

The new Contractors Classification regime in Abu Dhabi

By **Leopold Zentner**



The recent changes to what was the Contractors Classification regime (Old Regulations) and are now, briefly, the New Classification Instructions have enjoyed substantial media coverage in Abu Dhabi. This article outlines the key legal, practical and commercial issues of undertaking the time consuming and administrative classification application process.

The Old Regulations were a tool of the Abu Dhabi Department of Economic Development (the Department) to ensure that contractors wishing to perform work for the Government of Abu Dhabi were suitably qualified to undertake such work. Contractors would be classified under a number of different categories (each having different technical requirements) with a "special grade" classification being the highest category allowing the contractor to perform projects with a value in excess of AED 100,000,000 (approx. US\$27,224,218).

Purpose and scope of the new instructions

The New Classification Instructions have not departed substantially from the main objective of the Old Regulations.

On closer inspection of the relevant legislation and guidance notes, the New Classification Instructions are much broader and cover all contractors, engineers and engineering offices who wish to perform work in Abu Dhabi. Accordingly all those engaged in construction work in Abu Dhabi need to familiarise themselves with, and appreciate the practical application of, the New Classification Instructions to satisfy legal requirements and, more importantly, the commercial demands of their contractual counterparties.

Legal Requirements

A summary of the technical requirements for obtaining classification can be viewed in the full version of this article ([click here](#) to read).

All contractors and engineering consultancy offices must be classified by no later 21 November 2012. In certain cases this date can be brought forward.

Practical implications

The practical application of the New Classification Instructions differs, to a certain extent, between contractors and engineering consultancy offices.

There are key practical implications which may have a substantial commercial impact on an applicant's proposed business in Abu Dhabi, which, broadly, comprise the following areas: prior experience; assets; engineering staff; project value; and triggering early classification. For a more detailed look at the practical implications, please refer to the full version of this article ([click here](#) to read).

Timeframe and commercial implications

Notwithstanding the legal deadline to obtain classification, commercially we have seen examples where employers have required engineering consultants and contractors to be classified under a certain grade. We expect that these requirements will become more common as the New Classification Instructions evolve and gain more prominence.

In any event, applicants should allow three to five months for the process to be completed. Most of this will be spent on a substantial document collation exercise and associated notarisation and authentication processes. The Department aims to provide applicants with a decision within five working days after submission of all required documents.

Conclusion

The New Classification Instructions are an overdue update of the Old Regulations in line with the developing and evolving market practices in Abu Dhabi in the construction industry. The Department is keen to assist applicants with the classification application process, but it has a number of stringent requirements which can make this a time consuming and burdensome administrative process. It is important for contractors and engineering consultancy offices to be familiar with the New Classification Instructions and set their own appropriate internal timetable so that they comply with mandatory legal requirements and the commercial demands of their employers.

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