



## Supply and Bidding Contracts

📅 28 September, 2000 | Fiqh of Financial Transactions, Supply Contracts and Tenders

In the Name of Allāh,

the Entirely Merciful, the Especially Merciful

Praise is due to Allāh, Lord of the worlds, may the blessings and peace be upon our master Muḥammad, the last of prophets, on his family, and all his companions.

### Resolution No. 107 (1/12) Supply and Bidding Contracts

The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, holding its 12th session in Riyadh, Kingdom of Saudi Arabia, on 25 Jumādā al-Ākhirah - 1 Rajab 1421h (23-28 September 2000),

Having examined the research papers submitted to the Academy concerning

*Supply and Bidding Contracts,*

Having listened to the discussions of the Academy's members and experts and several Fiqh scholars on the subject,

Resolves

1. Supply Contracts

First: A supply contract is a contract under which the first party undertakes to deliver, at specific periods, successive amounts of a well-defined commodity to another party, for a specific sum of money with a total or partial deferred payment.

Second: If the commodity in question is of the type that needs to be manufactured, the contract is *Istiṣnā'* and should abide by the *Istiṣnā'* rulings as stipulated in the Academy resolution no. 65 (3/7).

Third: If the commodity is not of the type that needs manufacturing and if it is a well-defined commodity that should be delivered at a specific future date, the contract may be of two forms:

1. When the orderer pays the whole price when signing the contract, this contract will then abide by Shariah rulings on Salam and thus becomes permissible as provided for in the Academy resolution no. 85 (2/9).
2. When the orderer does not pay the whole price when signing the contract, this contract becomes not permissible if it is based on the exchange of binding mutual promises (*Muwā'adah*) between the two. The impossibility of such arrangement, as indicated in the Academy resolution nos. 40-41, is due to the fact that the exchange

of binding promises between any two parties is similar to concluding a contract. Hence, a sale contract concluded in this manner would entail the prohibited practice of selling debt for a

debt.

If, however, the promises exchanged between the two parties are not binding on one or both of them, the transaction becomes permissible provided that the sale should be concluded with either a new contract or on delivery.

## 2. Bidding Contracts

First: Bidding means asking for the lowest price offer to purchase a commodity or a service. The party requesting the commodity or service calls for bids from interested suppliers according to given conditions and specifications.

Second: Bidding is permissible in Shariah. It resembles auctioning; and therefore abides by the same rulings, whether bidding is public or limited, internal or external, open or discreet. The Academy issued a resolution no. 73 (8/4) in this regard at its eighth session.

Third: It is permissible to restrict bidding to officially classified bidders or those who obtain government licenses, provided that such classification or licensing is based on equitable grounds.

*Indeed, Allāh is All-Knowing.*