

Cabinet Resolution No. (4) of 2019 Concerning the Procurement and Warehouse Management Regulations in the Federal Government

The Cabinet:

- Having reviewed the Constitution;
- Federal Law No. (1) of 1972 Concerning the Competences of Ministries and the Power of Ministers, as amended;
- Federal Law No. (1) of 2011 Concerning the Public Revenues of the State;
- Federal Law No. (8) of 2011 on the Reorganization of the State Audit Institution;
- Federal Decree-Law No. (8) of 2011 Concerning the Rules for Preparation of the General Budget and Final Accounts;
- The Cabinet Resolution No. (9) of 2014 on the Regulations of Unified Financial and Accounting Policies for the Independent Federal Entities;
- The Cabinet Resolution No. (32) of 2014 on the Procurement and Warehouse Management Regulations in the Federal Government, as amended; and
- Based on the Minister of Finance's proposal approved by the Cabinet;

Hereby resolves as follows:

Section One

General Procurement

Chapter One

General Framework

Article (1)

Definitions

For applying the provisions hereof, the following terms and expressions shall have the meanings assigned thereto respectively herein below, unless the context otherwise indicates:

The State : The United Arab Emirates

The Ministry : The Ministry of Finance

The Minister : The Minister of Finance

- Federal Entities** : Any Ministry established under the Federal law No. (1) of 1972 Concerning the Competences of Ministries and the Power of Ministers, as amended, or any independent Federal Entity, be it an authority or an agency, in addition to federal regulatory agencies of the Government.
- The Minister Concerned** : The Minister taking over the supervision of the Federal Entity that is concerned with the procurement transaction or any other procedure performed under this Resolution, or the equivalent officer at the Federal Entity.
- The Undersecretary Concerned** : The Undersecretary concerned, or the equivalent officer at the Federal Entity.
- Purchased Items** : Any goods, services or works needed by the Federal Entities in order to carry out their functions.
- Procurement Operations** : A set of procedures performed by the Federal Entity to acquire the items required for its work, in accordance with the procurement and suppliers selection methods referred to herein.
- The Competent Authority** : The authority vested with the legal competence to approve the procurement operations at the Federal Entity, in accordance with the Table of Authorities set forth herein.
- Procurement Department** : The organizational unit that takes over procurement-related tasks, responsibilities and procedures at the Federal Entity.
- Supplier** : Any natural or legal person with whom / which the Federal Entity enters or wishes to enter into a contractual relationship in order to supply its procurement needs, whether registered or is wishing to be registered in the Suppliers Register. This umbrella term includes the Supplier with regard to the procurement and supply of goods, the Contractor with regard to the execution and construction of work, and the Service Provider with respect to the provision of services of all types.
- Annual** : A procurement planning tool prepared by the Federal Entity,

Procurement Plan	and includes an identification of the procurement needs of such Entity for the subsequent fiscal year.
E-Procurement System	: An electronic system created by the Ministry and used by the Federal Entity to complete all procurement-related operations.
Request for Information [RFI]	: A procedure, which precedes the submission of the Request For Proposal [RFP], implemented by the Procurement Department, with the aim of collecting written information about certain items of the contractual relationship or for ascertaining the efficiency of the Supplier.
Request for Proposal [RFP]	: An oral, written or electronic invitation addressed to Suppliers to submit letters of interest (LOI) or quotations for the items required.
Supplier Classification and Prequalification	: Procedures aiming to identify the level of Suppliers' qualification upon registration and then classifying them into one of the approved categories based on the total scores earned by the Supplier according to the standards and rules adopted by the federal government, for the purpose of ascertaining the level of Supplier's eligibility, efficiency and ability to properly perform its contractual obligations with the Federal Entity.
Bid	: The proposal submitted by the Supplier to the Federal Entity, and encompasses both technical and financial proposals.
Letter of Award (LOA)	: A notice sent by the Federal Entity to the Successful Supplier to inform the latter that the bid submitted thereby has been accepted. The Supplier is required to furnish any documents or requirements stipulated in the Letter of Award or the Conditions in accordance with the provisions hereof.
Contract Management Officer	: The employee of the Federal Entity that has a procurement contract, who acts as its representative for handling all matters relating to the contract, and is authorized to deal on its behalf with the Supplier.
Letter of Credit	: A written undertaking issued by a Bank operating in the State

- (L/C)** in favor of the Supplier at the request of the Federal Entity, whereby the Bank undertakes to pay a certain amount within a given period of time when the Supplier carries out the supply in accordance with the instructions and conditions of the bid and L/C.
- Letter of Guarantee** : A written undertaking issued at the request of the Supplier by a Bank operating in the State in favor of the Purchasing Federal Entity, as a guarantee to fulfill the Supplier's contractual obligations.
- Request for Variation** : A request issued by the Federal Entity or the Supplier to give effect to a change or modification of the purchased items defined in the contract.
- Variation Order** : A procedure agreed upon between the Federal Entity and the Supplier, after the request for variation has been approved, for the purpose of making a change or modification to any of the purchased items, prices, quantities, dates of milestones or delivery deadlines. Such order shall be attached with the contract relating to such purchased items.
- Certificate of Completion** : A certificate issued by the Contract Management Officer, confirming that the works or services agreed upon under the contract have been completed.
- Work Order** : A decision issued by the Contract Management Officer to the Supplier, requiring the latter to supply to the Federal Entity certain items through a valid Price Agreement and under a specified financial ceiling and a time limit.
- Subcontract** : An agreement between the Supplier, with whom a contract is concluded in accordance with the provisions hereof, and a Third Party referred to as a sub-Supplier, for performing part of the supply, activities or services agreed upon under a tender awarded to the Supplier, in accordance with the provisions and procedures stipulated herein.
- Purchase** : A request submitted by the Purchasing Unit of the Federal

Requisition	Entity to the Procurement Department at the same Entity, to procure goods or services or to carry out works.
Request for Quotation (RFQ)	: An oral, written or electronic invitation sent by the Purchasing Federal Entity to registered Suppliers in order to solicit quotations for procuring items of predefined and recognized standard specifications, or to provide such Entity with services or to carry out works for its benefit, in accordance with the provisions and procedures referred to herein upon using the direct procurement as a procurement method.
Purchase Order	: A contractual document between the Federal Entity and the Supplier, issued by the Procurement Department based on the Purchase Requisition or through a valid Price Agreement, and sets out the prices and specifications to be satisfied by the procurement process and the delivery period agreed.
Permanent Imprest	: A specific sum of money allocated for petty expenses, and is kept in the custody of a staff member, for the purpose of spending on urgent day-to-day purchases.
Temporary Imprest	: A sum of money allocated for a temporary circumstance or for a particular purpose, and is adjusted immediately as soon as the purpose for which it has been disbursed comes to an end.
Warehouse Department	: An organizational unit of the Federal Entity that takes over the duties, responsibilities and procedures of organizing, implementing and monitoring the materials or items cycle, through examining, receiving, storing, dispatching, returning and transferring the same.
Bidding	: A method used for selling assets, equipment, damaged and unusable materials and the like to the bidder who offers the highest price, according to any of the bidding methods specified herein.
Bidder	: Each natural or legal person who offers a bid for purchasing the assets, equipment, materials and items offered for sale by the Federal Entity for being redundant.

- Examination Report** : A document drawn up by the Warehouseman, the Examination and Receipt Committee or the competent technical entity, to document the result of counting and examining the items supplied to warehouses, in preparation for completing the procedures of the receipt or rejection thereof.
- Maximum Inventory Level** : The highest level of quantities of a particular material or an item, allowed to be kept by the Federal Entity, so that any rise of the inventory over such level would be adjusted by changing the procurement quantities required.
- Minimum Inventory Level** : The quantity below which the balance of a particular material or an item at any warehouse in the Federal Entity may not reach under normal circumstances. This threshold quantity is set to face the risks of delayed supply and contingencies in dispatch rates rise. No withdrawal may be made from the reserve balance to face normal or expected use needs.
- Inventory Replenishment** : Procedures for computing economic demand quantity by fixing the minimum and maximum levels as well as Reorder Point (ROP) per item in the Federal Entity's warehouses.
- Reorder Point [ROP]** : A specific amount or quantity of a certain item, so that when the inventory balance reaches such point, the Warehouse Department will be required to prepare an Inventory Replenishment Request, to ensure receiving such inventory items before the balance thereof goes down below the minimum inventory level.
- Returns Management** : Procedures of delivering the items back to the Supplier because they do not conform to the agreed specifications, or when items are rejected by the organizational units at the Federal Entity concerned because they are not needed.
- Price Agreement** : An agreement concluded by and between the Federal Entity and one or more Suppliers to fix the prices of goods or services for a predefined period of time under certain

- provisions and procedures.
- Green Companies** : They are the companies that observe green applications to meet environmental sustainability standards according to the international best practices, so as to strike a balance in development between community safety, economic growth and environmental conservation.
- Fourth-Degree Consanguinity** : Includes all the following:
- Blood relatives who descend from a single common ancestry of paternal or maternal side, up to the paternal or maternal cousin.
 - The relatives through affinity arising from marital relationship up to the paternal or maternal cousin of the spouse, or the wife of the paternal or maternal cousin.
- Prequalification Standards** : The technical, administrative and legal procedures through which the competitive bidding is made available through announcement on the appropriate media for all those wishing to submit documents and data that substantiate their eligibility, technical and financial capability to carry out the required work, or to provide consultancy services, for the purpose of ascertaining the level of the Supplier's eligibility, efficiency and ability to fulfill its contractual obligations with the Federal Entity.
- Bid Validity Period** : The validity period of obligations contained in the bid, during which the Supplier undertakes to provide the purchased items exactly as listed in the bid, and commences from the RFP deadline.
- Direct Award** : A procurement method through which the contractual relationship procedures are established through direct communication with a single Supplier, with no need to solicit proposals from several Suppliers.
- Cost-Plus Pricing Policy** : A procedure through which a contract is concluded with the Supplier using the Price Agreement method, so that the

contractual value is based on the cost of the supplied item plus a percentage of the cost or a lump sum (profit margin).

Article (2)

Scope of Application

- a. The provisions hereof shall apply to all the following procedures:
 1. The procurement, supply, work execution and services contracts entered into by the Federal Entities.
 2. The storage of materials and items within the Federal Entities.
 3. The sale, destruction and donation of items, materials, equipment and any inventory no longer needed by the Federal Entity.
- b. The following purchased items and Federal Entities shall be excluded from the application of this resolution:
 1. Ministry of Defense;
 2. State Security Agency;
 3. All procurement operations of military nature carried out by Ministry of the Interior or any Federal Entity of a security or military standing, as determined by a resolution of the Minister concerned.
 4. Federal Entities that are party to international agreements or obligations relating to procurement operations carried out by such Entities.
 5. Fixed assets set out in Part 3 of the Budget relating to constructions in progress, as stated in the Unified Accounts Code Structure (UACS) Manual of the Federal Government.
 6. All pharmaceutical procurement transactions.
 7. All partnership agreements with the Private Sector, which are classified as a "PPP Venture" as prescribed in the Manual of the provisions and procedures of partnership agreements between the Federal Entities and the Private Sector, approved by a Cabinet Resolution.
 8. The Cabinet may, subject to consulting the Ministry beforehand, add or exclude any of the Federal Entities to and from the scope of the provisions hereof.

Article (3)

Objectives of the Resolution

This Resolution aims to achieve the following objectives:

- a. Standardizing and organizing procurement procedures and methods of the Federal Entities, so that such Entities ensure efficient and effective procurement process.
- b. Minimizing the cost paid by the Federal Entities and safeguarding their funds and assets in accordance with the provisions and procedures referred to herein.
- c. Ensuring an effective procurement system that enables Federal Entities to actualize quality, efficiency and cost effectiveness in procurement operations over a short span of time.
- d. Establishing the provisions and procedures to be complied with by the employees of the Federal Entities concerned with the procurement process, which are aligned with the international best practices.
- e. Establishing the standards to be followed by the Federal Entities in the procurement and Supplier selection operations, in accordance with the provisions and procedures referred to herein.
- f. Establishing the policies and procedures relating to the receipt, storage, dispatch, reordering, maintenance and control of inventory items.

Article (4)

Approval Authority

- a. The approval authority shall include the following:
 1. Purchase orders and their amendments.
 2. Supply, services and work execution contracts and their amendments, exclusive of the expenses of water, electricity, telephone, advertising, administrative expenses and other petty expenses which fall within the scope of overhead expenditure.
 3. Writing off damaged and unusable assets, property, equipment and materials which are no longer needed by the Federal Entity from the Records, and selling them by public auctions or by any other sale method set out herein.
- b. The Competent Authority, or its authorized representative, shall approve the means of establishing the contractual relationship, the result of award, signing or termination of

contracts at the Federal Entity, within the limits of the amounts ascribed next to each authority according to the table below as follows:

Means of Establishing the Contractual Relationship	The Competent Authority		
	The Undersecretary concerned	Assistant Undersecretary concerned	Director of Financial Resources / Procurement Department
Request for Proposals (RFP)	15 millions	5 millions	3 millions
Direct Award	1 millions	500,000	250,000

- c. The Minister concerned shall have the authority to approve the procurement transaction without a financial ceiling in the manner he deems appropriate, provided that relevant reasons and justifications are disclosed.
- d. The Competent Authority may not split up the procurement transactions with the aim of overstepping the approval authority of the higher authority.

Article (5)

Obligations of the Federal Entity

- a. The Federal Entity shall:
 1. Implement the policies adopted in the international procurement-related agreements, to which the State is a party.
 2. Observe the highest level of transparency when managing the procurement transactions, by maintaining the highest standards of professional integrity in conformity with open competitive procedures.
 4. Observe the ongoing development and changes required under the provisions and procedures referred to herein.
 4. Hire high-caliber prequalified Suppliers so as to provide a competitive environment.
 5. Deal fairly with bidders and not to show bias in favor of any of them, and avoid any actions that preclude effective application of the equality principles.
 6. Subject to the provisions of Article (21) hereof, announce its procurement

transactions through the e-procurement system, or through publications or periodicals concerned with trade and economy topics.

- b. The Federal Entity's employees shall:
 - 1. Avoid actual or potential conflict of interest upon carrying out the tasks and duties assigned to them, and disclose any of such cases.
 - 2. Not take any action that would cast doubts of the employer Federal Entity about the integrity of the procurement transactions executed.
 - 3. Not receive or accept any gifts, financial or in-kind donations, benefits or facilities from any person dealing with the employer Federal Entity, whether directly or indirectly.
 - 4. Disclose any kinship relationship up to the fourth degree that may exist between any employee and any Supplier having an interest with the employer Federal Entity. In the event of such relationship, the employee concerned shall step down from performing the tasks assigned to him in the procurement transactions.
 - 5. Act with impartiality and independence in all procurement transactions falling within the scope of their duties and responsibilities, and they shall have no interest in any work, contracting or agreements thereto related.
- c. All employees of the Federal Entity may not participate in the procurement operations through companies or institutions owned by them or in which they hold a stake as either partners or agents.

Article (6)

Value for Money

- a. The major objective of procurement is to get the value for the money paid, which symbolizes an ideal combination of the cost and quality of a product over its entire useful life, or the extent of the product's appropriateness to satisfy the requirements of the Federal Entity.
- b. Employees involved in the procurement transaction shall, when determining the standards of bid evaluation, observe the following procedures:
 - 1. Not to depend solely on the price factor for evaluating the bids.
 - 2. To select the bid that provides the best value for money according to provisions and procedures referred to herein.
- c. Contracts shall be awarded at the Federal Entity based on the best bid in economic terms

according to the following standards:

1. The best bid in technical terms.
2. The best bid in price terms.

Article (7)

Announcement and Transparency

- a. All Tenders, Dutch Auctions and Competitions shall be announced through the e-procurement system, while newspapers, magazines or any method deemed appropriate by the Federal Entity may be used in accordance with the provisions and procedures referred to herein.
- b. Suppliers shall be notified either electronically or through any means the Federal Entity may deem appropriate of the existence of Dutch auctions relating to their businesses.
- c. The Request for Information [RFI] may be issued following the issuance of the decision approving the procurement plan or in line with the requirements of work, in accordance with the provisions and procedures referred to herein.
- d. Suppliers participating in tenders and Dutch auctions shall be notified by a notice of the award result according to provisions and procedures referred to herein.
- e. If any Supplier has information relating to the current procurement transaction as a result of a former contractual relationship concluded with the Federal Entity, and such information would give such Supplier an advantage over other Suppliers, the Federal Entity shall make such information available to other Suppliers upon offering the RFP, to ensure transparency and fairness.

Chapter Two

General Provisions and Procedures on Suppliers

Article (8)

Suppliers Registration

- a. The Ministry shall create and maintain an e-register for Suppliers, which contains all information required for the procurement process. The information of such register shall be made available to all Federal Entities which apply the e-procurement system. The registered Supplier shall be provided with a username and password to benefit from the

system services.

- b. Licensed Suppliers shall be recorded in the register against the prescribed fees, but Federal Entities shall be exempted from such fees if they satisfy the registration conditions.
- c. Companies owned by national citizens, subsidized by SME Funds, and on which Federal or local statutes are issued, shall be exempted from the registration fees, provided that the capital of which does not exceed AED (10,000,000) ten million Dirhams for the first two years of the registration date, provide further that they satisfy the Suppliers registration conditions.
- d. Without prejudice to international conventions and agreements to which the State is a party, for registration in the Suppliers Register, the Supplier shall satisfy the following requirements:
 1. If the Supplier is a legal person, it must be a company duly registered in the State and governed by Federal Law No. 2 of 2015 on Commercial Companies as amended, or any other substituting statute.
 2. If the Supplier is a branch of a foreign company registered in the free zones of the State, it may be registered provided that the company has a duly registered branch in the State outside such zones.
 3. The Supplier must be licensed to carry on business in the State.
 4. The Supplier shall not be banned from participation in Tenders and Dutch auctions by any Federal Entity.
 5. No partner of the Supplier may be an employee of the federal bodies with which the contractual relationship is to be created.
 6. Any of the partners or service agents of the Supplier shall be a national of the State.
- e. The Supplier shall be required to furnish the following data upon registration in the Suppliers Register, and shall undertake to report any amendment thereto as follows:
 1. The Trade Name, address, P.O. Box, telephone and fax numbers and email address.
 2. Legal form and licenses issued by the competent authorities in the State, which demonstrate the business activity.
 3. Memorandum of Association.
 4. The name of the contract officer and his/her specimen signature.
 5. The titles of agencies assigned to the Supplier and officially registered with the

- competent authorities, if any.
6. The data and records of registration with the municipalities and chambers of commerce and industry.
 7. Licenses required to carry on the business.
 8. The Supplier's prequalification in terms of contractual relations and execution of projects for other entities, the volume and types of work.
 9. IBAN code of the Supplier, the name and branch of the bank, the name of the account holder.
 10. Tax registration number, if any.
 11. Any additional requirements which the Federal Entity deems compatible with its needs and specialization.
- f. The Supplier, wishing to deal with the Federal Entity, shall electronically satisfy all the requirements of the registration in the Suppliers register, through the website created by the Ministry or the Federal Entity concerned for such purpose. The Supplier shall upload all the required documents and statements to the website.
 - g. The Supplier shall pay all registration or renewal fees required.
 - h. The Organizational Unit in charge of the Suppliers Register at the Ministry or the Federal Entity shall review and verify the authenticity of all documents, statements, licenses and certificates submitted by the Supplier, and shall ascertain that the Supplier complies with all the legal conditions and requirements for performing the work or carrying on the business, before the registration process is completed.
 - i. The Supplier shall update its information on the register periodically, or whenever necessary, while the Ministry shall review the update for approval.

Article (9)

Suppliers Qualification and Classification Upon Registration

- a. The Ministry shall adopt standards for the classification of suppliers, which include three basic aspects, with specific scales assigned to each standard as shown below:
 1. The legal aspect, which relates to obtaining all licenses required for carrying on the business from the relevant bodies, for completing the registration procedures in the Suppliers register.
 2. The technical aspect, which relates to providing high-caliber and high-quality human

resources alongside past experiences and work done with government bodies, in addition to the availability of adequate and appropriate equipment, workshops and warehouses, as required

3. The financial aspect, which relates to providing audited and reservation-free financial statement and an original bank account statement.
- b. The Supplier's name may not be recorded in the Suppliers Register if the same earns evaluation scores below the minimum threshold set for admitting the Supplier registration.
- c. The Minister shall have the authority to approve any exceptions for recording the Suppliers in the Suppliers Register, provided that underlying reasons and justifications are shown.

Article (10)

Supplier Evaluation Standards Upon Prequalification

- a. The Federal Entity shall, in case it is wishing to solicit proposals, conduct a prequalification of the Suppliers, to verify the availability of necessary qualifications and capabilities of the participants, including their technical abilities, financial and administrative capabilities, the volume of their obligations and their ability to perform the same.
- b. The capabilities and potential of applying Suppliers, referred to in paragraph (a) of this Article, shall be verified and evaluated through the following:
 1. Identifying past experiences of Suppliers in similar contracts and their performance level therein.
 2. Identifying the technical capabilities of Suppliers in terms of their expertise, qualifications, the number of employees, equipment, construction or manufacturing facilities, etc., indicating the level of their capabilities.
 3. Assessing the financial position of Suppliers.
- c. The Procurement Committee of the Federal Entity shall review and periodically approve the prequalification standards.

Article (11)

Post-Service Supplier Evaluation

- a. The Procurement Department of the Federal Entity concerned shall conduct the annual evaluation of Suppliers after they provide the service, and in coordination with the Purchasing Units at the Federal Entity.
- b. Suppliers shall be evaluated depending on their performance level for the purpose of encouraging outstanding performance, so that the option of ranking Suppliers based on their products or services shall be included as per the following criteria:
 1. Quality of service;
 2. Price;
 3. Commitment to the preset handover schedule;
 4. The extent of cooperation and responsiveness to requirements;
 5. Discount rate on the offered price;
 6. The extent of effective communication with the Supplier;
 7. The service level;
 8. Flexibility in terms of payment dates;
 9. Staff experience; and
 10. Level of technical support availability
- c. Each Supplier shall be notified of the result of its evaluation by a notice to be sent to the address specified thereby, so that all Suppliers shall be familiarized with the standards of evaluation, so as to ensure fairness and transparency.
- d. The Supplier may file an objection to the Grievance Committee against its classification or against the decision of the Ministry or of the Federal Entity concerned rejecting its registration in the Suppliers Register, in accordance with the provisions set out in Article (13) hereof.

Article (12)

Removing Suppliers' Names from Registers

- a. Any Supplier, who fails to satisfy the success requirements in terms of the evaluation standards of post-service performance level, shall be deregistered and deprived of making supply to the Federal Entities for not more than one year.

- b. The Ministry shall publish information on its website for access by all Suppliers, including working techniques with the Federal Entities in terms of registration methods and conditions, in addition to reasons for deregistration and deprivation of participation, including details of the contract and methods of Suppliers selection.
- c. The Supplier's registration shall be removed from the register if the same is convicted of a felony or a misdemeanor involving moral turpitude and breach of honor, and shall be deprived from making supply to the Federal Entity for not less than three (3) years.

Article (13)

Grievance by Suppliers

- a. A Committee, to be known as the (Grievance Committee), shall be constituted at the Federal Entity by a decision of the minister concerned. Such decision shall designate its chairman, deputy chairman, the number of members, convention and decision making mechanism of the Committee.
- b. The Grievance Committee shall undertake the following tasks:
 - 1. Deciding on the complaints submitted by the Suppliers.
 - 2. Settling the administrative disputes that may arise between the Supplier and the Federal Entity regarding the procurement procedures, from the stage of announcing the tenders until the completion of the work and the disbursement of entitlements.
 - 3. Adjudicating any dispute between the Supplier and the Federal Entity regarding the result of the examination or rejection of the materials.
 - 4. Examining the objections to the decisions of fines, compensations and disciplinary procedures imposed on the Supplier as a result of violation of specifications and delay, or due to failure to supply and deliver the required items.
- c. Without prejudice to the Supplier's right to file a grievance, the Federal Entity concerned shall endeavor to communicate with the Supplier, with a view to reaching an amicable settlement and a consensual solution to the subject of the complaint.
- d. The procedures for handling complaints must be transparent and do not involve any form of discrimination or bias towards either party. The Committee shall take into account the following standards upon processing the complaint:
 - 1. The process shall be clearly and comprehensively organized and understood by all parties concerned.

2. Dealing with the complaint in a written form to ensure documentation.
 3. Granting the parties to the contract a timeframe of not more than ten (10) business days starting from the date of notification of the complaint, to enable each party to respond to the claims of the other party appropriately, unless the dispute is subject to urgency.
 4. The complaint management procedures shall not prejudice the Supplier's right to participate in any tender or purchase transaction with any other Federal Entity.
- e. Notwithstanding the provisions of this article, a Central Grievance Committee shall be constituted at the Ministry to decide on the grievances relating to procurement transactions originating in the countries with which a Free Trade Agreement is concluded.

Chapter Three

Procurement Governance

Article (14)

The Procurement Department

The Procurement Department is responsible for providing and implementing all the purchased items of the Federal Entity effectively under all circumstances and at all times and within the changes in priorities and developments, and, for such purpose, it may perform do the following:

- a. Developing and monitoring the implementation of the annual procurement plan, and amending it when necessary, and providing the procurement requirements for the different departments on an ongoing basis, according to the most appropriate specifications and quantities and best prices.
- b. Analyzing and examining the items required to be purchased in terms of specifications, quality, prices, terms of purchase and delivery, as well as identifying and striving to improve areas of development, in coordination with the Purchasing Unit.
- c. Soliciting the Quotations.
- d. Managing the process of preparing necessary documents and disseminating them to Suppliers in accordance with the provisions hereof, providing relevant clarifications and making any amendments thereto.

- e. Conducting the financial analysis of bids, evaluating and approving the requests for quotations in coordination with the Purchasing Unit.
- f. Negotiating with the Suppliers in coordination with the Procurement Committee.
- g. Issuing purchase orders and work orders.
- h. Drafting the contract documents and papers in coordination with the Purchasing Unit.
- i. Providing support to the contract management process in coordination with the Responsible Officer of the organizational unit concerned.
- j. Managing the returns process in coordination with the Warehouse Department and the relevant organizational unit.
- k. Following up on the implementation of contracts, purchase orders and work orders, and submitting periodic reports thereon.
- l. Submitting recommendations to the Procurement Committee on the imposition or lifting of penalties and fines against Suppliers.
- m. Drawing up periodic reports on the procurement operations and completed works, and submitting them to the Competent Authority.
- n. Monitoring and supervising the performance of Suppliers on a regular basis, and hearing their observations and suggestions to take them into account for improving and developing the performance.
- o. Monitoring the evaluation process of Suppliers after the service is provided or the materials are supplied, together with the relevant organizational unit.
- p. Approving the procurement invoices and reviewing the invoices of services, without prejudice to the approval authority referred to in paragraph (B) of Article (4) hereof.
- q. Receiving and maintaining original bank guarantee letters on bids.
- r. Returning the original bank guarantee letters (Bid Bond) to disqualified bidders or to the successful Supplier immediately upon delivery to the Performance Bond, and retaining a copy thereof.
- s. Returning original bank guarantee letters (Performance Bond) to the Supplier after the completion of the procurement process, the execution of work or the provision of services according to the contract, and keeping copies thereof.
- t. Managing the communication with Suppliers, so that it acts as a point of contact between the Suppliers and the Federal Entity.
- u. Keeping all documents and papers to ensure confidentiality, easy tracking and auditing.

For such purpose, the Purchasing Unit and the Suppliers shall each send the documents and papers related to the procurement operations relating to them to the Procurement Department directly.

Article (15)

The Procurement Committee

- a. A committee, to be known as the "Procurement Committee", shall be constituted at the Federal Entity by a decision of the Minister concerned or his authorized representative. Such committee shall be composed of six members, and the composition decision shall nominate the Chairman and Deputy Chairman of the Committee as follows:
 1. One Member from of the Financial Affairs Department.
 2. One Member from the Procurement Department.
 3. One Member from the Legal Affairs Department.
 4. Three other members from inside or outside the Federal Entity concerned, to be selected according to the nature of the projects, materials or services required to be purchased.
- b. A Committee, to be known as the "Procurement Committee", may be constituted at the Federal Entity hiring less than (50) employees, by a decision of the Minister concerned or his designee. Such Committee shall be composed of at least three members, and the decision shall nominate the Chairman and Deputy Chairman of the Committee as follows:
 1. One Member from the Financial Affairs Department.
 2. Two members from inside or outside the Federal Entity, to be selected depending on the nature of the projects, materials or services required to be purchased.
- c. The Procurement Committee shall be reconstituted every three years, or whenever necessary, and the decision of the reconstitution shall nominate the Chairman and Deputy Chairman of the Committee.
- d. The Procurement Committee shall undertake the following functions:
 1. Reviewing and approving prequalification standards of Suppliers periodically.
 2. Issuing a list of exclusive agents for materials, items, services and works for which any of the Supplier is considered an exclusive agent on a periodic basis, and approving any new exclusive agent.

3. Reviewing, studying and approving the exceptions to tenders.
 4. Extending the tender before its closing or cancelation, and re-inviting bidder to participate therein if necessary.
 5. Accepting the proposals in a currency other than the UAE dirham, if so approved by the Federal Entities.
 6. Disqualifying Suppliers and the bidders, while demonstrating the underlying reasons.
 7. Approving the employee nominated by the Purchasing Unit to review the technical proposal.
 8. Evaluating technical and financial proposals submitted by prequalified Suppliers, drawing up a report on evaluation results and managing the negotiations with Suppliers, and it may delegate the Procurement Department to negotiate with Suppliers.
 9. Recommending the award of tender to the bid satisfying the conditions, specifications and the provisions hereof.
 10. Approving the contract management officer in accordance with the provisions hereof.
 11. Reviewing and recommending the approval of variation or amendment requests.
- e. The Procurement Committee shall hold its meetings at the call of its Chairman whenever needed, and its meeting shall be valid only if attended by four members, including the Chairman or Deputy Chairman of the Committee. In addition, the committee may invite to its meetings appropriate professionals and technicians as it deems appropriate, both from the employees of the Federal Entity or outsiders, to attend its meetings and to give opinion on the matters brought before it.
 - f. The Committee shall make its decisions either unanimously or by majority of votes of its members present, and no member may abstain from voting. In case of equal votes, the Chairman of the Committee shall have the casting vote. In case the members of the Committee have conflicting opinions, the points of disagreement shall be recorded in the Minutes of Meeting, and the relevant Undersecretary shall have the power to adjudicate any dispute.
 - g. The Procurement Committee shall have a Rapporteur to be appointed by a decision of the Undersecretary concerned or his designee, and he shall undertake the following

tasks:

1. Notifying the members of the Procurement Committee of their meeting dates.
 2. Notifying the Purchasing Unit's Responsible Officer of the date of the committee meeting, so that the latter can attend the meeting or dispatch a representative who is familiarized with the procurement and is able to answer the questions and inquires of the committee members. In the absence of the Purchasing Unit's Responsible Officer or his representative, the committee may exclude the purchased items of such Department from the agenda.
 3. Recording the minutes of meetings and documenting the decisions of the Committee in a special register to be created by the Federal Entity for such purpose.
- h. The Procurement Department shall, in coordination with the Purchasing Unit through a memorandum to be submitted to the Procurement Committee or through the procurement system or any method deemed appropriate by the federal entity, give a proposal to obtain the approval of any of the following:
1. Negotiation of prices in Tenders or Dutch auctions, in accordance with the provisions hereof.
 2. The list of selected Suppliers instead of the Supplier's register's list.
 3. Reoffering the Tender or Dutch auction, in accordance with the provisions hereof.
 4. Awarding the tender or Dutch auction, in accordance with the provisions hereof.
 5. Issuing a variation order of the purchased items, in accordance with the provisions hereof.
 6. The Minutes of meeting of the Bid Receipt and Proposal Opening Committee.
 7. Appointing the contract management officer in accordance with the provisions hereof.
 8. Recommending the termination or rescission of the contract as recommended by the contract management officer, in coordination with the Purchasing Unit.

Article (16)

Bid Receipt and Proposal Opening Committee

- a. All proposals and bids shall be delivered electronically, except for the direct procurement, direct award and competition. If there is no e-procurement system available with the Federal Entity, bids shall be delivered personally.

- b. In case bids are delivered personally, the Federal Entity shall, by a decision of the Minister concerned or his designee, constitute a committee called (Bid Receipt and Proposal Opening Committee), with the membership of (3) three employees of such Federal Entity.
- c. Bid Receipt and Proposal Opening Committee shall be reconstituted every three years or whenever necessary, provided that the same member shall not be appointed for more than three years.
- d. Notwithstanding the provisions of Paragraph (C) of this Article, the Entities hiring less than (50) fifty employees may renew membership of the same member according to the work requirements.
- e. Bid Receipt and Proposal Opening Committee shall manage the bids receipt process of all its stages, including the following:
 - 1. Receiving the bid and issuing a receipt for each Supplier, indicating the date and time of receipt of bid envelope and its letter of guarantee.
 - 2. Making sure of receipt of the letter of guarantee (Bid Bond) in a closed envelope.
 - 3. Opening the proposals within (8) eight business days of the date of expiry of the deadline for submission thereof.
 - 4. Determining the bid status in accordance with Paragraph (F) of this Article.
 - 5. Registering the bid status and the details of proposals that were opened at the proposal opening session.
 - 6. Stamping the bid documents on the date of opening.
 - 7. Preparing a Statement of the securities and guarantees of bids provided by Suppliers and delivering them to the Procurement Department.
 - 8. Maintaining the bid receipt box and holding its keys.
- f. The Committee shall receive the bids, open the proposals, ensure that the bid satisfies all required conditions and documents, and determine the bid status in accordance with any of the following cases:
 - 1. Complete: If the bid satisfies all required conditions and documents.
 - 2. Rejected: If the bid does not satisfy the required conditions and documents.
 - 3. Incomplete: If the bid does not satisfy some of the conditions and documents required.
- g. The Federal Entity may suspend the incomplete bid without rejecting it if it is convinced

that the deficiencies are not substantial or that participation of the Supplier in the bid is in favor of the Federal Entity, until communication is made with the Supplier to complete all required conditions and documents, provided that the same takes place within (5) five business days of the date of proposals opening.

- h. Bid Receipt and Proposal Opening Committee shall convene at the call of its Chairman whenever it is necessary.
- i. In the absence of the Chairman of the Committee, a substitute member of the Federal Entity shall be appointed to assume chairmanship duties of the Committee, with the consent of the Minister concerned or his designee.

Article (17)

Examination and Receipt Committee

- a. A Committee, to be called the [Examination and Receipt Committee], shall be constituted within the Federal Entity by a decision of the Undersecretary concerned or his designee. Such Committee shall examine and receive the purchased items after ascertaining that they conform to the technical specifications agreed upon with the Supplier.
- b. The Committee shall have a member representing each of the following bodies:
 - 1. The Purchasing Unit.
 - 2. The Procurement Committee.
 - 3. The Procurement Department.
 - 4. The Warehouse Department.
 - 5. A technical member from within or outside the Federal Entity, who has vast experience and competence in the nature of purchased items the Federal Entity wishes to receive.
- c. The Committee shall convene no later than (5) five business days of the date of being notified of the initial receipt by the Warehouse Department. Its meeting shall only be valid if attended by at least (3) three members, including the technical member and the member of Purchasing Unit.

Chapter Four
Solicitation of Suppliers' Bids
Article (18)
Annual Procurement Planning

- a. The Federal Entities shall conduct the annual procurement planning in accordance with the dates stipulated in the Financial Circulars to be issued under Federal Decree Law No.8 of 2011 Concerning the Rules for Preparation of the General Budget and Final Accounts, or in accordance with the applicable rules of independent federal entities.
- b. The Purchasing Unit shall be responsible for developing a plan on its annual procurement needs, and it shall provide the Procurement Department with such plan within the relevant time limit prescribed.
- c. All federal entities shall, upon conducting the preplanning and preparation of their annual procurement, include the following in their annual procurement plan:
 1. A brief description of the purchased items according to dispatch category, along with indicating all materials, services and works required and their classification.
 2. Delivery plan timeline.
 3. Estimated value of purchased items.
 4. Indicating the Supplier's name where there is a single Supplier.
 5. Indicating the external Supplier's name if there are requirements for purchasing materials from an external Supplier, in accordance with the provisions and procedures referred to herein.
 6. A description of the goods and services that can be provided by Suppliers supported by SME Funds, green companies and CSR-Contributing Companies.
- d. The necessary appropriations for the procurement transaction shall be available within the budget of the Purchasing Unit, but in the absence of relevant funds in the budget, the Purchasing Unit shall coordinate with the Financial Affairs Department in the Federal Entity to take the necessary measures for providing necessary appropriations to complete the procurement process.
- e. The Purchasing Unit of the Federal Entity may amend or cancel any of purchased items contained in the plan at any time, provided that a final decision shall not be made on the amendment or cancellation, unless a formal request thereof is submitted indicating the

materials or services requested to be amended or cancelled to the Procurement Department of the Federal Entity.

- f. Purchased items of the Federal Entities shall be acquired according to the following rules:
 - 1. There is actual need for the procurement.
 - 2. Availability of the necessary appropriations in the budget of the Federal Entity or any other sources of funding.

Article (19)

Request for Information

- a. The RFI shall be issued in cases where it is difficult to define the scope or requirements of work or to reach a precise estimation of the cost of goods, services or works that are clearly required by the Procurement Department or the Purchasing Unit.
- b. The RFI shall be directed to experienced Suppliers who are registered on the e-procurement system. In the absence of registered Suppliers, the application may be directed to unregistered Suppliers.
- c. The RFI may include providing samples of goods or conducting on-site visits.
- d. The Federal Entity may use the RFI to help the Purchasing Unit determine the cost of purchased items and take it into account when preparing the budget estimates.
- e. The RFI shall not constitute or result in any obligation for procurement or establishing a contractual relationship with the participating Suppliers. The Federal Entity may procure the items in the manner it deems appropriate, in accordance with the provisions and procedures referred to herein and without any obligation towards the Suppliers.

Article (20)

Purchase Requisition

- a. The Purchasing Unit shall submit a Purchase Requisition, containing all information required and deemed necessary for implementing the procurement process accurately. The Procurement Department's assistance shall be sought to determine the estimated value of purchased items required together with any other information that may help determine the procurement method without splitting up the purchased items.

- b. The following procedures shall be taken into consideration upon preparing a Purchase Requisition:
 - 1. Purchase Requisitions may not be split up to reduce their value beyond the approval authority relating to the financial ceiling specified herein.
 - 2. Abiding by the estimated procurement amounts in accordance with the financial rules relating to control of the provisions and disbursement on the approved budget items, programs and activities.
 - 3. Making sure that there are no similar materials in the warehouses that satisfy the purpose.
- c. The quantity of procurement shall be compatible with the need of the Purchasing Unit. The Purchase Requisition shall be approved by the director of the Purchasing Unit, provided that the goods, services or works to be purchased are included in the annual procurement plan and the relevant funds are available. In the absence of relevant funds, the necessary measures shall be taken to provide such funds in accordance with the applicable procedures and statutes, and if the purchased items are not included in the annual procurement plan, the Purchase Requisition shall be approved by the Undersecretary concerned or his designee.
- d. The Procurement Department shall, after receiving and scrutinizing the Purchase Requisition, determine the procurement method and contractual relationship to be concluded, in accordance with the provisions, procedures and the financial ceiling referred to herein.

Article (21)

RFP-Related Data and Information

- a. RFP shall be addressed to registered Suppliers through an oral, written or electronic invitation.
- b. RFP shall include the following data and information:
 - 1. Technical specifications of the purchased items required comprehensively and clearly, along a comprehensive description of the materials according to the materials classification manual approved by the Ministry for this purpose, while prioritizing the products of national industry when determining the specifications in case they satisfy the required purpose.

2. Reference shall be made to the approved UAE Standards or International Standard, without referring to any particular type, class or brand.
3. Materials, items, services and works of which any of the Suppliers is an exclusive agent, based on a report prepared by the Procurement Committee for this purpose.
4. The quantities required to be supplied, the bill of quantities or works to be implemented, or the scope of services required to be rendered, in accordance with the subject of the tender to be offered, and they shall be determined according to the following:
 - a. Quantities, materials and items required shall be determined based on inventory balance and consumption rates, taking into account the maximum and minimum demand limit.
 - b. Type, description, method of providing and evaluation method of the service, and its implementation program.
 - c. The completion rates of works in light of the plans, designs and schedules related to works to be completed, provided that an organizational structure of work shall be prepared beforehand.
 - d. Giving priority to products of national industry upon determining the specifications, in case they satisfy the required purpose.
5. Timeline and deadline for submission of bids, the date of receipt and opening of bids, the date of announcing the results and award, along with any information regarding the possibility of subcontracting.
6. Requirements for responding to the RFP.
7. Provisions and conditions relating to the contractual relationship.
8. Validity period of the bid.
9. Payment terms, guarantees of supply, execution of works or provision of services.
10. The delivery place and time of materials, and if the RFP is external, the conditions of packing, weight, size, measurement, origin, place and date of delivery and cost inclusive of freight, insurance and delivery shall be determined.
11. Penalties, fines and the right to claim damages in cases so requiring, in addition to any other conditions the Federal Entity concerned deems necessary to be imposed on the bidders, so that such conditions shall be an integral part of the conditions of the contract to be concluded after the award.

12. The conditions relating to the validity of supply and good execution of works and services required to be provided and maintenance warranty during the period determined in the Tender Documents.
13. Any other data or information the Federal Entity deems necessary to be provided.
- c. The Federal Entity may inform the Supplier, when preparing the RFP, whether the same is required to submit two separate proposals, one of which is technical and the other is financial, or that only a single proposal is required to be submitted containing both the technical and financial details.
- d. The RFP shall be prepared in Arabic if directed to Suppliers within the State, and shall be prepared in both Arabic and English if directed to Suppliers outside the State or whenever necessary, provided that the Arabic text shall prevail where there is any discrepancy between the Arabic and English texts. Specifications of technical machinery and equipment may be written in English only.

Article (22)

RFP

- a. At least three proposals shall be solicited from three registered Suppliers in all cases of procurement to obtain quotations, while the procurement transactions made through the Permanent Imprest Account and direct award shall be excluded from the provisions of this paragraph.
- b. All bids shall be submitted electronically if the Federal Entity has the necessary capabilities to run an e-procurement system, in the absence of such system, or in case the method of soliciting direct proposals or competition is used, bids shall be submitted in hard copies, by e-mail or fax as the Federal Entity deems appropriate.
- c. Quotations and purchase orders shall be inclusive of or accompanied by the provisions and conditions, and all purchase orders shall be legally binding upon both the Federal Entity and the Suppliers concerned.
- d. The Supplier shall refer in the proposal submitted thereby to the tender number as contained in the Request for Quotation, with reference to the number of the tender relating to the purchase order in all invoices submitted by such Supplier.
- e. Two separate proposals shall be submitted unless otherwise agreed upon between the Procurement Department and the Suppliers.

- f. Suppliers shall submit their proposals in the UAE Dirham [AED]. The Procurement Committee shall disqualify any proposals submitted in other currencies, unless there is a special text within the free trade agreements to that effect, or where the same is approved by the Federal Entity concerned or provided in the Tender Documents.
- g. Suppliers shall submit their financial proposals before taxation, provided that the Supplier shall indicate the value of the tax applicable to the quotation submitted thereby in a separate item, and the value of tax imposed on the contract shall be in accordance with the provisions of the tax laws applicable in the State.
- h. Upon submitting the bid by personal delivery, Suppliers shall abide by the following conditions:
 - 1. The bid shall be submitted in one sealed envelope stamped with wax, and bearing the name of the bidder, name and number of the RFP, and that the envelope shall contain two other envelopes within that are closed and stamped with wax, on each envelope there shall be written down the name of the bidder and his official stamp, title and number of the project relating to the RFP, and type of proposal whether technical or financial, so that either of the envelopes shall include the financial proposal that is approved, stamped and accompanied by the documents required, in addition to the specimen signature of the officer authorized to sign, enter into the contract and execute the same. The second envelope shall contain the technical proposal and BOQs that are approved and stamped with the bidder's seal.
 - 2. All bids shall be placed in the Tender Box designated for such purpose.
- i. Samples shall be delivered, if any, under a receipt stamped by the bidder.
- j. Bids may not be accepted beyond the deadline fixed in the RFP.
- k. If the bidder fails to set the price of a particular item, the bidder shall be deemed to have abstained from engaging in such omitted item. However, the bid submitted may be accepted with regard to other items, provided that the bid relates to a divisible contract and that the Federal Entity has an interest in accepting it. Meanwhile, regarding the contracts that do not accept segmentation, the highest price may be inserted for such omitted item for comparison purposes and the lowest price for award purposes, in case the Federal Entity has an interest in accepting such bid, without prejudice to the right of the Procurement Committee to disqualify such bid.
- l. The prices listed in the bid shall be final and may not be revoked due to fluctuations in

prices, currencies, taxes, fees or for any other reason, and they shall continue valid until the items are delivered or the works or services are completed at the places and dates designated for such purpose.

- m. Bids submitted based on reducing a percentage of the lowest bid shall not be accepted, and prices for each of the items contained in the RFP shall be clearly and consistently determined.
- n. It is not permitted to write off, delete or amend any item of the RFP or the conditions or technical specifications, or to provide an alternative thereto; under the penalty of disqualifying the bid submitted.
- o. All bid documents shall be personal and relating to the bidder, and the latter may not transfer or assign the same to third parties.
- p. The bidder shall abide by what is contained in the bid submitted thereby from the date of submission to the end of the validity period thereof, provided that the following shall be complied with:
 - 1. The bid shall be binding for (90) days starting from the RFP deadline. The Undersecretary concerned or his representative may extend the validity of the bid for additional (60) days at the same prices and conditions, provided that the Supplier shall be notified that the Bid Bond must be extended pro rata the extension duration, and in case of the bidder does not agree in writing on the extension, the same shall be deemed to have been withdrawn, and, as such, the Bid Bond, if any, shall be returned thereto.
 - 2. A The necessary period for conducting any technical or technological examination shall be added to the validity period of the bid, in cases of supplying materials or goods that require examination or trial period, and where there is a need to conduct technical examination on the samples of the Supplier. While in the work execution projects, the validity period shall be determined on a case-by-case basis.
- q. The Procurement Department shall maintain the bid documents in its custody in a safe and organized manner for easy reference.

Article (23)

Amendment of RFP

- a. If it becomes necessary to amend the RFP in terms of contract conditions, quantities, technical specifications, delivery schedule or date of submission, clarification of ambiguity or correction of errors in the FRP documents before the RFP deadline, the following shall be applied:
 1. The RFP shall be amended and disseminated to all stakeholder.
 2. Notifying the bidders that it is necessary to amend their bids compatibly with the amendment required and in a clear manner, in order to avoid rejection.
 3. In case the bidder wishes to keep the bid delivered thereby unchanged, the Supplier shall be required to submit a written declaration that the prices mentioned in that bid shall remain unchanged, and that the amendment of the bid shall have no effect on these prices.
 4. Delivering the amended bids according to the deadline time and date.
- b. The approval of both the Purchasing Unit and the Procurement Department shall be compulsory for any amendment to the RFP.
- c. No amendment may be made to the RFP following the RFP deadline.
- d. In case the RFP is amended for reasons other than those stipulated in paragraph (A) of this Article, the RFP shall be repealed and a new one be issued, if necessary.

Article (24)

RFP Cancellation and Redirection

- a. The Procurement Committee may recommend that the RFP be redirected or cancelled in any of the following cases:
 1. If there is an irremediable violation of the provisions and procedures of this Resolution in the RFP.
 2. If no bid is received.
 3. If the received bids contain unreasonable prices, or in case a single bid is received and the price thereof is overrated.
 4. If the Procurement Committee believes that there is a need to amend the RFP after the deadline thereof.

5. If the Federal Entity is no longer in need for the purchased items, or if the public interest so requires.
 6. If there are significant signs and evidence of non-compliance by either party with the integrity and transparency in the process of issuing RFP and submitting bids.
- b. The Procurement Committee shall draw up a report indicating the bid status and recommendations related thereto.
 - c. If the RFP is cancelled, the following actions shall be taken:
 1. The Purchasing Unit shall notify the Procurement Department of the cancellation and the underlying reasons for such cancellation.
 2. The Procurement Department shall notify the Procurement Committee and all bidders of the cancellation of RFP delivered to them using the same method initially employed for announcing the RFP, while indicating the underlying reasons for cancellation, and returning all bids, which are yet to be opened, to their respective bidders.
 3. The documents fees and letters of guarantee shall be returned to bidders, if any.

Chapter Five

Procurement Procedures and Methods

Article (25)

Procurement Methods

- a. All procurement transactions of the Federal Entity shall be carried out using the methods exclusively provided for herein, including the following:
 1. Tender;
 2. Dutch Auction;
 3. Direct Procurement;
 4. Competition;
 5. Competitive Dialogue;
 6. Direct Award;
 7. Price Agreement;
 8. Permanent Imprest
- b. The Procurement shall be carried out using the Direct Procurement method if the

purchased items' value exceeds ten thousand dirhams (AED 10,000) and not exceeding two hundred fifty thousand dirhams (AED 250,000).

- c. If Purchased items' value exceeds two hundred fifty thousand dirhams (AED 250,000) and does not exceed ten million dirhams (AED 10,000,000), the Purchasing Unit may, subject to the approval of the Procurement Committee, choose the procurement method for goods and services between Dutch Auction or Tender according to what is deemed appropriate and serves the best interest of the Federal Entity, and in case of the value exceeds ten million dirhams (AED 10,000,000), procurement shall be carried out through Tender as a procurement method.
- d. The Procurement Department shall carry out all correspondence and communications with registered and unregistered Suppliers.
- e. For purposes of calculating the total cost of the procurement transaction or contract, several contracts of different services relating to such transaction may be brought together, including all requirements relating to the contract and its performance.

Article (26)

Bids Receipt and Proposals Opening

- a. The Supplier or its representative shall be notified of the completion of the bid submission process through an e-procurement system upon delivery of the bid electronically. In case the bid is personally delivered, the Supplier or its representative shall receive a hard copy of the receipt voucher from the Procurement Department, indicating the timely receipt of the bid.
- b. The Procurement Committee shall review the bids delivered electronically through the system after the RFP deadline.
- c. Bid Receipt and Proposal Opening Committee shall take over the process of receiving the bids in case the bids are delivered personally, according to the following procedures:
 1. Bid proposals shall be opened on the date fixed in Article (16) of this Resolution at an open session attended by bidders or their legal representatives or authorized representative under a certified letter of authorization. The committee shall complete its works at the same session, failing which, all bid documents shall be kept in a closed safe until the Committee resumes its work subsequently. The meeting shall only be valid if attended by the majority of the committee members, including the

Chairman or his representative.

2. All bids shall be stamped indicating that they are received from the Suppliers, and shall then be stamped indicating their opening and the opening date thereof shall be indicated. The integrity of seals affixed on the proposals with waxes shall be verified, and their number shall be documented in a list, and then each proposal shall be assigned a serial number with the tender number written thereon.
3. The proposals shall be opened according to their serial numbers, with the name of the bidder mentioned, so that the envelope containing the documents and statements shall be opened first to ascertain that the required conditions are satisfied and that the Bid Bond is available. Next, a list shall be drawn up on the accepted bids and rejected bids with the reasons for rejection shown. The Chairman and Members of the Committee shall subscribe their signatures on the quotations and the Bid Bond in all submitted proposals.
4. The second envelope containing the prices shall be opened, so that the total price shall be read out before attendees, and then a statement containing the names of Bidders and the value of their respective bids shall be drawn up.
5. The letter of guarantee (Bid Bond) shall be delivered to the Procurement Department to be kept and followed up it after ascertaining their conformity with the conditions in terms of the amount, duration, beneficiary, the number and title of the RFP.
6. A distinctive mark shall be affixed on each scratch or correction made by the chairman of the committee or his authorized representative, so that the prices shall be written in both figures and words, and the items or objects that have no prices shall be indicated.
7. Documenting the receipt of samples, catalogs, illustrative drawing, or the service programs included in each proposal in the name of its bidder in the Committee's Minutes of Meeting. In addition, samples that have not been kept within the envelope shall be documented and sealed through preparing relevant tables or receipts, or by affixing a distinctive mark indicating the submitting entity thereof.
8. Bid information shall be written out in a Table according to the relevant form, in a way that allows comparison between them, so that any conditions, observations or reservations provided by Suppliers shall be recorded in such Table.
9. A Register shall be created for the Tenders to shown the status of the tender,

including the date and number of the Committee's minutes of meeting.

10. The information contained in the proposal, which the Supplier indicates to be containing business secrets or confidential information, shall be kept in strict confidentiality, throughout the proposal evaluation process period.

Article (27)

Bids Evaluation

- a. Bids shall be disqualified if they do not meet the requirements specified in the RFP or if they are not acceptable in technical terms.
- b. The financial proposals shall be evaluated after the completion of evaluation of all proposals that have been accepted in technical terms, and the total price shown in the bid shall be deemed the final price.
- c. Any figures or errors made by the bidder while computing the total price shall be removed, unless the error is clear and unintentional, such as the price erratum. The bidder is prohibited from changing any prices after the bid is submitted, without the explicit consent of the Procurement Committee.
- d. The lower price shall be approved after being notified to the Supplier, if the bid includes more than one express price.
- e. The Procurement Committee may split up the tender between more than one Supplier, or re-offer the tender once again if the price and quality are equal in more than one bid.
- f. The bids of Suppliers shall be evaluated using the scales specified in this paragraph. The Federal Entity may, however, set the scales of the tender without abiding by the scales specified below, provided that the same is approved by the Procurement Committee, and provided further that the scale of the financial proposal does not exceed (80%) and is not less than 20% for all types of purchased items.

Type	Financial Evaluation	Technical Evaluation
Services	30%	70%
Goods	60%	40%
Works	50%	50%

- g. A 10% price preference shall be awarded to the categories specified in this paragraph, taking into account the competition elements relating to the quality and delivery period, which are as follows:
1. The business entities subsidized by SME Funds in respect of which federal or local statutes are issued, provided that their capital does not exceed AED10,000,000 - Ten Million Dirhams.
 2. Green Companies
 3. Green goods and services produced and manufactured in the State.

Article (28)

Negotiation

- a. Negotiations shall be entered into with Suppliers in any of the following cases:
 1. If the bidders are notified, when the RFP is sent, that they negotiations will be made with the owners of best competitive proposals.
 2. After all proposals are completely evaluated and there is no obvious reason to give preference to one Supplier over the other.
 3. When there is a need to clarify the terms and conditions.
 4. When bid prices are higher than the funds allocated thereto in the budget.
- b. Negotiation process shall be carried out through the Purchasing Unit or the Procurement Department with the staff of the Supplier nominated in the Bid, provided that they are authorized to conclude contracts or make concessions, at the premises of the Federal Entity concerned.
- c. The terms and conditions shall be negotiated following the approval of the Competent Authority and a recommendation of the Procurement Committee, provided that the results of the negotiations shall achieve the interests of the Federal Entity
- d. Any change or amendment to the terms and conditions of the bid resulting from the negotiation process shall be approved by the Legal Affairs Department of the Federal Entity.

Article (29)

Rejection of Bids

- a. The Bid shall be rejected for any of the following reasons:
 1. If there is an act of collusion between the bidder and any employees of the Federal Entity.
 2. The bid's proven violation of any of the applicable statutes in the State.
 3. If the bid is conditional or is lacking any of the conditions of its validity in a manner that renders the same incomplete or vague, or if it is unspecific in term of content.
 4. If the Bid confers upon the bidder the right to accept or reject the award or to enter into an agreement in accordance with the award decision, or where the bid includes conditions that the conflicting with the RFP.
 5. If the bid fails to satisfy the mandatory requirements shown in the RFP.
 6. If bids are delivered after the RFP deadline.
- b. The Procurement Committee shall document the reasons for disqualifying the bidder and rejecting its bid in the Minutes of the Meetings.

Article (30)

Public Bidding (Tender)

- a. The tender shall be used as a procurement method, in either of the following cases
 1. On an optional basis, for purchased items with a total value exceeding AED (250,000) two hundred fifty thousand dirhams and not exceeding AED 10,000,000 ten million dirhams;
 2. On compulsory basis, for purchased items with a total value of more than AED (10,000,000) ten million dirhams.
 3. If the purchased items are of a special nature.
- b. The tender shall be announced through the e-procurement system, and the Federal Entity may announce the same using the newspapers, magazines or any other method it deems appropriate. In the event that the Federal Entity does not apply to the e-procurement system, the tender shall be announced through newspapers. The announcement shall include the following.
 1. Tender Number;

2. The works, services or items required to be supplied or performed;
 3. How to submit the participation applications, and the name of federal entity to which they will be submitted thereto;
 4. Bid submission deadline;
 5. The validity period of bid;
 6. The fees of documents and statements, the place from which they can be obtained, the guarantees required to be provided, and the entity responsible for receiving tender-related inquiries.
 7. A brief description of the method of selection of the Supplier, the standards of classification and scales for technical and financial proposals, and details of presentations and on-site visits in line with the nature of purchased items;
 8. Terms and conditions of the contract;
 9. Any other data the Federal Entity deems necessary or required to be furnished;
- c. The Procurement Department shall announce the RFP within ten (10) business days of the date of receiving the Purchase Requisition from the Purchasing Unit.
 - d. The Supplier shall be provided with documents and tender deeds immediately upon receipt of cash
 - e. The bids receipt period shall continue for not less than (15) fifteen business days, starting from the business day following the announcement. In the event of any case requiring reduction of the timeframe, the emergency procurement method shall be employed.
 - f. It is prohibited, during tendering process, to negotiate the basic aspects of the contract, and communication with Suppliers shall be limited to the requests for clarification only. In addition, any discussions with Suppliers shall be recorded in a detailed and clear way, with no meetings be held with Suppliers to discuss the proposals with any deal of details.
 - g. All questions and inquiries received by the Federal Entity concerned shall be communicated to all Suppliers of the tender, so as to ensure transparency.
 - h. The Federal Entity shall determine the fees of tender documents in such a manner that ensures optimal balance between the generation of revenues and the recruitment of best Suppliers, but not less than AED (5,000) five thousand dirhams.
 - i. In the event that only one bid is received, the Procurement Committee shall convene to evaluate the technical and financial proposal. If the bid satisfies the required conditions,

the tender shall be awarded to the Supplier, unless the Procurement Committee decides that re-offering the tender is more beneficial.

Article (31)

Restricted Bidding (Dutch Auction)

- a. The restricted bidding (Dutch Auction) is used to select the Suppliers if the value of the total purchased items exceeds AED (250,000) two hundred fifty thousand dirhams and does not exceed AED (10,000,000) ten million dirhams.
- b. The Dutch auction is announced through the e-procurement system, and the Federal Entity may announce the same through the e-mail or any other method it deems appropriate. In case the Federal Entity does not apply the e-procurement system, it may announce the Dutch Auction in the manner it deems appropriate, provided that the announcement includes the following:
 1. The Dutch Auction's Number.
 2. The works, services or materials required to be supplied or provided.
 3. How to submit the participation applications, and the Federal Entity to which they will be submitted.
 4. The bid submission deadline;
 5. The bid validity period;
 6. How to obtain the Dutch Auction's papers and documents, the guarantees required to be provided, and the entity responsible for receiving the inquiries relating to such Dutch Auction.
 7. A brief description of the Supplier selection method and the criteria of classification and scales for each of the technical and financial proposals, the details of the presentations, and on-site visits in line with the nature of purchased items.
 8. The provisions and conditions of the contract.
 9. Any other data the Federal Entity deems necessary to be provided or announced.
- c. It is prohibited to negotiate the basic aspects of the contract, during the Dutch Auction offering process, and the communication with bidders shall be limited to requests for clarification exclusively. Any discussions with the Suppliers shall be recorded in a detailed and clear manner, with no meetings be held with the Suppliers to discuss the proposals with any deal of details.

- d. All the questions and inquiries received by the Federal Entity concerned shall be communicated to all the Suppliers of the Dutch Auction, so as to ensure the transparency.
- e. The Procurement Department shall announce the RFP within (5) five business days from the date of receiving the Purchase Requisition from the Purchasing Unit.
- f. The bid receipt period shall continue for no less than (10) ten business days starting from the business day following the submission of RFP. In the event of any case requiring reduction of the timeframe, then the Procurement shall be performed through the emergency method.
- g. If only one bid is received, the Procurement Committee shall convene to evaluate the technical and financial proposal. If the tender meets the requirements prescribed, the award shall be made to that Supplier, unless the Procurement Committee decides that reoffering the Dutch Auction is more beneficial.

Article (32)

Direct Procurement

- a. The direct procurement shall be used as a procurement method in cases where the total value of purchased items does not exceed AED (250,000) two hundred fifty thousand dirhams and not less than AED (10,001) ten thousand and one dirhams.
- b. The RFP shall be addressed to the registered Suppliers through an oral, written or electronic invitation.
- c. Quotations for the goods or services required shall be obtained directly from the Suppliers through paper proposals or by e-mail or fax.
- d. At least three (3) proposals shall be obtained, and the Procurement Department shall solicit proposals until such number is available.

Article (33)

The Competition

- a. The procurement process may be effected through the competition if the nature of purchased items relates to the design of logos and models, engineering drawings and schemes, whether architectural or civil.

- b. A Technical Committee of at least three (3) professionals and specialists in the scope of work covered by the procurement process shall be constituted by a decision of the Minister concerned or his authorized representative.
- c. The Technical Committee referred to in Paragraph (b) of this Article shall, in coordination with the Procurement Committee, establish the rules of evaluating the drawings, designs or data received, provided that the evaluation and recommendation on prize awarding shall be based on the extent of compliance with such rules. The Technical Committee shall also make a recommendation on:
 - 1. Determine the scope of work and the necessary technical requirements for its completion.
 - 2. Determining the conditions to be satisfied by the persons or entities participating in the Competition.
 - 3. Determining and defining the final output.
 - 4. Determining the timelines for bids receipt, evaluation mechanism and announcement of results.
 - 5. The approved technical specifications and the funds available in the budget and awards.
 - 6. Rewards and prizes to be awarded to winners.
 - 7. The property rights of the winning and non-winning reports, drawings and designs.
 - 8. Any other conditions deemed appropriate by the Federal Entity.
- d. Invitation to participate in the Competition shall be made on newspapers and magazines or by any other means deemed appropriate by the Federal Entity concerned.
- e. The technical committee shall record its procedures in a Minutes, indicating the submitted proposals, the opinions and the standards relied upon for giving preference among the proposals, with a recommendation on selecting the successful bidder and order of the following bids. Such minutes and recommendations should be submitted, attached with the proposals, to the Procurement Committee for making the appropriate decision thereon.
- f. The Procurement Committee may make a decision that none of the Suppliers is eligible to win the first award or any of the awards or rewards, if the Committee is convinced that the proposals submitted are below standard.

Article (34)

The Competitive Dialogue

- a. The Competitive Dialogue Method may be used to select Suppliers if the purchased items' value exceeds AED (5,000,000) five million dirhams, and where any of the following cases is fulfilled:
 1. There are multiple stages of the project's scope of work.
 2. The project overlaps with other existing projects or projects to be executed subsequently.
 3. The contract term is more than one year.
 4. The Contract performance requires the availability of more than one Supplier.
- b. The invitation to participate in the competitive dialogue shall be directed to all qualified and registered Suppliers. In the absence of appropriate registered and qualified Suppliers, the invitation shall be directed to at least (3) three qualified Suppliers at each stage of the competitive dialogue.
- c. The Suppliers shall be selected based on their abilities and experience, they are required to get their named registered in the Supplier Register in accordance with the provisions and procedures referred to herein.
- d. The Suppliers shall submit the study and suggestions related to the project within (20) twenty business days starting from the day following the sending of the invitation.
- e. The competitive dialogue shall be held in multiple successive stages, with the aim of reducing the number of proposed solutions for implementation or supply, thereby reducing the number of Suppliers.
- f. The competitive dialogue shall continue to take place until the Federal Entity concerned becomes able to identify one or more solutions that meet its needs, without having to comply with a specific timeframe for such method, taking into account the information and data required to be provided in the RFP documents in accordance with the provisions and procedures referred to herein.

Article (35)

Direct Award-Based Procurement

- a. It is permissible to make direct award-based procurement at a maximum of AED (1,000,000) one million dirhams, in any of the following cases:
 1. There is a single source for the supply of materials, implementation of services or execution of works.
 2. If the emergency state is announced in the state.
 3. There is utmost necessity for acquiring the purchased items, provided that the direct award is limited to the minimum level thereof until the procurement procedures are completed, and another method of Supplier selection is determined.
- b. In case of direct award procurement where the Federal Entity is applying the e-procurement system, a request shall be submitted on the e-system or a memorandum be submitted to the Competent Authority for approval in accordance with the applicable provisions and procedures and depending on the financial ceiling referred to herein.

Article (36)

Price Agreement

- a. The Procurement Department of the Federal Entity concerned shall effect the procurement through the Price Agreement to achieve any of the following objectives:
 1. Save time and effort made for procuring the materials, items and services needed by the Federal Entities periodically as compared to other procurement methods.
 2. Fix the price for the term specified in the agreement.
- b. The Price Agreement shall be performed by soliciting proposals through the offering tender or Dutch Auction, based on the estimated value of the agreement, in accordance with the provisions and procedures provided for in this resolution, so that the award shall be made to the successful Supplier, the contract shall be concluded between the two parties and the contract management officer shall be nominated.
- c. A purchase order or work order shall be issued by the contract management officer when there is a need to purchase the goods or services, provided that the same is approved by the director of the Purchasing Unit.
- d. The Price Agreement shall include a minimum and maximum level of the quantity or

- service required in compatibility with the budget within the timeframe specified.
- e. All Price Agreements of Goods shall include the following data:
 - 1. The agreement term, which shall not exceed one year unless there is a justified interest of the Federal Entity concerned, and in such case, the obligation may be made for several years, provided that such obligation is sufficiently justified.
 - 2. The items or categories covered by the Agreement.
 - 3. The minimum and maximum quantities, if possible.
 - 4. The Prices and pricing procedures.
 - 5. The invoicing procedures and provisions.
 - 6. The termination clause of the agreement.
 - 7. The mechanism of making orders and requests for supply, and the control of supply.
 - f. All Price Agreements of services shall include the following data:
 - 1. The period covered by the agreement.
 - 2. A detailed description of the services covered with a description of the pricing mechanism, invoicing procedures and termination clause of the agreement.
 - 3. The mechanism of making request for the service, and measuring the satisfaction level of the Federal Entity concerned with the services provided.
 - g. The Price Agreement shall require a Performance Bond to be provided only in the cases where the Performance Bond is required to protect the interests of the Federal Entity.
 - h. Federal Entities are prohibited from using the Price Agreement as a procurement method to prevent or restrict the competitiveness.
 - i. The Price Agreement may be renewed with the same Supplier for one or more terms, provided that the Tender or the Dutch Auction is re-offered at least once every three (3) years.
 - j. The Price Agreement may not be used as a procurement method upon entering into a contractual relationship for the supply of maintenance services.

Article (37)

Imprest-Based Procurement

- a. Procurement shall be performed from the permanent imprest account in either of the following cases:
 - 1. Where the value of the purchased items at a time does not exceed AED (10,000) ten

thousand dirhams.

2. Where there is no contract, purchase order or work order issued to the Supplier for the same goods or services required.
- b. The Minister shall issue a Circular on the Permanent Imprest and Temporary Imprest and shall specify their provisions.

Article (38)

Emergency Procurement

- a. In exceptional cases, procurement may be made by the emergency procurement method.
- b. The emergency procurement method shall be limited to the procurement through Tender and Dutch Auction exclusively.
- c. The Purchasing Unit shall submit a report according to the emergency procurement method, indicating the following:
 1. The reasons underlying the use of the emergency procurement method and the necessity of obtaining such materials, items and works over a short time span.
 2. The financial and technical benefits resulting from using such emergency procurement method, if any.
 3. Estimated value of the contract.
- d. The Director of the Procurement Department shall review and approve the report referred to in this Article.
- e. Upon procurement through the emergency procurement method in the Tender or Dutch Auction, the amendment shall be limited to reducing the time limits without prejudice any of the provisions and procedures provided for in this resolution, as follows:
 1. Reducing the period of receiving bids for the tender from (15) business days to (7) business days.
 2. Reducing the period of receiving bids for the Dutch Auction from (10) business days to (7) business days.

Chapter Six
Award Procedures
Article (39)

Technical Specifications and Barcoding

Upon making the tender award decision, the following shall be taken into consideration:

- a. Priority shall be given to using the Standards adopted in the State for determining the specifications of materials required to be supplied, in the absence of such Standards, the Federal Entity shall follow the GCC or International Standards, or the Standards and Norms globally recognized.
- b. Ensuring in the supply contracts that the final product satisfies all local and regional quality requirements and standards. Items for maintenance and services contracts shall be determined according to material and time, whenever possible, or according to the work division structure when sub-items, such as consultancy contracts, electronic maintenance contracts or construction contracts.

Article (40)

Mandatory Requirements

All Suppliers shall comply with the following:

- a. The environmental requirements set out in the Relevant Federal Statutes, and the Regulations and Resolutions issued in implementation thereof.
- b. Wage Protection Policy applicable in the State.
- c. Provisions of the Pension Law for federal and local entities, and social insurance for the private sector.

Article (41)

Award

- a. The Procurement Committee shall take the necessary actions in accordance with the provisions of this resolution, and shall submit a recommendation on Tender Award to the Competent Authority in accordance with the powers and authorities provided for in Article (4) of this Resolution.
- b. Tenders shall be awarded by the Federal Entities to successful Suppliers. The contract

shall be concluded with the Supplier through a contract or a purchase order, or the procurement value shall be paid from the imprest account in accordance with the provisions and procedures set forth in this Resolution.

- c. The Federal Entities shall award the tenders to the successful Suppliers in accordance with the provisions of this resolution. The RFP may not be directed to any Supplier convicted of a felony or misdemeanor involving moral turpitude.
- d. The contract execution shall be commenced following the lapse of (8) eight business days of the day following the sending of written award decision to all Suppliers.
- e. No Supplier may object to the award following the lapse of (8) eight business days of the day following the sending of written award decision to all Suppliers.
- f. The provisions of Paragraph (A) of this Article shall not apply to any of the following cases:
 1. If the contract value is equal to or less than AED (250,000).
 2. If there is a Sole Supplier.
 3. In case of emergency procurement method.
- g. If the Successful Supplier is late in signing the contract or providing or completing the Performance Bond Letter (Performance Bond) without an acceptable excuse within ten (10) business days from the date of being notified of the award, the Supplier shall be deemed to have withdrawn and, as such, shall be deprived of participating in procurement operations by a decision of the Procurement Department and a recommendation of the Procurement Committee for not less than one year. In addition, the Procurement Committee shall make the appropriate decision regarding the cancellation of items awarded to such Supplier, and selecting the technically-accepted Supplier having the next rank in terms of proposal evaluation, or that these items shall be re-offered according to the circumstances and the need to expedite the supply of items or materials or to provide the works and services.
- h. In all cases referred to in Paragraph (d) of this Article, the Bid Bond shall be confiscated and a fine of 10% of the value of the materials, services or works shall be imposed as administrative expenses, without prejudice to the right of the Federal Entity concerned to claim appropriate compensation in accordance with the provisions of this resolution.
- i. The Federal Entity shall communicate the reasons for not awarding the tender to unsuccessful Suppliers and prequalified Suppliers who apologized in the manner

- deemed appropriate by the Entity.
- j. In case any Supplier submits an objection to the award decision within (8) business days from the day following the award, the Federal Entity shall respond indicating the full reasons that caused the Supplier not to win the tender, within (2) two business days from the date of objection receipt.
 - k. Notice directed to unsuccessful bidders shall include the following:
 - 1. Tender award standards.
 - 2. The score obtained by the unsuccessful bidder compared to the award standards, as appropriate.
 - 3. The score earned by the successful bidder, as appropriate.
 - 4. The successful bidder's Name.

Article (42)

Letters of Guarantee

- a. All letters of guarantee shall be issued by a bank operating in the State in Arabic. In case a letter of guarantee is submitted in both Arabic and English, the Arabic text shall prevail in the event of any dispute.
- b. The Public institutions and companies, in which the government holds a stake equal to at least 51% of their capital, and the purchased items acquired using the competition method, shall be exempted from the Bid Bond or the Performance Bond.
- c. Letters of Guarantee may be accepted in English only, provided that the transaction is approved by the Undersecretary or his authorized representative.
- d. All bids with a value less than AED (1,000,000) one million dirhams shall be exempted from the Bid Bond and the Performance Bond. However, this does not limit the authority of the Federal Entity to demand the Bid Bond or the Performance Bond from the Suppliers, if the value of the bid is less than AED (1,000,000) one million dirhams, if the same in the interest of the Entity.
- e. All consultancy service bids with a value of less than AED (3,000,000) three million dirhams shall be exempted from the Bid Bond. The Supplier may be exempted from providing the Performance Bond letter, so that the equivalent value of the Performance Bond shall be retained from its entitlements, and provided that the successful Supplier submits a written request to that effect to the Procurement Department, and in

coordination with the Financial Affairs Department.

- f. The Bid Bond must be in the form of an unconditional and irrevocable bank letter of guarantee.
- g. The Performance Bond shall be in the form of an unconditional, irrevocable and automatically renewable bank letter of guarantee.
- h. The value of all Letters of Guarantee (Bid Bond and Performance Bond) shall be computed based on the amounts stated in the quotations before taxation, so that any taxes imposed on the contract shall be excluded when calculating the value of the Bond.

Article (43)

Letter of Guarantee (Bid Bond)

- a. Bid Bond shall be enclosed with each Bid the value of which exceeds AED (1,000,000) one million dirhams, and exceeds AED (3,000,000) three million dirhams for each consultancy services bid, in the form of an unconditional and irrevocable letter of guarantee, issued to the order of the Federal Entity by a bank operating in the State.
- b. The Procurement Committee and the Procurement Department shall both determine the value of the Bid Bond, which may not be not less than (5%) of the bid value.
- c. The Procurement Committee may exempt the Supplier from providing the Guarantee Letter (Bid Bond), in any of the following cases:
 - 1. If the value of purchased items covered by the contract is not more than AED (1,000,000) one million dirhams.
 - 2. If the value of consultancy services covered by the contract does not exceed AED (3,000,000) three million dirhams.
 - 3. If the supply or execution period is less than (15) business days, provided that a written declaration shall be provided by the Supplier undertaking to implement the subject of the contract within such period.
- d. The Bid Bond shall be valid for at least 90 days from the date of its submission. In case the bid validity period is extended, the bidder must extend the Bid Bond's validity period pro rata extension period, and the Procurement Committee or the Procurement Department shall notify the bidder of the same in writing through a registered letter with receipt acknowledgment requested.
- e. In case the Supplier refuses to extend the Bid Bond's validity period despite being

notified of the extension of the bid validity period, the Guarantee Letter shall be returned to the Supplier and the latter shall be deemed withdrawn from the Tender.

- f. The Procurement Department shall return the Bid Bond to unsuccessful bidder as soon as the award decision is made.
- g. The Procurement Department shall return the Bid Bond of the successful Supplier when the latter delivers the Performance Bond letter.
- h. The value of the Bid Bond shall be confiscated and shall be regarded as revenue earned by the Federal Entity, in either of the following cases:
 - 1. If the Supplier turns away from the bid submitted thereby before the date set for opening the proposals, or after receiving the proposals electronically.
 - 2. In case the successful Supplier is late in signing or completing the contract or in providing the Performance Bond without an acceptable excuse within (10) ten business days from the award date.

Article (44)

The Performance Bond

- a. The Supplier shall submit a Performance Bond in the form of an unconditional, irrevocable and automatically renewable letter of guarantee, which is issued to the order of the Federal Entity by a bank operating in the State, in case the winning bid's value exceeds AED (1,000,000) one million dirhams.
- b. The Procurement Committee and the Procurement Department shall determine the value for the Performance Bond of not less than (10%) of the estimated value of the bid, provided that the same does not caused any bank interest or additional amounts be charged to the Federal Entity.
- c. The Procurement Department may exempt the Supplier from providing the Performance Bond letter in any of the following cases:
 - 1. If the contract value does not exceed AED (1,000,000) one million dirhams, provided that the Federal Entity concerned shall retain (5%) of the value of each invoice due and payable for three (3) months after the final handover date, or (10%) of the total value of the final invoice; which is higher.
 - 2. If the subject of contract involves the execution of works and the Supplier is present outside the State and is not registered according to the relevant legislation in the

state, provided that the exemption shall take effect by a decision by the Undersecretary concerned or his authorized representative, and so that the Federal Entity shall retain at least 10% of the value of the contract from the first three invoices due and payable for three (3) months after the final handover date.

3. If the subject of the contract is to provide consultancy services based on a working-hours payment, and is subject to the final handover and acceptance of purchased items.
 4. In case the Supplier has financial entitlement equal to or more than the Performance Bond's value, provided that the equivalent of the performance Bond's value shall be retained from the Supplier's entitlements, provided that the successful Supplier submits a written request to the Procurement Department to that effect, for the latter to make the decision it deems appropriate in coordination with the Financial Affairs Department.
 5. All consultancy service bids with a value less than AED (3,000,000 three million dirhams shall be exempted from providing the Performance Bond, provided that the equivalent value of the Bond shall be retained from the first invoices due for payment for three (3) months after the final handover, provided that the successful Supplier submits a written request to that effect the Procurement Department in coordination with the Financial Affairs Department
- d. In case the bank guarantee of the Performance Bond becomes less than the limit stipulated in the contract, due to the increase of the work scope or quantity of supplies or the provision of services, in this case the Supplier shall increase the Performance Bond's value to the required percentage within ten (10) business days from the date of being notified of the same, and in the event of unacceptable delay in completing of the performance Bond's value, the Federal Entity concerned may deduct the supplemental amount required from the Supplier's entitlements under that contract or any other contract under which the Supplier has any entitlements with the Entity, without prejudice to the other provisions contained therein.
 - e. Notwithstanding the provisions of Paragraph (A) of this Article, if the contract value exceeds AED (50,000,000) fifty million dirhams before taxation, and the contract terms exceeds two years, the Minister concerned may take either of the actions provided below if the two conditions set out in this paragraph are satisfied.

1. Reducing the Performance Bond's value from (10%) to (5%) of the bid value.
 2. Dividing the project into phases according to a proposal to be submitted by the Supplier, provided that the work volume and deliverables are commensurate with the proposed financial value for each stage, and the same shall be approved by the Minister concerned, provided that a bank letter of guarantee is issued for each stage on a case-by-case basis.
- f. The Procurement Department shall keep all original copies of the guarantee letters documents, which shall be returned to the Supplier after the objective thereof has been achieved and the purpose thereof has been fulfilled in accordance with the following powers:
1. The approval of the Procurement Department shall be obtained for the supply contracts and purchase orders.
 2. The consent of the contract management officer shall be obtained for services and works contracts.

Chapter Seven

Contract

Article (45)

General Provisions on the Contract

- a. All procurement contract forms, purchase orders, Purchase Requisitions and receipt forms shall be prepared and approved by the Ministry or the independent federal entity in advance, provided that such entities abide by the conditions and standards referred to herein, except for the contracting and work agreements.
- b. All forms referred to in this Article shall be in the custody of the Federal Entity's Procurement Department.
- c. Contract conditions and standards of purchased items shall protect the interests of the Federal Entity, so that they must be realistic, balanced and observing the Statutes applicable in the State.
- d. The contract shall include all the conditions and detailed specifications of the purchased items required, so that they realize the interests of the Federal Entity and the Supplier alike.

- e. The Cost-Plus Pricing Policy may be applied after being approved by the Undersecretary concerned.
- f. The Purchasing Unit as well as Financial and Legal Affairs Departments of the Federal Entity shall review the contracts before being signed.
- g. In cases where the parties may agree to resort to arbitration, arbitration may not be agreed to take place outside the State, nor any dispute on the contract or procedures thereto related may be subject to any legislation not applicable in the State. Any text to the contrary shall be null and void.
- h. The Competent Authority and the Supplier's authorized officer shall sign all pages of the contract and annexes thereof in the initial letters, and all these pages shall be stamped by the official seal of the Federal Entity and the Supplier.
- i. If the contract is a part of a series of interconnected contracts, which include supply, installation, training, maintenance and alike, the total value of all such contracts shall be deemed a basis upon which the value of the contract shall be determined.
- j. As for the work contract, irrespective of whether or not it consists of unconnected contracts of different activities, as long as those contracts are related to the same project, the Federal Entity shall estimate the value of the whole work project.
- k. The maintenance value shall not no more than 10% of the contract value, unless prior consent for such rate to be increased is obtained from the concerned minister or the representative thereof, except for the maintenance contracts of the computer software and applications thereof. However, the value of maintenance contracts thereof shall not be more than 20% of the contract value.
- l. The minister concerned may approve the contract the way he seems appropriate, with individuals of specialized experience in a certain fields, without adherence to the highest limit, provided that relevant reasons and justifications are demonstrated.

Article (46)

Contract Clauses

- a. The Procurement Department shall draft the contract in coordination with the Purchasing Unit as well as Financial and Legal Affairs Departments.
- b. The contract shall include all items provided in this Paragraph and any other items agreed upon:

1. The number of the procurement way, the contract conclusion date, the information relating to the contracting parties or their duly authorized representatives, elected domicile of the parties for the purposes of the correspondence, notifications and communication.
2. The contract subject along with a brief description of purchased items covered by the contract.
3. The contract performance period, the commencement date of the contract or the purchase order, scheduled date and delivery place.
4. The provisions related to the contract's contingent changes by way of increase or decrease of quantities.
5. The penalties and fines which can be imposed in the event of late completion of the work, withdrawal, suspension of the execution or default for whatever reason.
6. The contract's value, payment conditions, advance payments, guarantees and securities of all different kinds.
7. Bill of quantities, price schedules of supplies and works, and service details.
8. The conditions and cases governing the subcontracting as well as the assignment clause, if any.
9. The provisions relating to the termination of the contract by way of rescission, withdrawal or cancellation.
10. Jurisdiction and the provisions governing the settlement and adjudication of disputes between the parties.
11. The General Conditions Annex, particularly the legal conditions thereof.
12. Tax registration number of both the Supplier and the Federal Entity.
13. The special conditions annex, if any, including the maintenance, warranty and post-warranty maintenance according to the type of the contract.

Article (47)

Contract Management

- a. The Purchasing Unit shall nominate an officer thereof to be named as the "Contract Management Officer", through a nomination letter to be submitted to the Procurement Committee. Furthermore, an officer of the Federal Entity from outside the Purchasing

- Unit or the Federal Entity may manage the contract, if necessity so requires.
- b. The appointment of the contract management officer shall be approved in the minutes of the Procurement Committee's session, and the Supplier shall be informed of the same.
 - c. Any service contract may have more than one contract management officer, provided that only one of them shall be chosen to be their representative for managing and coordinating the works related to the contract.
 - d. The contract management officer shall undertake the following competences:
 - 1. Make sure that the contract requirements are maintained according to conditions and specifications agreed upon.
 - 2. Make sure that the Federal Entity concerned has performed its obligations so as to protect its interests.
 - 3. Prepare the completion certificates, review and approve invoices, Receipt Notes and examination certificates.
 - 4. Coordinate the information, request for change, disputes and claims, and monitor and handle any sign that may be indicative of violations constituting a ground for terminating, cancelling or rescinding the contract.
 - 5. Maintain a whole set of documents of the contract performance progress.
 - 6. Refer recommendations on the requests for change or amendment of the contract to the Procurement Committee to be considered and the appropriate decision be made on them.
 - 7. The contract management officer may delegate into a committee of experts or specialized professionals from within or outside the Federal Entity the powers to audit and approve the Supplier's invoices.
 - e. No completion certificate may be delivered to the Supplier if a contract item or output is not finally received or accepted because it does not meet the standard specifications agreed upon under the contract.
 - f. Cash payments made for works completed, materials supplied or services provided shall be audited according to the agreed standards, provided that the works, quantities and services shall not be more than the limits agreed under the contract. The payments shall be paid in sequence from the beginning to the end of the project, as agreed, and the value of each payment shall be recorded in the financial books.
 - g. The Supplier may, under a written request, ask for an advance payment of not more than

25% of the total value of the contract, subject to the approval of the Procurement Department and the contract management officer, provided that the Supplier shall provide a letter of guarantee that is automatically renewable. In addition, such letter of guarantee shall be returned to the Supplier upon supplying or completing the equivalent work of the payment value.

- h. The Supplier may ask for the disbursement of progress payments on account of the contract against the materials which have been supplied and kept at the work site to be used for implementing the project, of not more than 85% of the value of such materials, according to the contract price or market price; whichever is lesser, as per the following procedures:
 - 1. The Supplier shall provide a written request containing a statement of such materials after being technically and documentarily reviewed by the Contract Management Officer.
 - 2. The Procurement Department shall approve and ensure the availability of the such materials at the site.
 - 3. The Supplier shall furnish a letter of guarantee automatically renewable and expiring (3) three months following the complete performance of the contract.
 - 4. A primary handover report shall be drawn up for the materials whose supply value is demanded.
- i. The Federal Entity shall draft the final statements of the Supplier's total entitlements, provided that the following shall be taken into consideration when disbursement is made:
 - 1. Deducting the value of the payment which has been disbursed to the Supplier as an advance payment.
 - 2. Deducting (5%) of the value of the works completed, the materials supplied or the services provided and received under the primary handover report throughout the agreed warranty period, if any. The Supplier may submit a letter of guarantee covering such percentage for the warranty period, starting from the primary handover date specified in the handover report.

Article (48)

Contract Amendment, Alteration or Extension

- a. The contract may be amended in terms of the work scope, quality, specifications, time periods or otherwise only under a variation order approved by the Competent Authority and endorsed by the Procurement Committee according to procedures provided for herein.
- b. The Federal Entity concerned may, in agreement with the Supplier, increase or decrease the quantities of the contract at the same prices before or during the implementation of the contract or its extension, provided that the value of such quantities does not exceed (30%) of the total contract amount. No set-off may be made between the increases and decreases regardless of its date.
- c. such alteration may include the addition of items, works, periods or new services not provided in the contract but are relating to the subject thereof. In such case, direct agreement may be reached thereon with the Supplier, provided that their value shall not be more than (30%) of the total contract amount.
- d. The Procurement Committee shall scrutinize and evaluate the contract amendment request, and then submit its recommendations to the authority having the competent to approve the variation order within 15 business days from the date on which the variation order is submitted by the variation-requesting department.
- e. In all cases, an annex to the contract, including changes which have been agreed upon, shall be drafted and signed by the contracting parties.
- f. The Minister concerned may amend more than (30%) of the total contract amount, provided that the relevant reasons and justifications are indicated.

Article (49)

Contract Termination, Rescission or Revocation

- a. If the Supplier fails to perform the contracting obligations thereof due to bankruptcy or insolvency or for whatever reason, the Federal Entity concerned may terminate the contract and confiscate the value of the performance bond, while reserving the right to claim compensation.
- b. If the Supplier, who is a natural person, dies, the Federal Entity may rescind the contract

and refund the value of the performance bond to the heirs, and make a set-off between works which have been completed up to date of rescission and the amounts due to the Supplier, or to keep the contract valid and allow the heirs to resume the contract implementation according to the provisions set forth therein, if the Federal Entity is convinced that all or any of them is able to implement the contract personally, provided that the necessary action in relation to the contract and the effects thereof as well as the letters of guarantee are taken.

- c. The Federal Entity may terminate the contract and confiscate the value of the performance bond, while reserving the right to claim compensation, if a sub-Supplier is hired without the prior written consent of the Federal Entity concerned.
- d. if it becomes evident, during the implementation of the contract, that future risks may arise as a result of such implementation, the contract management officer shall, in coordination with the Purchasing Unit, consider the possibility of terminating the contract, and recommend the same to the Procurement Committee.
- e. The Federal Entity shall terminate the contract and confiscate the value of the performance bond in the event of any act of fraud, or deception or a bribery given by the Supplier, so that the performance of the obligations set forth in the contract shall be completed at the Supplier's expense, while the Federal Entity concerned shall reserve the right to claim compensation and to ban any dealing with the Supplier for not less than (1) one year and not more than (3) three years.
- f. The Federal Entity may terminate the contract, confiscate the value of the performance bond and perform the obligations set forth in the contract at the Supplier's expense, if it is proven that the Supplier has submitted any untrue information in the Supplier Classification Form, while the Federal Entity shall reserve the right to claim compensation and to ban dealing with the Supplier for not more than one year.
- g. For the purposes of applying Paragraphs (e) and (f) of this Article, the Federal Entity shall notify the Ministry in writing of the Supplier's name and the period of suspending or banning any dealing with the same. The Ministry shall, accordingly, take the necessary actions on the e-procurements system to suspend or ban any dealing with the Supplier during the period specified for that purpose.

Article (50)

Contract Renewal

- a. The Purchasing Unit may request the contract management officer to renew the contract with the Supplier, if the need for acquiring the purchased items continues, after ensuring the availability of sufficient funds. The Department shall submit its recommendations to the contract management officer at least (90) days before the expiry date of the contract required to be renewed.
- b. The contract management officer shall communicate with the Procurement Department for renewing the contract.
- c. The procedures of renewing the existing contract shall be governed by the renewal terms set forth in the clauses thereof, without conflicting with the provisions and procedures referred to herein.
- d. The Procurement Department shall submit its recommendations on the renewal of the contract with the Supplier to the Procurement Committee.
- e. The Procurement Committee shall make a decision either to approve the renewal of the contract or to reoffer the Tender based upon the Supplier's performance evaluation during the contract term, in case the need for purchased items persists.
- f. The Procurement Department shall follow up on the renewal procedures, and the renewed contract shall be approved by the Competent Authority according to the applicable provisions and procedures as well as the financial ceiling referred to herein.
- g. The Federal Entity may renew the contract for not more than two consecutive terms and for not more than five (5) years, without prejudice to provisions and procedures referred to herein. In the event that the need for acquiring the purchased items, proposals shall be re-solicited, and, in such case, the Supplier may bid for the Tender.
- h. The Federal Entities may not use the contract renewal as a means for preventing and restricting the competitive bidding.

Article (51)

Fines and Penalties

- a. If the Supplier is late in supplying the quantities or completing the works and services required or any part thereof beyond the dates agreed under the contract, or if the same is rejected due to failure to satisfy the specifications, the Procurement Committee may take any of the following actions:
 1. Grant the Supplier an additional time limit for implementing the supply, the Committee is convinced that the same is more beneficial. In such case, the prior consent of the Purchasing Unit shall be obtained, provided that the additional time limit does not exceed (10) ten business days.
 2. Impose against the Supplier a delay penalty of 1% of the value of delayed materials, for the first week of delay or any part thereof, and 2% for every subsequent week or any part thereof, provided that such penalty shall not be more than (10%) of the value of the materials delayed by the Supplier. Once the delay occurs, the penalty shall be imposed with no need to notify the Supplier or to take any judicial actions, or to prove the damage sustained by the Federal Entity, because such damage is deemed to have actually sustained once the delay happens.
- b. If materials are not supplied after the expiration of the time limit referred to in Clause (1) of Paragraph (a) of this Article, or if the delay penalty imposed on the Supplier amounts to (10%) of the value of delayed materials, and the Supplier is yet to supply such materials, the Procurement Committee of the Federal Entity may made either of the following decisions:
 1. To procure such materials at the Supplier's expenses. The Supplier shall also bear the differences of prices plus the administrative expenses of (10%) of the value of materials purchased at the Supplier's expense, in addition to terminating the Contract.
 2. To terminate the Contract, confiscate the performance bond and claim the compensation agreed under the Contract.
- c. If the Supplier furnishes, within (20) business days of date of the incident causing delay, to the Procurement Committee documents establishing that the delay has occurred due to a Force Majeure event or emergency circumstances beyond the Supplier's control, the Procurement Committee may consider whether to exempt the Supplier from the delay

penalty or not.

- d. The Supplier has the right to resort to the Grievance Committee concerned at the Federal Entity to object to the decision of the Procurement Committee if such decision is not in its own favor. The failure of the Supplier to submit any documents during the period referred to in Paragraph (c) of this Article shall be construed as acknowledgment that there are no justified reasons for any delay, and, as such, the Supplier's right to object to penalties resulting therefrom shall be extinguished.
- e. If such delayed supply takes place at the request of the Federal Entity, the Contract Management Officer may submit a recommendation to the Procurement Committee to extend the contract for a period equivalent to such delay, without imposing a delay penalty on the Supplier, while the Supplier shall be required to extend the validity period date of the performance bond for the same period, and there shall be a necessity to assess the extent of the damage sustained by the Supplier, if any, and the Supplier shall be compensated accordingly.
- f. The Supplier shall complete all the works set forth in the contract or provide the services required thereunder according to conditions and dates specified therein. If the Supplier fails to complete the required duties, a delay penalty shall be imposed at the following ratios.
 1. (1%) for the first week of delay or any part thereof.
 2. (2%) for every week following the first week or any part thereof. In all cases, total penalties shall not be more than (10%) of the total contract value, and such penalties shall be imposed on the Supplier once the delay happens, and with no need to notify or institute any legal action against the Supplier, or even to prove the damage sustained by the Federal Entity, because such damage is deemed to have actually been sustained once the delay happens.
- g. In case of delay, the Supplier shall bear the fees of on-site supervision for the implementation of work plus the fees of on-site supervision staff of the consultant or any supervision team, throughout the period of delay if such delay takes place solely on the part of the Supplier, so such fees shall be determined under a decision by the Minister or his designee for this purpose.
- h. The Federal Entity may select a new Supplier to complete the works, while the defaulting Supplier shall pay the differences of prices plus the administrative fees of (10%) of the

value of work implemented by the new Supplier.

- i. If such delay in work takes place at the request of the Federal Entity, the Contract Management Officer may submit a recommendation to the Procurement Committee requesting an extension of the contract for a period equivalent to the period of delay, without imposing a delay penalty on the Supplier, but the latter shall be required to extend the validity period of the performance bond for the same period, and the extent of the damage sustained by the Supplier, if any, shall be assessed and the Supplier shall be compensated accordingly.
- j. Penalties value shall be deducted when they fall due from the rest of the Supplier's entitlements. If the value of deduction is more than such entitlements, the Minister shall be communicated in writing to retain the rest value of deduction from the Supplier's entitlements owed by any Federal Entity. If there are no entitlements of the Supplier and the latter fails to pay the excess amount of penalty, the Federal Entity shall resort to courts of law.
- k. Penalties shall be computed based on the contract value, and any tax levied or calculated shall be excluded, so that the tax value shall be computed on the penalty amount according to tax laws and provisions applicable in the State.

Article (52)

Supply Contracts

- a. Supply contracts include the purchase or rental of any goods by the Federal Entity concerned, including the installation, training on how to use and maintain them, if necessary.
- b. The Federal Entity or the representative thereof may inspect and examine the materials required to be supplied at the manufacture place before being shipped, depending on the nature of such materials, provided that the same shall be explicitly stipulated in the contract.

Article (53)

Service Contracts

Subject to the provisions of Article (45) hereof, the legal aspect of the service contract shall be approved by the Ministry, while the Federal Entity concerned may decide any matters it deems appropriate in this regard.

Article (54)

Subcontracting

- a. The contracting Federal Entity is required to ask the Supplier to refer in the bid submitted thereby to which part the Supplier wants to assign to a subcontractor, while the Supplier shall provide the Federal Entity with all required information about the sub-Supplier, in addition to the justifying reasons for subcontracting.
- b. Total value of the subcontract may not exceed the following ratios:
 1. (35%) of the contract value with regard to service and work contracts.
 2. (15%) of the contract value with regard to supply contracts.
- c. The Supplier may assign a subcontractor only after obtaining prior written consent of the Federal Entity concerned, so that the main Supplier shall, in all cases, remain responsible towards such Entity for performing all the obligations provided for in the contract concluded with the Federal Entity.

Article (55)

Overseas Contracts

- a. Goods and services may be procured from outside the State, and, in such case, the procurement shall be performed based on a technical study showing the reasons compelling the Federal Entity to resort to such option.
- b. The option to enter into a contract with an overseas Supplier shall be approved by a decision of the Competent Authority and according to the contract value and the Approval Authority Table referred to in Paragraph (b) of Article (4) hereof.
- c. The procurement under an overseas contract shall be made in the following cases:
 1. If the purchased items are not available in the domestic market.
 2. If there is a big price difference between domestic and foreign Suppliers, and the

interest of the Federal Entity concerned requires procurement from Suppliers outside the State.

3. If there is a big difference in quality with no need for a big difference in terms of price.
- d. All transactions with Overseas Suppliers shall be executed through an irrevocable and non-transferable letter of credit, unless otherwise expressly provided under the contract.

Section Two

Warehouse Management

Chapter One

Warehouse Management Governance

Article (56)

Warehouse Department

The Federal Entity's Warehouse Department shall provide other Organizational Units with the items and materials need by them to carry out their respective works and to provide their services in line with their strategic objectives. To this end, It shall undertake the following competences:

- a. Keep the lowest level of inventory so as to minimize the costs of storage and the capital invested in such inventory.
- b. Distinguish the inventory through defining the items and labeling them by assigning the appropriate classification tag and code to each of them.
- c. Examine the received items before being admitted for storage, to ensure that the stored items are safe in terms of the quantity, quality and validity for use and storage.
- d. Locate stored items in their designated places, to ensure their easy dispatch and storage.
- e. Execute the inventory dispatch procedures, including the packing, packaging and transportation of items required to be dispatched in an accurate and proper way.
- f. Record the movement of stored, received and dispatched items, and identify the balances of warehouses and their financial value on an ongoing basis and once the movement happens without delay.
- g. Control the inventory to make sure that the appropriate quantities of items are available to regularly meet the needs, and to minimize the storage costs as much as possible.

- h. Keep storage books relating to the receipt and dispatch of materials and the balances thereof.
- i. Making an inventory planning through developing warehouse catering programs and estimating the annual needs in coordination with the organizational units.
- j. Apply safety and security measures at warehouses.
- k. Submit reports on unusable items on a first-in first-out basis to the Undersecretary concerned or his designee, and propose appropriate solutions for disposing of the same.
- l. Coordinate with the competent employees of the Ministry before disposing of any unusable items.
- m. Regularly report the status of the warehouses and works completed to the Undersecretary concerned or his designee.
- n. Report the damaged items to the Inspection and Valuation Committee for review and recommending the approval thereof.

Article (57)

Inspection and Valuation Committee

- a. A Committee, to be known as the (Inspection and Valuation Committee), shall be constituted in the Federal Entity by a decision of the Undersecretary concerned to inspect, appraise and value the assets and to submit recommendation to the Minister concerned or his designee that the same be sold, destroyed or donated, according to provisions hereof.
- b. Such committee shall be composed of a Chairman and three members, with consideration given in terms of its composition to be including members from the Procurement Department, Financial Affairs Department, Warehouse Department or any other Organizational Units, according to the Organizational Structure of the Entity.
- c. Such Committee shall be reconstituted every three years, or whenever necessary.
- d. Meetings of such Committee shall be convoked by the Chairman of the Committee whenever necessary, and such meeting shall be valid only if attended all members thereof. The Committee may invite specialists and technicians, from the Federal Entity's employees or others as it deemed appropriate, to attend its meetings and give opinions on matters put forward to the Committee.

- e. The Committee shall make its decision by majority votes of its members; no member may abstain from voting.

Article (58)

Sale Committee

- a. A Committee, to be known as the (Sale Committee), shall be constituted in the Federal Entity by a decision of the Undersecretary concerned, to supervise the sale, donation or destructions of redundant assets of the Federal Entity in accordance with the provisions and procedures hereof.
- b. Such committee shall be composed of a Chairman and three members, with consideration given in terms of its composition to be including members from the Procurement Department, Financial Affairs Department, Warehouse Department or any other Organizational Units, according to the Organizational Structure of the Entity.
- c. Meetings of such Committee shall be convoked by the Chairman of the Committee whenever necessary, and such meeting shall be valid only if attended all members thereof. The Committee may invite specialists and technicians, from the Federal Entity's employees or others as it deemed appropriate, to attend its meetings and give opinions on matters put forward to the Committee.
- d. The Committee shall make its decision by majority votes of its members; no member may abstain from voting.
- e. Such Committee shall be reconstituted every three years, or whenever necessary.

Article (59)

Inventory Committee

- a. One or more Committees shall be composed to conduct annual inventory check of warehouses at the Federal Entity by a decision of the Undersecretary concerned or his designee, composed of a Chairman and at least three employees of the same Federal Entity.
- b. The composition decision shall nominate the Chairman of such Committee as well as the names and positions of the members, provided that neither the Warehouseman nor any of the Warehouse Department's employees may be a member in of Inventory

- Committee for the same Warehouse.
- c. The Inventory Committee shall undertake the following competences:
 1. Ascertaining the validity of records kept at the Warehouses.
 2. Comparing the items actually existing in the warehouses with the balances recorded in the books.
 3. Inspecting and documenting the status of items and materials checked.
 - d. Where there are more than one inventory committee at the same Federal Entity, the Undersecretary concerned shall compose a Central Inventory Committee comprising no less than (5) members, and the composition decision shall nominate the Chairman of such committees as well as the names and positions of the members thereof, provided that none of them is a member of a Sub-Inventory Committee.

Chapter Two
Inventory Management Procedures
Article (60)
Receipt

- a. The Warehouseman or the authorized recipient at the Federal Entity shall be responsible for managing the initial receipt of inventory.
- b. Materials shall be received from Suppliers according to receipt provisions and procedures referred to in Chapter Four of the Warehouses Management Regulations attached herewith.
- c. Examination and Receipt Committee shall inspect the initially-received materials so as to determine whether they conform to the technical specifications agreed upon with the Supplier.
- d. In case there is any damage or discrepancies in the items during the examination and receipt process, the Examination and Receipt Committee shall inform the Procurement Department of such damage and discrepancies. The Procurement Department shall, in turn, follow up on the case with the Supplier and claim compensation for such damage and discrepancies, taking into consideration the time limits set for making such claim.
- e. The Examination and Receipt Report shall be presented to the Procurement Committee to make a decision in the following cases:

1. A controversy arises between the Supplier and the Examination and Receipt Committee.
 2. A controversy arises between members of Examination and Receipt Committee and the technical member(s) thereof.
- f. If items or materials are outsourced from abroad, and the Examination and Receipt Committee is convinced, for justified reasons, that such items or materials are required to be received before the commercial invoice thereof is received, the receipt procedures referred to herein shall be applied based on the proforma invoice or any other documents. If there is a difference between the supplies and the proforma invoice, the receipt may be postponed until the commercial invoice is received, or that the receipt be made while all actions necessary to preserve the Federal Entity's rights are taken.
- g. In the event of the urgent procurement through the Tender or Dutch Auction method, the Examination and Receipt Committee shall examine the materials within two (2) business days and receive the same if they conform to specifications agreed upon under the contract.

Article (61)

Rejection of Materials

If final receipt of the initially-received materials is rejected, the following actions shall be observed:

- a. The Warehouseman, or the body tasked with the final receipt, shall keep the rejected materials separately until they are delivered to the Supplier.
- b. The Procurement Department shall serve a written notice to the Supplier notifying the latter of the rejection of receipt of the materials and the underlying reasons thereof, and request that the same be withdrawn and the substitute thereof be supplied within the time period specified in the notice, and to disclose thereto the results of rejection or abstention from doing so.
- c. If the Supplier refuses to receive back the rejected materials and items within (10) business days from the date of the notice, a storage penalty of (1%) of the materials value shall be imposed on the Supplier for every week of delay, provided that the total penalties do not exceed (5%) of the materials value plus the delay penalty imposed. If

the Supplier continues to refuse to or abstain from receiving the materials, the Federal Entity may sell the materials by public auction and collect all expenses and penalties, while the remaining balance shall be returned to the Supplier.

- d. If the Supplier requests that the technical analysis and examination be re-conducted on the rejected materials, the resulting expenses agreed upon between the parties shall be borne by the Supplier, unless the result of re-examination and analysis is in the latter's favor. The Federal Entity may, however, bear all expenses, provided that its prior consent of the examination and analysis body is obtained.

Article (62)

Dispatch of Inventory

The Federal Entities shall dispatch the inventory and stock on hand from Warehouses in accordance with the provisions and procedures set forth in Chapter Five of Warehouse Management Regulations attached herewith.

Article (63)

Inventory Recording and Tracking

- a. The Warehouseman is required to properly record and dispatch the inventory and to print the "Barcode" through the Electronic Warehouses Program, in a way that allows that the inventory be tracked effectively.
- b. The Electronic Warehouses Program must display the following information:
 - 1. The Supplier's code.
 - 2. Codes of the Inventory.
 - 3. Description of the Materials, with reference to the number of the Supplier's product.
 - 4. Measurement unit.
 - 5. Quantity of the Inventory.
 - 6. The expiry date of materials which have a specified expiry date.
 - 7. Discrepancies between the information recorded in the books and the actual quantities of inventory shall be settled according to the relevant legal and technical standards.

Article (64)

Inventory Replenishment

- a. The inventory replenishment process "Reorder" may depend on the method of calculating the economic quantity of the order.
- b. The Warehouseman shall determine the minimum and maximum level as well as the Reorder Point (ROP) of every item at the Warehouse, and record such levels on the Electronic Warehouse program, subject to the following points:
 1. The duration required for domestic or overseas supply of each item, including the determination of the applicable procurement procedures.
 2. Items consumption rates according to the operational programs, as well as the required maintenance and repair operations thereof.
- c. The determination of the maximum level shall include the following:
 1. The storability of items and the extent of their vulnerability to damage.
 2. Availability of the items in the market.
 3. The extent of change in the specifications.
 4. Price fluctuations.
 5. Storage capability.
 6. The requests to supply the items for which the procurement procedures are not made.
 7. The agreed items which have not yet been supplied.
 8. Availability of appropriations for procurement.
- d. The ROP shall include the following:
 1. Determining the storage minimum level, as well as operating requirements over a time period starting from the time of preparation of the request until the date when items are delivered in the Warehouse.
 2. Availability of items in the market.
 3. Balance of the remaining item.
 4. Orders not procured.
 5. Items covered by contracts but not procured.
- e. For the purpose of inventory replenishment, computation and determination of the ROP in light of the minimum and the maximum levels of storage, the Warehouseman shall conduct an inventory check of the assets of the Warehouse every (3) three months at

most, provided that the inventory check shall determine the following items:

1. Redundant items;
2. Discarded items;
3. Unusable items;
4. Items needing re-maintenance;
5. Items vulnerable to damage; and
6. Items having a particular validity period;

Article (65)

Returns Management

- a. The returns management process shall apply to the following:
 1. The items which are supplied but the final receipt thereof is rejected.
 2. Redundant assets.
- b. The Procurement Department shall manage all returns operations resulting from complaints filed against the Supplier, as well as materials which are returned according to returned materials receipt provisions and procedures set forth in the Chapter four of the Warehouse Management Regulations attached herewith.

Chapter Three

Sale and Disposal of Assets

Article (66)

Sale of Assets

- a. The Federal Entity's redundant assets shall be sold by public, restricted or sealed-bid auction or through direct award, in accordance with the provisions and procedures referred to herein.
- b. If assets are struck off from the accounting books because they are depreciated or the operation costs thereof are high, they shall be presented to the Inspection and Valuation Committee before they are sold, destroyed or donated.
- c. The Inspection and Valuation Committee shall ensure the appropriateness of the inspection site and the adequacy of the arrangement and presentation, in order to enable those wishing to purchase the assets to examine the assets and to participate in

the bid, and to solicit the best proposals, and to provide as much competition and transparency as possible.

Article (67)

Public Auction

- a. Subject to the provisions of Article (66) hereof, the Federal Entity may conduct a public auction to sell redundant assets according to the following procedures:
 1. Publishing the auction announcement for three times in a widespread local newspaper (10) days before the scheduled date of the auction, provided that such announcement shall include terms and lists of the materials and items in question, how they are obtained, the inspection place and date of such materials or items.
 2. The Sale Committee shall collect a Bid Bond from the bidder wishing to participate in the auction, the value of which shall be determined by a decision of the Sale Committee's Chairman according to the estimated value of materials and items required to be sold, provided that such value shall not be more than AED 5000 (five thousand Dirhams).
 3. The bid bonds so received shall be returned to all unsuccessful bidders at the same session against the receipts delivered to them for such bid bonds.
 4. The Bid Bond amount shall be deducted from the auction value of the successful bid, and the Sale Committee may confiscate the value of such bid bond, in case the bidder withdraws after being announced the winner of the auction.
 5. The Sale Committee may carry out the sale on the basis of an integrated groups of materials and items of each material or item on a case-by-case basis, provided that the bidders are informed of the weight, number, size, description and specifications of the materials and items, without mentioning the basic price, which must remain confidential.
- b. The materials and items announced for auction shall be awarded to the bidder who provides the highest price, subject to the following:
 1. That the price offered by the bidder must at least be equal to the basic valuation price.
 2. That the rest of bidders cease to make bids, and no bid of whatever value offered after the award may be considered.

3. The successful bidder must pay (50%) of the value of awarded materials and items at the same session, and such value shall be non-refundable, provided that a receipt voucher of such value shall be delivered to the successful bidder.
 4. The successful bidder shall pay the rest of the auction value within (10) ten business days from the auction session date.
 5. The Sale Committee shall draw up a report that includes all actions taken thereby during the auction process, which shall be accompanied by the price Receipt Notes, signed by the members of the Committee and approved by the Undersecretary concerned.
 6. The Chairman of the Sale Committee shall deposit all amounts received in the account of the Federal Entity concerned on the same day; failing which, he must keep the same in the Federal Entity's treasury, and shall then deposit them in the account of such Federal Entity in the morning of the following business day.
- c. If no person applies to the auction, or where the highest bid offered is less than the basic valuation price of the materials and items available for sale, the auction shall be postponed to another session, provided that the approval of the Undersecretary concerned for reducing the basic valuation price set for re-sale to be made through another auction process.
 - d. If the offered bid reaches the basic valuation price and there are no less than (3) three bidders, the Sale Committee may award the auction to the highest-price bidder, but if the result of auction in the second time does not reach the reduced price, the matter shall be referred to the Undersecretary concerned accompanied by the recommendations of the Sale Committee for the latter to make the appropriate decision in this regard.

Article (68)

Limited Auction

Subject to the provisions of Article (66) hereof, the Federal Entity may sell the redundant assets through Limited auction according to the following:

- a. Inviting no less than (3) three bidders specialized in the procurement of materials and items offered for sale, in order to participate in the auction.
- b. Applying all rules and procedures applicable by public auction, except for making the publication in daily newspapers.

- c. The provisions of this Article shall apply if the estimated value of materials or items is more than AED (100,000) one thousand Dirhams.

Article (69)

Sealed-Bid Auction

- a. The redundant assets shall be sold through the sealed-bid auction in either of the following cases:
 - 1. If the estimated value of materials and items is not more than AED (100,000) one thousand Dirhams.
 - 2. If the Entity concerned is unable sell the materials and items through Public or Limited auction.
- b. The Sale Committee shall receive the bids from the parties wishing to procure items in a sealed envelope within the time period specified by the Chairman of the Committee for this end.
- c. Except for the announcement of auction in the local daily newspapers, all public auction provisions and procedures referred to in Paragraph (a) of Article 67 hereof shall apply to the Sealed-Bid Auction.

Article (70)

Direct Contracting

- a. Redundant assets shall be sold by way of Direct Contracting between the Federal Entity and any other Federal Entity.
- b. The sale shall be effected by way of Direct Contracting through the Sale Committee under written bids to be submitted thereto by the Federal Entities wishing to procure the materials or items.

Article (71)

Donation

- a. Federal Entities may donate redundant assets to any of the following bodies:
 - 1. UAE Red Crescent.
 - 2. Charities and certified organizations concerned with the humanitarian activity in the

State.

3. Any other entity approved by the Undersecretary concerned.
- b. The Federal Entity shall donate the redundant materials and items in accordance with the provisions and procedures contained in Chapter Six of the Warehouse Management Regulations attached to this resolution.

Article (72)

Delivery of Sold Materials and Items

The Federal Entities shall deliver the materials and items that are sold or disposed of in accordance with the provisions and procedures of Chapter Six of the Warehouse Management Regulations attached to this resolution.

Article (73)

Fines and Penalties

- a. In case the successful bidder fails to pay the remaining price of the materials and items that have been awarded thereto within (10) business days from the award without an accepted excuse, the Federal Entity may confiscate the amounts paid by the bidder and resell the materials and items.
- b. The successful bidder may, after payment of all the entire value of materials and items, withdraw the same from the warehouses of the Federal Entity within 30 days from the date of award, and in case of delay beyond such time period, the bidder shall be liable to a fine of 1% of the value of the awarded materials or items as of the date of award, but not exceeding 60% of their value, and the Supplier is required to pay the same in cash before receiving such materials or items.
- c. In case the materials and items are not withdrawn from the warehouses of the Federal Entity sixty (60) days of the award date, the Federal Entity may confiscate and resell the materials or items once again.

Chapter Four
Final Provisions
Article (74)

Warehouse Management Regulations

The Warehouse Management Regulations attached to this resolution shall be approved and shall constitute an integral part of the provisions hereof.

Article (75)

Issuance of Implementing Resolutions

The Minister shall issue the necessary resolutions to enforce the provisions hereof.

Article (76)

Exceptions and Repeals

- a. The Procedures Manual for Partnership between federal entities and private sector issued pursuant to Article (48) of the Cabinet Resolution No. (32) of 2014 concerning the Procurement and Warehouse Management Regulations in the Federal Government, as amended, shall remain in force and effect.
- b. The Cabinet Resolution No. (32) of 2014 Concerning the Procurement and Warehouse Management Regulations in the Federal Government, as amended, together with any provision conflicting with or repugnant to the provisions hereof shall be repealed.

Article (77)

Publication and Entry into Force

This Resolution shall be published in the Official Gazette and shall enter into force thirty days following the date of its publication.

Mohammed bin Rashed Al Maktoum

Prime Minister

Issued by us:

On: 29 Rabi' II, 1440 AH

Corresponding to: January 6, 2019 AD

Annex 1

Warehouse Management Regulations in the Federal Government Attached to the Cabinet Resolution No. (4) of 2019 Concerning the Procurement and Warehouse Management Regulations in the Federal Government

Chapter One

General Framework

I: Definitions

1. All words and phrases referred to in Article (1) of the Procurement and Warehouse Management Regulations shall be complementary to the same words and phrases contained in these Regulations, unless the context indicates otherwise.
2. For applying the provisions hereof, the following words and phrases shall bear the meanings assigned next to each of them unless the context indicates otherwise:

Inventory Planning	:	A plan developed by each Federal Entity at an early time every year to list its needs of materials in the estimated budget for the coming year.
The Procedures	:	The practical, detailed steps that are applied to implement the approved policies.
Request for Inventory Items	:	A request prepared and approved by Warehouse Department and then referred to Procurement Department to provide warehouses with materials.
Initial Receipt Note (Temporary)	:	A document prepared by the competent Warehouseman when necessary to document the receipt of materials that are temporarily procured, as an initial step to complete the final receipt procedures It is not allowed to change the status of such materials or to use them prior to the final receipt thereof. Such materials shall neither be considered the property of the Federal Entity concerned nor counted in the annual inventory check.
Inventory Receipt Note	:	A document prepared by the competent Warehouseman based on the examination report, according to which the accepted inventory items are admitted to the warehouse.

- Inventory Rejection Note** : A document prepared by the competent Warehouseman in case the receipt of all or any of the materials supplied to the warehouses is rejected.
- Inventory Dispatch Request** : A Request prepared and approved by the Requesting Organizational Unit to the Warehouse Department at the Federal Entity concerned, in order to be provided with the inventory items needed.
- Inventory Dispatch Note** : A Document prepared by the competent Warehouseman to dispatch inventory items from the warehouses.
- Request for Return of Inventory** : A Request prepared, approved and then referred by the organizational unit concerned to the Warehouse Department in the Federal Entity concerned, to indicate and document its wish to return the inventory items.
- Returned Inventory Receipt Note** : A document prepared by the competent Warehouseman to indicate and document the receipt of inventory items returned from the Requesting Organizational Unit to the warehouses of the Federal Entity concerned.
- Supply Order** : A document sent directly by the Warehouse Department to the supplier concerned to request the supply of the items agreed upon within prior contractual arrangements at the time and place specified by the Requesting Federal Entity.
- Inventory Control** : The process of organizing and maintaining the inventory movement, and controlling the flow of inventory items in respect of entry and exit of materials to and from warehouses in the appropriate quantity and at the appropriate time, to carry out this process without shortage or delay.
- Item Card** : The card that contains all information related to the inventory item [its name, specifications, barcode number, incoming and outgoing quantity thereof].
- Slow-Moving Inventory** : They are the materials or items in respect of which the dispatch movement for a particular period compared to the preceding period is less than 70%.

- Regular-Moving Inventory** : They are the items in respect of which the dispatch movement for a particular period compared to the preceding period ranges between 70% and 130%.
- Fast-Moving Inventory** : Materials and items in respect of which the dispatch movement for a particular period compared to the preceding period is higher than 70%.
- Stagnant Inventory** : Non-strategic materials and items that have an inventory balance and have not been dispatched over a year timespan.
- Damaged Inventory** : Items that have expired or have been found to be consumed, damaged and cannot be repaired or benefitted from at all.
- Used Inventory** : The materials that have been dispatched and used for one time or more, but they can be reused in the future, and this applies only to sustainable inventory items.
- Effective Inventory** : Strategic and non-strategic items that have inventory balances in the warehouses and have been dispatched over the last two fiscal years.
- Ineffective Inventory** : Non-strategic items that have inventory balances in the warehouses and have no dispatch movement over one year or more, and include slow-moving, stagnant and damaged inventory.
- Item Number** : The number assigned to each inventory item within the warehouse at the State or the Federal Entity level, so that common or generally used items are assigned a special and unified number at the State level. However, items used by certain Federal Entities shall be distinguished by a number indicating or symbolizing the using entity thereof, such as medications and school books.
- Item Status** : The status in which the inventory item exists, whether in the warehouse or at the work premises.
- Validity Period of Inventory** : The period of time during which the inventory item can be used, and upon its expiry, the item becomes vulnerable to damage. Such period intervenes between the production date of the item and its expiry date, and is determined by the producer of the item,

because it has comprehensive knowledge of its constituents.

Inventory Check : The process of counting the items in warehouses and matching their actual balances with their balances documented in the records.

Warehouse Safety and Prevention : A set of preventive measures, rules and regulations relating to workers in the warehouses and inventory items stored.

II: Warehouse Department

1. The Warehouse Department's Responsible Officer shall supervise all organizational matters of the warehouses.
2. Each warehouse shall have a dedicated Warehouseman who shall organize the records and items located therein, and shall be appointed by a resolution of the Undersecretary concerned.
3. An assistant Warehouseman or warehouse clerk shall be appointed by a resolution of the Undersecretary concerned or his designee, to replace the Warehouseman during his absence, and shall be jointly responsible together with the Warehouseman,, and shall, together with the latter, sign the statements of warehouse trust.
4. The Warehousemen shall be permanent employees of the Federal Entity. In case of multiple Warehousemen in the same site, a chief warehouseman may be appointed to be responsible for the works of the warehouses under his supervision. In this case, all Warehousemen shall be held jointly responsible.
5. At the Federal Entities where there is a warehouse but having no dedicated warehouseman, the warehousing work shall be entrusted to any of the permanent employees, alongside their original job duties.
6. Upon transferring or terminating the Warehouseman's employment, or when the same avails of a leave, the Warehouse Department's Responsible Officer shall assign one or more employees to carry out the Warehouseman's duties while he is absent, provided that a Delivery and Receipt Note of the Warehouse Trust shall be drawn up.

Chapter Two

Warehouse Management and Storage Affairs

I: Warehouses Preparation and Design

- a. Factors affecting the warehouse design:
 1. Storage type, if it is temporary or permanent.
 2. Specifications and features of materials required to be stored.
 3. Areas needed for material storage, whether buildings or vacant spaces.
 4. Equipment required for transporting, lifting and handling of items.
 5. Storage methods for each item or group of items.
 6. Receipt, dispatch and handling methods for each group of items.
 7. Location, environmental and climate conditions.
 8. The size and weight of the circulated unit of items and quantity usually ordered and the ordering rate.
 9. The maximum quantity of the item stored.
 10. Area that is necessary for storage and handling.
 11. Requirements for prevention and precautions relating to the type of materials, such as heat, cooling or ventilation.
- b. The objectives intended upon designing the warehouse:
 1. Realizing total adequacy of warehouses and storage purposes.
 2. Adequacy of ceilings height.
 3. Choosing the appropriate floors for transportation and handling equipment.
 4. Abiding by the Laws that govern buildings regulation and fire protection.
 5. Choosing the appropriate facilities to realize security and to create appropriate conditions for work and preservation of inventory items.
 6. Optimizing the spaces and areas while leaving the necessary spaces for the smooth movement of equipment and warehouse workers.

II: Internal Warehouse Planning

Factors to be observed upon designing the internal planning of the warehouse:

1. Easy receipt of incoming inventory items, so that there shall be an adequate and safe receipt area.
2. Easy placement of the incoming item in the space allocated thereto.
3. Easy pulling and moving of the item from its place.
4. Easy dispatch of materials to outside by the responsible employee.
5. Easy passage of internal handling means and equipment.
6. Protecting the inventory items against stagnation and damage.
7. Preventing the work accidents during transportation or handling.
8. Easy conduct of inventory check process.
9. Using most suitable methods of warehouse barcoding befitting the Federal Entities' working nature.
10. Easy warehouse control and installation of surveillance systems.
11. Easy use of means to maintain inventory such as ventilation, lighting and air conditioning.
12. Easy detection and prevention of theft and loss incidents.
13. The office of the Warehouseman shall be next door to the inventory dispatch area in order to control the warehouse.

III: Inventory Planning

It means to adopt high-quality scientific approach to identify the warehouse needs of inventory items according to a well-thought-out plan that achieves the objectives efficiently and effectively, including the following considerations:

1. Assessing future needs of each item of stored.
2. Determining times and dates at which each item must be available.
3. Determining how to provide the required items.

A. Importance of Inventory Planning:

The importance of Inventory Planning is to achieve the following benefits:

1. An effective method to minimize the capital invested in inventory.
2. Avoiding losses that may be sustained by the Federal Entity as a result of the obsolescence or stock-out of items from warehouses.

3. Enabling the warehouses to face unexpected emergency circumstances.
4. An important tool to prevent random procurement operations.
5. Obtaining the best offers based on the demand volume as planned.

B. Inventory Planning Elements:

Inventory Planning consists of the following elements:

1. Quantity.
2. Value.
3. Time.
4. Reorder time.
5. Procurement sources.

C. Standards and rules for the preparation of needs assessment plan:

The Federal Entities shall follow the following standards and rules upon preparing the needs budget:

1. Classification of needs.
2. Determining entities responsible for estimating quantities of items required.
3. Determining data needed to estimate needs of items and materials.
4. Estimating the quantity of items to be provided and their value.

D. Equations for calculating quantities required and their value:

The following equations shall be used to identify the needs of quantities expected and their value:

Balance expected to be available = inventory item balance in the warehouse + the quantity procured - quantity expected to be dispatched over the year.

The quantity Required = total needs – balance expected to remain available in warehouses.

The mounts proposed to procure the items= The ordered quantity × price per unit.

IV: Inventory Control

The inventory control encompasses all activities relating to the design or selection of means and methods deemed necessary to ensure the validity of decisions and procedures in respect of the supply of needs required of inventory items, their storage and maintenance until they are needed, ensuring the continuity of providing the requesting organizational units with their respective needs according to quantities and specifications required and in a timely manner on the one hand, and the efficient use of funds invested in such inventory

items on the other hand. This includes applying control procedures to measure and correct performance, so as to ensure achieving the strategic objectives adopted by the Federal Entity, which aim to implement the plans developed, to monitor their implementation and to ensure that what is being achieved is originally planned.

A. Inventory Control Functions:

All officers of Warehouse Departments shall tighten the control over the movement of inventory, so that inventory items shall be rotated and exchanged within the same Federal Entity or between different Federal Entities effectively, through the following:

1. Following up on and monitoring the storage levels per item (storage levels are the minimum, maximum and ROP levels).
2. Determining economic procurement quantity in case the inventory balance reaches the ROP.
3. Sending an inventory supply request to Procurement Department for inventory items the balance of which reaches the ROP.
4. Identifying warehouses balances of items and their total value, while preparing the necessary data and reports on the inventory and submitting the same to relevant departments.
5. Controlling the movement of items by identifying fast-moving, slow-moving and stagnant inventory items.
6. Supervising the inventory check and matching of balances written in the records against actual balances available in warehouses.
7. Identifying inventory problems and their causes in terms of stagnant, lost or damaged items.
8. Preventing similar items in warehouses.
9. Counting and following up on unusable items.
10. Making coordination on the disposal of unusable materials and items by way of exchange, rotation, sale, donation, repair or destruction.

B. Identifying Inventory Levels:

Federal Entities shall observe the following factors upon identifying inventory levels and preparing the needs budget:

1. The inventory is unproductive capital.
2. Redundant inventory needs additional costs.

3. The possibility of irregular supply to warehouses.
4. The possibility of exposure to stock-out and work disruption.

C. Inventory levels:

They are levels showing the status of inventory items within warehouses, and consist of the following:

(1) Minimum level:

When determining the minimum, the following shall be observed:

1. The time required for the supply of each local or overseas material or item and the procedures for its procurement and supply.
2. Consumption rates according to the operating programs, and the needs of maintenance and repair operations.

(2) ROP:

When determining the ROP, the following shall be observed:

1. Computing the minimum storage level plus what satisfies the operation needs over a time period starting from the time of order preparation up to the date of receipt of materials and items in the warehouses.
2. Availability of materials and items in the market.
3. Balance of the inventory material or item.
4. Orders for materials that have not been carried out or their procurement procedures are yet to be completed.
5. Materials and items covered by contractual obligations but not supplied yet.

(3) Maximum Level:

Upon determining the maximum level, the following shall be observed:

1. The storability of materials and items and the extent of their vulnerability to damage.
2. Availability of materials and items in the market.
3. The extent of change in specifications from time to time.
4. Price fluctuations.
5. Storage possibility.
6. Orders for materials that have not been carried out or their procurement procedures have not been completed yet.
7. Materials and items covered by contracts but not supplied yet.

D. Equations used to determine storage levels:

Waiting period = Day-to-day consumption rate of the item × Waiting period (procurement period).

Order quantity (is the economic quantity of procurement).

Minimum inventory level = Day-to-day consumption rate of the item × number of days desired to keep the inventory.

ROP = Minimum inventory + (day-to-day consumption rate of the item × the waiting period).

Maximum inventory level of a particular item = Minimum inventory + order quantity.

E. The most important inventory problems:

The inventory problems are as follows:

1. Damage of stored materials.
2. Loss of some stored items.
3. The existence of slow-moving or stagnant items that are often redundant.
4. Shortage of other items.

F. The following clauses shall be excluded:

1. Safety Items:

They are items necessary for the continuity of work, and the useful life thereof is usually commensurate with the age of machines and equipment, and are kept as long as the equipment is in service and are disposed of only after the asset to which they belong is disposed of, such as the spare parts.

2. Strategic Items:

They are the quantities the optimal level of which is determined, to benefit the continuity of work or provision of the service. The nature of such items depends on the activity of each Federal Entity, such as medicines.

G. The most important causes for the emergence of storage problems:

1. Lack of care given to the internal environment of warehouses.
2. Failure to tightly close the warehouses.
3. The absence of security and safety means in the warehouses.
4. Overstatement of procurement quantities.
5. Procuring alternative items in large quantities.
6. Lack of accuracy in recording the data of items stored and dispatched.

7. The inability to control the movement of items efficiently and effectively.
8. Failure to dispose of unused items promptly.

H. Success of the Federal Entity in capitalizing on the inventory:

The standards or indicators that can be employed to identify the extent of success of the Federal Entity in capitalizing on the inventory are as follows:

1. The number of times the service is interrupted or delayed as a result of a shortage of necessary materials or items.
2. Number of times the Federal Entity resorted to postponing the dates of satisfying the needs of its customers for products.
3. Average waiting period between delivery or service provision dates agreed upon with customers and actual delivery dates.
4. Number of times the Federal Entity resorted to emergency or direct procurement.
5. The volume of losses resulting from the rise in prices of particular items needed by the Federal Entity of which it did not keep sufficient inventory.
6. The volume of losses caused by reduction in prices of particular items needed by the Federal Entity of which it keeps large quantities exceeding its actual needs.
7. The volume of losses resulting from stagnant or obsolete inventory, which usually results from poor planning.

However, all federal entities are required to provide their needs of items and materials in conformity with the specifications and quantities required in a timely manner, when allocating the amounts to invest in the inventory.

Chapter Three

Types of Warehouses and Warehoused Materials

I: Types of Warehouses

First: Federal Government's warehouses shall be categorized into the following types:

A. Main Warehouses:

They are warehouses that take over the receipt, storage and dispatch of all inventory items procured and received, and which provide supply to the regional or subsidiary warehouses thereof.

B. Provincial Warehouses:

They are warehouses that are supplied with materials and items from the main warehouse, or the materials received directly from the suppliers and are procured by the Procurement Department, and often supplies the inventory to subsidiary warehouses belonging thereto.

C. Subsidiary Warehouses:

They are warehouses mainly supplied with items dispatched from the main or provincial warehouses, in addition to the items received from suppliers directly, provided that the main warehouses are notified so such supplied items to be recorded under the custody of subsidiary warehouses.

Depending on the nature of materials and items stored in any of the above-mentioned warehouses, it may be necessary for a warehouse to contain the following:

1. Cooling warehouses:

They are warehouses used to store foodstuffs that need very low storage temperatures, and the temperature of such warehouses usually ranges between (zero and minus five degrees Celsius).

2. Temperature Controlled Warehouses:

They are warehouses where medicines, medical supplies and some foodstuffs are kept, as their temperature ranges between (5-15) degrees Celsius.

II: Classification of Inventory in Government Warehouses:

A qualitative classification in terms of nature or quality:

A. Items intended prepared for consumption:

These are items that are consumed or perished by use, and are symbolized by the number (2), and are categorized into similar groups or categories such as:

1. Raw materials used in operation such as dyes, oils, nails...etc.
2. Medicines, serums, vaccines, drugs, medical instruments and supplies.
3. Fuel of all kinds.
4. Catering materials (foodstuffs) and similar items.
5. Stationery, paper, ink and printouts.
6. Cleaning materials.
7. Electrical materials.
8. Instruments and tools that are not subject to capitalization criterion, such as hummer,

screwdriver, bucket, ropes and others.

B. The importance of qualitative classification of inventory:

The importance of qualitative classification is as follows:

1. Determining the trust of items, as the trust shall only be for permanent items except for consumable materials that are dispatched to be kept as temporary trust until they are dispatched for the final use.
2. Distinguishing between consumable materials (warehoused) and permanent materials (assets), since permanent materials remain valuable even after their use, and are recorded in their own books away from warehouse books, such fixed assets or property.
3. Estimating the needs of the Federal Entity of materials and items accurately (warehouse measurements).
4. Evaluating the property given that the standards of evaluation of warehoused materials differ from assets and property.

C. General rules for determining the qualitative classification of inventory:

1. The qualitative classification of inventory shall be determined by the technical entities using them.
2. The symbol used for the qualitative classification of an inventory item rather than the full term thereof shall be used when completing or registering the inventory item's field.
3. Any of the consumable materials may be excluded and considered as assets with the approval of the Ministry after the reasons are given.
4. Return of inventory items to the warehouse shall be made only for consumables of a permanent nature, except for consumables dispatched by mistake and are returned as new inventory.
5. The useful life of an inventory item shall be determined after the qualitative classification thereof is determined.
6. It is not allowed to register a dispatch form from the warehouse system for permanent inventory items (assets), and this shall be applied to consumables only.

D. Unusable Items

They are items symbolized by a special number to distinguish them from new or used materials, and are divided into similar groups, such as steel scrap, copper scrap, unusable clothing and fabrics, broken wood and damaged leather.

Subdivisions of qualitative classification of inventory:

1. Classification by Status:

- New inventory, symbolized by number (1)
- Used inventory, symbolized by number (2)
- Damaged inventory, symbolized by number (3)

2. Classification by Validity:

- Inventory items that do not have a validity period: They are the consumables of which no validity period is known, and are symbolized by number (1)
- Inventory items that have a validity period: They are inventory items having a validity period of a known duration between the date of production and the expiration date, and determined by the producer of the inventory item, and symbolized by number (2)

3. Classification by Strategy:

- Ordinary Inventory (non-strategic): They are ordinary materials whose absence does not affect the performance by the Federal Entity of its work, and which are available in the local market and an alternative thereof may be used, and are symbolized by No. (1)
- Strategic Inventory: They are items related to a specific asset, status, statute or international practices, and their absence may cause disruption of such asset or loss of a human life, affect the performance of the beneficiary entity, and which are not available in the local market and an alternative thereof may not be used, and are symbolized by No. (2).

4. In terms of movement (operating status)

- Effective Inventory
- Ineffective Inventory

5. In terms of rate of movement pace:

- Slow Moving Inventory
- Regular Moving Inventory
- Fast Moving Inventory
- Stagnant Inventory, and this category includes the following items:
 - Inventory items which the competent technical or official entities decide to stop their use due to the appearance of defects or negative effects.
 - Items which the competent technical entities decide to stop their use as a result of

technological development or available of alternatives with better features.

- Spare parts where the equipment and machinery of which are dispensed with.
- Damaged Inventory, whether normal damage or other.

III. Basic Data of Inventory Item:

A. Description of inventory item:

It refers to identifying the particular specifications of each inventory item in a precise, specific and clear manner, so that it can be distinguished from the similar items, especially quite similar ones.

B. Inventory Description Methods:

1. **Descriptive Method:** Through which the inventory item is described precisely and directly in terms of shape, size and manufacture
2. **Reference Method:** In which the inventory item is described by reference to the data identified by the producer of the inventory item (name of the item - reference number of the item).

C. The importance of Inventory Description:

1. Easy identification of the inventory item in the warehouse;
2. Identifying the balance of each item in the warehouse accurately;
3. Assisting the technical entities using the inventory item to identify the unit, qualitative and strategic classification of the inventory item;
4. Assisting the technical entities identify their requirements of items required to be dispatched properly;
5. Easy identification of the group and section of each inventory item correctly;
6. Identifying the common items used by different Federal Entities;
7. Preparing the reports of inventory items at the level of the Federal Entities and state level;
8. Ease connection of the inventory item to the relevant accounting item according to the tree of accounts;
9. Identifying possible alternatives for the items;

D. General Rules on Description of Inventory:

1. When the inventory item is described, the description shall begin with the basic name of the item followed by the specifications thereof.
2. The distinctive description of the inventory item shall consist of a sufficient number (numerical – letter field), including the spaces between the words.
3. The description of the inventory item shall be provided in Arabic or English.
4. The marks existing next to some units of the item shall be observed upon describing the inventory item.
5. The language used in the description of the inventory item shall be identical to the language code.
6. Inventory items shall be divided into homogeneous groups and sections in terms of the name of the item and the purpose of use according to the unified system for the description and coding of materials and items.

E. Components of Inventory Number

Upon setting a number of the inventory item, the following points shall be taken into account:

1. Indicating the groups to which the inventory item belongs.
2. Indicating the status of the inventory item.
3. Showing the identification number of the inventory item.

Upon setting the number of the inventory item, coordination shall be made with the Ministry, in order to ensure use of the same standards.

F. The Importance of Inventory Numbering:

1. Inserting the inventory items into homogeneous groups and classes.
2. Identifying the common items used by the different entities.
3. Preparing an inventory item file at the State level.
4. Ensuring that no more than one warehouse number is allocated to each inventory item.
5. Easy identification of the existing quantities of each inventory item and the status of each.

G. General Rules on Inventory Numbering

1. Each inventory item may not have more than one warehouse number. It is not permissible for more than one item to share in a single warehouse number.
2. A different warehouse number shall be assigned to the inventory item if the description

thereof is changed.

3. The global warehouse number is determined by the producing or manufacturing States of the inventory item. The data of the inventory item are read using the identification code of the producing or manufacturing entity of that inventory item, and the global warehouse number or global technical number of the inventory item may be added to the identification data of the inventory item, so that the item's date can be retrieved through the same.
4. The warehouse number of inventory materials and items shall be unified at the level of the State, so that it is determined by the Ministry.
5. The warehouse number shall be determined at the level of the Federal Entity using the inventory item through the identification number of that entity in the unified financial system of the federal government.
6. For inventory items that have a warehouse number, such number shall be inserted on the item movement card in the warehouse.
7. For inventory items that have the basic data (name of the item, manufacturer's name, address and code, and reference number of the item), without having a warehouse number, such inventory items shall be assigned a local warehouse number at the state level by the Ministry.
8. General inventory items shall be assigned a unified warehouse number at the State level, regardless of the using entity thereof.
9. The warehouse number of the inventory item is the key information for calling the item's data from the computer system.

H. Division of Inventory Item Units

The units of the approved inventory item are divided into 12 homogeneous groups, each of which shares a common characteristic, as follows:

1. Units relating to inventory items measured by Length, for example (centimeters, meters);
2. Units relating to inventory items measured by weighing like: (grams, kilograms, tons);
3. Units relating to inventory items measured by the size like (liter, milliliter, cubic meter);
4. Units relating to paper inventory like (Packet, notebook, book, register);
5. Units relating to inventory items wrapped or fastened together, like: (pack, package, bundle);
6. Units relating to inventory items of flat appearance like (slice, tablet, sheet);

7. Units relating to inventory items for glass containers and the like, such as (Package, ampoule);
8. Units relating to non-glass containers and the like, such as (dram, barrel, carton, cylinder, bag);
9. Units relating to inventory items complementing each other, like: (pair, set, series);
10. Units relating to molded items, like (mold, alloy, rod);
11. Numerical units, e.g. (unit, pile, dozen);

i. The importance of Inventory Item Unit:

1. Determining quantities handled in the procurement and storage operations.
2. It is the basis of pricing of inventory items and asset valuation.

j. General Rules on Inventory Unit

1. The inventory unit shall be determined by the entities using the same in coordination with the Ministry.
2. The process of dispatch from the warehouse is the basis for determining the appropriate unit for the inventory item, according to the need of the Requesting Organization Unit of materials and items.
3. The code assigned to the inventory unit rather than the full term is used upon completing a field (unit code).
4. The inventory item's unit code shall be written on the item's movement card in Arabic.
5. The unit (number) is used for the inventory items that are traded in number when any item unit is not applicable.
6. The unit (pile) is used for waste substances that cannot be counted in by numbers when disposing of unusable inventory items.
7. The inventory item unit may be converted from one unit into another unit, provided that there is a relationship between the two units, such as conversion from kilogram to gram and from meter to centimeter.
8. The converted quantity of the inventory item shall not exceed the warehoused balance of such item.
9. The document used for converting the unit is the item conversion form.
10. In the event that the Federal Entity needs to dispatch the inventory by fracture of the original unit used thereby, it may convert the current unit into a smaller unit and then use the new unit in all subsequent dispatch operations.

11. For the container returning to the warehouse to be refilled with the inventory item to be used for other purposes, the unit is assigned to the inventory item filled in the container, while the container itself is considered another inventory item and is assigned a suitable unit with a separate warehouse number, a movement card and a balance that is independent from the item inside it.

IV: Basic Concepts of the Item:

A. The importance of Identifying Inventory Item Status:

The importance of recording the status of the item on the computer system of the inventory, trusts and item movement cards is attributed to the following:

1. Pricing the materials accurately.
2. Showing the balance of the item available in the warehouse or the work premises on a case-by-case basis.
3. Identifying the damaged items to take the necessary actions with regard thereto by relocating them to the warehouse of unusable inventory.
4. Assisting the Technical Committee decide the disposal method of unusable inventory and set the selling price, if it is decided to dispose of them by way of sale.
5. Facilitating the periodic matching between the item movement card in the warehouse and the report of the computer system for inventory and trusts control.
6. Facilitating the automatic matching procedures between the actual balances of the inventory item in the warehouse (by status be) and the balance on the computer system for inventory and trusts control.

B. General Rules on Inventory Item Status:

1. Each single inventory item may have more than one status at the same time.
2. The code indicating the status of the item rather than the full term thereof shall be used upon recording or completing a field (status code), which consists of a single digit symbolized by No. (1) in case of a new material, and by No. (2) in the case of used material, and by No. (3) in the case of a damaged material.
3. Upon receipt of items at any warehouses belonging to the Federal Entity, the status code shall be (1) only to indicate the consumables. However, the metal, wood or aluminum wastes resulting from the maintenance or production operations may be received with the status code (3) in the damaged inventory warehouse in preparation for disposal

thereof.

4. When the consumables are dispatched from the warehouse to the requesting entities, the status code thereof shall be (1) only; or (2) in case of consumables of a permanent nature other than those defined as assets.
5. When items are returned to the government entity's warehouses, the status code is (2) in the case of consumables of a permanent nature, other than those defined as assets.
6. The damaged materials located in the warehouse shall be relocated or returned to the damaged inventory warehouse on a first-in first-out basis to be disposed of.
7. Upon transferring an inventory item from one warehouse to another, its status code shall be (1) for consumables and (2) only if the inventory items to be transferred are of a permanent nature, other than those defined as assets.
8. Upon disposing of unusable inventory items, their status code shall be (1), (2) or (3).
9. For new unusable inventory items, which the Federal Entity is wishing to dispose of, the competent employees of the Ministry shall be provided with their details, information and the reasons for suggesting to dispose of them, in order to conduct the dispatch process in the manner highly beneficial to the Federal Government.
10. The competent employees of the Ministry shall have the right to ask the Federal Entity wishing to dispose of the new or the used inventory items to transfer the full quantity thereof to any other Federal Entity or to be divided between more than one entity in need of such items, provided that the accounting procedures shall be completed to transfer the cost of such inventory items and their approved budget from the transferring entity to the receiving entity.
11. Damaged inventory items, which have a status code (3), can be disposed of by way of sale or destruction.

C. The Importance of Inventory Item's Validity Period:

The importance of validity period of inventory item is attributed to the following:

1. Directing the procurement operations, so that the validity period shall be observed when the inventory items are procured by the Federal Entity, so that the date of production of the same must be close to their supply date, and that the inventory item can be kept for the longest possible period and be valid for storage and use by the same federal entity.
2. Determining the method of disposal of inventory items, so that when there are inventory items with a validity period, they shall be disposed of on the basis of the earliest date of

expiry thereof, using the first-in first-out method.

3. Determining the method of disposing of unusable inventory items; so that for the materials having a validity period, when such period expires and cannot be extended, such items cannot be disposed of by way of sale but rather by destruction.
4. Determining how materials are stored and preserved.

D. General Rules on Validity of Inventory Item:

1. The validity period is for consumables only.
2. The validity period is determined by the item's manufacturer.
3. The validity period begins from the date of production of the item.
4. The code indicating the follow-up or non-follow-up of the inventory item's validity rather than the full term shall be used upon registering or completing the field (validity follow-up code), which consists of one digit symbolized by the number (1) in case of the inventory item whose validity is not followed up, and the number (2) in case of the inventory item whose validity is followed up.
5. The expiry date shall be recorded only in case the material is of a consumable nature and its validity is followed up.
6. If the expiry dates of a particular inventory item are multiple in one consignment, the consignment items shall be sort out according to each date, and shall be recorded in the item card accordingly.
7. The Inspection and Evaluation Committee shall, upon destroying inventory items that have a validity period, act with extreme accuracy, and it is necessary to obtain a certificate of destruction from the government entity concerned with the destruction, in order for such inventory items not to be used after their destruction given their harmful effects.
8. In coordination with the warehouses competent officers, the Warehouse Department's Officer shall inform the officials in writing of the inventory items that have an expiry date, when such date draws near in light of the reports issued by the automated Inventory Control System.
9. When an unexpected inventory check is conducted on the warehouses, the sample shall include a part of the inventory items that have a validity period.

E. Strategy of Inventory Item:

It is to determine the importance level of the inventory item and its continued availability in the warehouse despite the passage of the time period specified for considering them as an effective inventory.

F. Inventory Strategy Conditions:

The inventory item shall be considered of a strategic nature if the following conditions are satisfied:

1. Unavailability of such inventory item leads to the disruption of an essential asset or a vital work function in the Federal Entity.
2. Unavailability of such inventory item in the domestic market.
3. No alternative of such inventory item can be used.
4. There is an effective decision by the competent entities in the State requiring the availability of the inventory item permanently in the warehouse, such as some essential or vital medicines, or those on which the patient's life may depend despite the scarcity of their use.

G. The Importance of Determining the Strategic Nature of Inventory Item:

The importance of defining the strategy of warehoused inventory is as follows:

1. Identifying the affective inventory item in warehouses.
2. Identifying ineffective inventory items to be disposed of.
3. Following up on the availability of strategic inventory items with the Federal Entities (according to storage levels) and maintaining them.

H. General Rules on the Strategy of Inventory Item:

1. The strategy shall be determined by the technical entity using the inventory items.
2. The code indicating the strategy rather than the full term thereof shall be used when registering or completing a field (Strategy Code), which consists of one digit, e.g. (1) in the event of non-strategic inventory items and 2 in case of strategic items.
3. Strategic inventory items are considered affective items in warehouses.
4. When an unexpected inventory check is conducted on the warehouses of the government entity, the sample shall include a number of strategic inventory items and at least one ordinary inventory item from each warehouse.

V: Important Rules and Provisions:

1. It is important not to keep large quantities of inventory items having an expiry date, given the nature of such items in terms of their non-usability or non-utilization after expiry.
2. The inventory items shall be stored properly and under appropriate conditions so as not to be damaged, taking into account instructions of storage and guidelines recommended by the manufacturers of such items or the applicable statutes enacted by the regulatory bodies in the State, in addition to what is provided herein.
3. The separation of chemicals and fertilizers from the rest of the materials shall be applied, and they shall be kept at an appropriate temperature to prevent damage.
4. It is necessary to observe the conservation of medicines and substances requiring conservation at a particular temperature in the designated places, with the need to take all necessary measures to control and monitor the temperature around the clock, and to keep the necessary reports for review when necessary.
5. The classification of inventory items into homogeneous groups shall be performed according to their nature or use, and the arrangement of such items in the same place, within the warehouse for easy access.
6. Each inventory item shall bear a distinctive code number for such inventory item.
7. The labels of the barcode number shall be placed in a visible and easy-to-access location according to specific and fixed criteria.
8. The size of inventory items and the storage space required to maintain and optimally distribute them at the available storage space shall be observed, so that adequate quantities of all items are maintained.
9. In case the procured items carry a technical number, it shall be added to the label number when the item is defined, in order to facilitate the process of reordering in the future. The same also applies to the global code (bar code).
10. Inventory items received shall be kept at a separate area until the receipt procedures are completed [quality and quantity check, and general status of the item].
11. No inventory items may be dispatched except on the basis of original documents in accordance with the applicable procedures.
12. Inventory items shall be dispatched on a first-in first-out basis in order to ensure that newly purchased materials are present in the warehouse, and to minimize the risk of

expiry or obsolescence of inventory.

13. Inventory Valuation:

The inventory shall be valued at the average historical cost on a first-in, first-out basis, or based on the net realizable value; whichever is less. The cost includes the procurement price plus the cost of all the expenses and costs paid for bringing the inventory items to their current location and status. The cost includes the procurement price, shipping expenses, insurance expenses during shipment, loading and unloading expenses and others. Net realizable value is the estimated selling price in the normal course of operations less estimated costs of completion and estimated costs required for the sale, exchange or distribution.

On the other hand, the cost of inventory acquired through a non-reciprocal transactions is measured at fair value on the date of acquisition.

14. Zero Inventory Principle "Just In Time"

This principle shall be applied as far as possible in order to maximize the effectiveness of operations and to reduce the working capital associated with the inventory. Hence, the Federal Entities are advised to establish strategic working and cooperation relations with the major suppliers, so as to reduce the time required to order the inventory items as well as the quantity required in each order, and to receive the inventory items required in a timely manner that is commensurate with its requirements and needs. Also, the Warehouse Department's Responsible Officer shall use effective control management means and find ways and means to implement this principle, thus maintaining the minimum required inventory and making the supplier bear the largest cost of inventory storage.

15. Reorder Point (ROP)

- a. The inventory is managed on the basis of the ROP set for each item on a case-by-case basis, so that the item shall be reordered when the quantity available in the warehouses goes down up to such point.
- b. The purpose of determining the ROP is to ensure that a sufficient quantity of inventory is available in the warehouses to meet the needs of the requesting Organizational Units over any period of time, taking into account not to keep redundant quantities.
- c. The Warehouse Department's Responsible Officer shall review the ROP of the different items on a monthly basis, based on the inventory movement reports, previous experience in this regard, and future expected activities, and the necessary amendments

shall be performed accordingly.

16. Inventory Checking:

- a. A comprehensive, actual inventory check of stock on hand shall be conducted at least once within the fiscal year.
- b. Actual inventory discrepancies shall be adjusted with the inventory records, and accounting entries required to adjust such discrepancies shall be made after its verifying and explaining their reasons.
- c. A partial inventory check shall be conducted before preparing the needs budget of materials and items for the coming year, in order to verify the quantity and status of materials and items of high value or which account for a high percentage of the capital invested in the inventory.

17. The database of warehouses system shall contain the following information:

- The Federal Entity's Name and Identification Number.
- Warehouse Name - By Location.
- Supplier's Name.
- Name and description of inventory item.
- Inventory item Number.
- Barcode.
- Inventory Classification (agricultural, construction, electrical, spare parts, etc.).
- Inventory Item Type.
- Measurement Unit (carton, box, piece, meter, liter, kg, etc.).
- Storage area (row and shelf number).
- The procurement cost (The procurement price of the unit in dirham "AED").
- Inventory Value in dirhams.
- Date and Number of purchase order or supply contract.
- Date and Number of inventory order.
- Name of Organizational Unit requesting the materials or items.
- Receipt Date by warehouses, showing the details of the LPO.
- Receipt Note Number.
- Inventory dispatched from warehouses (Dispatch or Transfer Notes Numbers).

- Available inventory quantity.
- The maximum and minimum level and quantity to be kept for each item.
- Reorder point, while showing the average grace period required for reorder.
- Quantity required to be reordered (economic quantity).
- The quantity ordered.
- Expiry date of the inventory items (for items with expiry date or perishable items).
- The invoice or delivery note number of the supplier.
- Information about the source of inventory items (the name of the certified main supplier - especially the agents).

18. Inventory Movement Reports

Through the e-warehouse system, several daily, weekly, monthly and annual reports on the movement and balances of inventory can be obtained in terms of their quantities, values and status, provided that such reports shall contain the following details:

- Date.
- Warehouse Name.
- Material / Item Name.
- Item number or barcode.
- Storage location (shelf number).
- Opening Balance of the item (number + value).
- Quantity of items received during the period and their value in AED.
- Quantity of items dispatched during the period and their value in AED.
- Quantity of internally transferred items (Between different warehouses belonging to the same Federal Entity) during the period and their value in AED.
- Quantity of items rotated through inter-departmental exchange at the level of different Federal Entities during the period and their value in dirhams.
- Current Balance of the item (number + value).
- Inventory Turnover Ratio

19. The e-warehouse system can only be accessed through a username and password. It is the responsibility of the user to maintain his own password and not to disclose it to others, in order to ensure the confidentiality of information security.
20. All documents relating to the receipt, dispatch and transfer of inventory items shall be extracted from the system.
21. The Warehouse Department's Responsible Officer shall ensure that the following basic documents are kept in place, in order to facilitate the management and control of inventory movement:
 - LPO - from the Procurement Department.
 - Invoice or Delivery Note - from the Supplier.
 - Inventory Receipt Note (from the supplier or returned from the Department requesting the inventory items).
 - Inventory Order Request - from the Organizational Unit requesting the inventory items.
 - Inventory Dispatch Note.
 - Inventory Transfer Note (from warehouse to another).
22. The warehouses shall be kept clean and arranged in an organized and logical manner, in accordance with the safety and security measures and instructions.
23. Security and safety standards and measures shall be observed in warehouses and all their contents shall be insured.
24. An adequate level of warehoused inventory items shall be retained to meet the day-to-day requirements of Organizational Unit requesting the inventory items, taking into account that the inventory items do not become redundant.
25. The warehoused inventory items shall remain separate from each other.
26. Warehouse Security and Safety:
 - a. Warehouses shall be tightly closed after working hours and on holidays.
 - b. The Warehouse Department's Responsible Officer shall create documented arrangements that allow the warehouse to be opened in the absence of the Warehouseman or if he is off duty.
 - c. The approval of the Undersecretary concerned or his authorized representative of such arrangements shall be obtained before being implemented.

27. Inventory Turnover Ratio:

- a. Inventory Turnover Ratio = Sale Cost (Dispatched) / Average Inventory.

This ratio refers to the times of turnover or dispatch of inventory over a certain period, so that the higher such ratio is, the more effective and efficient is the use by the Federal Entity concerned of the available resources and good planning upon preparing the budget. The inventory items shall be used in the correct quantities and for the purpose for which they are dispatched from warehouses.

- b. The benefit is represented by computing the average duration of inventory presence in warehouses, which is the average period of inventory items' presence in the warehouses in days = Number of days of the period (365 in case of full year) or the inventory turnover ratio. The longer days of inventory items' presence in warehouses, the more inventory item or quantities not needed by the Federal Entity, and, therefore, such inventory items should be disposed of by way of rotation, sale or donation as soon as practically possible, especially if their use is limited to a validity date. This indicator is also useful upon reviewing the ROP and preparing the annual budget.
- c. An inventory Turnover Ratio report shall be added to the reports extracted from the e-warehouses system.
- d. Inventory turnover ratio can be increased through inventory items transfer and rotation.

Chapter Four

Receipt Procedures

I: Receipt Procedures:

The process of supplying the warehouses with inventory items takes place through the following:

1. Permanent Imprest.
2. Supply requests for which purchase orders or sales contracts are issued.
3. Letters of Credit.
4. Transfers and Returns of inventory items from other warehouses or from the Department requesting the inventory items.
5. Donations, Gifts or Samples (subject to transfer of their title deeds to the Federal Entity).

II: Receipt Procedures of Materials and Items

The Federal Entities must abide by the following procedures to complete the process of receiving materials and items that are supplied to the warehouses:

1. Provide safety standards and measures at the materials receipt area, and allocate separate space inside or outside the warehouses for that purpose.
2. Materials supplied (upon receipt) shall not be mixed up or integrated with those present in the warehouse.
3. Complete of the materials receipt procedures on the same day of supply, or on the next day, except for items examined by through the Examination and Receipt Committee.
4. In the event of temporary receipt, the Examination and Receipt Committee and the Warehouses Staff shall complete the technical examination and final receipt procedures within (5) five business days, and the supplier shall be notified of the time and place fixed for the examination and receipt process, so as to ensure his attendance or the attendance of his representative.
5. The Examination and Receipt Committee shall prepare a technical report indicating the conformity of the materials supplied with the conditions and specifications of the contract concluded with the supplier.
6. The material and items which are subject to technical examination shall be accepted or rejected, based on the result of the Technical Report issued by the Examination and Receipt Committee. Such technical report shall include the examined percentages, names, specifications and quantities of the materials and items, and the reasons for recommending the acceptance or rejection of the same.
7. Notify the supplier concerned of the technical examination result within (3) three business days from the date of receiving the report from the warehouses.
8. In case of materials or items whose acceptance is contingent upon chemical examination and analysis or on the basis of approved conditions and samples, a sample of the materials or items supplied shall be obtained after being stamping with the seal of the Federal Entity concerned and the seal of the supplier or his representative, and shall be sent to the chemical laboratory to match the results of their analysis with the analysis of the original sample for reference upon examination. The Chemical Laboratory's Certificate shall be one of the documents attached to the Receipt Note.
9. The Examination and Receipt Committee may, when necessary, accept materials, items,

works and services that do not conform to the agreed terms and specifications if they meet the required purpose, provided that the approval of the beneficiary is obtained and under a technical report in which the low quality ratio is indicated.

10. Check the materials received to ensure that they are safe, free from defects or damage before accepting them, provided that the quantity and quality of the materials received are matched against the purchase order and other documents.
11. Reject any inventory items whose validity period is less than one year at least from the date of receipt, and preparing a Rejection Note for such inventory items, but the following materials shall be excluded:
 - a. Fast Moving inventory items, provided that the period of the validity of such items is not less than (6) six months from the date of receipt.
 - b. Items whose validity is relatively short, such as fresh products.
12. Reject any materials that are damaged or not conforming to the required specifications, and documenting this status in the Inventory Rejection Note.
13. Reject any quantity exceeding the quantity specified in the Purchase Order unless a written approval of the Warehouse Department is obtained, provided that the free samples and quantities shall be excluded. In the event of a shortage in the number, quantity or weight of the items supplied, a report shall be drawn up to that effect and approved by the Warehouse Department and then sent to the Procurement Department for follow-up with the supplier, in accordance with the provisions and procedures referred to herein.

III: The Warehouseman's Obligations upon Receipt:

The Warehouseman shall comply with the following procedures upon receiving the inventory items:

1. To keep a copy of the approved purchase order for all the inventory items received, along with a copy of the supply order, and a copy of supply notice (delivery note) or the supplier's invoice in case of absence of the supply notice (delivery note).
2. To check, together with the warehouse personnel, and receive inventory items whose value does not exceed AED (55,000) – fifty five thousand dirhams - under the supervision of the Warehouse Department's Responsible Officer, and in the presence of a technical expert, if the nature of these items so requires.

3. To immediately clear the receipt area from the items checked and accepted, and to arrange them in the relevant designated areas.
4. To scan the inventory items received by the barcode reader so as to insert the details of items received on the e-warehouse system on the same receipt day, and to an Inventory Receipt Note of all items received, provided that the e-warehouse system shall only be used by the Warehouseman to register the receipt operations through his own username and password.
5. To print inventory receipt reports from the e-warehouse system on the same receipt day, and to send them to the Warehouse Department's Responsible Officer for review and approval.
6. To immediately clear the receipt area from the items checked and accepted, and to arrange them in the relevant designated areas.
7. The inventory items shall be arranged by expiry date from the oldest to the latest, so as to facilitate their dispatch.
8. The sizes and weights of inventory items shall be taken into consideration upon lifting the items in order to safeguard the health and safety of the warehouse personnel.

IV: Security of the Receipt Area

The receipt area of inventory items shall be separated and kept away from the entry and exit points of staff, as far as possible. In addition, the receipt area shall be monitored by the security guards, either by their personal presence or by surveillance cameras around the clock.

V: Inventory Receipt Note

The Inventory Receipt Note shall contain the following information:

1. Federal Entity's Name.
2. Warehouse's Name or number and the location, if any.
3. Serial number of the note (Automated).
4. Inventory receipt date by the warehouses.
5. Supplier's Name.
6. Reference document - Purchase order number, procurement contract number and the supply order number, if any.

7. Reference document - The supply note number (delivery note), or the supplier's invoice number.
8. Item code for each item received.
9. Name and description of the items received.
10. Measurement unit.
11. The quantity received.
12. excess or shortage (surplus represents free samples).
13. Expiry Date of the Item, if any.
14. Activity number.
15. Activity Name.
16. Name and signature of the recipient.
17. Name and signature of the competent approval authority.
18. In case of an Initial Receipt Note, name and signature of the supplier or its representative shall be added.

VI: Receipt Dates:

1. In order to organize the inventory receipt process, it is preferable for each Federal Entity to establish its own policy specifying the days or the hours of inventory receipt, provided that the suppliers are formally notified of the same.
2. The Federal Entity's policy regarding the dates of receipt shall be determined through a circular issued by the Undersecretary concerned and disseminated to all warehouses affiliated to such Entity in addition to the suppliers.
3. The extent of appropriateness of scheduled shall be periodically reviewed so as to be amended for the benefit of the work.
4. In all cases, the urgent shipments ordered for urgent supply or procurement and which are received on any business day shall be received upon arrival.

VII: Receipt Procedures:

The following procedures shall be followed to complete the receipt process of the inventory items supplied or transferred:

a. The supplied items that do not require technical examination:

In case the supplied or transferred items do not, by their very nature, require technical examination, they can be received by the Warehouseman under the supervision of the Warehouse Department's Responsible Officer or the Examination and Receipt Committee, according to the following procedures:

S.N.	Description / Procedure	The Responsible Body
1	<p>Checking, comparing and matching the data of the supplied or transferred items against the copy of procurement order, the delivery note or the invoice of supplier or an inventory transfer note as follows:</p> <ul style="list-style-type: none">— Examine and check the items received to ensure that their type and specifications (type, weight, volume, size, color, country of manufacture etc.) are matching with the data of the purchase order or the transfer note and samples, if any.— Count all items and match them against the ordered quantity.— Ensure that the items received are free of any defects or damage.— - Check the expiry date and abstain from receiving any items that violate the Government Procurement Policy.	The Warehouseman / the Examination and Receipt Committee
2	Refuse to receive any items that do not conform to the specifications, so that the refusal reasons shall be documented in an Inventory Rejection Note to be signed by stakeholders and returned	The Warehouseman, the Examination and Receipt Committee and the Supplier

	to the supplier.	
3	Sign and stamp of the invoice and delivery note of supplier or the transfer note, in case they match with the items received, indicating the receipt of items, while indicating the receipt date.	The Warehouseman and the Examination and Receipt Committee
4	Affix the barcode of items that bear no label, and then use the barcode reader to scan the items received and insert their details into the e-warehouse system (to update the system with the items received automatically).	The Warehouseman
5	Print an Inventory Receipt Note from the system in one original and three copies on the same receipt day.	The Warehouseman
6	Sign and approve the Inventory Receipt Note on the same date of receipt, in accordance with the provisions and procedures applicable at the Federal Government.	The Warehouseman, Warehouse Department's Responsible Officer, or the Examination and Receipt Committee
7	The Inventory Receipt Note shall be disseminated as follows: <ul style="list-style-type: none"> — The Original copy: To the Financial Affairs Department (for payment with invoice or delivery note). — First copy: For the Supplier. — Second copy: To the Procurement Department. — Third copy: To the Warehouse Department. 	The Warehouseman

- b. The supplied items that need technical examination before receipt: In case the supplied items require specialized technical inspection prior to their receipt and admission to warehouses, the following procedures shall be followed:

S.N.	Description / Procedure	The Responsible Body
1	If the supplied items are of a type that can be technically examined and inspected at the same place and on the same day of receipt, the inspection, examination and receipt process must be completed in accordance with the procedures mentioned in the first case above, with the need to draw up a technical examination note or report to be attached with the Receipt Note.	The Warehouseman, the Committee and the Technical Expert.
2	<p>In event that the technical expert is not available, or where the technical examination and inspection of items requires a period of time, a temporary Receipt Note must be issued in one original and three copies and disseminated as follows:</p> <ul style="list-style-type: none"> — The original copy: To the Warehouse Department, and shall be sent with the rest of documents for payment. — First copy: For the Supplier. — Second copy: For the Procurement Department (for follow up with the warehouses). — - Third copy: For the Department requesting the materials or items (for follow up with the warehouses). 	The Warehouseman, the Committee and the Technical Expert.
3	The supplied items shall remain isolated at the receipt area in the custody of the Warehouseman until their technical inspection and examination is	The Warehouseman

	completed, and a final Receipt Note is issued thereon.	
4	<p>Taking the necessary actions to conduct the technical examination as follows:</p> <ul style="list-style-type: none"> — Actual inspection and examination of items by the Competent government entity, as the case may be, provided that the Technical Expert is from within the Federal Government. — Laboratory examination by specialists (outside the Federal Government Entities). — For conducting any other technical examinations, as the case may be. 	Examination and Receipt Committee
5	<p>a. Obtaining an approved technical report from the Entity concerned it in one original and three copies, summarizing the examination result clearly, and indicating whether the supplied materials meet the required specifications or not, and the examination report shall be disseminated as follow.</p> <ul style="list-style-type: none"> — Original copy: To the Financial Affairs Department (For payment with other documents) — First copy: To the Procurement Department. — Second copy: To the Supplier — Third copy: To the Warehouse Department (To be attached with the Final Receipt Note) <p>b. In case the items examined do not conform to the required specifications, the following shall actions be taken:</p>	The Warehouseman, Examination and Receipt Committee

	<ul style="list-style-type: none"> — Rejecting the items and returning them to the supplier in coordination with the Procurement Department. — Preparing an Inventory Rejection Note containing the rejected items. — In case the items examined conform to the required specifications, the items receipt procedures shall be completed. 	
6	Printing an Inventory Receipt Note from the system in one original and three copies.	The Warehouseman
7	Sign and approve the Inventory Receipt Note.	The Warehouseman, Examination and Receipt Committee
8	<p>The Inventory Receipt Note shall be disseminated as follow:</p> <ul style="list-style-type: none"> — The Original copy: To the Financial Affairs Department (For payment together with delivery note or invoice. — First copy: To the Supplier. — Second copy: To the Procurement Department. — Third copy: To the Warehouse Department. 	The Warehouseman

VIII: Coordination with the Procurement Department:

After completion of the delivery process, the Warehouse Department's Responsible Officer shall send a cover letter containing all documents relevant to the items received to the Procurement Department within (3) three business days, in order to be attached with the other documents of the procurement transaction, and then sent to the Accounting Department be processed and the Supplier's entitlements be paid. Such documents shall include the following.

1. The original approved inventory delivery note (initial and final);
2. The original approved Technical Report (as appropriate);
3. Received Inventory Report, if more than one operation is completed during the period.
4. The supplier's delivery note – approved, stamped and dated.
5. The supplier's invoice – only in case there is no delivery note.
6. Any other relevant documents as appropriate.

IX: Items Supplied without Invoices:

In case the supplier's invoice is not received when the items are supplied, the Procurement Department shall be notified of the same, by adding a note in the cover letter. When the invoice is received later, it shall be sent to the Procurement Department to be enclosed with the rest of the documents, and then the transaction shall be sent to the Financial Affairs Department.

X: Partially Supplied Items

When the supplier supplies the required items partly, the Warehouse Department shall notify both the Financial Affairs Department and the Procurement Department of the same, and providing the following actions shall be taken.

1. Receiving and examining the partially supplied items according to the procedures referred to above.
2. Notifying the Procurement Department of the shortage of items required to be supplied, in order to follow up on the matter with the supplier in accordance with the provisions hereof.

XI: Cases of Supply Failure

In case the supplier fails to supply any of the items required in a timely manner, the Warehouse Department's Responsible Officer shall immediately notify the Procurement Department of the same, in order for the latter follow up with the Supplier in accordance with the provisions of this resolution.

XII: Receipt of Returned Items

In case the materials or items are returned from the requesting organizational Unit for any reason, the following procedures shall be followed:

1. Preparing an inventory return request to be approved by the assistant undersecretary or his authorized representative, in order to document the number and status of items to be returned and the reasons for return.
2. The same receipt procedures shall be applied in terms of examination, audit and counting to ensure that the quantity returned matches with the return request, and to document their status at time of receipt.
3. The Warehouseman shall update the system with the items returned and extract a Returned Inventory Receipt Note.
4. Materials and items returned shall be added to the balance of each item or material according to their status at time of receipt (new, used, damaged).
5. Returned items shall be recorded in the same value as previously dispatched.
6. The procedures referred to in the preceding clauses shall be applied regarding the disposal and replacement of materials and items.

Chapter Five

Dispatch Procedures

I: Procedures for Dispatch of Materials and Items

1. The process of dispatch of materials and items shall follow the following procedures:
2. The inventory dispatch request shall be signed and stamped on the date of receipt by the warehouses.
3. Completing the dispatch process accurately no later than two business days from the date of receipt of the inventory dispatch request.
4. Documenting all dispatch operations using an inventory dispatch or transfer note.
5. The Warehouseman shall keep a copy of the approved dispatch request for all items dispatched.
6. The items shall be dispatched according to their expiry date from the oldest to the latest, to ensure minimization of damaged and obsolete items.
7. The dispatch shall be made from the quantities received first, to ensure minimization of

damaged and obsolete items.

8. No expired items may be dispatched unless there is a written approval from the Dispatch Requesting Department, acknowledging therein that there are no adverse effects or losses that may result from the use of such items.
9. The Warehouseman is responsible for the dispatch of inventory under the supervision of the Warehouse Department's Responsible Officer.
10. The Warehouseman shall scan the materials dispatched by the item barcode reader, so as to insert the details of the items dispatched on the e-warehouse system on the same day of dispatch, and to print out an inventory dispatch or transfer note showing all items dispatched.
11. The Warehouseman shall print out inventory dispatch reports from the e-warehouse system on the same day of dispatch. They shall be sent to the Warehouse Department's Responsible Officer for review and approval after being matched against the inventory dispatch requests.
12. The use of computer system for recording the dispatch or transfer of items shall be limited to the Warehouseman through his own username and password.
13. All items dispatch operations must be recorded on the computer system.
14. The size and weights shall be taken into account when lifting the items, in order to safeguard the health and safety of the warehouse personnel.

II: Inventory Dispatch Request:

1. An Inventory Dispatch Request shall be prepared by the organization unit requesting the materials or items.
2. The Inventory Dispatch Request shall be signed by the Responsible Officer of the Organizational Unit requesting the materials or items.
3. The Inventory Dispatch Request consists of one original and several copies to be disseminated as follows:
 - The original copy: To the Warehouse Department
 - Copy: To the Requesting Entity (for monitoring and follow-up)
4. Warehouses shall be given a sufficient time limit (2 days) to complete the dispatch process, except for urgent requests.

III: Inventory Dispatch Procedures:

The following procedures shall be followed to complete the process of dispatch of inventory items from the warehouse:

S.N.	Description / Procedure	The Responsible Body
1	Ensure that the Inventory Dispatch Request is duly approved.	Warehouseman
2	Check the system to make sure that the quantities of items required are available in the warehouse.	Warehouseman
3	Prepare the items required to be dispatched by bringing them down from the shelf and bringing them together in one place.	Warehouseman
4	Examine the items required to be dispatched to ensure their validity and that they are free of any defects or damage and conforming to the types and specifications specified in the inventory request.	Warehouseman
5	Count, weigh or measure the items to be dispatched, and make sure that they match with the quantities specified in the inventory request.	Warehouseman
6	Use the barcode reader to scan the items to be dispatched and enter their details on the computer system (to update the system with the dispatched items automatically).	Warehouseman
7	Print an inventory dispatch note from the system in one original and two copies on the same day of dispatch.	Warehouseman
8	Sign and approve the Inventory Dispatch Note on the same date of dispatch according to the	Warehouseman and the Receiving Warehouse

	Table of Authorities.	Officer
9	<p>Disseminate the Inventory Dispatch Note as follows:</p> <ol style="list-style-type: none"> a. The original: To the Department requesting the materials or items (to the recipient). b. First Copy: To the Warehouse Department's Responsible Officer (for monitoring and follow-up). c. Second Copy: Warehouseman –Archive 	Warehouseman
10	<p>The Inventory Dispatch Note shall indicate the following information:</p> <ul style="list-style-type: none"> — Warehouse Name. — The serial number of the Inventory Dispatch Note. — Name of the Department requesting the materials or items. — Date of Dispatch. — Code and Description of the inventory item. — Reference number of the inventory dispatch request. — Measurement Unit. — The quantity required, the quantity dispatched and the date of expiry, if any. — Signature of the Responsible Officer of the dispatch process. — Name and signature of the recipient of the inventory items. — Any other data that may be necessary. 	Warehouseman

IV: Dispatch Dates from Warehouses

1. A circular shall be issued by the undersecretary concerned or his authorized representative to fix the dates of dispatch of materials from the warehouses of the Federal Entity.
2. Each Federal Entity shall fix the dispatch dates it deems appropriate for the nature of its work, in such a way as to ensure the smooth workflow and not to overburden the warehouses with urgent dispatch requests.
3. The circular shall be disseminated to all entities concerned.
4. The appropriateness of scheduled dates shall be periodically reviewed to be amended for the benefit of the work.
5. In all cases, emergency and immediately dispatched requests shall be exempted from the above requirements.

Chapter Six

Control Procedures

I: Storage of Inventory Items:

Warehousemen shall be trained and educated on the rules and procedures to be followed for storing the inventory items properly, according to the type and quantity, so that these items are not vulnerable to damage, breakage, scratch, loss, mix up or overlapping. The following are the main rules and procedures for storing inventory items.

1. Storing the items in roofed warehouses for protection from sun and humidity.
2. Storing the items over wooden pieces to protect them from ground humidity and the infiltration of rainwater.
3. Not to store the items under direct sunlight to avoid their exposure to extreme heat, except in the case of non-affected items, such as reinforcing steel and iron angles pieces.
4. Arranging each item individually to facilitate the process of receiving, sorting and inventor checking.
5. Making spaces and corridors within the warehouses to facilitate handling and count of items.
6. Avoiding rainwater and water leakage by covering the items with special covers during

the rainy season.

7. Abiding by the safety procedures and equipping the warehouse with fire extinguishers, and forbidding smoking inside the warehouse, and taking other safety measures.

II. Inventory Quantity:

1. The Warehouse Department's Responsible Officer shall ensure that appropriate quantities of materials and items are maintained to meet the needs of the organizational unit requesting the materials, while reducing the value of the capital invested in the inventory to the minimum level.
2. The quantity of inventory items shown in the inventory records on the e-warehouse system shall match with the actual quantities in warehouses. In case of any abnormal discrepancies, they shall be adjusted after investigating their reasons.

III. Unusable Inventory Items:

1. The Warehouse Department's Responsible Officer shall submit monthly reports to the Undersecretary concerned or his authorized representative, supported by statements of unusable inventory items located in the warehouses under his supervision.
2. Unusable items including all redundant items of the Federal Entity or those no longer needed.
3. The unusable inventory list shall include the following:
 - New unused items.
 - Used items.
 - Obsolete items.
 - Damaged items.
 - Slow-Moving items.
 - Items about to expire within six (6) months.
 - Expired items.
4. Coordination shall be performed between the Federal Entity concerned and the competent employees in this regard, regarding the disposal of convertible or rotatable items.

5. The competent employees of the Ministry shall direct the Federal Entity concerned, which has unusable inventory, to dispose of and rotate the same through the following actions:
 - a. Making a vertical interdepartmental exchange, through which all sub-entities of the concerned Federal Entity are recommended to take advantage of unusable materials instead of procuring similar items, and to notify the competent staff in the Ministry within two months of the actions taken for follow-up and validation, for example: medical and educational areas in the same emirate and in the same geographical area, hospitals or schools affiliated to it.
 - b. Making a provincial interdepartmental exchange of the remaining items exceeding the need of the main entity and its affiliated bodies, so that each main entity will instruct any other main entity belonging to the same Federal Entity in the same emirate but in a different geographic area, to choose the necessary items they need from among the unusable items, and to notify the competent staff in the ministry within two months of the taken actions to monitor the situation in light of the same, for example: medical directorates in the same emirate.
 - c. Making a general interdepartmental exchange, in which the competent staff of the Ministry shall disseminate the remaining items in excess of the need of the Federal entity and its affiliated bodies after the provincial and geographical exchanges are made, and all federal entities shall choose the needed items instead of procuring new ones within a timespan not exceeding two months.

Delivery of Sold Materials or Items:

The following procedures shall be followed by the Federal entities for the delivery of the sold materials or items whose full value has been paid:

- a. The Sale Committee shall deliver the Sale Report attached with the contracts concluded with the buyers and copies of the revenue receipts to the Financial Affairs Department, for the latter to issue an inventory dispatch request in one original and two copies.
- b. The Inventory Dispatch Request shall be disseminated as follows:
 - Original copy: To be delivered to Warehouseman to hand over the sold materials or items and issue an inventory dispatch note.

- First copy: To be delivered to the buyer to receive the inventory according to which.
 - Second copy: To be kept with the competent organizational unit to be attached with the inventory dispatch note received from the Warehouseman after delivery.
- c. When the buyer receives the items or materials, the Warehouseman shall issue an inventory dispatch note in one original and two copies. The buyer shall sign the inventory dispatch note in acknowledgment of receipt.
- d. Inventory Dispatch Note shall be disseminated as follows:
- Original copy: To be sent to the Financial Affairs Department to be kept in the auction file.
 - First copy: To be delivered to the buyer
 - Second copy: To be kept with the Warehouseman to document the disposal of unusable materials and to update the inventory records.

IV. Disposal Procedures of Inventory Decided to Be Donated:

The federal entities shall follow the procedures set out below for the disposal of inventory items decided to be donated:

1. The Inspection Committee shall prepare a detailed statement of the inventory items that can be donated and shall be submitted to the Undersecretary concerned.
2. The Undersecretary concerned shall review and approve the final statement of the inventory items to be donated and give instructions thereon indicating donation method, the name of the beneficiaries and the share of each beneficiary.
3. The Sale Committee shall, in coordination with the Warehouse Department, prepare a dispatch note in the name of the beneficiary, including a list of the donated items, and the same shall be approved by the Undersecretary concerned or his authorized representative.
4. The Sale Committee shall coordinate with the donation beneficiary to attend the delivery area.
5. The donated items shall be delivered to the beneficiary under the supervision of the Sale Committee, and in the presence of the Warehouseman and the Responsible Officer of

the Warehouses Department or his representative, provided that the dispatch note of inventory shall be signed by all parties.

6. The Warehouseman shall issue an inventory dispatch note in one original and two copies upon delivering the materials or items to the beneficiary. The representative of the beneficiary shall sign the inventory dispatch note in acknowledgment of receipt.
7. The Inventory Dispatch Note shall be disseminated as follows:
 - The Original Copy: Shall be sent to the competent organizational unit of the Federal Entity concerned to be kept in the file of the transaction.
 - First copy: shall be delivered to the representative of the beneficiary.
 - Second copy: shall be kept with the Warehouseman to document the disposal of unusable materials and to update the inventory records.

V. Inventory Check

Inventory check of warehouse refers to the examination and count all quantities of inventory items and materials stored in the warehouses either periodically or within a specified period of time, by way of counting, weighing or actual measurement and then matching them against the balances of inventory documented in the records, and to document and process any shortage or surplus.

A. Importance of Inventory Check:

The importance of conducting inventory check is to achieve the following objectives:

1. Ensuring the integrity of warehoused inventory quantities and taking the necessary measures in case of detecting discrepancies, whether shortage or surplus.
2. Preventing tampering with inventory items, whether by theft or manipulation.
3. Detecting stagnant or damaged inventory.
4. Computing the inventory's value to be recorded in the final account (financial statements), to accurately reflect the financial position of the federal entity on the one hand, and of the federal government on the other hand.
5. Identifying the strengths and weaknesses of the inventory control system and procedures.
6. Assisting in evaluating and assessing a provision for damaged and slow-Moving Inventory.

B. Inventory Check Types:

1. Comprehensive Inventory Check (Annual):
2. It is an inventory check covering all items in various locations at the level of the government as a whole at one time and within a specified time period. Typically, this inventory check is conducted at the end of each year. Unexpected inventory check (partial):

It is an inventory check that covers some inventory items unexpectedly and on unscheduled dates, leaving each federal entity to identify the inventory items to be checked, the dates and frequency of inventory check within same the fiscal year. The Warehouseman shall be ready to deal with any inventory check or inspection of the warehouse, so that the inventory items in his custody must be organized and arranged in such a way that facilitates their count and check.

C. Inventory Check Procedures:

The following procedures shall be applied to properly perform the annual inventory check:

1. Issuing an annual circular on inventory check.
2. The date of start and end of the inventory check must be fixed.
3. Forming a committee to carry out the inventory check.
4. The Inventory Committee shall receive the inventory records at the inventory check location, provided that such records do not contain actual quantities.
5. Monitoring and controlling the processes of receipt and dispatch from the warehouses.
6. Conducting an actual and comprehensive inventory check of all materials and supplies existing in the main warehouses, sub-warehouses and work premises in all federal entities.
7. The inventory check shall be carried out under the supervision of the Warehouse Department's Responsible Officer or the like, and in the presence of the Warehouseman throughout the inventory check period.
8. Completing the inventory check within two weeks, provided that all works of the inventory committees shall end by December 31 each year.
9. The committees shall be responsible for checking the inventory in warehouses and work premises only. This shall not include the checking of fixed assets; e.g. furniture, equipment, office fixtures and others.
10. Determining how to deal with discrepancies between inventory items.

11. Preparing a final report on the inventory check result, including the most important observations and recommendations.

D. Warehouse Inventory Check Procedures:

In order to carry out warehouse inventory checks efficiently and accurately, the inventory committee shall follow the following procedures:

1. Fixing balances of items to be checked in the item card.
2. Closing the warehouse doors (in case of annual inventory check only).
3. Preventing the receipt and dispatch of inventory items in the warehouse, except in cases where this is not permitted, as in such case, the dispatch of inventory items shall continue with prior written approval and with the knowledge of the inventory committee.
4. Checking all items and materials at once.
5. The inventory check shall be carried out by one of the members of the inventory committee counting the inventory items, while the other member shall record the count result in the inventory record.
6. Documenting the actual quantity of each inventory item in the field allocated thereto in the inventory record.
7. Using dry-ink pens to record the quantities checked, while avoiding write-offs. In case of write-off, this shall be done under the supervision of the Chairman head of the Inventory Committee.
8. Documenting the status of the materials and items checked, especially if they are damaged, broken or not in their ordinary status.
9. Agreeing upon a particular signs or colored stickers to be affixed on the inventory items checked.
10. Comparing and matching the actual check quantities in light of the statements against the balances recorded in the system for each item, after all the inventory check works are completed.
11. In case there are discrepancies between the inventory balances recorded on the system and those actually existing, the committee shall re-conduct the inventory check to verify the validity of quantities, by two members other than those who have conducted the initial inventory check, if possible. The discrepancies shall be documented if verified by the committee.

12. Identifying the causes of discrepancies and determining whether they are due to natural factors, dispatch without registration on the automat system, errors in recording, errors in weight or count, or due theft or damage resulting from negligence, and in the latter case, an investigation committee shall be composed to consider the matter.
13. Ensuring that the materials and items are classified and arranged in the warehouse in a proper manner that befits their type and nature.
14. Ensuring that the interiors and exteriors of warehouse and storage spaces are clean.
15. Ensuring that general safety means are available.
16. Ensuring that means of protection and security of the warehouse and stored materials are in place.
17. Observing the stagnant and redundant items and submitting appropriate recommendations thereto.
18. Observing the minimum and maximum inventory levels.
19. Signing the inventory check records and drawing up a an inventory check report stating that the materials and items listed in the statements have underwent an actual inventory check. For each inventory check proven to be a fictitious one, the committee members responsible for the same shall be disciplinarily punished. The Warehouseman shall sign the inventory check lists to validate the contents of the check reports.
20. Preparing a final report supported with the necessary statements on the inventory check results, and indicating the concurrence or non-concurrence of materials and items checked, including all the observations, violations and recommendations the committee finds appropriate to solve this issue, especially the following:
 - Errors in the description or classification of materials and items.
 - Poor status of materials and items, or insufficient procedures of their storage.
 - Errors that happened on the registration in the automated system.
 - Materials that require a special control.
 - Stagnant materials in light of inventory check lists.
 - Materials that have expired.
 - Any recommendations deemed appropriate by the committees to avoid mistakes

and smooth away the obstacles.

21. The Warehouse Department's Responsible Officer or his designee shall sign a declaration to be enclosed with the Inventory Check Records at the end of the inventory check process, confirming that all materials existing in all the warehouses under his supervision have been actually checked, that there are no materials or items not covered by the inventory checked, and that there are no remaining items in warehouses that are unusable and that any such unusable items have been referred to the Undersecretary concerned for disposal.
22. The Federal Entity shall keep the approved annual, comprehensive inventory check lists and the reports attached thereto in a special file for reference when necessary.

E. Inventory Check Discrepancies:

1. The Chairman of the Inventory Committee shall draw up a statement summarizing the materials that have discrepancies (excess or shortage) in light of the inventory check records.
2. The Chairman of the Inventory Committee shall investigate and document the causes of any discrepancies (excess or shortage) that appear as a result of the actual inventory check, including explanations and justifications of the Warehouseman.
3. The amount of shortage shall be fully stated for each material or item on a case-by-case basis, without reducing any of its amount against the excess detected in other similar materials and items. The amount of excess shall not be relied upon to reduce the amount of shortage unless there is a detected error in recording the items received or dispatched from material under an administrative certificate to be issued by the inventory committee. Otherwise, the value of shortage shall be collected from the Warehouseman at its original price or the market price; whichever is higher.
4. Excesses that have appeared in a former inventory check may not be used to cover any deficiencies that appear in a subsequent inventory.
5. In case of shortage resulting from the fragmentation of inventory dispatch, the dispatched quantities during the period between the last and current inventory check shall be shown in front of each material or item (in the inventory check lists), while showing the times of dispatch and the percentage of the shortage in the quantities dispatched during the mentioned period.
6. The items indicated to have been incomplete in the inventory check due to failure to

issue a dispatch note thereof at time of dispatch due to the omission, work pressure or otherwise shall be deemed actually incomplete, and their value shall be collected from the Warehouseman at their original price or the market price, whichever is higher.

7. The excess or shortage shall be adjusted once the inventory check is completed as follows:
 - The excess shall be added to the inventory balance under an Inventory Receipt Note, and a copy of the inventory check records shall be attached as a basis for the adjustment process.
 - The shortage shall be deducted from the inventory balance under an inventory dispatch note, and a copy of the inventory check record shall be attached as a basis for the adjustment process.

Chapter Seven

Safety, Prevention and Security

I: Safety and Security:

The Federal Government is seeking to provide all requirements and procedures to ensure providing the safety and security in the warehouses by focusing on three major elements:

1. Warehoused Materials;
2. Warehouse Buildings and Facilities;
3. Warehouse Personnel;

II: Guidelines and Instructions for Warehouse Safety and Security:

The procedures necessary for the warehouses protection and prevention are as follows:

A. Protection of warehoused materials:

Each Federal Entity shall design and test the security and safety program applied in the warehouses affiliated thereto, to ensure its effectiveness in protecting the warehoused materials from the factors that may cause their damage, taking into account the following:

1. Protection of materials from weather conditions such as rain, humidity, heat of the sun and dust. In this case, the precautions should be taken by providing blankets, umbrellas and using of appropriate containers.

2. Fire protection for materials.
3. Protection of materials from insects, germs and mice, and in this case, pesticides should be used, taking into account their non-impact on stored materials, especially foodstuffs, as well as the proper selection of places, warehouse facilities and protective containers against these considerations.

B. Fire Hazard Prevention Guidelines

Procedures and Programs of the warehouses protection from the Fire are as follows:

1. Observing prevention and safety considerations upon designing the warehouses and their interior design, using heat-insulating and non-flammable substances, and the warehouse should have more than one exit.
2. The materials should be classified according to their nature, characteristics and implementing the written instructions on their packages, and its homogeneity shall be observed upon storage, whereas each distinct type of material is stored separately, so that it is easy to identify the appropriate firefighting methods that are suitable for the type of the stored materials.
3. proper arrangement should be observed upon storing the materials by clearly marking the locations of the packages on the floors, and they shall be adhered to on an ongoing basis.
4. The shelf height should not reach the level of the roofs and there should be at least three feet between the top of the package and the roof.
5. Materials that cause fires when they come into contact with other combustible materials should be stored in separate places.
6. Materials that interact with water, such as sodium, potassium and aluminum powder, should be kept in tightly sealed containers that do not allow water to enter inside, and should be isolated it from other materials.
7. Sodium, potassium, calcium and yellow phosphorus should be kept under the appropriate liquid surfaces to prevent their self-combustion simply because they are exposed to air.
8. It is strictly forbidden to smoke inside warehouses, with strict emphasis on the implementation of this with all rigor, and the warning signs of this are placed in a conspicuous place.
9. Insulation of flammable substances.

10. Providing rapid alarms devices and connecting it with the control room at the nearest civil defense center to ensure that the specialized teams in the civil defense are informed of the fire location, thus ensuring their rapid transmission to extinguish the fire.
11. Providing the escape outlets as well as equipping the warehouses with modern firefighting devices and equipment that suitable the allocated spaces to them and the materials quality to be stored, the warehouses of chemicals substances shall be equipped with an automatic fire extinguishing system, since they have a high degree of risk, with the need to examine and maintain all the firefighting equipment periodically.
12. Security and prevention instructions and training on them should be disseminated to employees, while the guide instructions on how to use fire extinguishers and how to act in cases of fire, the escape routes and evacuation operations upon emergency shall be posted in visible place, so that they are easily identified and memorized as a result of being viewed continuously.
13. All electrical connections and equipment inside the warehouses must be installed in accordance with the technical terms and specifications that ensure the warehouses safety from the fire risk, and no amendments or additions thereto are allowed except under the supervision of the electricity officers.
14. Periodic inspection of electrical equipment and fixtures shall be carried out to ensure their safety in order to prevent the occurrence of any electrical sparks due to defects in the electrical installations.
15. Preventing the accumulation of wet wastes with oils, lubricants or flammable chemicals substances so as not to be flammable for any reason.
16. Not to use flammable substances for cleaning and degreasing.
17. The external walls surrounding the warehouses shall be with appropriate height to ensure that they are not climbing, as well as the building of a guard room at the main gate of warehouses, equipped it with safety equipment, the main fire alarm panel and a television surveillance system so that the guard can monitor the warehouses against fire or theft.
18. The floors should be suitable for the nature of the equipment used in transporting and storing the materials inside the warehouses.
19. First aid kits and devices must be provided in warehouses and placed it in a visible place inside a box.

20. Training the staff on firefighting and first aid methods.
21. Maintaining regular records of incidents, injuries and fires.
22. Insuring the property in warehouses and their employees against fires, disasters and other hazards, in accordance with the approved insurance policy of the Federal Government.

C. Proper methods for storage and handling of hazardous substances:

(1) Industrial Gas Cylinders and its storing methods are as follows:

1. The cylinder must be checked before storage and ensuring of its safety, as well as ensuring the existence of valves and regulators covers and not accept any cylinders without them, where the examination of the cylinders shall be conducted periodically throughout the storage period.
2. The cylinders must be handled with extreme caution and should be avoided its bumping into the ground or solid objects. The cylinders should not be handled with hands contaminated with oils or lubricants.
3. Air and gas compressed cylinders should be stored in vertical position, with the locker should be up.

(2) Chemicals Substances and Acids, Their storage methods are as follows:

1. The chemicals substances and acids should be distinguished as far as possible, by placing appropriate signs showing the contents of barrels or containers.
2. Acids and oxidizing substances should be stored in roofed warehouses, under umbrellas, or away from sunlight, and should be stored away from the flammable substances.
3. The following substances should be kept separately at all times, as they do not constitute a hazard if kept separate, but they may cause fires if they interact with other substances:
 - Chlorates should not come into contact with Sulfuric Acid or Potassium Cyanide.
 - Iodine should not come into contact with Ammonia salts.
 - Turpentine oil should not come into contact with iodine.
 - Magnesium alloys should not come into contact with Iodine or any alkaline substance.
4. Sodium nitrite should be stored away from other flammable and reduced substances or ammonium salts and not to be exposed to high temperatures.
5. Sodium chlorite must be stored in a dry place at a temperature of 15° C. The substance should not come into contact with any acid or flammable substances such as wood,

straw, grease, oils, as it is a powerful oxidizing substance and cannot be extinguished by water. Water can be used only to cool the package from outside and containers close to the flaming package, while it is strictly forbidden for such substance to be handled by hand or to come into direct contact with the eye, whether solid or liquid, because they cause chemical and thermal burns.

6. Soda chlorides should not come into direct contact, during handling or transportation, with any metal acids, reduced or flammable substance.
7. Utmost Care must be taken upon storing the hydrochloric, nitric and sulfuric acids because they are liquid chemical substances with special properties.
8. Hydrochloric acid should not be stored next to nitric acid or any other strong oxidant substance.
9. Nitrates should be stored in a dry and independent place away from the organic materials or flammable substances.
10. Chromic acid should be stored away from alkaline, reduced or flammable substances due to its acidic and oxidizing properties, while personal prevention precautions should be observed because it is a toxic and skin-detrimental substance, which may lead to serious infections if they reach the respiratory or digestive system.
11. Flammable substances should be stored in cool places away from electrical sources or thermal sparks.
12. Touch, smell, and taste senses should not be used to identify the stored chemicals substances.
13. It is necessary to use sand or dust to absorb the acid spilled on the ground, because it is among the most appropriate means safety perspective, and spilled acids on the ground should treated with sufficient quantities of lime saturated with water or by an alkaline substance because they are from the appropriate means to be followed.
14. Sulfuric acid should not be stored with nitric acid or any liquid chemicals substance with evaporation property, or containing oxidizing elements such as peroxide and its derivatives.
15. Prompt action should be taken in case of spillage of any flammable substance on the clothes or any part of the body, and a stream of water must be used on the injury place, with the rapid disposal of contaminated clothes and keeping away from open flame places, so as to prevent the complication of injury and to reduce its severity.

16. Adequate ventilation should be provided inside the warehouses, because this ensures the safety of stored materials, while taking into account the continuous review of their industrial means.
17. The containers filled with incendiary chemicals substances should be put on plastic bases to prevent a fire cause.
18. The containers filled with heat-expanding materials should not be placed directly over each other, but should be placed on shelves to avoid their explosion.

D. The Protection of Warehouses from theft, represented by the following measures:

- Non-employees of warehoused should not be allowed access to warehouses.
- Providing safe warehouses with the least number of doors that do not facilitate the theft.
- Provide sufficient guards on warehouse buildings.
- Providing, maintaining and continuously testing electronic surveillance devices.
- Conducting the unexpected inventory check on an ongoing basis.
- The precious items should be kept in special safe places.

E. Protection of Employees from accidents and injuries, represented by following measures:

1. Using the personal protective clothing, such as headwear, gloves and footwear.
2. Creating barriers along the corridors, especially when there is an active movement within the warehouses.
3. Optimal use of the mobile equipment by the qualified employees.
4. Covering the slippery areas.
5. Placing color guide signs and posters to guide the employees and draw their attention to the hazard spots and places.
6. Abiding by the Civil Defense's guidelines.

III: Evaluation of safety and security programs:

After the Federal Entity provides the safety and prevention systems within its warehouses, it should evaluate how effective such systems are continuously, using the following measures:

A. Injury Frequency Rate:

The frequency rate of injuries which workers may be exposed to within the warehouses over a specified period shall be calculated using the following equation:

Frequency rate of injury = Number of injuries / Actual working hours of the employees
×1,000 hours.

B. Injury Intensity Rate:

In order to measure the injury severity rate which the workers may be exposed to inside the warehouses and the time lost as a result of such injuries, the following equation shall be used:

Frequency rate of injury = Number of absence days due to the injury / Actual working hours
of the employees ×1,000 hours.