



شعبة الترجمة الرسمية  
Official Translation Department

## **Contractors Classification Law**

Royal Decree No. M/18  
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**Translation of Saudi Laws**



**NOTE:**

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



## Contractors Classification Law

### Article 1

In this Law, the following terms shall have the meanings assigned thereto, unless the context requires otherwise:

**Regulations:** Implementing Regulations of the Contractors Classification Law.

**Decisions:** Decisions issued by the Minister of Municipal and Rural Affairs in implementation of the Law and its Regulations.

**Minister:** Minister of Municipal and Rural Affairs.

**Ministry:** Ministry of Municipal and Rural Affairs.

**Classification:** The assessment of a contractor's financial, technical, administrative, and execution capabilities, in order to classify said contractor in the appropriate field and grade in accordance with the provisions of this Law and its Regulations.

**Contractor:** A natural or corporate person licensed to execute, solely or jointly, a contract in one of the fields specified in the Regulations.

**Field:** Type of work under which a contractor is classified.

**Activity:** Type of specialized sub-category in any field of work.

**Grade:** The grade a contractor obtains upon classification.

**Element:** A set of assessment criteria.

### Article 2

The Ministry shall classify contractors in accordance with the provisions of this Law and its Regulations.

### Article 3

Ministries, government agencies, and public corporate entities may not accept any offer or bid for any project subject to classification unless the contractor is classified, and the project is within the field and grade under which said contractor is classified.

### Article 4

Classification fields and grades and the maximum limit of each grade shall be determined and amended pursuant to a decision by the Minister, upon agreement with the Minister of Finance and the Minister of Economy and Planning.

### Article 5

A contractor may apply for classification in one or more of the fields stated in his commercial register.



## **Article 6**

1. A contractor shall be classified in the grade consistent with his financial, technical, administrative, and execution capabilities in one classification field or more, according to the elements and criteria specified in the Regulations.
2. The financial capabilities shall be assessed on the basis of the balance sheet (budget), income statement (profit and loss account), financial ratios, and the administrative and financial systems enforced.
3. Administrative and technical capabilities shall be assessed on the basis of the efficient management, organization, recording, and control of financial, technical, and execution activities.
4. Execution capabilities shall be assessed on the basis of executed projects or projects under execution, in the public or private sectors within the Kingdom or abroad.

## **Article 7**

A contractor classified in one or more fields shall be deemed classified in operation and maintenance in the same field(s) and at the same grade. Yet, said contractor may be classified in operation and maintenance at a grade higher than his grade in execution.

## **Article 8**

If classification principles and elements change in such a way that may lead to classification upgrades, a classified contractor may- after the lapse of not less than half the duration of the certificate's validity- apply for the reclassification of his grade, supporting his application with necessary information and data.

## **Article 9**

The Minister, or his designee, shall issue a decision to classify a contractor in the appropriate field(s) and grade, based on available information and the assessment points he attains. A certificate to this effect shall be issued. Said certificate shall be valid for a period of four years.

## **Article 10**

The Minister shall issue a decision identifying the activities in any of the fields specified in the Regulations. A contractor specializing in a particular activity within a field may limit his classification to such activity.

## **Article 11**

If two or more contractors jointly execute a project, each of them shall be classified in the project's field and at least one of them shall be classified in the required field and grade. When calculating execution experience, the contractor with the lower grade shall benefit from the work he executed in the project, provided that such benefit does not exceed twice the maximum limit of his grade



or 40% of the value of the executed project, whichever is less. The same shall apply to subcontractors.

### **Article 12**

If a classified sole proprietorship transforms into a company in accordance with the Companies Law, said company shall have the same classification grade of the proprietorship, under the following conditions:

1. The owner of the sole proprietorship is a partner in the company.
2. The proprietorship's assets and liabilities are transferred to the company.
3. All financial, technical, and administrative assets according to which the proprietorship was classified are transferred to such company.

### **Article 13**

If a classified sole proprietorship transforms into a company where the owner of the proprietorship is not a partner, the proprietorship's classification shall be revoked and the company shall be classified at the grade consistent with its financial, administrative, and technical capabilities, regardless of the proprietorship's previous classification. In cases where all the proprietorship's assets and liabilities are transferred to the company, in addition to all the financial, administrative, and technical assets according to which the proprietorship was classified, the proprietorship's past execution experience shall be taken into account in the classification of the new company.

### **Article 14**

A contractor licensed to operate under the Foreign Investment Law shall be classified according to applicable procedures for the classification of Saudi contractors.

### **Article 15**

1. Companies licensed to operate under the Foreign Investment Law shall be classified in accordance with their classification capabilities, regardless of the partners' classification capabilities. A foreign partner's classification capabilities may not be considered, unless said partner is a joint partner in the company, or has committed in the company's articles of incorporation and its license application to support it financially, technically, and administratively, in such a manner that guarantees its sound performance and the fulfillment of obligations, in accordance with the conditions specified by the Regulations.

The classification certificate shall include a provision that provides for its invalidity, unless the foreign partner submits a guarantee of the company's fulfillment of its obligations when the company submits any offer or tender.

2. A foreign partner's classification capabilities may not be considered in case said partner is classified as a foreign contractor, if these capabilities are considered in accordance with the previous paragraph.



### **Article 16**

In case a company licensed to operate under the Foreign Investment Law winds up and a company fully owned by Saudi nationals is established to replace it, the new company shall be reclassified according to its classification capabilities, unless all the assets as well as the financial, technical, and administrative capabilities of the wound up company are transferred to the new company. This new company shall have the same classification grade as the wound up company until the end of the classification period.

### **Article 17**

Classification certificates shall be issued, amended, and revoked according to the provisions of this Law, its Regulations, and the decisions issued in implementation thereof.

### **Article 18**

A contractor's classification shall be revoked in the following two cases:

1. If a decision is issued by the competent authority establishing forgery of any of the basic data or information upon which the classification was based.
2. If a competent authority renders a final judgment or decision barring a contractor from dealing with ministries, government agencies, and public corporate entities for a period of two years or more.

The contractor's classification shall be reconsidered if the judgment or decision is for less than two years.

### **Article 19**

Ministries, government agencies, and public corporate entities shall provide the Ministry with the information, data, and observations it requests regarding contractors for purposes of classification, in accordance with a form prepared by the Ministry.

### **Article 20**

Pursuant to a decision by the Minister, a committee shall be formed to review contractors' grievances against classification decisions or classification revocation. Said committee shall be composed of not less than three members, provided that one of them is a legal counsel. The committee's decisions shall pass by majority vote and shall be approved by the Minister.

### **Article 21**

A contractor may file a grievance with the contractors' grievances review committee against a classification or classification revocation decision within 60 days from the notification date of said decision.



**Article 22**

A contractor may file a grievance with the Board of Grievances within 60 days from the date of his notification of the decision issued by the contractors' grievances review committee.

**Article 23**

The Minister shall issue the Implementing Regulations of this Law within 90 days from the date of its publication in the Official Gazette.

**Article 24**

This Law shall be published in the Official Gazette and shall enter into force 90 days from its publication date.

**Article 25**

This Law shall repeal the Contractors Classification Regulations issued by Council of Ministers' Resolution No. (892) dated 19/7/1395H and all provisions and decisions conflicting therewith.