



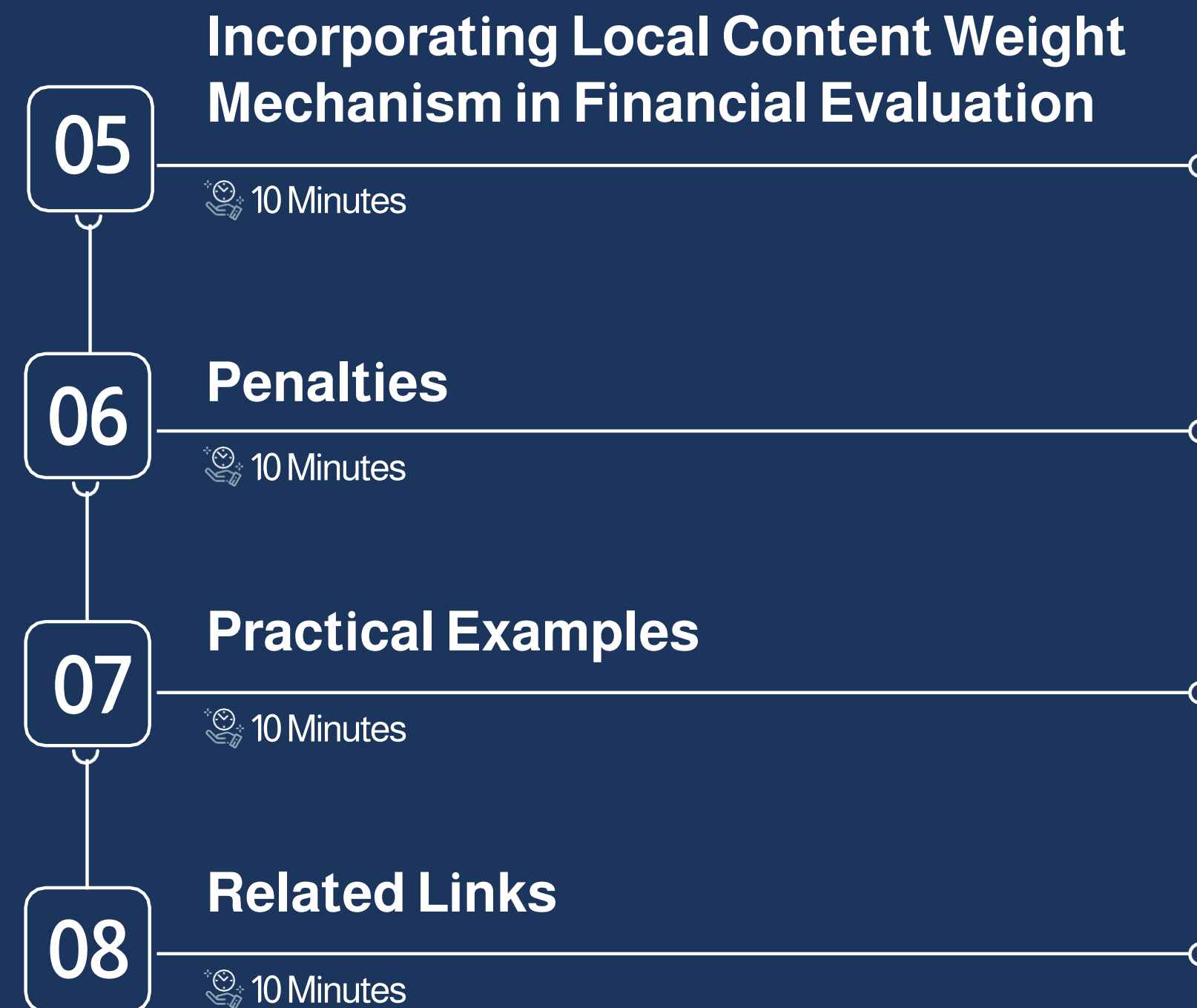
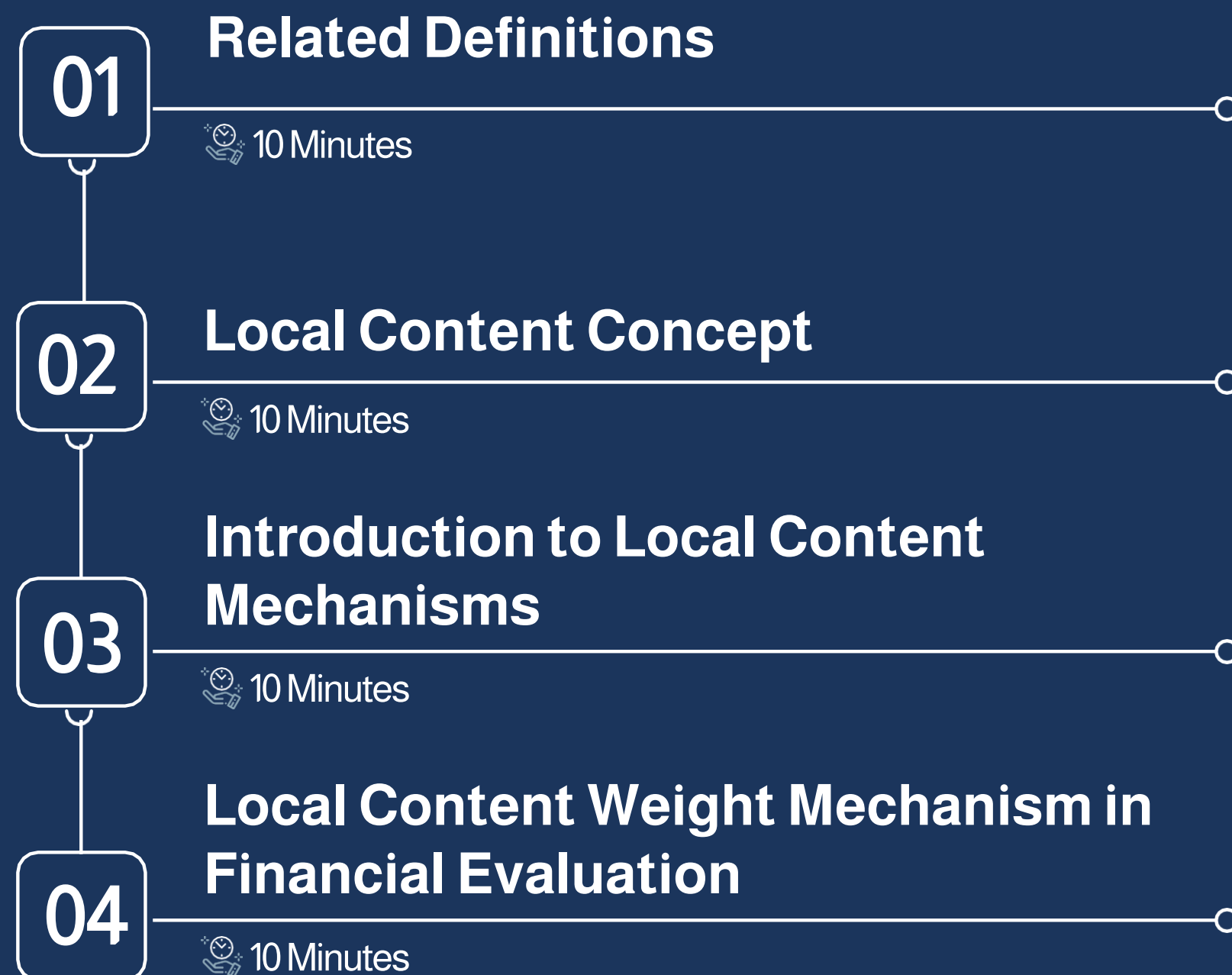
هيئة المحتوى المحلي
والمشتريات الحكومية
Local Content & Government
Procurement Authority

Unit 5

Local Content Weight Mechanism in Financial Evaluation



Workshop Agenda





01

Related Definitions

Definitions

General Definitions



Government Entity

Ministries, government agencies, and public corporations, authorities, and institutions, as well as entities with independent public legal personalities.

LCGPA

Local Content and Government Procurement Authority.

Law

Government Tenders and Procurement Law.

Regulations

Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions.

Local Content

Total spending in the Kingdom through national elements, including goods, services, assets, technology, workforce, and the like.

National Product

Any product manufactured in the Kingdom, including all extractive, agricultural, animal, and industrial products, whether in its raw form or at any subsequent stage of assembly, processing, or manufacturing.

Definitions

General Definitions



Targeted Local Content Percentage

The percentage of local content a bidder, upon submitting his tender, undertakes to reach by the end of the contract.

Local Content Gradual Plan

A mandatory plan prepared and submitted by a contractor which indicates the local content percentage to be reached during the execution of the contract.

Mixed Contracts

Mixed contracts that contain both supply-related items and other clauses related to works or services..

Share of National Products

The ratio of the value of national products a bidder undertakes to supply compared to the total bid value, excluding products on the mandatory list.

Local Content Certificate (baseline)

A certificate issued by the LCGPA that specifies the enterprise's approved local content percentage.

High-Value Contracts

Contracts whose estimated value is equal to or exceeds the amount of 25 million Riyals.



02

Local Content Concept

Local Content Concept

Definition and Components of Local Content



What is Local Content?

» It is the total expenditure in Saudi Arabia through the participation of Saudi elements in the workforce, goods and services, productive assets, technology, and other.

Local Content Elements

.....01.....

Assets



Sources and components of goods for the development of production chains.

.....02.....

Workforce



Workforce involved in manufacturing products or providing services.

.....03.....

Goods and Services



Local Components utilized in the production of goods or services.

.....04.....

Technology & other



Research, development and training for the Saudi Workforce.

Local Content

Local Content Certificate



Local Content Definition



It is the local content percentage at the entity for the targeted fiscal year, based on the entity's financial statements, which enables it to determine its current local content status.

Certificate Validity



The validity of the local content certificate is Nineteen (19) months from the date of the financial statements under measurement.

التاريخ: 00/00/00م
رقم الشهادة: M.xxxxx

هيئة المحتوى المحلي
والمشتريات الحكومية
Local Content & Government
Procurement Authority

شهادة المحتوى المحلي
Local content certification

The Local Content & Government Procurement Authority certifies that the Local Content Score for [xxx] Commercial Registration No. (xxxxxxx) for the year ended -/-/202-, is xx.x%.

The Export Revenue Score is x.xx%.

تشهد هيئة المحتوى المحلي والمشتريات الحكومية أن نسبة المحتوى المحلي لـ [xxxxxxx] سجل تجاري رقم (xxxxxxx)، للسنة المالية المنتهية بتاريخ -/-/202م تبلغ xx.x%.

تمثل درجة الإيراد من الصادرات x.xx%.

The validity of this certificate is 19 months from the **above** mentioned year ended.

صلاحية هذه الشهادة 19 شهراً من نهاية السنة المالية المذكورة أعلاه.

Note:
This certificate was issued according to the procedures followed by the Authority and based on the disclosure submitted by the entity and the report issued by the approved audit firm, without holding LCGPA minimally responsible.
This certificate is sent via electronic mail / automated system and it does not require a signature.

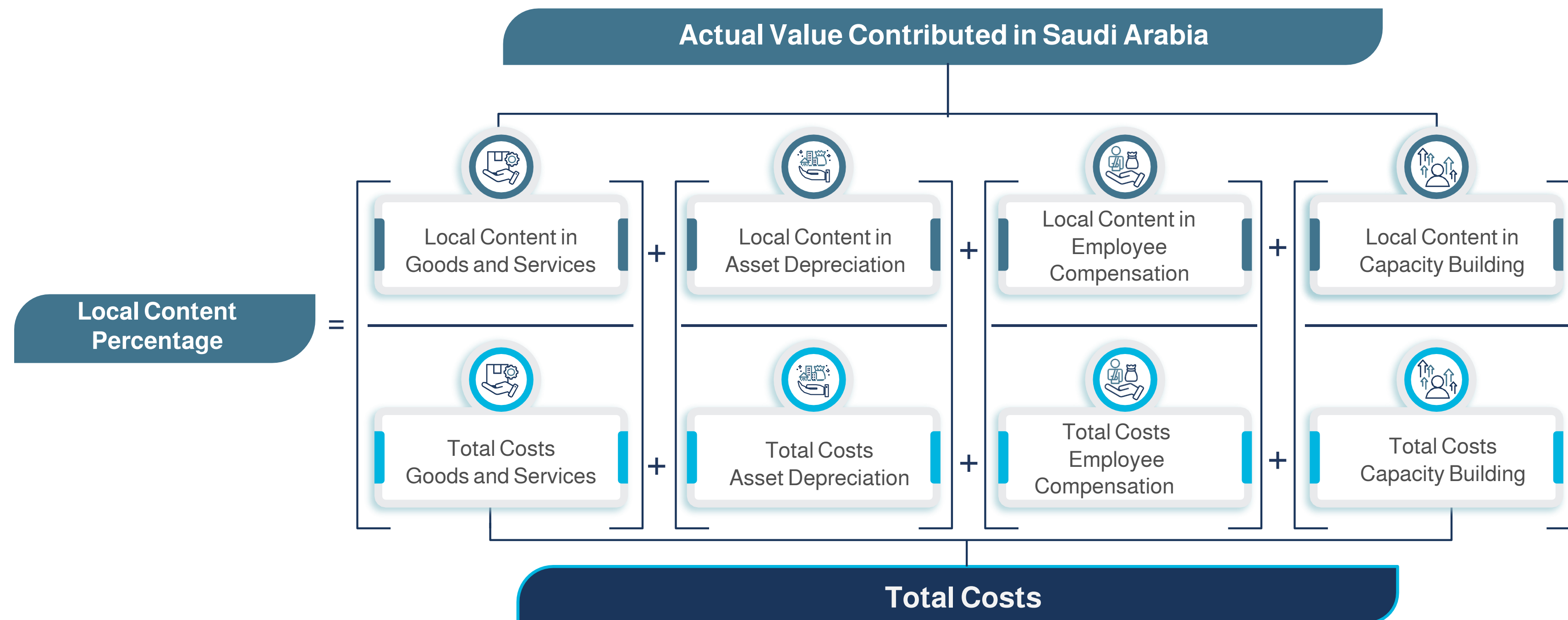
تنويه:
تم إصدار هذه الشهادة بحسب الإجراءات المتبعة لدى الهيئة بناءً على الإفصاح المقدم من المنشأة والتقرير الصادر من مكتب المراجعة المعتمد دون أدنى مسؤولية على الهيئة. هذه الوثيقة مرسلة عبر البريد الإلكتروني، النظام الذي لا يحتاج إلى توقيع.

You can validate the information in this certificate via the following link URL or by scanning the above QR code

يمكنك التحقق من صحة البيانات الواردة في الشهادة أعلاه من خلال الرابط التالي أو من خلال مسح الرمز الرقمي أعلاه

Local Content

Local Content Percentage Calculation Formula



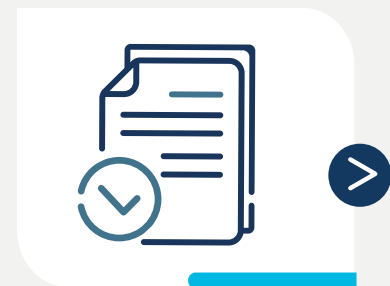


03

Introduction to Local Content Mechanisms

Introduction to Local Content Mechanisms

Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market.



**Government
Tenders and
Procurements Law.**



Executive Regulations.



Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions.



A Regulation Governing Conflict of Interest pertaining to the Implementation of the Provisions of the Law and Regulations.



A Regulation Governing the Code of Conduct and Ethics of Persons in Charge of Implementing the Provisions of the Law and Regulations.



Introduction to Local Content Mechanisms

Regulations on Preference for Local Content



About the Regulations



Under Council of Ministers Resolution No. 245, dated 29/3/1441H, corresponding to 26/11/2019G.



Objective



Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions aims to establish rules and procedures, and to define preference mechanisms for local content and local SMEs and companies listed on the capital market in business and procurement transactions. This Regulation shall apply to all entities, with the exception of military procurements*.

* Military Procurement: systems, weapons, ammunition, communications systems, equipment, spare parts, military clothing, maintenance and repair contracts.



Introduction to Local Content Mechanisms

Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions (Article IV).

The Government Entity, when issuing tenders for its business and procurements, shall undertake the following:

1



Compliance with the Mandatory List in accordance with the provisions of Articles (7) and (9) of the Regulations.



2



Local Small and Medium Enterprises (Local SMEs) shall be granted a price preference by assuming the bid prices of other entities are (10%) higher than stated in the tender documents, in all contracts - excluding supply contracts - that do not fall under the scope of high-value contracts.



3



Adoption of the following Local Content Mechanisms, without prejudice to the provisions of paragraphs (1) and (2) of this Article:

- | A- National Product Price Preference Mechanism: As detailed in Chapter (I) of Part (II) of the Regulations.
- | B- Local Content Weight Mechanism in Financial Evaluation: As detailed in Chapter (II) of Part (II) of the Regulations.
- | C- Mechanism for Determining the Minimum Local Content Requirements: As detailed in Chapter (III) of Part (II) of the Regulations.

Introduction to Local Content Mechanisms

Overview of Local Content Mechanisms



Considering the local content Preference Regulation, it included four mechanisms for developing local content in government procurement:

	Total Government Tenders		
Tender Type	Supply Tenders	Business and Service Tenders	
Price Range	All Price Ranges (High and Non-High Value Tenders)	High Value	Non-high-value
Applicable Provisions and Mechanisms	Mandatory List		
	National Product Price Preference Mechanism	Local Content Weight Mechanism in Financial Evaluation	Local SMEs Preference Mechanism
		Minimum Local Content Requirements	

Local Content Mechanisms.

Preference for local SMEs.

Introduction to Local Content Mechanisms

Overview of Local Content Mechanisms





04

Local Content Weight Mechanism in Financial Evaluation

Local Content Weight Mechanism in Financial Evaluation

About the Mechanism



Mechanism Overview



Involves assigning a weight to local content and publicly listed companies during the financial evaluation phase, according to a calculation equation that determines the bidder with the highest percentage during the bids' financial evaluation.



Scope of Application



Applied in high-value contracts equal to or exceeding 25 million, except for supply contracts.

** The value is subject to change based on reviews and alignment between LCGPA and EXPRO.*



Application Mechanism



In the financial evaluation, this mechanism allocates a price weight of 60%. The remaining 40% encompasses the following criteria:

Local Content Certificate (baseline).

Publicly listed company.

Targeted Local Content Percentage.

Local Content Weight Mechanism in Financial Evaluation

About the Mechanism



Application Mechanism



Bids' Evaluation Criteria:

Technical Evaluation:

- A bidder shall, subject to the terms and conditions stated in the tender documents, include the targeted local content percentage in his technical proposal and shall comply therewith.
Preference Regulation / Article 16.
- A bidder shall provide any additional clarifications concerning the targeted local content percentage submitted in his bid upon the request of the government entity or the LCGPA during the bid review phase. The government entity may, in coordination with the LCGPA, disqualify a bid if the clarifications on targeted local content percentage included therein are not adequate.
Preference Regulation / Article 16.

Bids' Financial Evaluation:

- The bid shall be awarded to the bidder with the highest evaluation, provided that the difference between the bid price of such bidder and the lowest bid price of any of the technically qualified bids does not exceed 10%. If the difference in price exceeds said percentage, the bid shall be awarded to the bidder with the second highest evaluation. Said percentage may be increased by agreement between the LCGPA and EXPRO, provided that the adjusted percentage is indicated in the tender documents.
Preference Regulation / Article 19.

The result of the financial evaluation =
$$\left(\frac{\text{The lowest price of a technically qualified bid (in SAR)}}{\text{Bid price under evaluation (In SAR)}} \times 60 \right) + \left[(\text{target local content percentage} \times 50\%) + (\text{local content certificate (baseline)} \times 50\%) + (5\% \text{ points for the listed company}) \right] \times 40\%$$



05

Incorporating Local Content Weight Mechanism in Financial Evaluation

Local Content Weight Mechanism in Financial Evaluation

Government Procurement Cycle



01



Preparation / Issuance of Tender Documents

- Preparation of tender documents via Etimad Portal.
- Including local content requirements in the tender documents (if applicable).
- Incorporating the feedback from LCGPA on the tender documents, if any.

02



03



Local Content Weight Mechanism in Financial Evaluation

Government Procurement Cycle



01



02



Evaluation

- Conducting the technical analysis and evaluation of bidders.
- Bidders correctly fulfilling Local Content requirements.
- Implementing the local content mechanisms detailed in the tender documents at the financial evaluation phase.

03



Local Content Weight Mechanism in Financial Evaluation

Government Procurement Cycle



01



02



03



Execution / Closure

- Verifying the receipt of gradual plans and their submission to LCGPA.
- Submission of the approved periodic and final reports by LCGPA.
- Submitting Mandatory List reports, if applicable.
- Verifying compliance with the Mandatory List products upon receipt of the supply items, if applicable.
- Application of Penalties.

Local Content Weight Mechanism in Financial Evaluation

(Regulatory Clauses)



01

Government Procurement Cycle

Preparation / Issuance of Tender Documents

02

03

Division	Division Name	The result of the financial evaluation = $\left(\frac{\text{The lowest price of a technically qualified bid (in SAR)}}{\text{Bid price under evaluation (In SAR)}} \right) \times \%60 + [(\text{targeted local content percentage} \times 50\%) + (\text{local content certificate (baseline)} \times 50\%) + (5\% \text{ points for the listed company})] \times 40\%$	Required Clauses
2	Local Content		Ensure that the following clause is present: "Bidders must comply with the Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market, issued by the Council of Ministers Resolution No. 245 dated 29/03/1441H.
5	Bids' Evaluation Criteria		<ul style="list-style-type: none">The bidder is obligated to provide the targeted percentage of local content to pass the technical evaluation. If the target percentage of local content is not provided, the bidder will be disqualified from the tender.A bid which passes the technical evaluation phase shall be evaluated according to the local content weight mechanism in financial evaluation. In such case, the weight of the financial bid shall be 60% (price weight), and the weight of the baseline, the targeted local content percentage, and whether the company is listed in the Capital Market during the evaluation shall be 40%. The evaluation shall be calculated based on the following equation: The result of the financial evaluation = $\left(\frac{\text{The lowest price of a technically qualified bid (in SAR)}}{\text{Bid price under evaluation (In SAR)}} \right) \times \%60 + [(\text{targeted local content percentage} \times 50\%) + (\text{local content certificate (baseline)} \times 50\%) + (5\% \text{ points for the listed company})] \times 40\%$ <p>The bid shall be awarded to the bidder with the highest evaluation, provided that the difference between the bid price of such bidder and the lowest bid price of any of the technically qualified bids does not exceed 10%. If the difference in price exceeds said percentage, the bid shall be awarded to the next highest ranked bidder.</p>

Local Content Weight Mechanism in Financial Evaluation

(Regulatory Clauses)



	Division	Division Name	Required Clauses
<div>01<div>Government Procurement Cycle</div>Preparation / Issuance of Tender Documents</div>	7	Bill of Quantities	<p>Mandatory List products must be identified, and the product code for each item shall be assigned. If an item is general, and may include a product from the Mandatory List, details must be specified within the item description as follows: (Note: Compliance with all Mandatory List products is required), along with indicating that the item is on the Mandatory List and selecting the product code . Then selecting "Yes" in the "Product from the Mandatory List" field, after that selecting the correct product code from the drop-down list.</p>
<div>02<div></div></div> <div>03<div></div></div>	9	Local Content Requirements	<p>Requirements for Local Content Weight Mechanism in Financial Evaluation</p> <ul style="list-style-type: none">The minimum Local Content baseline required for this tender is (...)% . Bidders must submit a Local Content baseline in their bids that meets or exceeds this percentage to pass the technical evaluation, as per the terms and conditions attached to this document. * This requirement is applicable only if a minimum Local Content baseline has been set for this tender in agreement with LCGPA.Bidders may submit a Local Content baseline for this tender, which will be considered as part of the financial evaluation criteria for the bids, in accordance with the terms and conditions attached to this document.The bidder shall submit the targeted Local Content score in accordance with the terms and conditions attached to this tender document.

Local Content Weight Mechanism in Financial Evaluation

Appendices



01



Government Procurement
Cycle

Preparation /
Issuance of Tender
Documents

02



03



Economic Participation

Section 10: "Economic Participation"

If the estimated value of this tender is equal to or exceeds SAR 100 million, the following text regarding Economic Participation shall be added:
Bidders for this tender are required to comply with the terms outlined in the attached Economic Participation Policy and to sign the provided Commitment Form (attached). This form must be submitted in a separate envelope to LCGPA.

Appendices

Section 11 : "Appendices"

The following texts shall be added in the "Appendices" field within the Required Specifications and Conditions section, ensuring that their files are attached within the attachment files of the Tender Documents, and they shall be added by uploading them via the "Supporting Files" icon.

- **Appendix (1): Terms and Conditions of Local Content Weight Mechanism in Financial Evaluation.**
- **Appendix (2): Mandatory List (to be included in confirmed cases and removed if not applicable).**

Economic Participation If applicable

The following texts shall be added in the "Appendices" field within the Required Specifications and Conditions section, ensuring that their files are attached within the attachment files of the Tender Documents, and they shall be added by uploading them via the "Supporting Files" icon.

Appendix (1): Economic Participation Policy (if applicable).

Appendix (2): Economic Participation Policy Commitment Form (If applicable).

Local Content Weight Mechanism in Financial Evaluation

Review of Bidders' Forms for the Tender - Bid Evaluation Committees.



	Document	Requirement
01	Tender Document	Ensuring the correct incorporation of Local Content requirements and the approved mechanism for this tender.
02	Technical Bids	<p>Reviewing the technical bids, with specific attention to documents related to the Local Content and the approved mechanism for the tender, as follows:</p> <p>Documents for the Local Content Weight Mechanism in Technical Evaluation:</p> <ol style="list-style-type: none">1. Bidder's input of targeted percentage on Etimad Portal.2. Document of targeted Local Content percentage (Entity Level).3. Local Content Certificate (baseline), if applicable.4. Compliance with the Mandatory List, if applicable.
03		<ul style="list-style-type: none">• Local Content Certificate: Ensure the certificate is valid.• Targeted Local Content Percentage Form (Entity Level, for Local Content Weight in Financial Evaluation):• Ensure that the submitted document is at the entity level and review the forms to ensure that the inputs are correct.• A bidder shall provide any additional clarifications concerning the targeted local content percentage submitted in his bid upon the request of the government entity.• In coordination with LCGPA, the Government Entity may also disqualify a bid if sufficient clarifications are not provided concerning the targeted Local Content Score. Furthermore, if a company is listed on the Saudi capital Market, the bidder is required to submit evidence to that effect.



Compliance is mandatory with the provisions stipulated in the Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions, issued by Council of Ministers Resolution No. 245 dated 1441/03/29H.

Local Content Weight Mechanism in Financial Evaluation

Special Considerations Regarding the Requirement of a Minimum Baseline



01



02



Government Procurement
Cycle
Evaluation

03



If the tender documents specified a minimum baseline:

- The baseline approved by LCGPA must be submitted
Bids failing to comply with this requirement shall be disqualified.



Failure to submit the Local Content Certificate, or submission of a certificate with a percentage below the minimum Local Content Certificate threshold specified in the Tender Documents, will result in the bid being disqualified.



If the tender documents did not specify a minimum baseline:

- If a bidder fails to submit a baseline within their bid, a baseline of 0% will be applied during the financial evaluation.
- If a bidder submits a baseline within their bid, that baseline shall be approved by LCGPA.

Incorporating Local Content Weight Mechanism in Financial Evaluation



01



A bid which passes the technical evaluation phase shall be evaluated according to the local content weight mechanism in financial evaluation. In such case, the weight of the financial bid shall be 60% (price weight), and the weight of the baseline, the targeted local content percentage, and whether the company is listed in the Capital Market during the evaluation shall be 40%. The evaluation shall be calculated based on the following equation:

$$\text{The result of the financial evaluation} = \left(\frac{\text{The lowest price of a technically qualified bid (in SAR)}}{\text{Bid price under evaluation (In SAR)}} \times \%60 \right) + [(\text{targeted local content percentage} \times 50\%) + (\text{local content certificate (baseline)} \times 50\%) + (5\% \text{ points for the listed company})] \times 40\%$$



The price difference between the highest-evaluated bidder and the lowest-priced technically qualified bidder shall not exceed 10%. This difference may be increased upon agreement between the LCGPA and EXPRO, provided it is specified in the tender documents.

02



Government Procurement
Cycle
Evaluation

03





Local Content Weight Mechanism in Financial Evaluation

Execution and Closure

Terms and conditions for the Local Content Weight Mechanism in Financial Evaluation, and requirements for the Gradual Plan, periodic reports and the final report:



Gradual Plan

The Contractor shall submit the Local Content Gradual Plan to the government entity – either at the contract level or the Entity level – using the designated template available on the LCGPA portal, within a period not exceeding (60) days from the date of a bid award.

The Local Content Gradual Plan shall align with the targeted local content percentage, and the extent of the Contractor's commitment to this provision will be reflected in their evaluation in accordance with Paragraph (3) of Article (6) of the Regulations.

Periodic Reports

1.The Contractor shall regularly submit periodic reports to the government entity – in accordance with the terms and conditions of the Tender Documents – to track progress towards achieving the targeted local content percentage, using the designated template available on LCGPA e-portal. The Government entity will monitor the Contractor's performance throughout the contract period to assess their commitment to achieving the Local Content Gradual Plan, and the extent of the Contractor's adherence to this provision will be reflected in their evaluation in accordance with Paragraph (3) of Article (6) of the Regulations.

2. LCGPA approval is required for the periodic reports before their submission to the government entity – if stipulated in the Tender Documents. LCGPA shall respond to the reports submitted by the Contractor within fifteen (15) working days from the date of submission; otherwise, they will be deemed approved.

3. LCGPA has the authority to request an audit of the annual periodic report, provided that the audit requirements are included within the Tender Documents.

Final Report


1.The Contractor shall submit a final report to the government entity detailing the achieved local content percentage, for the purpose of verifying its alignment with the targeted local content percentage, in accordance with the terms and conditions stipulated in the Tender Documents.

2.LCGPA approval is required for the final report referred to in Paragraph (1) of this Article before its submission to the government entity. LCGPA shall respond to the final report submitted by the Contractor within fifteen (15) working days from the date of submission; otherwise, it will be deemed approved.


3.LCGPA has the authority to request an audit of the final report, provided that the audit requirements are included within the Tender Documents.




```
graph TD; 01[01 Planning] --> 02[02 Execution]; 02 --> 03[03 Closure];
```

01  **Planning**

- Identify needs and requirements
- Prepare documents and specifications
- Evaluate bids and proposals

02  **Execution**

- Contract management
- Monitoring and reporting
- Payment and delivery

03  **Closure**









- Final payment
- Evaluation and feedback
- Archiving and documentation

Government Procurement Cycle

Execution / Closure



- » Project Name
- » Contractor Name
- » Contract Start Date: March 2021
- » Contract Duration: Four Years
- » Contract End Date: March 2025

-  **Contract Award Date: March 2021**
 -  **Contract Duration: Four Years**
 -  **Local Content Certificate (baseline)**
 -  **Targeted Score**
 -  **Targeted Local Content Score - Year 1**
 -  **Targeted Local Content Score - Year 2**
 -  **Targeted Local Content Score - Year 3**
 -  **Targeted Local Content Score - Year 4**

[illegible]



Local Content Weight Mechanism in Financial Evaluation

Government Project Lifecycle -**Execution / Closure**- Requirements for compliance with targeted percentages

01



Gradual Plan

To be submitted by the Contractor to the government entity within **60 days**

To be approved by the government entity that owns the project.

02



03



Government Procurement Cycle

Execution / Closure



Periodic Reports



Final Report

Applied Mechanism

Local Content Weight at Entity Level.

Submission Period

The Contractor shall not submit any reports within the first six months following the contract start date. Subsequently, reports shall be submitted annually after the conclusion of the Contractor's fiscal year.

The fiscal year preceding the end of the contract.

Submission Date

To be submitted no later than 7 months after the end of the fiscal year.

Report Issuance Mechanism

Contractors shall work with audit firms accredited by LCGPA, and the report will be released upon LCGPA's approval.

Compliance Measurement Mechanism for the Targeted Percentage

Measuring the approved percentage in the report against what was presented in the Local Content Gradual Plan for the same measurement period.

Comparing the approved score in the report against the targeted score.

Local Content Weight Mechanism in Financial Evaluation

Sample of (Gradual Plan Template – Periodical and Final reports)



Inputs

01



- » Contract Start Date: March 2021
- » Contract End Date: March 2025
- » Contract Duration: Four Years
- » Measurement Mechanism: At the Entity Level

02



- » Contract Start Date: March 2021
- » First Report Submission Date (After the end of the fiscal year)
- » End of the Contract
- » Final Report Submission Date (In the fiscal year preceding the contract)

03



Government Procurement Cycle

Execution / Closure

- No reports are to be submitted during this period (6 months).
- Periodic Report Submission Period (Deadline: Maximum 7 months from the end of the fiscal year)
- Final Report Submission Period

2021 »

1

2

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12

Gradual Plan

2022 »

1

2

3

4

5

6

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11

12

2023 »

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7

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2024 »

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12

2025 »

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06

Penalties

Penalties

Non-compliance Penalties



Based on the final report provided by the Contractor, the government entity shall assess the Contractor's performance concerning their adherence to the Targeted Local Content percentage and incorporates this assessment into the Contractor Performance Evaluation Template.

Upon the conclusion of the contract, the government entity shall impose a financial penalty of up to 10% of the contract value if the difference between the Achieved Local Content Percentage and the Targeted Local Content Percentage exceeds 5%, or in the event of non-submission of the Final Report.

In addition to the financial penalty, the government entity shall escalate the issue to the committee established pursuant to Article (88) of the Government Tenders and Procurement Law.

- If the contractor fails to submit the final report.

- If the difference between the Achieved Local Content Percentage and the Targeted Local Content Percentage exceeds 15%.

LCGPA shall escalate the issue to the committee established pursuant to Article (88) of the Government Tenders and Procurement Law.

If the difference between the Achieved Local Content Percentage and the Targeted Local Content Percentage exceeds 10% repeatedly for three times within the last three years—whether for one or multiple government entities — or in the event of repeated non-submission of the Final Report three times within the last three years, whether for one or multiple government entities.

Financial Penalty Amount = (Local Content Weight and Companies Listed on the Financial Market in the Financial Evaluation) * Deviation Rate * Contract Value Deviation Rate.

Deviation Rate Calculation= Targeted Local Content Percentage - Achieved Local Content Percentage



07

Practical Examples

Local Content Weight Mechanism in Financial Evaluation

Practical Example



Tender Information



Tendering Authority:
Government Entity.



Tender Type:
Works and services.



Tender Documents:
The government entity has incorporated the local content weight mechanism in the financial evaluation and has included the terms and conditions in the tender documents.



Applicable Provisions and Mechanisms:
Mandatory List (If Applicable)
Local Content Weight Mechanism in Financial Evaluation.



Tender Value:
SAR 420,000,000, and for four years.

Bidders' Information



**Bidder
No. (1)**

Local Content Certificate
(Baseline) for the enterprise.

Not
submitted

Targeted Local Content
Percentage

30%

Not Listed on the Capital Market.



**Bidder
No. (2)**

Local Content Certificate
(Baseline) for the enterprise.

25%

Targeted Local Content
Percentage

40%

Listed on the Capital Market



**Bidder
No. (3)**

Local Content Certificate
(Baseline) for the enterprise.

16%

Targeted Local Content
Percentage

Not
submitted

Listed on the Capital Market



Local Content Weight Mechanism in Financial Evaluation

Practical Example



Bids' Evaluation Mechanism (Technical)

Bidder No. (1)	Targeted Local Content Percentage	Not submitted
	Local Content Certificate (Baseline) for the enterprise.	30%
	Not Listed on the Capital Market.	✗
Bidder No. (2)	Local Content Certificate (Baseline) for the enterprise.	25%
	Targeted Local Content Percentage	40%
	Listed on the Capital Market	✓
Bidder No. (3)	Local Content Certificate (Baseline) for the enterprise.	16%
	Targeted Local Content Percentage	Not submitted
	Listed on the Capital Market	✓

Enterprise Local Content Certificate (baseline)

The Tender Documents did not state the submission of a Local Content Certificate (Baseline). Bidders who do not submit a baseline local content certificate will not be disqualified.

Targeted Local Content Percentage

The tender documents stated the application of a Local Content Weight Mechanism in Financial Evaluation. Bidder No. (3) was disqualified for failing to meet the Targeted Local Content Percentage.

Local Content Weight Mechanism in Financial Evaluation

Case Study



Bid Evaluation Mechanism (Financial)

Bidders	Local Content Certificate (baseline)	Targeted Percentage	Financial Proposal	Is the company listed on the Capital Market?
Bidder No. (1)	0%	30%	450,000,000	✗
Bidder No. (2)	25%	40%	455,000,000	✓
Bidder No. (3)	Technically disqualified; due to failure to meet the target percentage.			

The result of the financial evaluation = $\left(\frac{\text{The lowest price of a technically qualified bid (in SAR)}}{\text{Bid price under evaluation (In SAR)}} \times 60\% \right) + [(\text{targeted local content percentage} \times 50\%) + (\text{local content certificate (baseline)} \times 50\%) + (5\% \text{ points for the listed company})] \times 40\%$

Bidders	Calculation Method	The result
Bidder No. (1)	$\left(\frac{\text{SAR } 450,000,000}{\text{SAR } 450,000,000} \times 60\% \right) + [(30\% \times 50\%) + (0\% \times 50\%) + (0\% \times 30\%)]$	66%
Bidder No. (2)	$\left(\frac{\text{SAR } 450,000,000}{\text{SAR } 455,000,000} \times 60\% \right) + [(40\% \times 50\%) + (25\% \times 50\%) + (5\% \times 40\%)]$	74% Winner

The tender has been awarded to Bidder No. (2), who submitted the highest-rated financial propose who had the highest score in the financial evaluational, given that the price difference did not exceed 10%.

Local Content Weight Mechanism in Financial Evaluation

Practical Example – Government Entity



Bidder Number (2) shall submit the Gradual Plan, Periodic Reports, and the Final Report during the contract execution period as follows:

Entity Level

The contract was awarded to the Bidder on **On March 1, 2021**, and the contract duration was four years.

Reports

Gradual Plan

Submission Deadline for the Gradual Plan: 60 days following the tender award.

Gradual Plan
Submission
Date

April 30, 2021



To be submitted to the government
entity that owns the project.

Periodic Reports

Periodic reports related to the weight mechanism shall be at the entity level and submitted after the end of each fiscal year for the contractor.

Periodic Report

Submission Date

First

December 31, 2021

Second

December 31, 2022

Third

December 31, 2023

Final

December 31, 2024



To be approved by LCGPA prior its
submission to the government entity.



Final Report

Deadline for
Submitting the
Final Report

July 2025

To be approved by LCGPA prior its
submission to the government
entity.

Local Content Weight Mechanism in Financial Evaluation

Case Study



The Contractor shall submit the final report to the government entity, and if there is a difference between the Targeted Percentage and the Achieved Percentage, the government entity shall impose the following penalties:

Penalties

Final Report

The Final Report submitted by the Contractor includes the following:



Targeted Percentage 40%

Achieved Percentage 26%

Penalty Amount

The government entity shall impose a financial penalty proportional to the Contractor's deviation from the Targeted Percentage.

Financial Penalty Amount = Local Content Weight and Companies Listed on the Financial Market in the Financial Evaluation * Deviation Rate * Contract Value

Deviation Rate = Targeted Local Content Percentage - Achieved Local Content Percentage



Deviation Rate = 40% - 26% = 14%

Financial Penalty Amount = 40% x 14% x (455.000.000) = 25.480.000 SAR



08

Related Links

Related Links



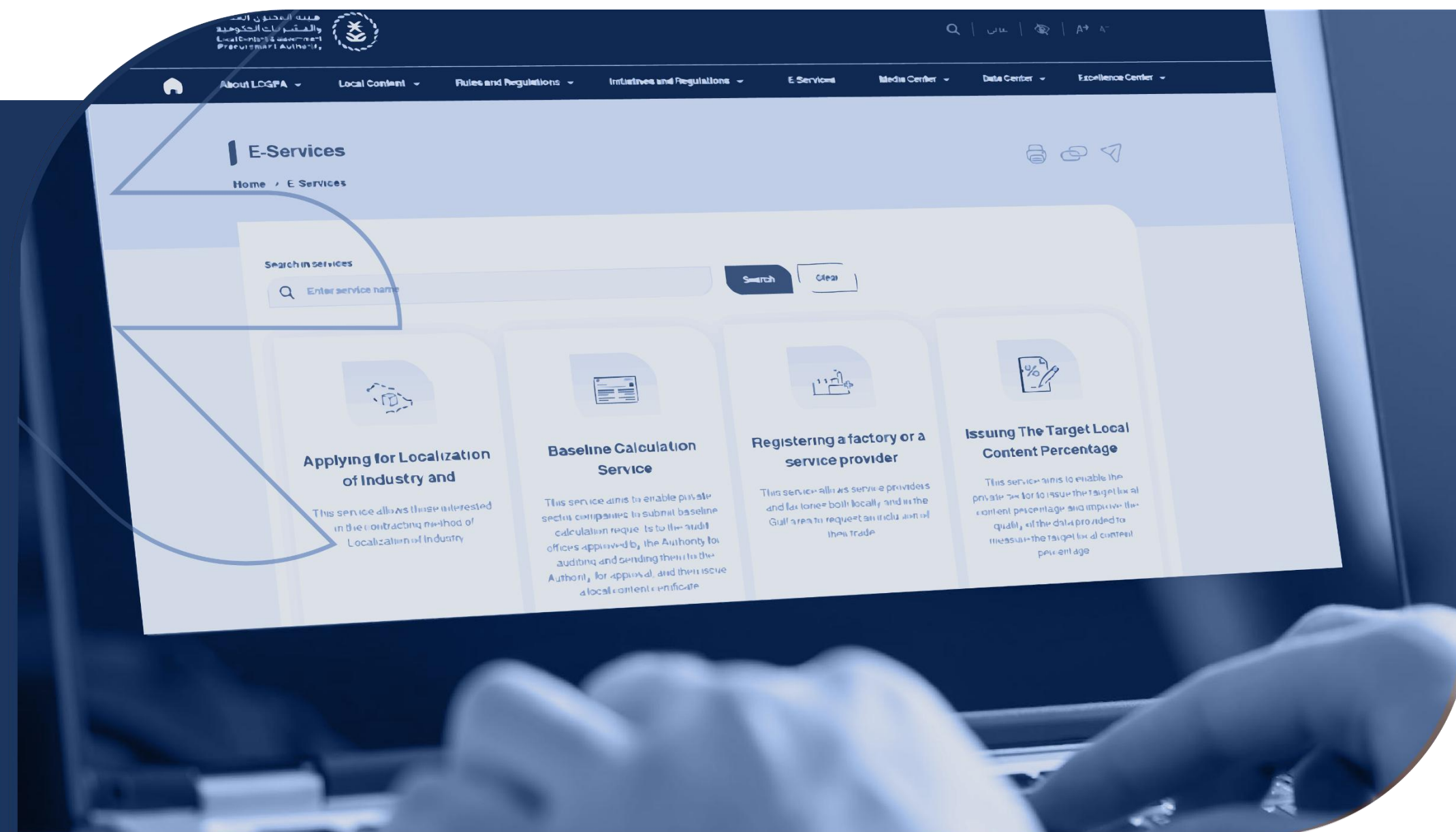
Templates for Periodic Reports and the Final Report



Gradual Plan



E-Services





هيئة المحتوى المحلي
والمشتريات الحكومية
Local Content & Government
Procurement Authority

Thank you..

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Disclaimer

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