity's intent to negotiate with the bidders after submitting their Bids;
  2. where the Government Entity is unable to determine the best Bid after completion of the evaluation of all Bids;
  3. where there is a need to clarify the terms and conditions of the public tender documents;
  4. where the prices included in the Bids exceed the relevant financial appropriations allocated in the annual budget of the Government Entity;
  5. in case any conditions are stipulated, or any reservations are made, by the bidder whose Bid contains the lowest prices and meets all the prescribed specifications, in which case negotiations will be conducted only with this bidder; and

6. in any other cases where the Committee deems the negotiations necessary to achieve the public interest, in which case the Committee's decision to negotiate must be reasoned.
- b. Negotiations will be conducted subject to the approval of the Competent Authority granted based on the recommendation of the Committee. Proceedings of the negotiations will be documented in minutes signed by the members of the Committee and the persons involved in the negotiations.

### **Determining Winning Bids**

#### **Article (36)**

In determining the winning Bid in a public tender, a Committee must observe the following rules:

1. select the Bid with the lowest price that meets the prescribed conditions and specifications. The Committee may accept the next lowest Bid if it is more compliant with the specifications, provided that its decision in this respect is reasoned and supported by the financial and technical assessments of the Bids.
2. Where the prices and specifications of two or more Bids are the same, the Committee may divide the quantities among the bidders who have submitted these bids if that division is feasible and is in the interest of work. The Committee may also negotiate with these bidders to get the lowest prices.
3. Where the Bid of the lowest price contains reservations and the next lowest Bid does not include any reservations, the Committee may negotiate with the bidder of the lowest price Bid to abandon his reservations. If this bidder refuses to abandon his reservations, the Committee may award the tender to the next lowest bidder or cancel the public tender if the cancellation is in the public interest.
4. The Committee may cancel the public tender where the prices in all Bids exceed the prices estimated by the Government Entity, or exceed the prices included in the outcomes of the financial survey conducted by the Committee.
5. Prices must be quoted on a uniform basis in terms of the net weight, unit of weight, size, measurements, or place of delivery. For the purpose of comparing local and external Bids, the exchange rate of foreign currencies at the date of Bid opening must be taken into account.

## **Disqualification of Bids**

### **Article (37)**

A Bid will be disqualified pursuant to a reasoned decision of the Committee in any of the following cases:

1. where the Bid is submitted after the prescribed deadline, unless the Committee decides otherwise;
2. where collusion between the bidder and a Committee member, an employee of the Government Entity, or another bidder is established;
3. where the Bid is unclear or where there are uncertainties related to its content;
4. where the Bid provides for the bidder's right to accept or reject the award decision;
5. where the Bid contains anything that would undermine the interest of the Government Entity;
6. where the Bid fails to satisfy the requirements of the public tender; or
7. where the Bid is in breach of this Law, the resolutions issued in pursuance hereof, or the legislation in force in the Emirate.

## **Approval of Award Letters**

### **Article (38)**

- a. Upon determining the winning bidder, the Committee will submit its final recommendations to the Competent Authority for approval. The approval of the Committee's recommendations will be deemed as award of the public tender to the winning bidder.
- b. The winning bidder will be notified in writing by the Concerned Unit by sending the Award Letter to the address provided by him.
- c. Neither the Award Letter nor the notification of the winning bidder of the award decision may grant the winning bidder any right as against the Government Entity if it decides to renege on the award decision by issuing a relevant reasoned decision. The Government Entity will have obligations towards the winning bidder only as of the date of signing the Contract, or issuing the Purchase Order or Commencement Order; and providing the Performance Bond by the winning bidder.

## **Documenting Actions**

### **Article (39)**

The Committee must record all actions it takes in paper or electronic minutes containing its remarks, recommendations, and decisions. These minutes must be signed by the chairman and members of the Committee and must be accompanied by all public tender documents; other documents related to Bids, awarding, disqualification, and Contracts; and any other relevant documents.

## **Performance Bond**

### **Article (40)**

- a. An interest-free Performance Bond of ten percent (10%) of the Bid value in the form of a certified cheque, an unconditional and irrevocable bank guarantee issued in favour of the Government Entity by a bank operating in the UAE, or any other guarantee or percentage prescribed by the DOF, will be collected from the winning bidder. 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 Receipt in case of works Contracts, unless the Committee prescribes another validity period.
- b. Notwithstanding the provisions of paragraph (a) of this Article, the DOF may, in any cases it determines, authorise collecting, from the winning bidder, a guarantee other than those stipulated in paragraph (a) of this Article or a guarantee of a lesser amount than that stipulated therein.
- c. Where the Contract value cannot be precisely determined, the amount of the Performance Bond will be a lump sum determined in accordance with the relevant rules adopted by the DOF.
- d. The amount of the Performance Bond must be increased if the value of Purchases exceeds the value specified in the Contract. Where a Supplier fails to increase the amount of the Performance Bond, the Government Entity will be entitled to deduct the required increase amount from any amounts owed to the Supplier in connection with the same Contract or from any other amounts owed by the Government Entity to the Supplier.
- e. In case of divisible Procurement Contracts, the amount of the Performance Bond may be gradually reduced according to the percentage of performance of the Contract. In this case, the Performance Bond must not be less than ten percent (10%) of the value of the undelivered Purchases subject of the Contract.
- f. A Director General may grant an exemption from the requirement to provide a Performance Bond in any of the following cases:
  1. where the Supplier is a Government Entity;
  2. where the Contract performance period does not exceed thirty (30) days from the date prescribed in the Contract, Purchase Order, or Commencement Order, as the case may be, in which case the validity of the Bid Bond must be extended for a period of not less than thirty (30) days after the date of Final Receipt of Purchases;
  3. in case of Contracts for the supply of materials or provision of services, where the Supplier is a corporation or company licensed to operate within a free zone

- or outside of the UAE, and this Supplier is unable to provide the Performance Bond while the Government Entity is in urgent need of these materials or services; and
4. where the value of the Contract does not exceed five hundred thousand dirhams (AED 500,000.00).
  - g. Where the Supplier is unable to provide the Performance Bond for reasons acceptable to the Government Entity, and the Contract value exceeds five hundred thousand dirhams (AED 500,000.00), up to five million dirhams (AED 5,000,000.00), ten percent (10%) of the payments owed to the Supplier will be retained as security, instead of the Performance Bond, until the Final Receipt of Purchases.

### **Failure to Provide Performance Bonds Article (41)**

Where a winning bidder fails to provide, or delays in providing, the Performance Bond within the time frame prescribed by Government Entity despite being served the Award Letter, his Bid Bond will be confiscated and he will be held liable for compensating any damage sustained by the Government Entity on account of his failure or delay. The compensation will be collected from the bidder pursuant to the rules prescribed by the above-mentioned Law No. (1) of 2016 and the resolutions issued in pursuance thereof; and the bidder will be subject to any of the measures stipulated in Article (44) of this Law.

### **Attachment of Guarantees and Dues Article (42)**

Neither the Supplier's creditors nor any other Person may seek the attachment of a Bid Bond or Performance Bond throughout its validity, or attachment of the Supplier's dues stipulated in Article (67) of this Law.

### **Drafting Contracts Article (43)**

- a. Contracts will be drafted by Government Entities in the Arabic or English language; and must include all relevant contractual provisions, particularly the following:
  1. the tender reference number, the Contract date; and the names, representatives, and domiciles of choice of the contracting parties;
  2. the subject of the Contract, with a brief description of the contracted Purchases;
  3. the term and commencement date of the Contract, and the prescribed dates and places of delivery;

4. any variations to the Contract, including increasing or decreasing the quantities of Purchases or changing their specifications or any other variations;
  5. the penalties and fines to be imposed on the Supplier if he delays in performing, withdraws from, or ceases performing the Contract for any reason;
  6. the Contract price, terms of payment, advance payments, and all types of guarantees;
  7. the bills of quantities, prices, and details of Purchases; and the drawings, plans, and specifications of the project subject of the Contract;
  8. intellectual property rights, and confidentiality;
  9. conditions and cases for subcontracting, and conditions for assignment of the Contract;
  10. the provisions governing the revocation or termination of the Contract;
  11. the provisions governing the settlement of disputes between the parties to the Contract;
  12. general conditions; and
  13. particular conditions, if any.
- b. The Contract will be signed by hand or electronically by the Competent Authority and by the Supplier, after submission of the Performance Bond by the Supplier where required.

### **Failure by Winning Bidders to Sign Contracts**

#### **Article (44)**

- a. Where a winning bidder fails to sign the Contract within the time frame specified in the Award Letter without a valid reason, the Bid Bond provided by the Supplier will be confiscated without the need for a notice or court judgement. In this case, the Committee may, in addition to the confiscation of the Bid Bond and based on the recommendations of the Concerned Unit, take one or more of the following measures against the bidder:
1. cancel the public tender and reinitiate the tendering process;
  2. award the public tender to the bidder who submitted the next best-priced Bid as long as his Bid is still valid;
  3. perform the Contract subject of the public tender at the expense of the winning bidder, and hold him liable for all incurred expenses and price differences;



4. claim compensation from the winning bidder who has failed to sign the Contract for the damage sustained by the Government Entity; and/or
  5. strike off the winning bidder from the Central Register of Suppliers or downgrade his classification in the register.
- b. The expenses, price differences, and compensation referred to in sub-paragraphs (a)(3) and (a)(4) of this Article will be collected in accordance with the provisions of the above-mentioned Law No. (1) of 2016 and the resolutions issued in pursuance thereof.

## **Section Seven Limited Tender**

### **Definition of Limited Tender Article (45)**

- a. Limited tender is a Procurement Method in which Suppliers who are pre-qualified by the Government Entity are invited to a tender, in accordance with the rules, requirements, and conditions prescribed by the DOF, due to the fact that they have the competence and specialisation relevant to the subject of that tender.
- b. The procedures and rules applicable to public tenders apply to limited tenders, except in respect of tender announcement.

### **Invitation to Limited Tenders Article (46)**

Invitations will be sent to the Suppliers referred to in Article (45) of this Law who are recorded in the Central Register of Suppliers and the list mentioned in Articles (12) and (13) hereof. Pursuant to a reasoned decision of the Concerned Unit, unregistered Suppliers may be invited, provided that this is in the interest of the Government Entity, and that these Suppliers are financially and technically qualified. In all events, the number of invited Suppliers may not be less than three (3).

## **Section Eight Negotiation**

### **Definition of Negotiation Article (47)**

- a. Negotiation is a special method for procuring the Purchases needed by a Government Entity, through which a Supplier is selected from among bidders based on his competence and specialisation, and the price offered by him.

- b. Negotiation will be adopted based on the conditions, rules, and procedures stipulated in this Law.

### **Cases for Adopting Negotiation**

#### **Article (48)**

Negotiation will be adopted in the following cases:

1. where the specifications of the requested Purchases are difficult to be precisely determined, or where their determination requires technical expertise and specialisation;
2. where the requested Purchases are urgently needed so that they cannot be procured through public tender or limited tender;
3. where the value of the requested Purchases is not commensurate with the cost of conducting a public tender or a limited tender;
4. where the Purchases have been previously solicited through a public tender or limited tender in which no Suppliers have participated or only unacceptable bids or a sole Bid has been received, while reinitiating the tender is not feasible due to the urgent need for the Purchases;
5. where a Contract awarded to a Supplier through public tender or limited tender is revoked;
6. where the Supplier delays in performing any of the terms of the Contract;
7. where the procurement of the requested Purchases requires conducting research and experiments, or requires a special method of performance which is inconsistent with public tendering or limited tendering;
8. where the subject of the Contract is the purchase of real property, insurance, freight, or customs clearance; or
9. in any other cases determined by the DOF.

### **Rules and Procedures for Negotiation**

#### **Article (49)**

- a. Negotiation will be adopted as a Procurement Method pursuant to a resolution of the Competent Authority issued upon the recommendation of the relevant Committee.
- b. The following procedures will be followed in negotiations:

1. The Concerned Unit will invite Suppliers to submit their Bids. The invitation will contain the description and specifications of the requested Purchases and all conditions, time frames, dates, and places to be stipulated in the Contract.
2. Bids will be submitted, along with all required documents, within the time frame specified in the invitation using the paper and electronic forms and means adopted by the Government Entity.
3. The Committee will, on the date scheduled for opening Bids, verify that Bids and bidders meet the prescribed requirements; and disqualify all participants who fail to meet these requirements, stating the reasons for disqualification.
4. The Committee will prepare a list of the names of the bidders whose Bids are accepted and the total value of each Bid.
5. The Committee will prepare a report on the procedures it has followed, which includes the prices, names of the bidders participating in the negotiation, and the Committee's recommendations as to the winning bidder. The report will be referred to the Competent Authority for approval of the outcome of negotiation.
6. The Committee may negotiate with bidders to ensure that the Government Entity gets the best prices and conditions.
7. Negotiation will be conducted with at least three (3) bidders.

### **Applicability of Public Tender Rules to Negotiation**

#### **Article (50)**

Where the value of a Contract exceeds five hundred thousand dirhams (AED 500,000.00), the general rules of public tender will apply to the negotiation to the extent permitted by the terms and nature of negotiation and the special circumstances warranting the adoption of the negotiation. If the Contract value is less than five hundred thousand dirhams (AED 500,000.00) and the Purchases are to be delivered within fifteen (15) days, a written undertaking by the Supplier to perform the Contract will be sufficient, in which case the Supplier will be exempt from providing the Performance Bond.

### **Section Nine**

#### **Direct Agreement**

#### **Definition of Direct Agreement**

##### **Article (51)**

- a. Direct agreement is a method for procuring the Purchases needed by a Government Entity where a Supplier is contracted, in any of the cases stipulated in this Law, based

on his competence, the nature of the requested Purchases, and the Supplier's track record in performing previous Contracts.

- b. Direct agreement will be adopted in the cases and in accordance with methods stated in this Law.

### **Cases of Direct Agreement**

#### **Article (52)**

Direct Agreement will be adopted as a Procurement Method in the following cases:

1. where the Purchases are monopolised by one Supplier, and it is not feasible to conduct a public tender, limited tender, or negotiation;
2. where the Purchases are urgently needed, in which case direct agreement must be limited to the minimum quantities required for work;
3. where the Purchases have fixed prices or tariffs;
4. where the Purchases are protected by intellectual property rights;
5. where the Purchases are directly related to the security of the Government Entity, or are required to achieve the higher public interest;
6. where Purchases are services that require high and specialised qualifications and competencies; and
7. where the Purchases have been previously solicited through negotiation but only unacceptable Bids or a sole Bid has been received, and re-negotiation is not feasible due to the urgent need for these Purchases.

### **Methods of Selecting Suppliers in Direct Agreements**

#### **Article (53)**

In a Direct Agreement, Suppliers will be selected through one of the following methods:

1. Where the estimated value of Purchases is less than one hundred thousand dirhams (AED 100,000.00), the Director General will give instructions to procure the Purchases directly from the Supplier. In this case, the Procurement must be evidenced by the relevant invoice and supporting documents.
2. Where the value of Purchases ranges between one hundred thousand dirhams (AED 100,000.00) and five hundred thousand dirhams (AED 500,000.00), the Concerned Unit will solicit one or more Bids. In this case, the Procurement decision must be approved by the Competent Authority, whereupon a Purchase Order or Commencement Order will be issued, which will specify the required Purchases and their prices, the performance period, and any other terms.

3. Where the estimated value of Purchases exceeds five hundred thousand dirhams (AED 500,000.00), the Committee will solicit one or more Bids from one or more Suppliers, in which case the Procurement decision must be approved by the Competent Authority, and the Supplier will be required to submit the Performance Bond prior to concluding of the Contract.

## **Section Ten Competitive Tender**

### **Definition of Competitive Tender**

#### **Article (54)**

- a. Competitive tender is a special Procurement Method adopted for the purpose of conducting studies or developing technical designs or plans for a certain project or specific purpose.
- b. Competitive tender will be adopted in accordance with the rules and procedures stipulated in this Law.

### **Competitive Tender Rules and Procedures**

#### **Article (55)**

Competitive tenders will be conducted pursuant to the following rules and procedures:

1. The Government Entity will specify the detailed objectives, scope, and specifications of the project subject of the competitive tender; and the prizes, rewards, and remunerations to be awarded to winners. The Government Entity will also determine who will hold the ownership rights of the winning and non-winning reports, studies, designs, and drawings; and stipulate any other conditions as it deems appropriate.
2. The Concerned Unit will announce the invitation to participate in the competitive tender in the media, or extend direct invitations to Persons having relevant high experience and qualifications to submit their Bids for the project subject of the competitive tender.
3. The Committee will examine and evaluate the submitted reports, studies, designs, and drawings. For this purpose, the Committee may invite the participants in the competitive tender to discuss their submissions.
4. The Committee will record the procedures it has followed in a report which includes the submitted Bids; the opinions and standards adopted by the Committee when comparing Bids; its recommendations on the selection of the winning bidder, and the ranking of other Bids. The Committee must submit the report containing the

recommendations, along with the Bids, to the Competent Authority for approval of the winning Bid.

5. The Committee may decide that no participant is entitled to the prizes, rewards, or remunerations if it deems that the submitted Bids are not up to the required technical standard.

## **Section Eleven**

### **Performance of Contracts**

#### **Delivery Date of Purchases**

##### **Article (56)**

A Supplier must commence performing his obligation to provide the Purchases needed by the Government Entity as of the date specified in the Contract, Purchase Order, or Commencement Order, as the case may be. Where no delivery date is specified, the delivery of Purchases must commence on the day following the execution of the Contract or on the day following the notification of the Purchase Order or Commencement Order to the Supplier.

#### **Variation Orders**

##### **Article (57)**

- a. Under the same general conditions, a Government Entity may, by issuing a Variation Order to the Supplier, modify the quantities, types, or specifications of the Purchases stipulated in the Contract or Purchase Order before or during its performance or within any extension period, in any of the following two (2) cases:
  1. where the Variation Order would result in reducing the value of the Contract by any percentage whatsoever; and
  2. where the Variation Order would result in increasing the value of the Contract by up to thirty percent (30%) of the total value stipulated in the Contract or Purchase Order.
- b. Variations Orders must be approved by the competent authorities mentioned in the table below according to type of Purchases.

<b>Type of Purchases</b>	<b>Competent Authority to Approve Variation Orders</b>		
	<b>Director General</b>	<b>The Director General of the DOF</b>	<b>The SFC</b>

<b>Materials</b>	Up to AED 10,000,000.00	More than AED 10,000,000.00 and up to AED 20,000,000.00	More than AED 20,000,000.00
<b>Services</b>	Up to AED 10,000,000.00	More than AED 10,000,000.00 and up to AED 20,000,000.00	More than AED 20,000,000.00
<b>Works</b>	Up to AED 25,000,000.00	More than AED 25,000,000.00 and up to AED 50,000,000.00	More than AED 50,000,000.00

- c. The funds required to cover the Variation Orders which involve an increase in the value of Contract must be available in the budget of the Government Entity.
- d. Variation to the quantities, types, or specifications of Purchases will be referred to the relevant Committee to make the appropriate recommendation and submit it to the Competent Authority or its authorised representative for approval. An addendum to the Contract or Purchase Order, which provides for the approved variations, including variation of the amount of the Performance Bond, must be drafted and agreed upon by both parties.

**Supplier's Contractual Obligations  
Article (58)**

- a. A Supplier must perform the Contract in accordance with the conditions and rules stipulated therein, and must particularly comply with the deadline for performance of the Contract.
- b. Where the Supplier delays in performing the Contract, he will be subject to the penalties and fines stipulated in the Contract and in this Law.
- c. Where the delay by the Supplier is due to an emergency, force majeure, act of the Government Entity, or any other reason beyond the control of the Supplier, the Supplier may submit an application for exemption from penalties and fines along with a proof of occurrence of the emergency, force majeure, Government Entity's act, or other reason, within thirty (30) days from the date of its occurrence. The application will be referred to the relevant Committee for consideration and verification. The Committee will make a recommendation on whether or not to grant the exemption,

which will be enforceable only upon approval of that recommendation by the Director General.

### **Advance Payments**

#### **Article (59)**

- a. A Contract may contain provisions requiring the Government Entity to make advance payments to the Supplier subject to the limits and conditions stipulated in this Law and in the Contract. In any event, advance payments must be made against a bank guarantee provided by the Supplier in the same amount and currency.
- b. Where the public interest so requires, a Government Entity may, after the Purchase Order or Commencement Order is issued and before the Contract is signed, make advance payments to the Supplier once he submits the guarantee referred to in paragraph (a) of this Article.

### **Assignment of Contracts**

#### **Article (60)**

A Supplier may not assign the Contract to a third party or perform it through a subcontractor without first obtaining the approval of the Director General granted based on the recommendation of the relevant Committee. In any event, the original Supplier will remain jointly liable with the assignee or subcontractors towards the Government Entity for any breach of Contract.

### **Revocation of Contracts**

#### **Article (61)**

- a. A Director General may, upon the recommendation of the relevant Committee, revoke a Contract without recourse to the courts in any of the following cases:
  1. where the Supplier commits an act of deceit, fraud, or bribery in any manner whatsoever;
  2. where the Supplier is unable to perform the Contract due to becoming bankrupt or insolvent, or being liquidated;
  3. where the Supplier dies, in which case the Government Entity may revoke the Contract and return the Performance Bond to the heirs of the Supplier. Alternatively, the Government Entity may maintain the Contract and authorise the heirs or any of them, upon their request, to continue performing the Contract in their personal capacity in accordance with the provisions of the Contract, provided that the heirs are able to perform the Contract and that they undertake to perform all obligations arising therefrom, particularly providing the required guarantees;



4. where the Supplier is unable to perform the Contract; or
  5. in any other case stipulated in the Contract.
- b. Where the Contract is revoked in any of the cases stipulated in paragraph (a) of this Article, the Performance Bond will be confiscated, the Contract will be performed at the expense of the Supplier, compensation for damage will be claimed from the Supplier, and any other measures stipulated in the Contract may be taken.

### **Formation of Purchases Receiving Committees**

#### **Article (62)**

A Director General will, pursuant to a resolution he issues in this respect, form one or more Committees to be in charge of receiving Purchases. The resolution must determine the duties and terms of reference of the Committee, the rules for preparing inspection and receipt reports and other reports by the Committee, and any other relevant matters.

### **Section Twelve**

#### **Works Contract Provisions**

#### **Maintaining Work Sites**

##### **Article (63)**

A Supplier will be responsible for maintaining order and proper workflow at the work site; for meeting the requirements of public and environmental safety therein; and for any damage to public or private property or harm to Persons, whether caused by him or his workers or as a result of performance of the Contract. The Supplier must comply with the applicable laws in force in the Emirate in respect of workers and their rights, safety, and protection from hazards.

#### **Plans and Designs**

##### **Article (64)**

- a. A Supplier must ensure the validity and suitability of the adopted specifications, plans, designs, and quantities; and communicate any relevant comments to the Government Entity or the Consultant.
- b. Once the Supplier signs the Contract, he will be deemed to have agreed to the designs, plans, specifications, and bills of quantities related to the works Contract; and have declared that they meet the safety standards prescribed for performing the works.
- c. A Government Entity may correct any mistake or error in any description, plan, or design related to the works Contract without compensating the Supplier in relation to that correction, whether it takes place before or during the performance of the Contract. The correction must not result in variation of the specifications; increase in

quantities or measurements; extension of the term of the Contract; or removal of completed structures. In the event of such a correction, the Variation Order provisions stipulated in Article (57) of this Law will apply.

### **Supplier's Obligations under Works Contracts**

#### **Article (65)**

In addition to the Supplier's obligations stipulated in the works Contract and in this Law, a Supplier must:

1. submit to the Government Entity and the Consultant, within the time frame stipulated in the Contract, a schedule of advance payments and a work schedule that includes all stages of performance until completion; and obtain approval of these schedules from both the Government Entity and Consultant;
2. not engage any subcontractors without the approval of the Government Entity and the Consultant. These approvals will not relieve the Supplier from the joint liability, with the subcontractor, for the performance of his obligations under the Contract;
3. complete all the works stipulated in the Contract and its addenda, including any Variation Orders, so that the Initial Receipt of these works takes place within the deadline stipulated in the Contract or any extension thereof; and
4. obtain all the approvals required by the competent Government Entities.

### **Breach of Works Contracts by Suppliers**

#### **Article (66)**

Where a Supplier delays in commencing works; substantially delays in the performance of the same; cease works for a period exceeding fifteen (15) consecutive days; withdraws from performing works; or fails to comply with the terms of the works Contract concluded with him, the Government Entity may, after serving a notice on the Supplier demanding his compliance within the prescribed deadline and his failure to do so, take one or more of the following measures against the Supplier:

1. revoke the Contract, confiscate the Performance Bond, and perform the works by itself or by engaging a third party, in which case the defaulting Supplier will not have the right to claim any savings realised as a result of that performance;
2. claim compensation from the defaulting Supplier for any damage or loss it has sustained and any costs or the price differences it has incurred;
3. retain any supplies or equipment belonging to the defaulting Supplier and existing at the work site, and use the same to complete the works and ensure the enforcement of its rights, without holding any liability for any damage these supplies or equipment may sustain;

4. charge the defaulting Supplier ten percent (10%) of the value of uncompleted works as administrative fees; and/or
5. appoint another Supplier to perform or complete the Contract, and charge the defaulting Supplier any cost differences resulting from appointing the new Supplier.

**Payment of Supplier's Dues under Works Contracts**  
**Article (67)**

A Supplier's dues under a works Contract will be paid as follows:

1. on-account payments of ninety percent (90%) of the value of completed works, and eighty-five percent (85%) of the value of the materials supplied to the work site, according to the statements of completed works or supplied materials that have been financially and technically audited and approved by the Consultant and the Government Entity; and
2. a final payment based on the final statement of completed works provided by the Supplier, the payment certificate approved by the Consultant, the Initial Receipt of works, and the approval of the Government Entity. Disbursement of the final payment will be subject to the following:
  - a. deduction of on-account payments previously disbursed in respect of the works or materials; and
  - b. retention of five percent (5%) of the Contract value as guarantee until the Final Receipt of the project. The retained amount may be released to the Supplier against a bank guarantee for the same amount.

**Penalty for Delay in Performing Works Contracts**  
**Article (68)**

- a. A Supplier must properly complete the works stipulated in the works Contract within the deadline stipulated in the Contract or any extension thereof. Where the Supplier fails to meet this deadline, the delay penalty prescribed in the Contract will be imposed on the Supplier for each day of delay. However, the total amount of the delay penalty may not exceed ten percent (10%) of the Contract value. The delay penalty will start to accrue as from the date of failure to meet the deadline without the need for any notice or judicial proceedings against the defaulting Supplier, and without the need to prove the damage. The delay penalty will apply without prejudice to the Government Entity's right to hold the Supplier liable for the fees paid to the Consultant in return for supervision of the project during the delay period.

- b. The provisions of Article (66) of this Law may apply where the Supplier's delay in performing the works stipulated in the Contract compromises the interests of the Government Entity.
- c. Pursuant to a resolution of the Director General, the Supplier may be exempted from the delay penalty in accordance with the provisions and procedures stipulated in Article (58) of this Law.

### **Initial Receipt of Works**

#### **Article (69)**

- a. Upon completion of the works stipulated in the Contract, the Supplier must notify the Government Entity and the Consultant of the completion of the same by way of a dated notice; and must request the Government Entity to receive the works.
- b. Initial Receipt of completed works will take place, in the presence of the Consultant, by a Committee formed by the Director General for this purpose. This Committee must verify that the Supplier has completed the works as stipulated in the Contract and any addenda thereto. Alternatively, the Committee may receive the works and make reservations regarding certain deficiencies, in which case it will prepare a list of these deficiencies and prescribe the deadline for their remedy. In case of failure by the Supplier to remedy the deficiencies by this deadline, the provisions of Article (68) of this Law may apply. The relevant report will be submitted to the Director General to take the necessary action.

### **Clearing Work Sites**

#### **Article (70)**

After completion of works, the Supplier must clear the site of all temporary structures, equipment, and other items; and must level any uneven ground at the site. Where the Supplier fails to do so, the Government Entity may perform these works at the expense of the Supplier and deduct the relevant costs from the dues owed to the Supplier.

### **Liability for Maintenance and Substantial Defects**

#### **Article (71)**

Unless the Contract provides for a longer period, a Supplier will remain liable, for a period of one (1) year from the date of Initial Receipt, for guaranteeing and maintaining the works subject of the Contract; and must remedy any defect or flaw that may occur during this period. The Supplier will also remain liable for a period of ten (10) years, from the date of Final Receipt, for any substantial defects that may be found in the works subject of the Contract. This does not relieve the Consultant from his liability for these defects.

## **Final Receipt of Works**

### **Article (72)**

Unless the Contract provides for a longer period, the Final Receipt will take place upon the lapse of the period stipulated in the Contract; or lapse of the period following the receipt of the Bid Bond, as prescribed in Article (71) of this Law, for the Supplier's liability to guarantee and maintain the works subject of the Contract. Upon verifying that the Supplier has met all his obligations, the works, plans, and all related documents will be received by a receiving Committee in the presence of the Consultant, if any. A Final Receipt certificate will be issued by the Director General based on the recommendations of the receiving Committee and the Consultant, whereupon the Supplier's dues will be paid and the guarantees retained by the Government Entity will be released to the Supplier.

## **Turnkey Projects**

### **Article (73)**

The provisions of this Law, including those relating to works Contracts, will apply to turnkey projects. When receiving a turnkey project, the fittings and furnishings of the project will be identified and recorded in special lists in order to be entered into the Assets register of the Government Entity.

## **Lump Sum Works Contracts**

### **Article (74)**

No works Contracts may be concluded on lump sum basis except in cases where it is impossible to accurately determine the quantities and prices of works. However, a Government Entity must determine the prices of some of the essential items in these Contracts to use them as reference in case of any addition or cancellation of works through Variation Orders or due to any other reason.

## **Section Thirteen**

### **Provisions Governing Supply Contracts**

## **Inspection and Testing**

### **Article (75)**

- a. The materials supplied to a Government Entity will be received after being inspected by the receiving Committee in accordance with the provisions of this Law.
- b. Depending on the nature of the requested materials, a Government Entity may inspect and examine these materials at their place of manufacture before they are shipped to it, provided that this is stipulated in the Contract.

- c. Materials which do not require thorough technical inspection, due to their nature, may be finally received by the organisational unit in charge of warehouses pursuant to a receiving report.

### **Delay in Supplying Materials**

#### **Article (76)**

- a. If a Supplier delays in supplying, or fails to supply, all or part of the requested materials beyond the deadlines stipulated in the Contract; or if the supplied materials are rejected by the receiving Committee, the Director General may, pursuant to a resolution he issues in this respect, extend the deadline for an additional period of up to thirty (30) days, without charging any delay penalty, if this extension is in the interest of the Government Entity.
- b. Where a Supplier fails to supply the materials beyond the prescribed deadlines or beyond any extension granted to him in accordance with the provisions of paragraph (a) of this Article, the Supplier will be charged a delay penalty of five hundredths of one percent (0.05%) of the value of the delayed materials per each day of delay or part thereof. The total amount of a delay penalty may not exceed twenty percent (20%) of the value of the delayed materials where the delay in supply does not preclude the use of all requested materials. Where the delay in supply precludes the use of all materials, the delay penalty will be charged based on the total value of the materials.
- c. Where the Supplier continues to delay in supplying the materials until the delay penalty reaches the maximum limit referred to in paragraph (b) of this Article, the Government Entity may, without the need for a notice or court judgement, take either of the following two (2) measures against the Supplier:
1. purchase the materials at the expense of the Supplier and hold the Supplier liable for the difference in prices, in addition to ten percent (10%) of the value of purchased materials as administrative fees; or
  2. revoke the Contract, confiscate the Performance Bond, and claim compensation for damage from the Supplier.

### **Stages of Receiving Materials**

#### **Article (77)**

Supplied materials will be received in two (2) stages as follows:

#### **1. Initial Receipt**

In this stage, the following will be observed:

- a. Materials will be initially received at the time and place specified in the Contract. An Initial Receipt document will be issued and signed by the organisational unit in charge of warehouses if the materials are received at a warehouse; or by the officer in charge of the work site if the materials are received at the site.
- b. The officer in charge of the work site, and the organisational unit in charge of warehouses, must verify that the supplied materials conform to the specifications stipulated in the Contract; and to the quantity, weight, or volume specifications set forth in the Supplier's invoice, shipping documents, or delivery notice. They must record any observations related to the condition of packages or boxes, and must clearly state in the Initial Receipt document that the supplied materials are subject to inspection and testing. They also must designate an appropriate place to store each type of the materials supplied by a specific Supplier separately until they are inspected and finally accepted. The invoice as well as a copy of the Initial Receipt document will be sent to the organisational unit in charge of financial affairs within the Government Entity.

## 2. **Final Receipt**

In this stage, the following will be observed:

- a. An inspection and receipt Committee will be formed pursuant to a resolution of the Director General. If warranted by the nature of supplied materials, the entity requesting the materials will be represented in this Committee.
- b. The inspection and receipt Committee will convene a meeting no later than seven (7) days after the date on which it is notified of the Initial Receipt by the organisational unit in charge of warehouses. The Supplier must be notified of the date of this meeting to attend in person or send a representative to attend the inspection and Final Receipt.
- c. Supplied materials will be inspected, tested, and received in accordance with the conditions and specifications stipulated in the Contract and its addenda; and will be compared to the sealed and approved samples, catalogues, and drawings. Where necessary, the inspection and receipt Committee may seek assistance of any specialised technical entity to verify the conformity of supplied materials to the relevant technical specifications.
- d. Materials imported from outside of the UAE will be inspected within the period specified in the relevant insurance contract in presence of the representative of the insurance company, and will be checked against the invoice issued by the Supplier and the shipping documents. Seals, shipping marks, boxes, and box contents will be examined to verify that they are in good condition; and any

- damage, shortage, excess, or non-conformity with the specifications will be recorded with a view to establishing the liability of the insurance company or Supplier in accordance with the terms of the Contract.
- e. Rejected materials will be set aside, and appropriate actions will be taken to return them to the Supplier.
  - f. An inspection and receipt report will be prepared, which will include all actions taken, inspection and examination outcomes, and reasons for acceptance or rejection of all or part of the materials. This report will be signed by all members of the Committee and submitted to the competent organisational unit within the Government Entity, the Concerned Unit, and the organisational unit in charge of financial affairs.
  - g. Where any materials imported from outside of the UAE arrive before the relevant invoice is received, and the inspection and receipt Committee deems, based on valid reasons, that these materials must be received, the receiving procedures stipulated in this Law will be followed based on the documents related to these materials, which will be required from the Supplier. Where discrepancy is found between the supplied materials and the documents based on which they are to be received, the receipt may be postponed until the relevant invoice arrives. Alternatively, the materials may be received subject to taking the necessary actions to preserve the rights of the Government Entity.
  - h. The Final Receipt document of the supplied materials will be issued by the inspection and receipt Committee based on the inspection and receipt report. Supplied materials will be entered into the Government Entity's warehouse records or Assets register, as the case may be.

### **Referral to Procurement Committees Article (78)**

The inspection and receipt report prepared by the inspection and receipt Committee, or by the organisational unit in charge of warehouses, will be referred to the Committee supervising the Procurement of the materials to render the appropriate decision in any of the following cases:

1. where a dispute arises between the Supplier and the inspection and receipt Committee;
2. where a disagreement arises among the members of the inspection and receipt Committee;
3. where the inspection and receipt Committee agrees to the supply of alternative materials that meet all or most of the specifications stipulated in the Contract. In this



case, if the alternative materials meet work requirements, the Procurement Committee may, at its sole discretion, decide to accept these materials based on the original prices stipulated in the Contract or lower prices; and

4. in any other receipt-related case which the inspection and receipt Committee, or the Director General, deems necessary to be referred to the Procurement Committee.

### **Rejected Materials**

#### **Article (79)**

Where materials are rejected, the following will apply:

1. The organisational unit in charge of warehouses, or the officer in charge of the work site, will keep the rejected materials separately until the appropriate actions are taken to return them to the Supplier.
2. The Concerned Unit will notify the Supplier of the rejected materials and the reasons for rejection within five (5) days, and will request the Supplier to retrieve the materials and supply replacement materials within the period it specifies.
3. If the Supplier fails or refuses to receive the rejected materials within the period specified by the Concerned Unit in accordance with paragraph (2) of this Article, the Supplier will be charged a storage penalty of one percent (1%) of the value of rejected materials per week. However, the total amount of the storage penalty may not exceed five percent (5%) of the value of the rejected materials. The Supplier will also be charged the relevant delay penalty. If the Supplier persists in failing or refusing to receive the rejected materials for more than thirty (30) days, the Government Entity will have the right to sell these materials by way of public auction if they can be sold; deduct all expenses and penalties owed to it; and return the balance to the Supplier. Alternatively, if these materials cannot be sold, the Government Entity will have the right to destroy them, at the Supplier's expense, in accordance with the legislation in force.
4. Where the Supplier requests technical re-inspection or re-testing of the rejected materials, he will bear the resulting expenses unless the outcome of the re-inspection or re-testing is in his favour, in which case the Government Entity will bear all expenses, provided that it approves in advance the entity conducting the re-inspection or re-testing.

### **Section Fourteen**

#### **Services Contracts**

#### **Article (80)**

- a. The procedures and rules stipulated in this Law and the general and particular conditions prescribed by the DOF and the Government Entity will apply to the execution, performance, and receipt of the services Contracts concluded by a Government Entity with a Supplier.
- b. The Government Entity will prescribe the terms of each type of services Contracts in line with the rules and procedures related to works Contracts and supply Contracts and to the extent that these rules and procedures are relevant to services Contracts.

## **Section Fifteen**

### **External Procurement**

#### **Methods for External Procurement**

##### **Article (81)**

To secure the Purchases needed by a Government Entity, Procurement from non-UAE national individuals, and from companies and corporations operating in the free zones of the Emirate and other emirates of the UAE or operating outside of the UAE, will be conducted through any of the Procurement Methods stipulated in this Law. In this case, the price of Purchases will be paid only after providing all necessary guarantees related to the receipt and inspection of these Purchases and verification of their conformity to the prescribed specifications.

#### **Adoption of External Procurement**

##### **Article (82)**

External Procurement will be adopted pursuant to a resolution issued by the Competent Authority upon a recommendation of the Concerned Unit made based on a technical study stating the reasons for resorting to external Procurement.

#### **Cases of External Procurement**

##### **Article (83)**

External Procurement will be adopted in any of the following cases:

1. where the requested Purchases cannot be supplied by a UAE national or are not available in the local market;
2. where there is a significant difference in the prices of Purchases between the local market and external markets; and/or

3. where there is a significant difference in quality between local Purchases and external Purchases.

### **Chapter Three**

#### **Contracts Generating Revenue for Government Entities**

#### **Section One**

##### **Types of Contracts and Methods of Disposal of Assets**

##### **Types of Contracts Generating Revenue for Government Entities**

###### **Article (84)**

Contracts under which the Disposal of Assets is undertaken, or the Assets are utilised, to generate revenue for Government Entities include:

1. sale Contracts;
2. lease Contracts; and
3. any other Contracts that generate revenue for a Government Entity through the utilisation of its Assets.

##### **Methods of Disposal of Assets**

###### **Article (85)**

Disposal of Assets will be subject to the approval of the Director General, and will be conducted through any of the following methods:

1. auction;
2. negotiation; or
3. direct agreement.

##### **Rules for Disposal of Assets**

###### **Article (86)**

- a. A Government Entity wishing to dispose of its Assets by sale will notify other Government Entities of its intent and attach a list of these Assets stating their type, quantity, number, and any other necessary details. The Government Entity will request these entities to confirm their wish to acquire the Assets, within the time limit it prescribes, in case they need the same.

- b. Where no Government Entity is interested in the Assets intended for disposal, the Government Entity holding these Assets will take the necessary action to dispose of them in accordance with the provisions of this law.
- c. Where dealing in the Assets to be disposed of requires a special licence from a Government Entity, these Assets may only be disposed of to an entity holding that license or to an entity that undertakes to export the Assets to outside of the UAE once the sale and delivery of the same are completed.

## **Section Two**

### **Auctions**

#### **Definition of Auction**

##### **Article (87)**

Auction is the primary method of Disposal of Assets. An auction will be initiated through public announcement within or outside of the UAE. Auctions will be conducted and awarded in accordance with the provisions of this Law.

#### **Disposal of Assets by Auction**

##### **Article (88)**

- a. A Director General will have the exclusive power to approve holding auctions, determine their outcomes, and sign the Contracts made based on them.
- b. Disposal of Assets by auction will be conducted by a Committee formed by the Director General for this purpose.

#### **Types of Auction**

##### **Article (89)**

Auctions are divided into two (2) types:

#### **1. Sealed-bid Auctions**

In this type of auctions, Bids are submitted in sealed envelopes to the Government Entity in the manner prescribed by it.

#### **2. Public Auction**

In this type of auctions, bidding is conducted in public, by attending in person or through the Electronic System.

## **Auction Rules and Procedures**

### **Article (90)**

In Disposal of Assets by auction, the following rules and procedures will apply:

1. In coordination with the competent organisational units within the Government Entity, the Concerned Unit will:
  - a. estimate the value of Assets to be disposed of, taking into account the purchasing costs, estimated useful life, technical condition, usability, and market prices of the Assets;
  - b. determine the security deposits to be provided by bidders; and
  - c. determine the type of auction to be adopted, be it sealed -bid auction or public auction.
2. Upon approval by the Director General of the estimated value of the Assets to be disposed of, and the security deposits and type of auction to be adopted, the auction will be announced. The announcement must include:
  - a. a description of the Assets to be disposed of, including the type, quantity, place, possibility of inspection, and any other relevant information;
  - b. the type of auction, be it sealed-bid auction or public auction; and the date and place of submitting and opening Bids or conducting the public auction;
  - c. the security deposits required from participants in the auction;
  - d. the deadline for submitting Bids; and
  - e. any other information the Government Entity deems necessary to be included in the announcement.
3. In case of a sealed-bid auction, the auction Committee will, at the place designated and on the date scheduled for the auction, open the Bids and choose the highest Bid using the method adopted for the same. In case of a public auction, the auction Committee will set the opening price, which may not be less than fifty percent (50%) of the estimated value of the auctioned Assets.
4. The auction will be awarded to the highest bidder.
5. The auction may be cancelled if the amount of the highest Bid is less than fifty percent (50%) of the estimated value of the auctioned Assets.
6. The auction Committee will prepare a report on the procedures it has followed, which includes the outcome of the auction, the last Bid received, and the decision of the auction Committee to award or cancel the auction. This report will be submitted to the Director General for approval.

7. Received security deposits will be refunded to all unsuccessful bidders participating in the auction.

### **Performance Bond**

#### **Article (91)**

The winning bidder will be required to top up the security deposit amount paid by him to the percentage of the value of the Bid determined by the Government Entity as a Performance Bond. This Performance Bond will be in the form of a letter of guarantee or certified cheque issued by a bank operating in the UAE, and will be valid throughout the period agreed upon for payment of the full price of the Assets disposed of.

### **Exemption from Providing Guarantees**

#### **Article (92)**

The Director General will determine the cases and categories that may be exempted from providing the Bid Bond and Performance Bond in the Disposal of Assets process.

### **Concluding Contracts**

#### **Article (93)**

The Government Entity will conclude a Contract with the winning bidder, which stipulates the price of Assets and the essential conditions and obligations arising from awarding the auction, including the dates of receipt of the Assets. The Contract will be executed by the Director General.

### **Performance of Contracts**

#### **Article (94)**

A Contract for the Disposal of Assets will be performed as follows:

1. The Assets subject of the Contract will be delivered to the contracting party upon full payment of the price. The contracting party must receive the Assets within the period specified in the Contract, failing which he will be charged storage, safekeeping, and administrative fees at the rate of one percent (1%) per day up to ten percent (10%) of the value of Assets. These fees will be paid before the date of receipt of the Assets.
2. Where the contracting party fails to perform the Contract concluded with him within the period specified therein, the Contract will be revoked; the Performance Bond provided by him will be confiscated; the Disposal of Assets process will be reinitiated in accordance with the provisions of this Law or a negotiation will be initiated, as the case may be; and the penalty stipulated in the Contract will be imposed.

**Section Three**  
**Disposal of Assets through Negotiation and Direct Agreement**

**Negotiation**  
**Article (95)**

Notwithstanding the provisions of Article (87) of this Law, negotiation may be adopted as a Method of Disposal of Assets in any of the following cases:

1. in case of urgency of the need for the Disposal of Assets;
2. where the costs of conducting an auction are not commensurate with the value of the Assets to be disposed of;
3. where an auction for the Disposal of Assets fails;
4. where a concluded Contract for the Disposal of Assets is revoked; or
5. where the Assets cannot be disposed of through auction.

**Direct Agreement**  
**Article (96)**

Notwithstanding the provisions of Articles (87) and (95) of this Law, direct agreement may be adopted as a Method of Disposal of Assets in any of the following cases:

1. where the Assets are to be disposed of to a Government Entity;
2. where the Disposal of Assets through auction or negotiation fails;
3. where the Assets are to be disposed of to one entity only;
4. where the estimated value of the Assets to be disposed of does not exceed five hundred thousand dirhams (AED 500,000.00); or
5. where the Assets are to be disposed of through leasing, regardless of the rent.

**Direct Agreement and Negotiation Committee**  
**Article (97)**

Disposal of Assets will be conducted, through direct agreement or negotiation, as the case may be, by a Committee formed by the Director General for this purpose.

**Approval of Negotiation and Direct Agreement Outcomes**  
**Article (98)**

The Disposal of Assets through negotiation or direct agreement will be authorised; the outcomes of negotiation or direct agreement will be approved; and the relevant Contracts will be signed, by the Director General.

**Rules and Procedures for Negotiation and Direct Agreement**  
**Article (99)**

In the Disposal of Assets through negotiation or direct agreement, the following rules and procedures will apply:

1. The Concerned Unit will estimate the value of the Assets to be disposed of through negotiation or direct agreement based on their cost prices, market prices, period of use, price of similar items, and any other factors that may affect price increases or decreases.
2. Submitted Bids will be referred to the negotiation and direct agreement Committee for consideration and selection of the highest Bid in light of the estimated value of the Assets to be disposed of. The Committee will prepare a report which includes the procedures it has followed, the details of the Bids received, and the decision rendered by the Committee; and will submit this report to the Director General for approval and signing of the Contract with the person to whom the Assets are disposed of.

**Section Four**  
**Donations**  
**Article (100)**

- a. A Government Entity may, pursuant to a resolution of the Director General, donate surplus movable Assets to any of the following entities:
  1. charitable associations licensed to operate in the UAE;
  2. humanitarian organisations recognised in the UAE;
  3. educational and research institutions licensed to operate in the UAE; and
  4. any other entity determined by the Director General of the DOF.
- b. Donations will be made to the entities referred to in paragraph (a) of this Article in accordance with the rules and procedures prescribed by the relevant resolution of the Director General of the DOF.

**Section Five**  
**Provisions Governing Disposal of Assets**



**Disposal of Assets Register**  
**Article (101)**

A Government Entity must maintain a register, in which the details of all Disposal of Assets transactions, including the names of the entities to which the Assets are disposed of, will be recorded.

**Statement of Specifications**  
**Article (102)**

A Government Entity must prepare a detailed account of the specifications of the Assets to be disposed of, in a manner that allows bidders to submit their Bids.

**Conditions for Disposal of Assets**  
**Article (103)**

- a. A Disposal of Assets process will be valid be subject to the following conditions:
1. The requirements for participating in the Disposal of Assets process must be determined.
  2. The Government Entity must not be held liable for any loss or damage incurred by the participants in the Disposal of Assets process if the Government Entity modifies or suspends any part of the process.
  3. Bids made by participants must remain binding throughout the period of Bid submission.
  4. Bids must be submitted before the expiry of the prescribed deadline. Bids submitted after the deadline may be accepted only with the approval of the competent Committee pursuant a reasoned decision issued by it in this respect.
  5. The Government Entity employees and the bidders must not disclose any information or Data to third parties, where this confidentiality is required due to the nature of the Assets to be disposed of or the adopted Method of Disposal, or where the disclosure would preclude the Disposal of Assets or compromise the interests of the Government Entity.
  6. Where the Assets are disposed of by other than sale or donation, the Government Entity will retain the ownership rights to the Assets.
  7. Nothing in the documents expressing the Government Entity's intent to dispose of the Assets, or in the relevant award decision, may be construed as creating liability on the part of the Government Entity towards participants in the Disposal of Assets process. The Government Entity will be liable towards any participants only upon signing Contracts with them.

- b. A participant in the Disposal of Assets process must provide a Bid Bond in the form of a certified cheque or an unconditional and irrevocable letter of bank guarantee issued by a bank operating in the UAE, in the amount or percentage prescribed by the Government Entity.
- c. Without the need for a notice or court judgement, the Bid Bond will be confiscated if the participant in the Disposal of Assets process withdraws his Bid before the expiry of its validity, or before concluding the Contract with him, without a reason acceptable to the Government Entity.
- d. A bidder will be held liable for any loss or damage that the Government Entity incurs on account of his withdrawal from the Disposal of Assets process before awarding the Contract or on account of his refusal to sign the Contract, without a reason acceptable to the Government Entity.

### **Fees for Bid Documents**

#### **Article (104)**

- a. A Government Entity may collect fees for the bid documents or for participation in online auctions, as prescribed by the competent Committee.
- b. Where a Disposal of Assets process is cancelled, the fees for bid documents paid by all participants will be refunded to them.
- c. The fees for bid documents will not be refunded after commencement of the procedures for Disposal of Assets where the submitted Bids fail to meet the prescribed specifications or conditions. Moreover, these fees will not be refunded where the bidder withdraws his Bid, whether before or after commencement of the procedures for Disposal of Assets.

### **Bid Evaluation and Award Decisions**

#### **Article (105)**

- a. The highest Bid will be deemed the winning Bid, provided that it exceeds the minimum price prescribed by the Government Entity. In selecting the winning Bid, the competent Committee must take into account the following:
  - 1. the value of the highest Bid;
  - 2. any reservations or variations made by the winning bidder; and
  - 3. any issues regarding the winning bidder's solvency, reputation, or integrity.
- b. Where the competent Committee rejects the highest Bid, it must state the reasons for rejection in writing.
- c. The Director General will render the award decision and execute the Contract with the winning bidder based on the recommendation of the competent Committee.

**Sole Bids**  
**Article (106)**

- a. Where the Competent Committee receives a sole Bid in respect of the Disposal of Assets process, it may recommend to the Director General accepting this sole Bid if it deems that the Bid exceeds the minimum fair price or that it is suitable in view of the evaluation outcomes.
- b. If the sole Bid is lower than the minimum price or is not suitable in view of the evaluation outcomes, the Disposal of Assets process will be reinitiated.
- c. In any event, a Government Entity will not be obliged to accept a sole Bid submitted to it. The Director General may decide to accept the sole Bid, or to reinitiate or cancel the Disposal of Assets process.

**Refund of Security and Guarantees**  
**Article (107)**

A Government Entity will refund to the contracting party all security, guarantee, and other amounts retained by it, within thirty (30) days from the date of the proper performance of the Contract and fulfilment of all obligations of the contracting party stipulated therein.

**Chapter Four**  
**Inventory Management**

**Constructing and Taking Lease of Warehouses**  
**Article (108)**

A Government Entity must construct or take lease of the warehouses required for storing its Assets, and provide these warehouses with the required equipment, devices, systems, human resources, procedures, and working manuals, as appropriate in view of the type, nature, and size of the Assets.

**Asset Management**  
**Article (109)**

The organisational unit in charge of warehouses within each Government Entity will manage the Assets of the Government Entity in accordance with the provisions of this Law and the Inventory Management system adopted by the DOF; and will be responsible for providing other organisational units with the Assets needed for the performance of their duties and achievement of the objectives of the Government Entity. For this purpose, it will:

1. maintain the optimum level of stored Assets as required to minimise storage costs, and reduce the capital invested in these Assets;
2. categorise, and assign codes to, stored Assets; store each type of Assets at its designated place; and maintain the Assets in a manner that ensures their safety and proper use;
3. inspect used Assets before storing them in warehouses, with a view to ensuring the integrity of stored Assets in terms of quantity, quality, and fitness for use;
4. insure the Assets; and conduct periodic maintenance, estimate the useful life, and ensure the serviceability of the same;
5. supply the competent organisational units within the Government Entity with the stored Assets, upon their request, in accordance with the rules and procedures adopted in this respect;
6. record the Assets entering or leaving the warehouses; and regularly determine the stock level and financial value of these Assets, in coordination with the competent organisational unit within the Government Entity and in accordance with the accounting standards adopted in this respect;
7. use the Electronic System to record the Assets received in or discharged from the warehouses, and to determine the stock levels of the Assets;
8. conduct Inventory Planning by developing stock supply programmes and determining the annual stock requirements;
9. implement the applicable warehouse security and safety regulations and procedures;
10. submit periodic reports on stored Assets, the condition of warehouses, and surplus Assets; and propose the appropriate approach to handle the same, in coordination with the competent organisational units within the Government Entity;
11. track the Assets delivered to the competent organisational units, and to the employees, of the Government Entity; and
12. perform any other duties stipulated in this Law and the resolutions issued in pursuance hereof; or assigned to it by the Director General.

### **Stock Count and Valuation Committee**

#### **Article (110)**

- a. A Committee named the "Stock Count and Valuation Committee" will be formed within each Government Entity pursuant to a resolution of the Director General. The Committee will be comprised of a chairman, a vice chairman, and a number of

members; but may not include any employees of the organisational unit in charge of warehouses.

- b. The resolution forming the Stock Count and Valuation Committee will determine its terms of reference; and the procedures for convening its meetings, passing its resolutions, and making its recommendations.
- c. The Stock Count and Valuation Committee will have the following functions:
  - 1. to verify the authenticity of the warehouse records;
  - 2. to compare the actual stock levels of the items stored in the warehouse against those entered in the records;
  - 3. to inspect the stored items and determine their condition;
  - 4. to estimate the value of the stored items in coordination with the competent organisational units within the Government Entity and in accordance with the accounting standards adopted in this respect;
  - 5. to make recommendations as to the disposal of stored items by way of sale, destruction, recycling, or donation;
  - 6. to prepare reports on the outcomes of stock count and evaluation processes; and
  - 7. to perform any other duties assigned to it by the Director General.

### **Stock Receiving Procedures**

#### **Article (111)**

- a. The organisational unit in charge of warehouses will be responsible for managing and receiving the Assets to be stored, pursuant to the relevant receiving report prepared by the inspection and receipt Committee, and in accordance with the provisions of this Law.
- b. Where any damage or discrepancy is discovered in the course of inspection and receipt, the inspection and receipt Committee or the organisational unit in charge of warehouses, as the case may be, will provide the Procurement Concerned Unit with the receipt and inspection report, stating the damage and discrepancies. The Concerned Unit must take the necessary action to claim compensation for such damage or discrepancy from the Supplier, subject to the provisions of the Contract concluded with him and the provisions of this Law.

## **Discharge of Assets**

### **Article (112)**

The organisational unit in charge of warehouses will discharge Assets from the warehouses in accordance with the procedures adopted in this respect.

## **Inventory Recording and Tracking**

### **Article (113)**

- a. The organisational unit in charge of warehouses must record the discharge of Assets accurately and must print bar codes for stored items through the warehouse management Electronic System adopted by the DOF, in a manner that ensures effective tracking of these items.
- b. The warehouse management Electronic System must include the essential information of the stored Assets, in particular:
  1. codes of the stored Assets;
  2. dates of entry or storage;
  3. units of measurement;
  4. quantities in stock;
  5. expiry dates of the stored Assets, where applicable;
  6. actual prices of the stored Assets;
  7. description of the stored Assets;
  8. the organisational unit to which the stored Assets belong, unless these Assets are shared by multiple units; and
  9. the reorder point.
- c. Discrepancies between the inventory records in the warehouse management Electronic System and the existing stored Assets must be resolved pursuant to the rules and principles adopted by the DOF in this respect.

## **Stockbuilding**

### **Article (114)**

- a. Stockbuilding must be based on the volume of demand for stored Assets.
- b. The organisational unit in charge of warehouses will, in coordination with the competent organisational units within the Government Entity, determine the minimum stock level, the maximum stock level, and the optimal reorder point of each type of stored Assets. These levels will be recorded in the warehouse management Electronic System, taking into account:

1. possibility of storage and perishability of the Assets;
  2. availability of the Assets in the market;
  3. tendency of the specifications of the Assets to change;
  4. price fluctuations;
  5. turnover of the Assets;
  6. importance of the Assets to the business of the Government Entity; and
  7. strategic importance of the Assets.
- c. In determining the reorder point, the following must be observed:
1. the minimum stock level and the operating needs as from the date of preparing the Purchase Request to the date on which the Assets are delivered and stored in the warehouse;
  2. availability of Assets in the market;
  3. stock level of Assets;
  4. actual need for the items;
  5. surplus Assets;
  6. Assets that require maintenance;
  7. perishable Assets;
  8. expiry dates of Assets, where applicable;
  9. technical and technological depreciation of Assets;
  10. seasonality of Assets; and
  11. variability of prices throughout the year.

### **Returning Assets to Suppliers**

#### **Article (115)**

- a. If received Assets are found unfit for use, or complaints are filed by the competent organisational units within the Government entity in respect of these Assets, they will be returned to the relevant Supplier in accordance with the procedures and rules adopted in this respect. The Supplier will be responsible for retrieving the Assets, and compensating the Government Entity for the same, within the time limit stipulated in the Contract, or within one (1) month from the date of delivery of these Assets to the Government Entity where no such time limit is stipulated in the Contract. The rejected Assets must be returned by the Government Entity in the same condition in which they have been received.

- b. Where the Supplier fails to retrieve the rejected Assets referred to in paragraph (a) of this Article, the penalties and measures stipulated in sub-paragraph (3) of Article (79) of this Law will be imposed on him.

## **Chapter Five General Provisions**

### **Emergencies and Force Majeure**

#### **Article (116)**

- a. Where, in the course of performance of a Contract, inevitable or unforeseeable emergencies occur, which render the performance of the Contract onerous for the contracting party and expose him to severe loss due to circumstances beyond his control, the contracting party must continue performing the Contract. In this case, the contracted party will have the right to claim fair compensation by submitting a request to the competent Committee. The Committee will consider the request and submit its relevant recommendations to the Director General to take the actions he deems appropriate in respect of that request. In this regard, coordination with the DOF must be pursued in order to secure the funds required for compensation.
- b. Where, in the course of performance of a Contract, a force majeure event or inevitable, unforeseeable, and general exceptional circumstances occur, which render the performance of the Contract impossible, the Contract will be deemed revoked, provided that the competent Committee verifies the occurrence of such force majeure.

### **Evidential Value of Electronic Documentation**

#### **Article (117)**

- a. In implementing the provisions of this Law, all Data, documents, records, Contracts, minutes, notices, correspondence, and other instruments must be prepared and documented electronically.
- b. All Electronic Data, documents, records, Contracts, minutes, notices, correspondence, signatures, and other instruments processed by the Electronic System will have the same evidential value as official written documents.

### **Grievances**

#### **Article (118)**

- a. Any affected party may, without prejudice to his right to recourse to courts, submit to the Director General a written grievance against any procedure, decision, or measure



taken against him under this Law and the resolutions issued in pursuance hereof, within thirty (30) days from the date of being notified of the contested procedure, decision, or measure.

- b. The grievance will be determined by a Committee formed pursuant to a resolution issued by the Director General in this respect. This resolution will determine the chairman of the Committee, its members, its terms of reference, and the procedures for convening its meetings and passing its resolutions and recommendations. The Committee may not include among its members any Person who has participated in taking the contested procedure, decision, or measure.
- c. The Committee must determine the grievance within thirty (30) days from the date of being referred to it, and its decision in respect of the grievance will be final.
- d. In addressing the grievances submitted under the provisions of this Law, transparency must be observed, and any favouritism or bias against any party must be avoided.

### **Remedies and Compensation**

#### **Article (119)**

A Government Entity will not be held liable towards any party contracting with it, or towards third parties, for any damage sustained by them as a result of performing the Contract, unless the Government Entity has contributed to this damage. The contracting party will be fully liable towards the Government Entity for such damage, and for compensation for the same. The contracting party must remedy the damage at his own expense, failing which, the Government Entity may remedy the same and claim from the contracting party all the relevant costs incurred, in addition to twenty percent (20%) of these costs as administrative fees.

### **Governing Law and Settlement of Disputes**

#### **Article (120)**

- a. A Contract must specify the governing law and the methods for amicable settlement of any disputes that may arise between the parties.
- b. Where no amicable settlement is reached in disputes arising between the parties to the Contract, the courts of the Emirate, including the Dubai International Financial Centre Courts, will have jurisdiction to hear all the disputes arising from performance of the Contract. The jurisdiction of these courts will be determined in accordance with the legislation in force in the Emirate.
- c. The parties to Contract may agree to resort to arbitration, in which case no provisions in the Contract may stipulate that arbitration be conducted outside of the Emirate, or that any dispute regarding the arbitration or any of its rules or procedures be subject to any legislation or rules other than those in force in the Emirate. Where the

public interest so requires, any provision that contradicts the provisions of this paragraph will be deemed voidable and non-binding.

- d. No provisions in the Contract may stipulate compliance with all or any of the terms of contracts of the International Federation of Consulting Engineers (FIDIC), whether by way of reference to these terms or by attaching them to the Contract.
- e. Notwithstanding the provisions of paragraphs (b), (c), and (d) of this Article, a Government Entity may, where the public interest so requires and under exceptional circumstances, be exempted, subject to the prior approval of the Ruler or his authorised representative, from compliance with the court jurisdiction provisions stipulated in paragraph (b) or with the prohibitions stipulated in paragraphs (c) and (d) of this Article.

### **Precious Metals, Fossils, and Antiquities**

#### **Article (121)**

Precious metals; fossils; ancient, historical, and archeological relics and antiquities; treasures; coins; and other valuable items that a party contracting with a Government Entity discovers, in the course of performing a Contract, will be deemed the property of the Government. Upon discovery of such items, the contracting party must immediately notify the Government Entity of the same; and take the necessary precautionary measures to prevent any removal of, or damage or impairment to, these items.

### **Delegation of Powers**

#### **Article (122)**

- a. A Director General may delegate any of his powers under this Law to any employee of the Government Entity. For this delegation to be valid, the following requirements must be satisfied:
  - 1. The powers to be delegated must fall within the powers of the Director General under this Law.
  - 2. Delegation must be in writing.
  - 3. Delegation must be granted to the concerned person in his official rather than personal capacity.
  - 4. Delegation must be time-limited. The time limit may not exceed two (2) years per instance of delegation.
  - 5. Delegation must not grant all the powers vested in the delegating person.
  - 6. Delegation must not adversely affect the control of Public Funds or compromise the internal audit rules. For example, delegation must not authorise an employee to perform two (2) roles in the same financial transaction; one is falling within his original job duties, and the other is granted by delegation.

- b. For the purpose of application of paragraph (a) of this Article, the delegation process must be performed pursuant to a delegation of power schedule, and a copy of this schedule must be communicated to the DOF and the Financial Audit Authority in the Emirate.

### **Support of Projects and Programmes Article (123)**

The provisions of this Law apply without prejudice to the discretion of any Government Entity to procure its Purchases from any projects or programmes that the Government decides to support, particularly those registered in the Hamdan bin Mohammed Programme for Young Business Leaders and governed by the above-mentioned Law No. (23) of 2009.

### **Issuing Implementing Resolutions Article (124)**

The Director General of the DOF will issue the resolutions required for the implementation of this Law. These resolutions will be published in the Official Gazette.

### **Repeals Article (125)**

The above-mentioned Law No. (6) of 1997 is hereby repealed. Any provision in any other legislation will also be repealed to the extent that it contradicts the provisions of this Law.

### **Publication and Commencement Article (126)**

This Law will be published in the Official Gazette and will come into force on 1 January 2021.

**Mohammed bin Rashid Al Maktoum**  
**Ruler of Dubai**

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Corresponding to 9 Rabi al-Thani 1442 A.H.