

A-Z of construction law in Oman



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Contents

- “A” is for Arbitration law
- “B” is for Back-to-back
- “C” is for Civil code
- “D” is for Damages
- “E” is for Extension of time
- “F” is for Force majeure
- “G” is for Good faith
- “H” is for Handover
- “I” is for Indemnity
- “J” is for Jurisdiction
- “K” is for Knowledge management
- “L” is for Latent defects
- “M” is for Mediation
- “N” is for Notices
- “O” is for Oman Arbitration Centre
- “P” is for Performance bond
- “Q” is for Quantity surveyor
- “R” is for Retention
- “S” is for Standard Oman Documents
- “T” is for Time bar
- “U” is for Unjust enrichment
- “V” is for Variations
- “W” is for Worker’s insurance
- “X” is for Exclusion clauses
- “Y” is for Yellow Book
- “Z” is for Zero emissions

Introduction

Welcome to the A to Z guide to construction law in the Sultanate of Oman.

As Oman works towards achieving its Vision 2040, which outlines a comprehensive strategy to develop a diversified and sustainable national economy, ensure fair distribution of development gains among governorates and protect the nation's natural resources and unique environment, knowledge of the legal framework in the rapidly evolving construction sector is essential for success.

Oman's Vision 2040 focuses on promoting environmental sustainability in Oman. In doing so, it highlights ways to overcome the environmental challenges that have been encountered over the years in Oman, prioritises an effective eco-system to be implemented in Oman to protect the environment and encourage new infrastructures towards green economy, green strategies and renewable energy production. There is also a focus on the future shape of major cities in the Sultanate with a priority to develop smart sustainable cities. Increased participation of the private sector is also encouraged through public-private partnerships. By leveraging sector expertise and investment, Oman is seeking to accelerate infrastructure development and improve the quality and efficiency of construction projects.

Within this vision, the construction industry plays a key role in driving economic growth, infrastructure development, and job creation.

This guide provides clear and concise explanations to help all stakeholders to navigate the complexities of construction projects in Oman. From contracts and regulations to dispute resolution and emerging trends, Trowers & Hamlins has all stakeholders covered from A to Z.

About Trowers & Hamlins

Active in Oman since 1980, Trowers & Hamlins combines local understanding and deep relationships with international expertise and strategic thinking. We are a consistent and assured presence: our group of partners based permanently in Oman all have at least a decade of experience.

We are involved in advising on the core of Oman's critical infrastructure, from its airports to its power plants. We have advised on the majority of Oman's key development projects and work closely with government departments, contractors and agencies along with the leading financial institutions and investment houses.

“A” is for Arbitration law

Oman has a well-established arbitration regime that provides a legal framework for conducting arbitration proceedings in the country. The primary legislation governing arbitration in Oman is Royal Decree No. 47/1997 as amended (Oman Arbitration Law). It is based on international recognised arbitration principles such as UNCITRAL Model law, providing a level of familiarity and compatibility for international parties engaging in arbitration in Oman.

Autonomy of the parties to agree to arbitration is recognised by the Oman Arbitration Law. An arbitration agreement can be in the form of a standalone contract or a clause within an agreement.

The Oman Arbitration Law sets out rules and procedures governing the conduct of arbitration proceedings. It ensures the rights of parties to be heard, the principle of equality and the tribunal's duty to act fairly and impartially. The tribunal can consist of one or more arbitrators as agreed upon by the parties.

There are established mechanisms for enforcement of arbitral awards, with the Courts generally recognising and enforcing both domestic and international arbitration awards.

The Oman Courts have limited grounds for intervening in arbitration proceedings. The Courts can only intervene in certain circumstances such as appointment of arbitrators, jurisdictional challenges or the setting aside of an arbitral award. This promotes principles of party autonomy and limits judicial interference.





“B” is for Back-to-back

The concept of “back-to-back” in construction contracts refers to the practice of passing contractual rights and obligations between a contractor and an employer on to one or more subcontractors, or from procuring authority to an employer in a PPP context. A contractor may opt to subcontract some of its responsibilities if, for example, certain aspects of the contract would be better carried out by a specialist, or if it wishes to offload some of the project risk to another party. Contractors will be pleased to know that back-to-back subcontracting is recognised under the Omani Civil Code (see ‘C’ below).

It will rarely be acceptable for a contractor to offload all of its responsibilities and liabilities under the main contract to a subcontractor; however, subcontracts typically involve the transfer of some aspects of a main contract. Transferring risk in this way can inadvertently lead to liability and enforceability risks, especially if there is inconsistency in the drafting between the sub- and main contract. For example, an employer may need the contractual works to be completed by a set date, but if works have been delegated under a subcontract with a different deadline, the employer will have no enforcement powers if the works are delayed, because it has no agreement with the subcontractor. The employer will be left with no choice but to try and pursue the contractor for breach of the main contract, which is precisely the situation the contractor was seeking to avoid by delegating its responsibilities.

Employers and contractors should therefore make sure liability and enforceability are carefully allocated at both main and subcontract stages. From an employer’s perspective, the best option would be to agree a form of subcontract within the main contract that carries through main contract obligations as to quality of work and materials and any other requirements important to the employer. They should also include the requirement for the subcontractor to give an approved form of collateral warranty or direct agreement to the employer, to give the employer a means of recourse against the subcontractor if the contractor fails to pursue a breach.

Contractors should ensure that deadlines align between main and subcontracts, especially for payments. They should also agree a mechanism for claiming against the subcontractor if the subcontractor’s breach of the subcontract results in the employer pursuing them for breach of the main contract. Similarly, the same dispute resolution procedures should be used between main and subcontracts.

“C” is for Civil Code

The Oman Civil Transactions Law was promulgated by Royal Decree No. 29/2013 (Civil Code) and is the primary source of law for construction contracts in Oman.

The Civil Code contains general principles of contract formation, recognising the freedom of the parties to enter into contracts and establishing the requirements for offer, acceptance and mutual consent. It also sets out the obligations of contracting parties to one another, plus guidance on performance warranties, liability and remedies for breach, including mechanisms for agreeing compensation. All of these principles are applicable to construction contracts.

Construction contracts in Oman are specifically included in the Civil Code within the scope of the Muqawala: a contract under which a contractor undertakes to make a thing or perform work in return for a fee. The Civil Code's Muqawala provisions prescribe many elements of construction-project obligations, including quality of materials and adherence to timelines. They also provide for fair remuneration of contractors and engineers, the right for contractors to delegate elements of a project to subcontractors and providing for ways in which a Muqawala can legally come to an end. Notably, the Muqawala deals with structural defects through the concept of decennial liability (see 'L' below).

The incorporation of Muqawala contracts into the Civil Code is significant in that it accords them the status of “nominate” contracts: a specific, named contract, recognised by law. Construction contracts therefore have statutory recognition in Oman and are more strictly regulated. Those entering into construction contracts should, consequently, consider that where disputes arise, interpretation will be less flexible and less weight given to the intentions of the parties.



“D” is for Damages

Damages are a type of legal remedy in the form of a monetary award, which can be paid either pursuant to an agreed term of the contract (e.g. liquidated damages), under a provision of law or for breach of contract (as compensation). In construction contracts, general damages are claimable for actual loss resulting from a breach of the terms of the contract.

Liquidated damages are pre-agreed sums of money that parties to a contract stipulate as compensation for specific contractual breaches including delays to project completion for which the contractor is responsible, or failure of mechanical or electrical plant to achieve contractual performance guarantees during testing and commissioning. These damages serve as a means of quantifying the potential loss that a party may suffer due to the breach, thus providing a level of certainty and mitigating the need for costly and time consuming litigation. Under Omani law, damages can only be awarded for actual, foreseeable and direct loss. Furthermore, Article 267 of the Civil Code allows the Oman Courts to adjust or even remove liquidated damages if they are found to be grossly exaggerated or if the principal obligation has been partially performed. This approach is derived from principles of Sharia Law which seeks to prevent harm and ensure that damages are proportional to the actual loss suffered by the non-defaulting party.

“E” is for Extension of time

Construction projects do not always run to schedule. Delays can be dangerous for contractors, who are vulnerable to delay liquidated damages if they do not complete building works within the contractually agreed timescale. Extensions of time (EOT) can therefore be a lifeline to contractors where delays occur which are beyond their control. Broadly, these can be grouped into delays resulting from variation of the works by the employer, delays due to unforeseeable site conditions or events (including force majeure - see ‘F’ below), and delays caused by action (or non-action) of, or instructions received from, the employer or engineer. EOT may also be possible if delays are caused by a change in the law. EOT is not available where the contractor himself is responsible for the delay. Such entitlement is, however, subject to the contractor taking all reasonable and proper steps to mitigate the effects of such delay. Frequently, a circumstance entitling a contractor to an EOT will also entitle them to payment of their costs, where costs have been incurred. Contractors must make a claim for their costs under the contract and if they are successful, will be entitled to have their costs paid as part of the agreed contract price.

“F” is for Force majeure

The concept of force majeure is derived from civil law and generally refers to exceptional events or circumstances that are beyond the control of the contracting parties that prevent the performance of the contract such as a natural disaster. The rationale behind a force majeure clause in a construction contract is to remove the affected contracting party's liability where it is unable to fulfil its contractual obligations due to a force majeure event. Typically, a construction contract will provide that such relief applies where the events or circumstances cannot be overcome, do not arise from the affected contracting party's act or omission, and the affected contracting party is actually prevented from performing its contractual obligations. Construction contracts will also provide for time and/or cost relief if it transpires that the force majeure events caused delays to the works.

Force majeure is recognised under Omani law and is codified in Article 172 of the Civil Code which provides that if a force majeure event occurs that makes the performance of the contract impossible, its corresponding obligation shall lapse and the contract shall be rescinded on its own. From our experience, construction contracts will contain a list of events which the contract will constitute as events of force majeure. A key point of negotiation between the contracting parties is whether such a list should be exhaustive. Often contracting parties agree a list of events that will not constitute an event of force majeure, typically by reference to events which are reasonably foreseeable.

The burden of proving the occurrence of a force majeure event to trigger the relief under Article 172 of the Civil Code lies on the party seeking to be excused from non-performance (where such non-performance may be in respect of the entirety of its contractual obligations or only in part) by the Oman Courts. From our experience, the Oman Courts adopt a strict and narrow interpretation when dealing with cases seeking relief under Article 172 of the Civil Code thus contracting parties must be mindful to strictly adhere to the conditions precedent e.g. notice and reporting obligations, for triggering the contractual relief arising from an event of force majeure. Additionally, the Oman Courts will examine or consider whether the affected contracting party seeking relief from the Oman Courts has taken reasonable mitigation steps.



“G” is for Good faith

The principle of good faith requires the parties to a contract to deal with one another and conduct themselves fairly and honestly pursuant to Article 156 of the Civil Code: “The contract must be performed in accordance with its contents and it shall not be restricted to oblige the contracting party to that which is contained in it but shall also address its requisites in accordance with the law, custom, and justice depending on the nature of the disposition.” The principle is also implied into construction contracts and has been recognised by the Oman Courts. For instance, the Supreme Court ruled in its decision issued on Session of December 12, 2005, Principle No. 82 for judicial year 6 that all contracts governed by Omani law are to be interpreted and performed in accordance with the principle of good faith. In any event, it is common for construction contracts to include the ‘good faith’ principle in provisions relating to the parties’ performance of their obligations and the dispute resolution mechanism.

“H” is for Handover

Project handover in construction marks the final phase of a construction project where the project is handed back to the client or owner by the contractor. Upon handover, the risk of loss or damage to the works is transferred from the contractor to the owner. This typically takes place where the engineer confirms that the works defined in the contract are complete, specifically where practical completion has been certified. The effect of handover includes the release of the retention, the end of the contractor’s liability for further liquidated damages and will signify the beginning of the defects liability period.

Handover should be planned well in advance and specific conditions, requirements and procedures within the contract will need to be considered. It is also pivotal to be aware of what constitutes practical completion under the contract, as vague terms could lead to potential disputes as to whether a completion certificate, an obligation of the project owner, is to be provided. Other challenges that the parties may encounter during the handover process includes (i) issues with coordination among subcontractors, suppliers and other stakeholders, (ii) documentation management issues such as ensuring completion of all documents to avoid delays and (iii) time constraints particularly where projects are already delayed.

“I” is for Indemnity

Indemnities are primary obligations between the parties whereby one party is required to reimburse the other for loss or damage that the indemnified party suffers, in particular from third-party claims. In the context of construction contracts, indemnities allocate risk for claims for loss or damage between the client and the contractor, the client and its consultant, or the contractor and its subcontractors, in particular for risk of claims for personal injury, property damage, professional negligence in design, and breach of third party intellectual property rights.

Oman law does not prohibit contracts from containing indemnity clauses in respect of any commercial matters and Oman’s Civil Code itself contains various provisions for indemnities. Article 198 of the Civil Code, for example, provides for an indemnity to be given by the owner or person in charge of a building for harm caused by its collapse. Building owners must also take measures to avert the risk posed to those threatened by such harm. In addition, the Civil Code contains more general third-party entitlements to compensate for harm suffered through infringement of their rights or the acts of others.

“J” is for Jurisdiction

Jurisdiction clauses are commonly found in construction contracts and refers to which court or courts are to hear a dispute, or it may contain an arbitration clause. A failure to include clear provisions on choice of law and jurisdiction can lead to lengthy and costly disputes over the dispute resolution mechanism in the contract and which substantive law will be applied to determine the parties’ rights and obligations under the contract. Arbitration agreements are severable from main contracts, and different jurisdictions have reached different conclusions as to what the law applicable to the arbitration clause should be. The choice of law of the arbitration agreement can have a significant impact on the outcome of dispute, as it affects where parties will be able to enforce or seek preliminary applications.

In Oman, the Fast Track Construction Circuit in the Oman Courts have jurisdiction to hear all construction disputes where the contract states that the Oman Courts have jurisdiction to resolve disputes. In terms of jurisdictional challenges, the Appeal Court is the national court in Oman with jurisdiction to hear disputes relating to arbitration before, during, or after the commencement of arbitral proceedings, pursuant to the Oman Arbitration Law, or the Appeal Circuit of the Administrative Court in the event that one of the Parties is an Oman government entity. On 23 March 2025, however, his Majesty Sultan Haitham established the Oman Investment and Commercial Court via RD No. 35/2025, which will have jurisdiction to hear all disputes relating to arbitration as of 1 October 2025.

“K” is for Knowledge management

Good knowledge management practices can produce significant benefits and improvements in the performance of the works in relation to time, quality, speed, reliability, as well as a reduction in production costs. However, the key benefit of good knowledge management practice is that this ensures that the Specifications for the works are followed as closely as possible. There is greater potential for the contractor to meet the required Specifications where a Contract Manager is appointed to oversee the programme of the works and he/she utilises a range of key performance indicators (KPIs) over the duration of the works.

What is the role of the Contract Manager?

The Contract Manager is primarily responsible for ensuring that the Programme of works is followed, keep track of the progress of works, and where a revised programme is required, stipulate what should be included. By way of example, the relevant FIDIC clauses related to the Programme of works are explored below:

8.3 of the FIDIC Red Book 1999 – the Contractor submits a detailed time programme within 28 days after receiving notice of the Commencement Date. The Programme outlines the order of work, including design stages, procurement, construction, and testing. If the Engineer doesn't object within 21 days, the Contractor proceeds according to this programme. The Contractor must notify the Engineer of any events likely to affect the work's progress or cost.

8.6 of the FIDIC Red Book 1999 – this covers the Rate of Progress of the works. If the actual progress is too slow or falls behind the programme, the Engineer may instruct the Contractor to revise their methods to expedite progress. The Contractor must adopt these revised methods at their own risk and cost.

8.7 of the FIDIC Yellow Book 2017 – allows the Engineer to instruct a recovery programme if the programme is delayed and (rather crucially) no extension of time is due (i.e., the delay is the Contractor's fault). The revised programme can instruct revised methods for expediting the programme and completing on time. Costs for implementing the revised programme are at the Contractor's risk. The Contractor must adopt the revised programme unless the engineer notifies otherwise, and the Employer can notify a claim for costs if they incur expense as a result of it.

What are KPIs?

KPIs assist the Contract Manager to measure the success of the project and evaluate how well the team is performing specific goals and provide a quantifiable basis for evaluating performance. KPIs could include measuring the project completion percentage, schedule adherence, budget variance, safety incident rates, and quality metrics.



“L” is for Latent defects

Defects to the design and/or construction of buildings may not be evident on a reasonably thorough inspection before the expiry of the defect notification period. Such a defect is referred to as a latent defect.

The 2019 edition of the Oman Standard Construction Documents (see ‘S’ below) allows parties to agree a ‘Defects Notification Period’ following handover of works, before the expiry of which the contractor will be liable to complete any outstanding works and repair any defects of which it is notified by the employer. Latent defects, however, are treated separately under the Standard Documents and defined as those which are not detected during the relevant Defects Notification Period.

The Standard Documents include a clause documenting a 10-year liability period, as well as remedies for failure to rectify latent defects. An employer may set a deadline by which any latent defects identified are to be remedied and, if the contractor continues to fail to remedy them, the employer can do the works itself and recover the cost from the contractor, request a reasonable reduction in the contract price or, if it has been deprived of substantially the whole benefit of the works, terminate the contract and recover the sums it paid from the contractor for the works, plus any associated costs of financing and dismantling and clearing the site.

While Omani law does not specifically regulate latent defects, it does hold the contractor and engineer jointly accountable for defects that affect the safety and integrity of the building which may be discovered after the end of the Defects Notification Period. Under the Muqawala provisions of the Omani Civil Code, this is done through the concept of decennial liability. Decennial liability refers to a 10-year period during which contractors and design engineers are jointly liable to pay compensation to their employer if their building work falls down or contains defects that threaten buildings’ durability and safety. Liability is strict: the contractor and engineer are on the hook even if there has been no breach of contract. The same applies even where the ground is unstable, and it is no defence that the employer has approved the works. Any attempts to exclude contractor or engineer liability under the Muqawala will be void. Those wishing to claim should be mindful, however, that lawsuits for decennial liability must be heard within 3 years from the date of the relevant destruction or discovery of the defect.

“M” is for Mediation

Mediation is a form of alternative dispute resolution whose objective is to negotiate and mutually agree upon terms to settle a dispute outside of legal proceedings which involves a mediator, who is an independent and impartial third party to the parties in the dispute. Mediation generally occurs prior to litigation or arbitration and if mediation fails, disputes will be referred to litigation, or if the contract contains an enforceable arbitration clause to arbitration. The Oman Arbitration Centre (OAC) provides a formally administered mediation process (see ‘O’ below) and issued its mediation rules in its Decision No. 8/2021 (the Mediation Rules). Article 2 of the Mediation Rules sets out that, where parties agree in writing to refer disputes arising between them to mediation in accordance with the Mediation Rules, such disputes shall then be settled in accordance with the Rules. There is scope for parties to include flexibility with regards to the application of the Mediation Rules as Article 2 provides that any amendments agreed upon by the parties in writing will be given due regard.

“N” is for Notices

Notices are commonly found in construction contracts and is a form of formal communication between the parties to inform on various issues. Contracts will typically dictate when a notice is required and how it should be given. Notice is normally required in the following scenarios:

1. Extension of time claims by a contractor;
2. Liquidated Damages claims by an employer;
3. Claims for variations;
4. Claims for Force Majeure or Change in Legislation;
5. Claims for loss or damages;
6. Termination, suspension or informing of defects; and
7. Notices of disputes.

Every contract including standard forms and bespoke are different and will have different notice requirements and must be carefully complied with. Notices are pivotal because for instance (i) they are normally a legal requirement and failing to comply will likely result in a breach or loss of entitlement, (ii) notices provide a record of actions or claims which are crucial in disputes and (iii) they ensure parties are informed which promotes transparency and effective coordination.

Parties will also be expected to strictly comply with contractual notices in Oman and is in some instances, a legal requirement before action. Article 171 of the Civil Code for instance requires a party to serve a notice before action to the non-performing party prior to raising proceedings for specific performance in the Oman Courts.

“O” is for Oman Arbitration Centre

The OAC was established in July 2018 by Royal Decree No. 26/2018, to provide arbitration, mediation and other forms of ADR services within Oman and also to administer local, regional and international disputes. The OAC's objective includes: (i) providing necessary consultations and services for resolving commercial disputes, (ii) spreading awareness of ADR in Oman, (iii) issuing and monitoring prospectuses and OAC's printed matter, and (iv) co-operating with local, regional and international arbitration centres, and relevant bodies and organisations.

“P” is for Performance bond

Whilst contractual remedies give vital recourse against parties in breach of their obligations, employers frequently seek additional security against contractors. Performance bonds are a useful form of additional security, particularly where there is any risk that an insolvency event may prevent a contractor from completing the required works.

A performance bond is a guarantee of successful completion of a construction contract. Following the requirements of the Oman Standard Construction Documents (see ‘S’ below), the issuer of the bond is usually an Oman-registered bank. If the contractor fails to ‘perform’, the employer can call on the guarantee and receive compensation in the amount that the bond is stated to be worth. This amount was fixed at 5% of the contract value under the fourth edition of the Standard Documents, but under the 2019 fifth edition, the percentage may be agreed between the parties. Employers should note, however, that in the case of government contracts, Oman’s consolidated Tender Law promulgated by Royal Decree No. 36/2008 as amended, keeps the prescribed amount at 5%. Given that most construction projects in the Sultanate are either procured by the government or formed of public-private partnerships, 5% is likely to apply in most instances.

The Standard Documents contain a prescribed form of performance bond for use with construction contracts. This takes the form of a letter and is expressed to be valid until a contract’s final completion, although within the Standard Documents themselves, bonds should be valid and enforceable until 60 days following the issue of the completion certificate.

Performance bonds can be ‘on-demand’, or conditional: in the latter case, the employer must have evidence that it has suffered loss through the contractor’s failure to perform the contract. Omani case law sees the contract as the law governing the relationship between the parties and considers that compensation for loss is due where breach results in direct, actual and foreseeable loss that cannot be mitigated by the affected party. In practice, the Standard Documents prescribe the circumstances in which an employer may make a claim under the bond and in the event of contractor default, a claim must follow proper notice to remedy from the employer or engineer. As performance bonds are linked to contractual conditions, any departure from them without the bondsman’s approval may put claims under the bond at risk.

If an employer calls on a performance bond, under Articles 392 to 397 of the consolidated Commercial Law promulgated via Royal Decree No. 55/1990 as amended (the Commercial Code), a bank cannot refuse payment. It can, however, exercise subrogation rights against the contractor to recover any amounts it has paid to the employer.



“Q” is for Quantity surveyor

A quantity surveyor is a qualified professional who advises on the costs of a construction project. Quantity surveyors are appointed by employers to prepare cost plans and estimates and play a key role in construction projects by managing costs effectively. They estimate and monitor project expenses, prepare tender documents typically including the bills of quantities and assess financial risks. Quantity surveyors also ensure that construction materials and resources are used efficiently and align to the budget constraints.

In 1987, the Ministry of Finance in Oman issued the Standard Form of Agreement and Conditions of Engagement for Consultancy Services for Building and Civil Engineering Works (see ‘S’ below), although this standard form contract is not widely used for quantity surveying services. Quantity surveyors are typically appointed on bespoke or FIDIC-based consultancy terms.

“R” is for Retention

Most building contracts and sub-contracts entitle the employer (under a main contract) or a contractor (under a sub-contract) to keep a percentage of the value of the work carried out until completion or making good of defects (rectification). Typically, the purpose of the retention is to provide security to the Employer should the contractor not complete or fail to remedy defects or other contractually non-compliant work.

Under 1.1.4(12) of the Standard Contract for Building and Civil Engineering Works 2019 (see section “S is for Standard Oman Documents”) (largely based on the FIDIC Red Book 1999), Retention Money means the accumulated retention moneys which the Employer retains and pays out as per Sub-Clause 14.10 (Payment of Retention Money). Under 14.10, when the Taking-Over Certificate has been issued for the works, the first half of the Retention Money shall be certified by the Engineer for payment to the Contractor. If a Taking-Over Certificate is issued for a Section or part of the works, a portion of the Retention Money shall be certified and paid. This proportion shall be fifty percent (50%) of the proportion calculated by dividing the estimated contract value of the section or part, by the estimated final contract price.

Promptly after the expiry of the latest of the Defects Notification Periods, the outstanding balance of the Retention Money shall be certified by the Engineer for payment to the Contractor. If a Taking-Over Certificate was issued for a Section, a proportion of the second half of the Retention Money shall be certified and paid promptly after the expiry of the Defects Notification Period for the Section. This proportion shall be forty percent (40%) of the proportion calculated by dividing the estimated contract value of the Section by the estimated final contract price.

If any outstanding work remains to be executed, the Engineer shall be entitled to withhold certification of the estimated cost of this work until it has been executed and modify the payment of Retention Money accordingly



“S” is for Standard Oman Documents

The Fédération Internationale des Ingénieurs-Conseils (FIDIC) publishes a suite of standard-form contracts applicable to different forms of procurement for construction contracts known as the FIDIC Rainbow Suite. Contracts awarded by public authorities will typically use the Oman standard contracts which are modelled on the 1999 editions of the FIDIC Rainbow Suite.

The Oman Standard Documents for Building and Civil Engineering Works (the ‘Standard Documents’ or ‘Standard Construction Documents’) is based on the FIDIC ‘Red Book’ for employer-designed building and engineering works. The fifth edition of the Standard Documents was published in May 2019; prior to the fifth edition, the 1999 fourth edition was used for the best part of 20 years. Due to the relatively recent introduction of the newest edition, there are many active construction contracts in Oman still based on the 1999 Standard Documents. Practitioners should be cognisant of this and the fact that there are differences in the ways the two editions treat issues such as defects liability, dispute resolution and the scope and pricing of works.

There are two other standard form contracts used in Oman, namely:

1. Sultanate of Oman Standard Documents for Electrical and Mechanical Works – 1st edition 1987 (based on the FIDIC Yellow Book for Electrical and Mechanical Works 3rd Edition); and
2. Sultanate of Oman Standard Form Agreement and Condition of Engagement for Consultancy Services for Building and Civil Engineering Works - 1st edition 1987.

Construction contracts in Oman usually employ the provisions of the Standard Documents, with ‘Particular Conditions’ which may vary or amend the Standard Documents to accommodate local laws and practices and to suit the needs of the parties.

“T” is for Time bar

Time bar provisions are clauses commonly found in construction contracts which place time limits on a party's right to enforce a contractual right or to claim a contractual entitlement.

Statutory time bars exist in Omani law. Under Article 185 of the Civil Code, for example, the time bar for claims for compensation arising from a harmful act is 5 years from the day on which the person suffering harm becomes aware of the harm and the person responsible for it. The time bar for the lawsuit itself being heard is 15 years from the day on which the harmful act took place.

Under Article 92 of the Commercial Code, obligations owed by one merchant to another in respect of their commercial activities shall cease after 10 years from the date on which they were required to be performed. Similarly, final judgments in disputes arising in such commercial relationships cease to be enforceable after 10 years.

In addition, the Standard Documents (see 'S' above) provide for a 90-day period after which a contractor's offer to carry out the specified works will lapse and may not be accepted by the employer.

In Oman, the Courts assess the impact of non-statutory time bar provisions in construction disputes on a case-by-case basis, exercising their discretion and flexibility. They may use several provisions within the Civil Code to guide their decisions, such as Article 59 addressing the proportionality of harm, Article 202 pertaining to unjust enrichment (see 'U' below), and Article 156 which requires parties to execute their contracts in accordance with the principle of good faith. As a result, Omani Courts may prevent an employer from relying on a time bar provision to avoid payment for completed works under certain circumstances. These can include situations where the contractor's sole breach is a late claim submission, and the employer was aware of the contractor's intention to raise the claim, or the delay was caused by the employer's breach.

“U” is for Unjust enrichment

Unjust enrichment occurs when one party is enriched at the expense of another in circumstances that the law considers unjust. Article 202 of the Civil Code prohibits unjustified enrichment by providing that “No person may take the property of another without lawful cause, and if he takes it he must return it”. This could manifest itself, for example, in a claim for payment of work that was submitted late by a contractor. For instance, a contractor may argue that it should not be precluded from claiming compensation for work properly carried out in accordance with the contract, and which provides a benefit to the employer, simply because the related claim may have been submitted late.

“V” is for Variations

Variations (also known as changes) are variations to the original scope of works (either through increase or decrease of the works or changes to conditions timelines or specifications of the works). These are usually anticipated and dealt with in a construction contract under a variation clause. Absent a variation clause, any legal entitlement to variations will be subject to the contracting parties' mutual agreement, as provided under Article 167 of the Oman Civil Code issued via Royal Decree no. 29/2013.

Omission is sometimes referred to as descoping or a negative variation. The concept of omission in a construction contract allows flexibility to the employer to omit certain works from the contractor's scope. Contractors are generally averse to omissions of work as they can be denied an opportunity to realise profit. While standard form construction contracts include a right for the employer to omit work from the contractor's scope, not all allow the employer to give the omitted part of the works to a third party and some expressly prohibit the employer from doing so. For example, the FIDIC Red Book (1999) which is commonly used for construction projects in Oman provide in Sub-Clause 13.1 (Right to Vary) that a Variation may include omission of any work unless it is to be carried out by others. This position is reiterated in 13.1(3)(d) of the Standard Contract for Building and Civil Engineering Works 2019.

An entitlement to give omitted works to a third party must be expressly provided for in the contract to avoid any arguments alleging a breach of contract or the employer's repudiation of the contract.

“W” is for Worker's insurance

Due to construction carrying significant risks for all parties, it is of great importance to ensure that the risks are properly structured, apportioned and insured. One very important element in construction contracts are insurance policies that are to be carried by the contractor throughout the life of the contract. Worker's compensation insurance will typically cover the contractor against liability arising from the death or personal injury of an employee on site during performance of the works. Whilst this insurance policy will likely be carried by a contractor as a matter of internal policy, it is important to note that the contractor will likely be expected to maintain Worker's Compensation Insurance under a construction contract. There are currently no provisions under Omani law requiring a contractor to take out and maintain construction insurance and so it is a matter to be discussed and negotiated during the pre-contract phase. Nonetheless, as a matter of practice in Oman, construction contracts will invariably include insurance requirements for the contractor. It should be noted that there is nevertheless a general legal requirement for all employers in the private sector in Oman to comply with the Social Protection Fund (SPF) national insurance schemes, which includes insurance against work related diseases and injury. This is mandatory for Omani employees and will become mandatory for expatriate employees in June 2026.

“X” is for Exclusion clauses

Exclusion clauses are clauses that exclude or limit the liability of a contracting party for certain types of loss or damage. While there are specific provisions within the Civil Code on construction contracts, the general principle of freedom of contract and rules of contract interpretation in the Civil Code for commercial agreements will apply to a construction contract, including exclusion clauses.

Pursuant to Article 155 of the Civil Code, where a contractual provision is clear, the provision must be interpreted in accordance with its ordinary meaning, but where a contractual provision is subject to interpretation, Article 156 requires that the common intention of the parties be discerned with due regard to the nature of the transaction, as well as to the honesty and confidence that should prevail between the parties in accordance with commercial usage. As exclusion clauses can be contentious it is important that these clauses are drafted clearly without any ambiguity.

Typically, an exclusion clause within a construction contract will seek to exclude liability for certain types of loss and in Oman. It is common for contracting parties to agree to exclude liability for consequential losses or indirect losses.



“Y” is for Yellow Book

FIDIC publishes a suite of standard form contracts applicable to different forms of procurement for construction projects known as the FIDIC Rainbow Suite. The Yellow Book for design-build is the standard form design and build contract.

Most construction contracts in Oman are based on the forms published by FIDIC but extensively modified through Particular Conditions of Contract to accommodate local laws and market practices, as well as to allocate additional contractual risk and responsibility to the contractor.

The other FIDIC Rainbow Suite standard forms commonly used in Oman are the Red and Silver Books for construction and EPC works respectively, and the FIDIC Green Book for minor works. Although FIDIC published an updated edition of the Red, Yellow and Silver book in 2017 (2017 Suite) there has not yet been a widescale adoption of the 2017 Suite and it is still common to see the FIDIC forms published in 1999 in use for certain projects in Oman (which is what the Standard Documents 1999 Fourth Edition is based on, see Section S).

The FIDIC Client / Consultant Model Services Agreement (FIDIC White Book) is occasionally used for construction consultancy services for project management and for procuring design-only services, although most employers in the private sector choose to engage consultants on bespoke terms.



“Z” is for Zero emissions

Oman has committed to achieving Net Zero emissions by 2050, in line with the Paris Agreement's objectives of limiting global warming to 1.5 degrees Celsius compared to pre-industrial levels. The Sultanate of Oman's National Strategy for an Orderly Transition to Net Zero provides that Oman's energy transition is underpinned by the following fundamental objectives: (i) ensure environmental sustainability; (ii) minimise economic costs to Omani citizens and industries; (iii) optimise the economic impact arising from the transition; (iv) encourage job creation; and (v) ensure a secure energy supply.

Oman has identified green hydrogen as a means of achieving its decarbonisation, economic and energy security objectives. Oman's high quality renewable energy resources and abundance of available land, means that it is well placed to produce large quantities of low-emission hydrogen, allowing Oman to attract investment to diversify and expand its export revenues while reducing the Country's dependency on natural gas consumption and emissions.

In 2022, the Omani government established Hydrogen Oman (Hydrom) to lead and manage its hydrogen strategy. To date, 1,500 square kilometres of land has been put aside for development by 2030, and up to 40 times more land has been identified for potential hydrogen production in the long term.

Oman's hydrogen projects will use electrolyzers powered by renewable electricity (solar PV and onshore wind resources) to extract hydrogen from desalinated sea water.

Oman aims to produce at least 1 million tons of renewable hydrogen a year by 2030, considerably increasing production to 3.75 million tonnes by 2040 and up to 8.5 million tonnes by 2050. Based on current global outlook, Oman is on track to become the sixth largest exporter of hydrogen globally and the largest in the Middle East by 2030.

It is expected that these efforts in hydrogen production and other initiatives to grow Oman's renewable energy industry will bring Oman closer towards achieving Net Zero emissions by 2050.



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