



LOCAL CONTENT

IN SAUDI ARABIA



Strategic Gears
Management Consultancy



CONTENTS

The Key Takeaways	3
Introduction	4
The What	5
What is Local Content?	5
Stakeholders impacted by Local Content	9
Difference between Local Content and Saudisation	10
The Why	11
Why is Local Content important?	11
Positive effects of local content	12
The How	13
How is Local Content policy implemented?	13
How stakeholders in Saudi can meet Local Content standards	18
Case Studies	20

THE KEY TAKEAWAYS

This report presents an explainer on the Local Content policy in Saudi Arabia and addresses three fundamental questions about it: What is the policy, why is it strategically important for Saudi Arabia, and how is it being implemented? Below are the key takeaways.

Saudi Vision 2030 puts forward high-level objectives for the nation's economic future, with the local content policy emerging as a lynchpin of the country's economic diversification prospects. The concept of «local content» gained prominence following its introduction by HRH Crown Prince Mohammed bin Salman upon the launch of Vision 2030. The establishment of the Local Content and Government Procurement Authority followed shortly thereafter to spearhead the development of local content policy.

Local content relies on a network of interconnected monetary, fiscal, and industrial policy tools to maximize the utility of domestic resources and realize a longer-term multiplier effect. As a national policy priority for KSA, local content policy regulates the participation of domestic inputs of production, including labor, assets, goods and service, and technology, in value creation within the kingdom.

The Local Content and Government Procurement Authority has introduced a mandatory list of local products that organizations in Saudi Arabia must procure domestically. This list is regularly updated, with the most recent one encompassing 1024 products in 16 sectors, spanning agriculture, pharmaceuticals, and information technology infrastructure.

The successful development and implementation of local content policy in Saudi Arabia relies on the joint fulfillment of the government, firms, the workforce, non-profit organizations and consumers of their roles. One, the Government formulates, applies, and monitors the policy to ensure it is tailored to the market's endowments and capacities. Two, firms, both local and foreign, play a crucial role by complying and adapting with requirements to source local goods and services, employ Saudi labor, build connections with local industrialists, and utilize domestic assets. Three, the Saudi workforce is well positioned to reap the benefits of local content, with the sustained effort of aligning learning outcomes with market needs via the Human Capability Development Program. Four, non-profit organizations, which can create a policy dialogue between the market, the community, and the government. And five, consumers are the driving force behind the demand for domestic goods, which reinforces local content practices.

To align with local content directives and scale the impact of local content policy, organizations must learn and adapt from best practices. This includes developing sector-specific measurable performance indicators and targets and engaging with stakeholders across the value chain of local content. Collaboration between local and international firms should be encouraged to overcome individual constraints and actively introduce local sourcing into their core business functions.



INTRODUCTION

Local content is a policy priority in the national agendas of many GCC states—albeit to varying degrees—that want to sustainably promote their domestic economies and improve the quality of life. It relies on a network of interconnected monetary, fiscal, and industrial policy tools to maximize the utility of domestic resources, from labor to assets and goods and services, to achieve the highest economic and social return for any transaction in the country.

For Saudi Arabia, the policy environment surrounding local content is particularly mature relative to others in the Middle East and North Africa. Since the inception of Vision 2030, the country has been investing in developing and implementing local content regulations to diversify income sources for its economy. Without compromising on the quality of products and services sold in markets, Saudi is attempting to optimize locally sourced inputs to

realize a longer-term multiplier effect,¹ in the form of job creation and capacity development, import substitution and export competitiveness, economic inclusion, and a positive balance of payment.

This report reviews the Local Content ecosystem in Saudi Arabia and outlines how it is being implemented and why it concerns the public and private sectors alike. It explains the main mechanisms through which local content policy is being phased in, identifies those impacted by it, and unpacks three scenarios of how government and semi-government entities in Saudi Arabia can proactively align with local content requirements. The report concludes with global case studies that synthesize practices on the application of local content directions across different industries.



THE WHAT

WHAT IS LOCAL CONTENT?

The literature does not have a unified definition of the concept of local content. Yet, most converge that it is a product of integrated policy instruments that serve to ensure that an adequate level of production inputs, like human, natural, and capital resources, are sourced locally to promote and diversify the domestic economy.²

The complexity of this definition becomes evident when applying it to diverse sectors, from oil mining to construction, agriculture, and pharmaceuticals. This posits that developing and monitoring local content regulations requires a careful understanding of different sector-specific endowments and capacities across the value-chain of production. Market information, in terms of the quality and competitiveness of inputs—and in the case of labor, skills—is thus necessary for setting attainable local content policy results within the projected timelines.

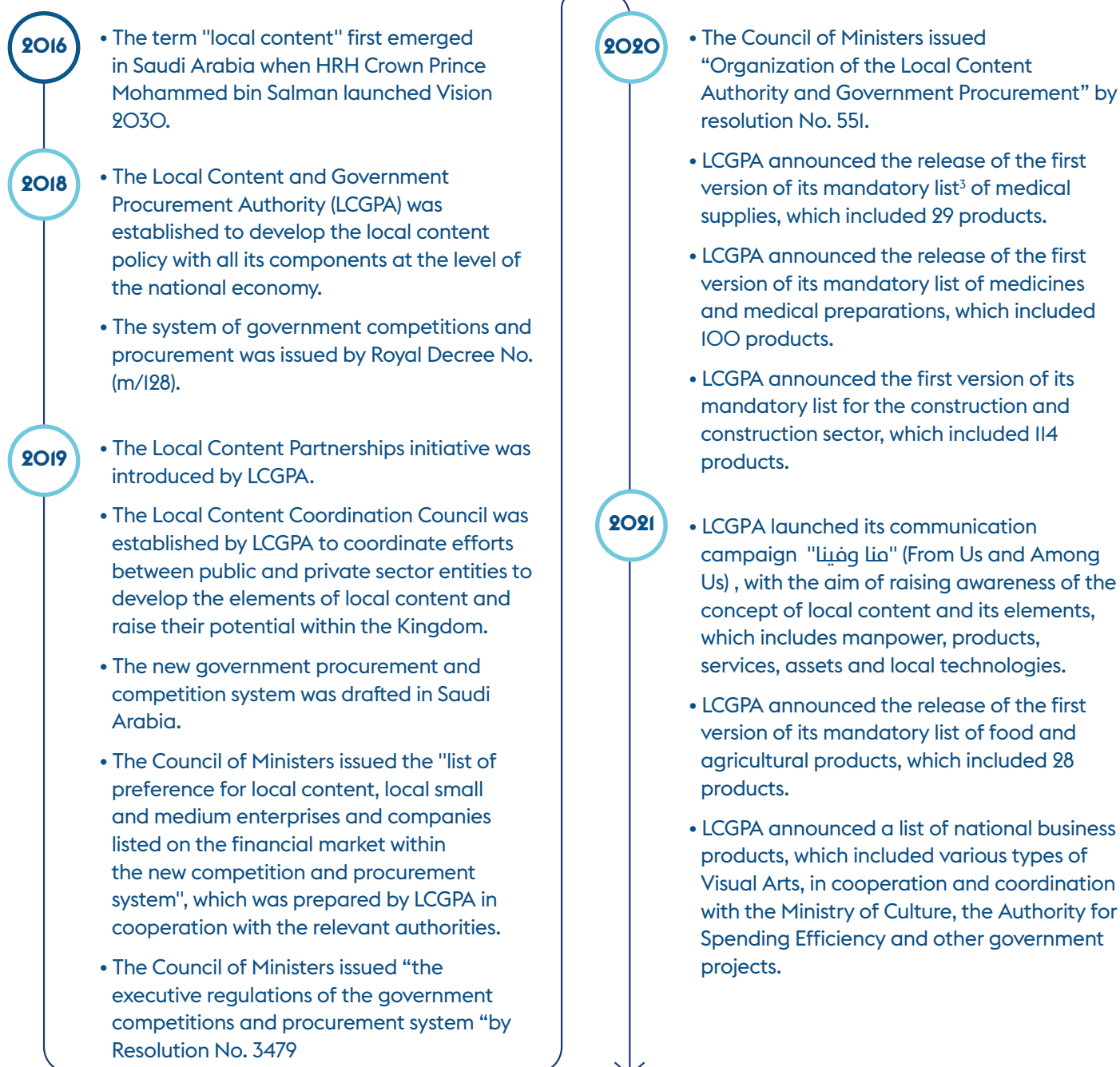
In Saudi Arabia, local content is of high relevance. As a strategic economic and social decision, the government introduced the local content policy as a foundational piece to the Vision 2030 puzzle and mandated the participation of Saudi assets, labor, technology, and goods and services in the value-chain of production. It is in this vein a pivotal element of the government's strategy to diversify the Saudi economy and create employment opportunities for Saudi nationals.

To drive this forward, a royal decree established the Local Content and Government Procurement Authority—Saudi's public body tasked with developing and monitoring the implementation of local content policy in accordance with Vision 2030. Since then, the authority has charted a way forward for what is now a maturing local content policy in the kingdom.

THE WHAT



Pre 2016 | Saudi Aramco has launched the in-Kingdom Total Value Add (IKTVA), in an attempt to introduce localization and encourage domestic value creation in the kingdom.



THE WHAT



2022

- LCGPA introduced the "Local Content Award", with the aim of motivating the public and private sectors, suppliers and companies to increase local content across various sectors.
- LCGPA organized the first edition of the Local Content Forum.
- LCGPA announced the release of the first version of its mandatory list of furniture products, which included 13 products.
- LCGPA announced the release of the first version of its mandatory list of chemical products used in water treatment, which included 12 products.
- LCGPA announced the release of the first version of its mandatory list of hygiene consumables.
- The Ministry of Industry and Mineral Resources launched the "Stimulating Local Industry" initiative, which aimed to stimulate investment in the industrial sector, raise the percentage of local content, and increase operational efficiency, production capacity and competitiveness of local factories.

2023

- LCGPA announced the issuance of its mandatory list for the personal and household equipment and supplies sector, which included 11 products.
- LCGPA announced the inclusion of cybersecurity sector products in its mandatory list, which included 8 products.
- LCGPA announced the release of the first version of its mandatory list of products for the ICT sector, which included 8 products.
- LCGPA announced the release of the first version of its mandatory list of the Paper Consumer Products sector.
- LCGPA announced the launch of the "Joint Training Programs Initiative", which aimed to provide joint training programs by members of the Local Content Coordination Council to enhance local competencies.

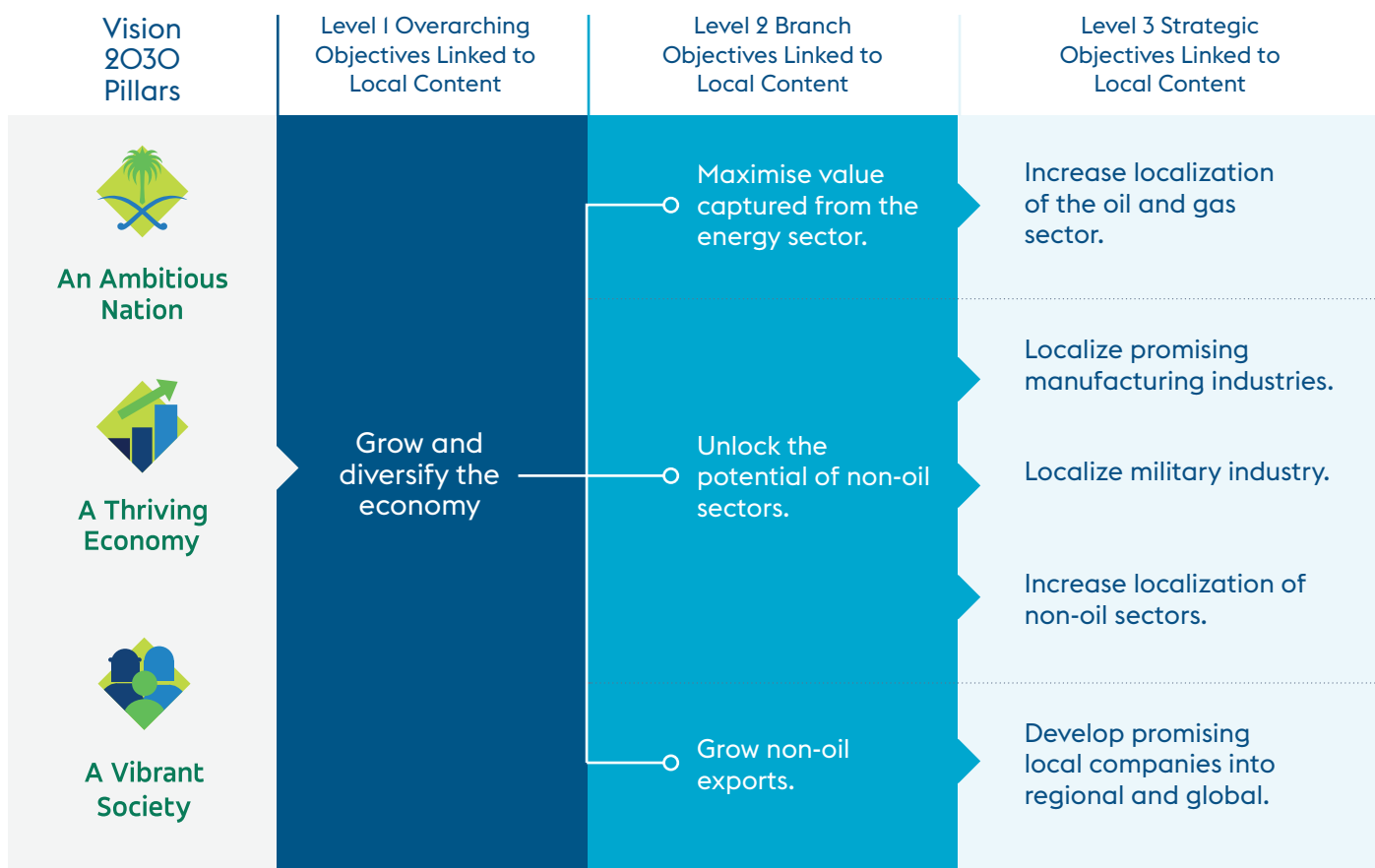
2024¹

- LCGPA announced the issuance of the mandatory list for the Equipment, sports, and leisure supplies and accessories sector, which included 5 products at first.
- LCGPA announced the adoption of the updated corporate strategy by the board of directors for the coming period from 2024 to 2028.

THE WHAT

LCGPA's Definition of Local Content

"The local content, in a simplified way, is to preserve the largest possible amount of money spent on purchases inside the Kingdom by the target groups, whether governmental or private agencies or even members of the community."⁵



THE WHAT

STAKEHOLDERS IMPACTED BY LOCAL CONTENT

The local content policy in Saudi Arabia is shaped by five main stakeholders, namely:



The Government

As the key agent that can formulate rules, enforce them, and monitor compliance, the Saudi government is de jure tasked with ensuring local content policy is adequately phased in according to the capacities and enabling conditions of firms.



Saudi Workforce

The local content policy encourages the capacity-building and training of Saudi nationals in the workforce so that learning outcomes are aligned with market needs.



Companies

The success of local content policy ultimately hinges on the buy-in from both local and foreign companies operating in Saudi Arabia. Firms are responsible for complying with local content requirements, such as sourcing local goods and services, Saudi labor, and domestic assets.



Consumers

By advocating for local content as an element of national identity and pride and advertising products that are made locally—like the “Saudi Made” stamp—consumers can drive demand for domestic goods to reinforce practices of local content among the government and firms.



Non-profit organizations

Non-profit organizations can create a communication line between the market, the community, and the government in advancing local content policy.

THE WHAT

DIFFERENCE BETWEEN LOCAL CONTENT AND SAUDISATION

"While both initiatives aim to boost the local economy and reduce dependence on foreign resources, Saudisation is an approach targeted to address the issue of unemployment among Saudi nationals."



Local Content

A policy framework to prioritize the use of local resources, including labor, assets, goods and services, and technology. It aims to support local industries, create jobs, and stimulate economic growth by reducing dependence on foreign resources.



Saudisation

Also known as the Saudi Nationalization Scheme, is a program specific to Saudi Arabia that aims to increase employment opportunities for Saudi nationals. It requires the hiring of a certain percentage of Saudi citizens in the workforce to reduce the country's reliance on foreign labor.



THE WHY

WHY IS LOCAL CONTENT IMPORTANT?

For oil-rich economies, a narrow income base is a perennial challenge. For many years, the exercise to diversify the economy of countries worldwide, even poorer ones, seemed more of an elusive goal than a tangible outcome.⁶ For states that embarked on this road nevertheless, economic diversification ultimately necessitated structural transformations for their economies to unlock more efficient and scalable use of resources.

That is why GCC countries, notably Saudi Arabia, prioritized local content as a primary conduit to stimulate local value creation and income-generating activities other than oil. Yet the GCC is not a homogenous group. Each country has a unique labor force profile, infrastructure quality, fiscal space, and investment opportunities that dictate how local content directives will materialize.

And while the local content ecosystem in Saudi Arabia is still maturing, the positive implications of it on the economy, are established by the literature—and some can be inferred for the Saudi context.

THE WHY

POSITIVE EFFECTS OF LOCAL CONTENT



Local Economic Development and Diversification

Applying local content policy in Saudi Arabia would nurture the growth and competitiveness of local industries vis-à-vis international ones, thereby reducing dependence on imports. In the longer term, revenue gains from local industries would unlock sustainable income streams that reduce the reliance on oil.



Job Creation

Supporting the local industrial and agricultural sectors, as well as mandating the procurement of local goods and services strictly could create new employment opportunities for Saudi citizens.



Economic Resilience

Investing in local content could reduce the vulnerability of the Saudi economy to shocks like oil headwinds and inflation pass-through. By promoting self-sufficiency in critical sectors, the economy would have adequate buffers to face potential external disruptions.



Technology Transfer & Quality Improvement

The benefit of technology transfer in local content policy stems from the motivation of businesses to elevate the quality of their products when using local inputs. Additionally, it leads to capacity building within the domestic supply chain, enabling local suppliers to improve their capabilities and compete with international best practices.



Diminished Economic Leakage

The increased capacity to substitute imports and hire locally ultimately leads to a decrease in economic leakage in the form of foreign currency outflow, contributing to a positive balance of payment.

THE HOW

HOW IS LOCAL CONTENT POLICY IMPLEMENTED?

Local content policy in Saudi Arabia is channeled to the market through tools, or mechanisms, that are applied at the entity level, the product level, and the contract level.

The Entity Level (Entity=Supplier/Vendor)

Mechanism: Local Content Baseline

In Saudi Arabia, the "local content baseline" is a metric used to assess how much the local economy contributes to the goods and services produced by a particular entity (such as a company or government agency). This baseline score indicates the extent to which local resources, labor, and suppliers are utilized in the entity's production processes. The local content baseline is the historical record of how well the entity has integrated local content into its operations over the past fiscal year and serves as a benchmark for evaluating and improving the use of local inputs in the entity's production activities.

There are two approaches to measuring the local content baseline at the entity level: 1) the LCGPA Approach, and 2) the IKTIVA Approach.

The LCGPA Approach:

The LCGPA's guidelines for the local content score (or baseline) template state that the historical performance of local content at the entity level during the previous fiscal year is the basis for determining how much local content a certain entity has.⁷

The Local Content Measurement Model is one of the tools provided by LCGPA to assist entities in measuring their local content baselines. It is a standardized tool used to disclose local content as part of government or private sector procurement.

It is calculated using the following formula:

$$\text{Local Content Score} = \frac{\text{Local Content in Goods \& Services} + \text{Local Content in Asset Depreciation} + \text{Local Content in Labor Compensations} + \text{Local Content in Capacity Building}}{\text{Total Cost of Goods \& Services} + \text{Total Cost of Asset Depreciation} + \text{Total of Labor Compensations} + \text{Total Cost of Capacity Building}}$$

THE HOW

The process of calculating the baseline is based on:



Local Content of Depreciation & Amortization

If the owned assets were manufactured in Saudi Arabia and are located within the Kingdom, then the local content contribution of the depreciation and amortization value of the assets is 100%. However, if the assets were produced outside the Kingdom of Saudi Arabia, only 20% of their depreciation and amortization value is reflected as local content.



Local Content Developed by Suppliers/Vendors

The identified suppliers/vendors and their required information must be listed in descending order of their contribution. At a minimum, this list should include either the suppliers whose costs make up 70% of the total goods and services expenses or the top 40 suppliers, whichever is higher.



Local Content of Workforce Compensation

Salaries of Saudi employees are fully considered local content, while only 37% of expatriate wages are calculated as local content contributions.



Local Content of Research & Development

Additional incentive score for research and development expenses in the Kingdom (maximum incentive score is 10%).



Local Content of Company Ownership

A company must be at least 50% owned by Saudi national(s) to be considered a local one.



Local Content of Expenses on Goods & Services

The entity must account for all costs, including those related to income, general and administrative costs, distribution and marketing costs, and financing costs.



Local Content from the Training & Development of Saudis

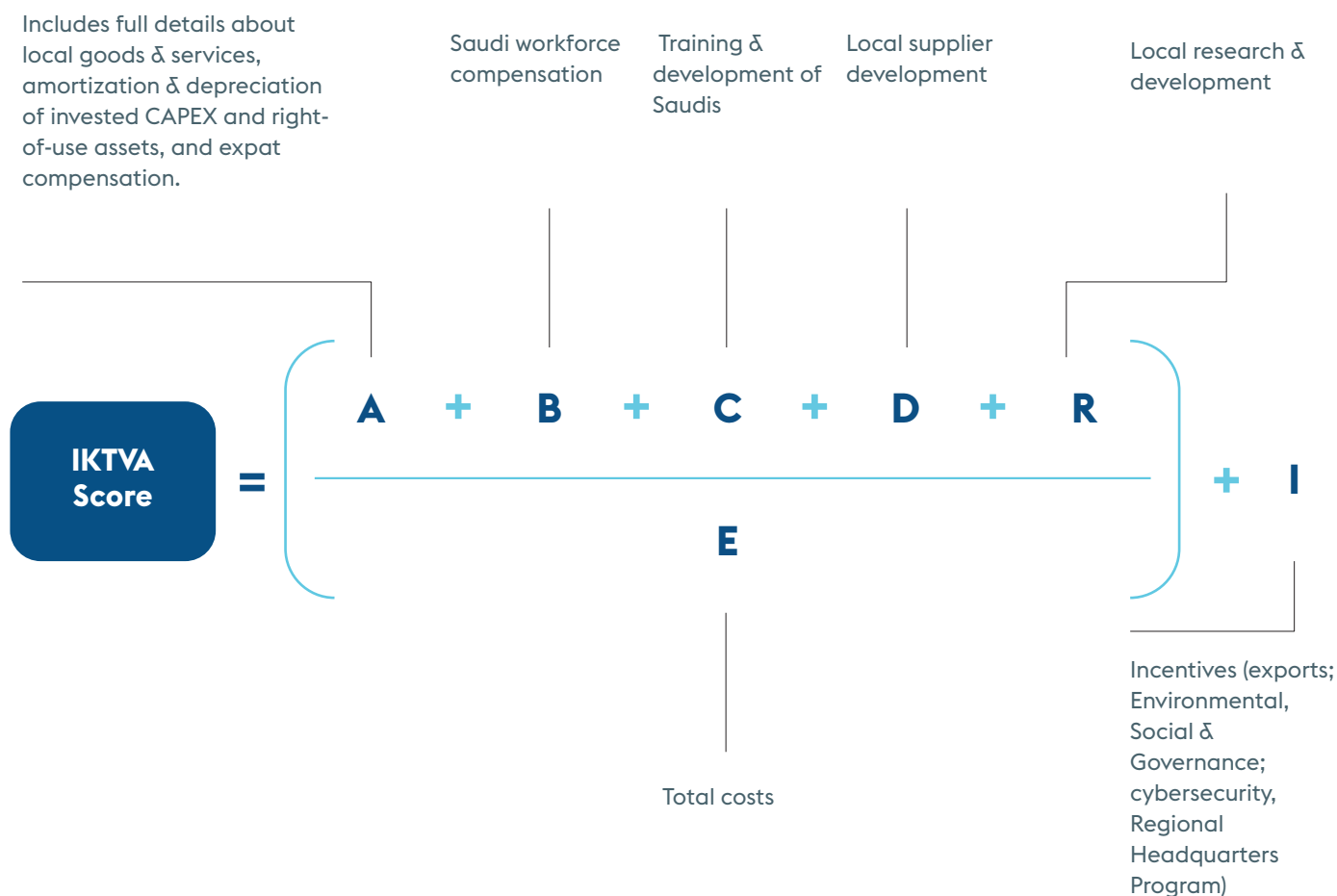
Only costs associated with Saudi personnel should be recognized if training costs involve both Saudis and non-Saudis. Additionally, the cost distribution between them should be determined by appropriate criteria such as number of employees or hours of training.

THE HOW

The IKTVA Approach⁸

The In-Kingdom Total Value Add (IKTVA) program is an initiative launched by Saudi Aramco to measure and support the growth of local content in the Kingdom. According to 2022 IKTVA guidelines, every entity should identify its IKTVA baseline by completing the IKTVA survey, based on audited fiscal year-end financial statements, to measure and identify the current IKTVA score.

IKTVA local content score (Baseline) is calculated using the following formula:



THE HOW

The Product Level (Products of Vendors)

Mechanism: (1) Mandatory List & (2) Price Preference

LCGPA announced two main product mechanisms to channel local content requirements:

(1) Mandatory List :

The LCGPA has established and updated a list of national products that entities must comply with, and any national products on this list must be purchased locally.⁹

The Mandatory List includes

1024
products

across

16
sectors

as of
July 2024



**Food and
agriculture**
(77 products)



**Apparel & luggage
and personal care
products**
(2 products)



Furniture
(25 products)



**Medical
supplies**
(322 products)



**Water
treatment
chemicals**
(12 products)



**Hygiene
consumables
products**
(13 products)



**Construction
and building
materials**
(174 products)



Cyber security
(8 products)



**Information
technology**
(9 products)



Pharmaceutical
(302 products)



**Paper
consumer
products**
(5 products)



Artwork
(8 products)



**Stationery and
office supplies**
(9 products)



**Transportation
and logistics
services**
(10 products)



**Plastic
consumer
products**
(18 products)



**Equipment, sports
and leisure supplies
and accessories**
(30 products)

THE HOW

(2) Price Preference :

Price preference in Local Content is a method that grants national products a price preference in government tenders by raising the price of foreign products by 10%.¹⁰ Foreign product bid prices are increased by 10% before being compared to national product bid prices, giving national products an advantage, ultimately fostering local manufacturing and industry development.

The Contract Level

Mechanism: Local Content Targets i.e., the share of the project that should be spent inside the Kingdom.

Local content targets are considered after a supplier/vendor passes the technical proposal in any given government procurement, provided the contract is worth over SAR 50 million.¹¹

Local content targets can be calculated using a template developed by LCGPA where all required inputs are plugged in to produce the final local content target percentage. This value is added to the supplier/vendor's proposal as the local content target percentage that they commit to as part of the public contract they are bidding for.

Offers are evaluated as follows:

- The lowest financial offer that passes the technical evaluation is evaluated based on the following equation:

$$\{(\text{lowest financial offer gets } 60\% \text{ by default}) + (\text{LC target} * 50\%) + (\text{LC baseline} * 50\%) + (\text{extra } 5\% \text{ if a listed company})\} * 40\%^{12}$$

- For those with higher than the lowest financial offer, their calculation will be:

$$\{(\text{lowest financial offer/their offer}) * 60\% + (\text{their LC target} * 50\%) + (\text{LC baseline} * 50\%) + (\text{extra } 5\% \text{ if a listed company})\} * 40\%^{13}$$

THE HOW

HOW STAKEHOLDERS IN SAUDI CAN MEET LOCAL CONTENT STANDARDS

In an iterative process, the Saudi government is expanding the scope of local content regulations. For instance, by 2023 local content requirements had also become applicable to companies where the state holds at least 50% stake. In the below, Strategic Gears synthesizes three scenarios that shape how entities can proactively comply with local content requirements depending on their needs.



1. Entities with a local content program to implement but require operational support.



2. Entities who already have a local content program but need to review its maturity level.



3. Entities who do not have a local content program yet but might be required to follow one.

THE HOW

Scenario 1

Entities with a local content program but require operational support

What can be done?
Operational Support

1. Awareness of LCGPA's guidelines:
 - Regularly review the LCGPA's guidelines and be conscious of the changes to requirements.
 - Assess the organization's ability to implement LCGPA's guidelines and flag implementation constraints.
2. Compliance support:
 - Raise the need for operational support from the LCGPA to address binding constraints.
 - Work with local content advisors and experts to receive operational support to improve local content practices.

Scenario 2

Entities with a local content program of a lagging maturity level.

What can be done?
Local Content Maturity Test

1. Awareness of LCGPA's guidelines
 - Review latest guidelines and assess the degree of alignments.
 - Identify implementation gaps and areas of improvement in the current practices.
2. Evaluate and update capacity of the operating model
 - Review the mapping of stakeholders, including government agencies and suppliers, and the role of the internal team in engaging with both to optimize adherence with local content requirements.
 - Review communication channels with each stakeholder.
 - In case of large gaps or outdated workflow, define a new operating model.

Scenario 3

Entities without a local content program but might be required to follow one in the future.

What can be done?
Build a Local Content Program

1. Learn about LCGPA's guidelines:
 - Map the LCGPA's ecosystem.
 - Understand the regulations and what is expected from your organization.
 - Draft implementation plan, accounting for potential implementation gaps and how to improve them in a phased manner.
2. Define the local content program:
 - Define measurable objectives of the program and the resources needed to reach the objectives.
 - Propose and shortlist local content mechanisms that are most effective given existing resource endowments.
3. Build an adequate operating model:
 - Design an operating model that defines who is responsible for coordinating local content compliance.
 - Structure an internal system that monitors and evaluates local content requirements.
 - Develop internal and external communication lines to streamline engagements across internal teams, government agencies, and external suppliers.



CASE STUDIES

GLOBAL CASE STUDIES

This section provides examples of local content policy in eight country contexts of different levels of economic development. The information below is compiled via desk research and summarizes the sector where local content is applied, the objective of the policy, the requirements for successfully implementing it.

INDIA

PUBLIC PROCUREMENT LOCALIZATION OF INDIA'S DOMESTIC SOLAR INDUSTRY (2010)

Objectives

- Promote the country's development, manufacturing, and production of solar power.

Enablers

Jawaharlal Nehru National Solar Mission (NSM), a major initiative of the Government of India with active participation from States.

Requirements posed

- Solar plants in India should consist of 10% of modules that are produced on a local level.
- LCR's for solar thermal plants which required developers to include 30% of local content in their plants and installation for solar thermal technology.



CHINA

AUDITING THE GOVERNMENT PROCUREMENT LAWS OF IMPORTED PRODUCTS

Objectives

- Regulate and restrict the purchase of foreign-made goods by state-owned enterprises and government agencies.
- Develop Chinese domestic industry and reduce its reliance on imports.

Enablers

Chinese Ministry of Finance and the Ministry of Industry and Information Technology in 2007, with the Government Procurement Law of the PRC (the GPL).

Requirements posed

- The government will continue procuring domestic products, public works, and services.
- They set local content requirements of 25% to 100% for 315 items purchased by public hospitals, SOEs and government agencies. The list includes medical equipment and testing machinery, as well as ground-based radar equipment, seismic instruments, and marine, geological, and geophysical equipment.

A large offshore wind turbine stands in the ocean under a blue sky with scattered clouds. To the right, a portion of the American flag is visible, showing the stars and stripes. The image is framed by large, stylized geometric shapes in shades of blue and white.

UNITED STATES

LOCAL CONTENT REQUIREMENTS FOR US OFFSHORE WIND PROJECTS

Objectives

- Developing large renewable projects
- Encourage domestic industrial transformation
- Local “green jobs” as outcomes of capital investments

Enablers

Jones Act – The Inflation Reduction Act (IRA) in the US 2022.

Requirements posed

Under Jones Act:

- Only U.S.-built, owned, and operated vessels to carry passengers or transport cargo in U.S. ports and coastal areas. Foreign wind turbine installation vessels wishing to operate in the U.S. must travel from a foreign port to the wind farm and must not carry any cargo or wind turbine components with them; parts must be transported from the port to the wind farm by a Jones Act-compliant vessel and then transferred to a foreign installation vessel for operation.

Under the IRA:

- Offshore wind projects must meet certain prevailing wage and apprenticeship requirements to qualify for the full investment tax credit (ITC) or production tax credit (PTC).
- For offshore wind projects, at least 20% of the total costs of all manufactured products and their components must be mined, produced, or manufactured in the United States.

Buy American Act 1933:

- Objectives: Bolster domestic manufacturing and employment- Give preferential treatment to domestically sourced materials and U.S. manufactured goods.
- Enablers: Provision in American law for the federal government.
- Requirements posed:
 - The procurement must be intended for public use within the United States.
 - The items to be procured or the materials from which they are manufactured must be present in the United States in sufficient and reasonably available commercial quantities of a satisfactory quality.



INDONESIA

MINERAL AND COAL MINING

Objectives

- Encourage investment in locally based processing facilities
- Bring back the added value of nickel's supply chain to the Indonesian economy
- Spur job creation and economic development in Indonesia

Enablers

The Export Ban on unprocessed minerals between 2009 and 2019

Requirements posed

- The ban included the following provisions based on two types of minerals that are defined as follows:
 - Type 1 minerals (bauxite, nickel, tin, chromium, gold and silver) are required to be processed and refined prior to export.
 - Type 2 minerals (copper, iron, lead, manganese, ilmenite, titanium and zinc) could be exported as concentrates without further refining until January 2017 if the companies could demonstrate the construction of processing and smelting facilities individually or collectively.



GHANA

DEFINING LOCAL PROCUREMENT

Objectives

- Targeted lists of types of goods that should be locally sourced
- Requirement to provide a local procurement plan
- Provision that local goods and services will be given preferential treatment or purchased to the extent feasible
- Supplier development programs

Enablers

Procurement plans to localize goods and services when bids are within 2% of each other on price.

Requirements posed

- Companies are required to procure the maximum possible amount of local goods and services, with important caveats. Specifically, “[a] mine Support this now accounts for 54–60% of all items purchased by mining companies.
- A company’s five-year procurement plan must be submitted to the Minerals Commission for approval and must include targets that adhere to the most current list of products that must be procured locally. It must also outline the support given and efforts taken to increase suppliers’ access to technical and financial assistance. The procurement plan is to be revised annually to accommodate the updated local procurement lists.



AUSTRALIA

STEEL INDUSTRY - FOSTERING LOCAL PROCUREMENT THROUGH REGULATION AND LOCAL INCENTIVES

Objectives

- Meet the domestic demand for steel
- Leveraging locations with proximity to inputs
- Easy access to markets
- The availability of labour and relatively low transport costs

Enablers

The Steel Industry Authority Act 1983 (repealed in 1999);
The Iron Ore Beneficiation Agreement Act; The Iron Ore Direct Reduced Iron Agreement Act.

Requirements posed

- Ban on iron ore was in place from 1938 to 1960 – The government also partnered with steel producers and the iron ore sector as a co-investor in supporting infrastructure.



BOTSWANA

DIAMOND INDUSTRY

Objectives

- Setting up factories in the country on the condition that they would transfer cutting and polishing skills to locals
- Guaranteed allocation of supply of rough diamonds

Enablers

In 1969, the government and De Beers formed a joint venture to form Debswana (formerly known as the De Beers Botswana Mining Company), with the government owning a 15% share in the business - Diamond Trading Company (DTC) Botswana in 2008

Requirements posed

- The Government of Botswana succeeded in negotiating with De Beers that a set number of rough diamonds from Debswana be allocated to Botswana-based cutting and polishing companies.



KAZAKHSTAN

PROMOTING LOCAL PROCUREMENT THROUGH CERTIFICATIONS AND E-GOVERNMENT

Objectives

- Fair and competitive participation of business entities in public procurement
- Promoting local content in goods, works and services

Enablers

Local Procurement in Kazakhstan - Law on Subsoil and Subsoil Use (2010)

Requirements posed

- Local goods require a certificate of origin that attests that a good was “made in Kazakhstan.” However, there have been issues regarding the ability to gather information for auditing and verification of these certificates across all levels of contracting supply chains.
- Preferential treatment should be given to Kazakh producers of goods, services and works. If the bid of a national supplier is within 20% of a foreign bid price, the national supplier must be favored.

References

1. African Development Bank. July 2016
2. Ramdoo, I. 2018. "Designing Local Content Policies in Mineral-Rich Countries." International Institute for Sustainable Development.
3. According to LCGPA, the mandatory list "is a list of the national products that the contractor is required to adhere to when purchasing products or services throughout the fulfilment of the contract."
4. As of July 2024.
5. Local Content," LCGPA, Accessed August , 2024, <https://lcpa.gov.sa/en/LocalContent/Pages/default.aspx>
6. World Bank, 2019.
7. See LCGPA Local Content Guidelines here: [https://lcpa.gov.sa/en/LocalContent/Documents/Guidelines%20for%20the%20Local%20Content%20Score%20Template%20\(Baseline%20%20Template%20No.%20N.I\)%20GL.pdf](https://lcpa.gov.sa/en/LocalContent/Documents/Guidelines%20for%20the%20Local%20Content%20Score%20Template%20(Baseline%20%20Template%20No.%20N.I)%20GL.pdf)
8. Calculation Guide In-Kingdom Total Value Add (iktva)," iktva Certification, 2023, Saudi Aramco.
9. Lists," LCGPA, Accessed August , 2024, <https://lcpa.gov.sa/en/Regulations/Docs-Lists/Pages/MandatoryList.aspx>
10. The mechanism applies to products not included in the mandatory list.
11. Other projects upwards of SAR 400 million get additional elements to measure as part of local content targets. In the financial evaluation, the mechanism gives a weight to the price equivalent to 60%, while the remaining 40% includes the local content baseline, the local content target, and if the company is listed on the financial market
12. Small and medium enterprises are awarded a price preference of 10%.
13. The difference in price between the highest and lowest offer must not exceed 10%. For example, an offer that exceeds 10% of the lowest offer will not get awarded the contract even if they scored highest on local content.

