

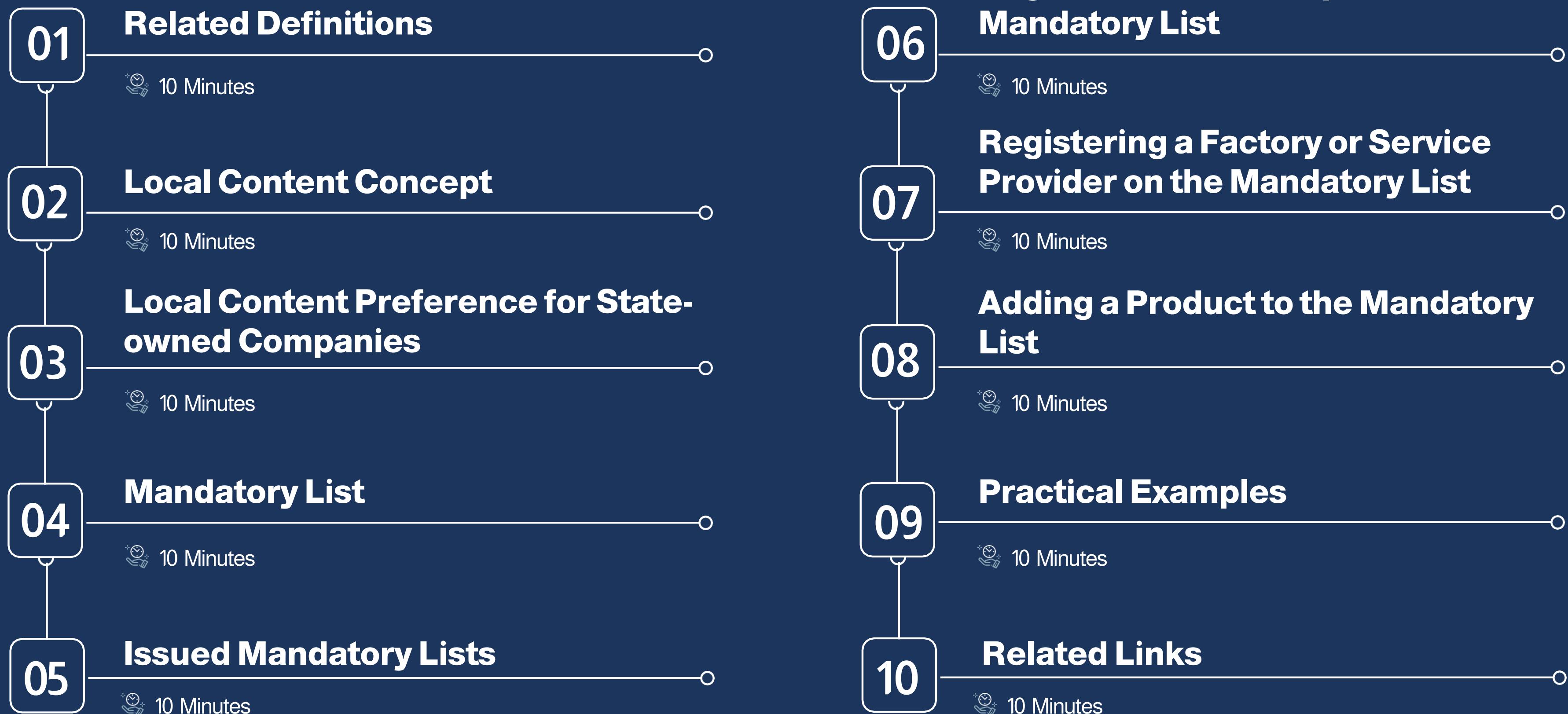


Unit 3

Mandatory List

(State-owned Companies)

Workshop Agenda





01

Related Definitions

Definitions

General Definitions



Company

State-Owned Companies - or any its agencies - or where the State holds more than 50% of the capital, and are commercially registered in the Kingdom.

LCGPA

Local Content and Government Procurement Authority.

Local Content

Total spending in the Kingdom through national labor, including goods, services, assets, technology, and other.

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.

Company's Regulations

Internal Business and Procurement Regulations.

Mandatory List

A list of national products and services issued and regularly updated by the LCGPA.

Definitions

General Definitions



Small and Medium Enterprises (SMEs)

Micro-, small-, and medium-sized enterprises, as classified by the Small and Medium Enterprises General Authority.

Target 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 that indicates the targeted local content percentage to be reached during the execution of the contract, and the contractor is obligated to deliver within 60 days from the awarding date.

Local Content Certificate

Local Content Percentage - approved by LCGPA - for the bidder's facility upon bid submission.

Mixed Contracts

Contracts containing provisions related to both the supply of goods and the provision of services or other works, such as supply and installation contracts, construction contracts, and infrastructure development contracts in all their forms and varieties.



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 components in the labor, goods and services, productive assets, technology, and the like.

Local Content Elements

.....01.....

Assets



- Sources and Components of goods for the development of production chains.

.....02.....

Labor



- Workforce involved in manufacturing products or supplying services.

.....03.....

Goods and Services



- Local Components utilized in the production of goods or services.

.....04.....

Technology & the like



- Research, development and training for the Saudi labor.



Local Content

Local Content Certificate



About the Certificate



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

Certificate Validity

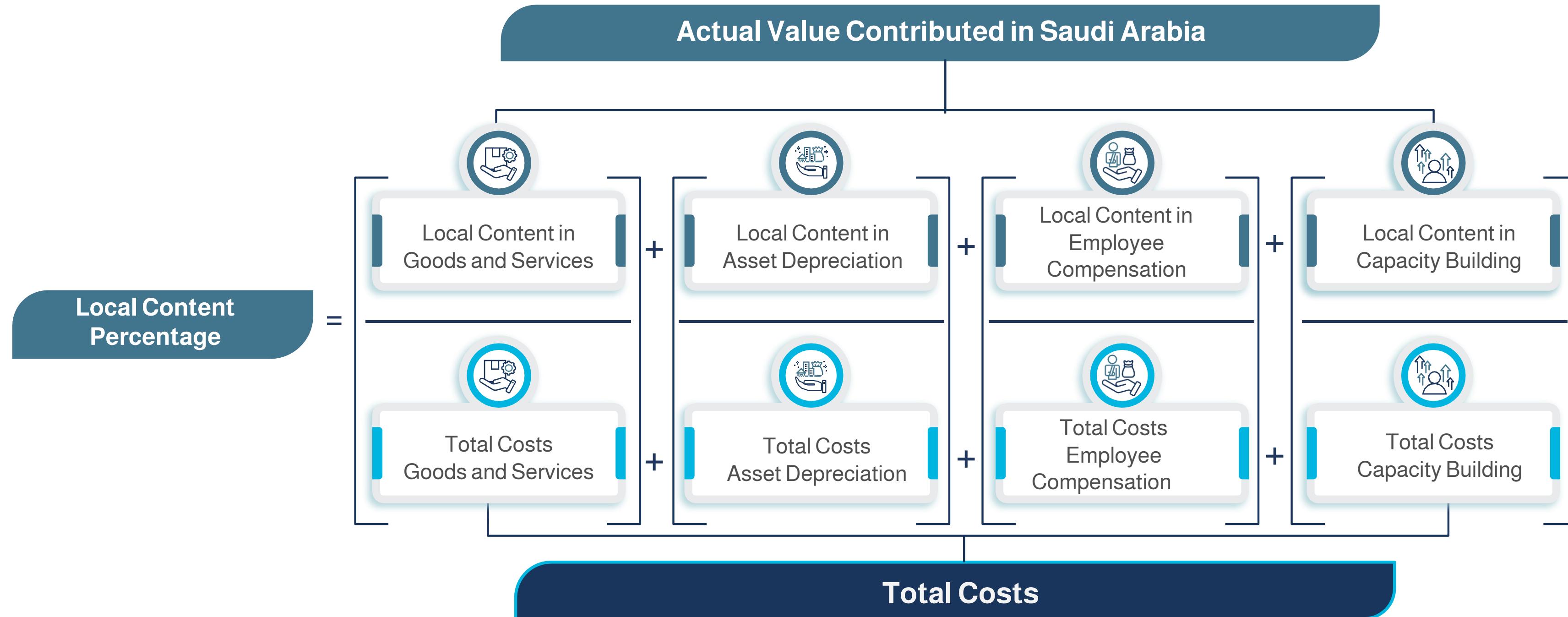


The validity of the local content certificate is Nineteen (19) months from the date of the financial statements under measurement.



Local Content

Local Content Percentage Calculation Formula





03

Local Content Preference for State-owned Companies



Local Content Preference for State-owned Companies



Objectives and Application

Objective

Developing Local Content and Local SMEs through fully state-owned companies' businesses and procurement.

These provisions shall apply to the companies' business and procurement transactions, except for the following:

1 Company contracts with any entities within the same group, emphasizing the importance of adhering to the following:

The contractor shall, upon the execution of business and procurement, supply the products listed in the Mandatory List, and apply the SMEs Preference Mechanism and non-mandatory National Product Price Preference Mechanism during the bid evaluation process, as stipulated in the relevant provisions.

In cases where subcontracting is necessary, the subcontractor shall supply the products listed in the Mandatory List, and apply the SMEs Preference Mechanism and non-mandatory National Product Price Preference Mechanism during the bid evaluation process, as stipulated in the relevant provisions.

2 Companies' contract for businesses performed outside the Kingdom.

The term "contracts within the same group" refers to contracts concluded between an entity and its subsidiary or between two subsidiaries of the same entity. An entity shall be deemed a subsidiary of another entity if the latter directly or indirectly holds (50%) or more of the former's capital.

Local Content Preference for State-owned Companies

Special Requirements



1

Companies shall ensure in advance that there is no more than one qualified local individual available to purchase or perform the required work when engaging with foreign individuals.

2

Companies shall include in their tender documents and the terms and conditions related to local content, as applicable.

3

The technical specifications, set by companies for business and procurement transactions, shall not be designed to exclude national products that meet the required standards.

4

Companies shall ensure that both national and foreign products comply with the approved national standards, or to international standards where no national standards exist.

5

Where applicable, companies shall apply the Mandatory List when executing their business and procurement transactions.

Through the contractor's supply of national products included in the Mandatory List, and by applying these requirements to all contracts that include products listed therein.

LCGPA shall establish the necessary regulations for exclusion from the Mandatory List. Under specific conditions outlined in its internal bylaws, companies may still procure national products included in the Mandatory List if the price difference between the national product and the foreign one does not exceed 10%, after inviting at least three local manufacturers to bid on or fulfill the required procurement.

6

The contractor shall apply all the aforementioned provisions when executing business and procurement transactions on behalf of the companies.





Local Content Preference for State-owned Companies



Implementation Phases

First Phase

Effective on **December 18, 2022**, the following companies will contribute, as applicable, to the development of local content and small and medium-sized companies during this period:

The aforementioned companies

State-owned companies (**100%**).

18 December

2022

Second Phase

Subsequent to the completion of the first phase, the second phase commenced on **December 18, 2024**, as outlined below:

Applying preference to all state-owned companies (or any of its government agencies) or those in which the State holds more than (**50%**) of the capital.

19 December

2024

Companies in which the ownership percentage of the State, or any of its agencies, exceeds **50%** of their capital, after the effective date of the Preference Policy, are obligated to commence applying the Preference Policy within 90 days from the date such ownership increase occurs.

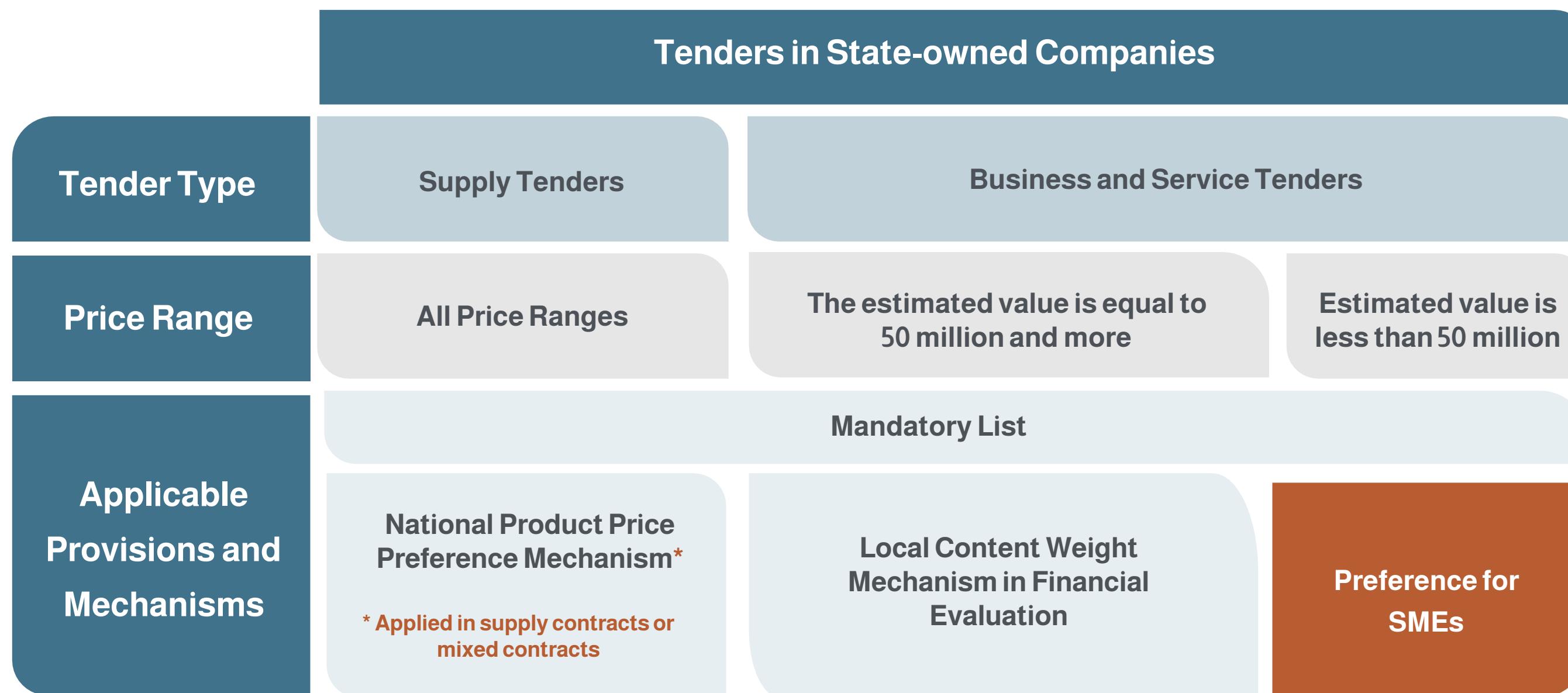


Local Content Preference for State-owned Companies



Overview of Local Content Mechanisms

Given the local content controls for state-owned companies, three mechanisms for local content development have been identified:



Local Content Mechanisms.

Preference for SMEs.

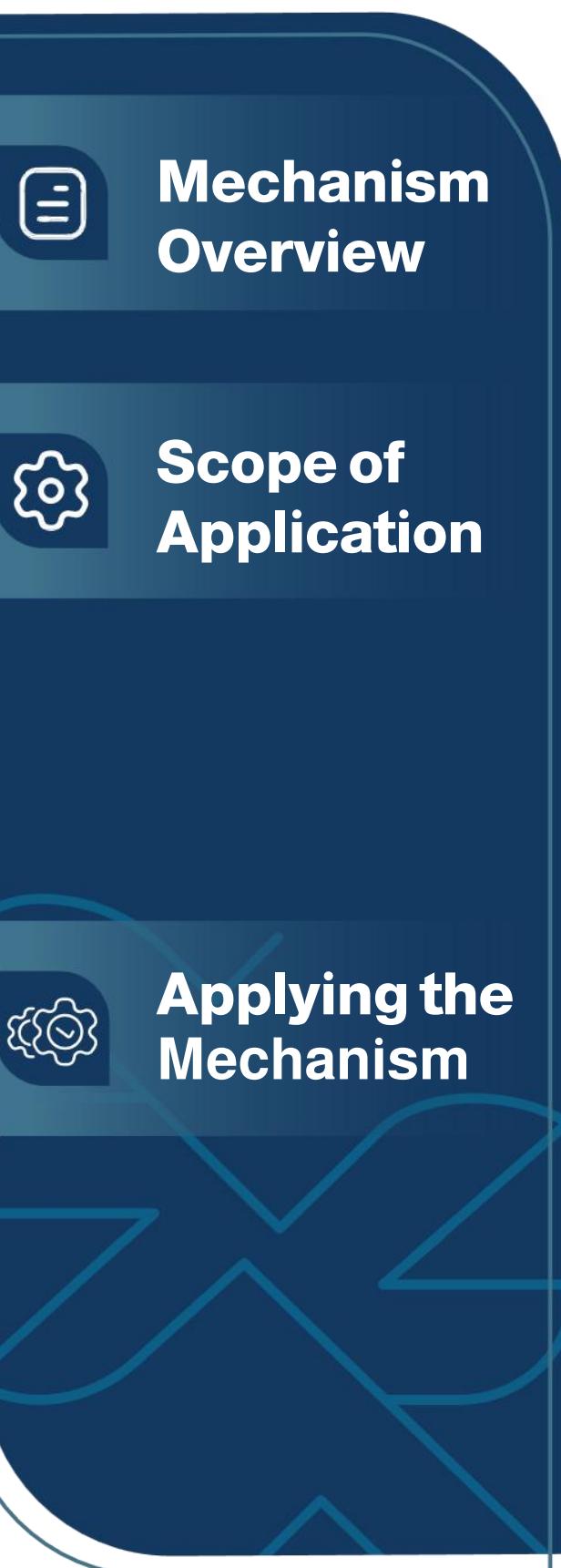


04

Mandatory List

Mandatory List

Mechanism Overview



A list of national products and services issued and regularly updated by the LCGPA. The LCGPA shall, in coordination with relevant authorities, set the rules and criteria required for inclusion in the Mandatory List or exemption therefrom.

It is directly applied in all types of contracts by the Company, its Contractors, and Subcontractors when executing the Company's work, whether for supply or service contracts, where the scope of work includes products or services listed in the Mandatory List.

Bids shall be excluded if the bidder does not comply with the mandatory list requirements. If the tender is divisible, then the items for which the bidder did not comply with the Mandatory List shall be excluded.

Establishing mechanisms to monitor contractor performance in fulfilling their commitment to the Mandatory List during contract execution, and to ensure non-acceptance of any supplied products that violate the Mandatory List, except in cases where companies deem it in their best interest to accept such products. This includes penalizing the contractor as per company policies and the contract concluded with them. This framework excludes products exempted according to regulations set by LCGPA, specifically the Regulations for Exemption from the Mandatory List for State-Owned Companies.

Mandatory List

Methods for Proving National Product Origin



National Product Definition



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

Methods for Proving National Product Origin

01



A (SABER) certificate issued by the Saudi Standards, Metrology and Quality Organization (SASO), clarifying that the product's origin is national.

02



A written declaration from the manufacturer or service provider according to the template prepared for that purpose, and available on LCGPA's website.

03



Country of Origin (COO) marking, provided that the marking is permanent in a way that is difficult to remove, which can be engraving, weaving, printing, or pressing according to the nature of the product, with the criterion being that it leaves a trace upon removal.

04



The "Made in Saudi" certificate issued by the Made in Saudi program.

05



The "Saudi Tech" logo issued under the "Made in Saudi" Program.

06



A valid commercial registration (CR) or a self-employment document, for services included in the mandatory list.

07



The product must meet the requirements of the rules of origin, for national products manufactured outside free zones, in accordance with the unified rules for granting preference to national products in government procurements in GCC countries and the national rules of origin, based on a certificate issued by a competent authority.

08



A certificate or product registration license issued by a competent authority in the Kingdom of Saudi Arabia, such as a product registration certificate from the Saudi Food and Drug Authority (SFDA), the Digital Government Authority (DGA), the Communications and Information Technology Commission (CITC), or other relevant competent authorities.



05

Issued Mandatory Lists

Mandatory List

Mandatory Lists Issued by LCGPA

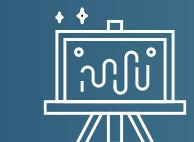


Construction



154
Products 4554
Factories

Artworks



8
Products 12
Factories

Personal Equipment and Supplies



13
Products 18
Factories

Plastic Products



12
Products 172
Factories

Medicines and Pharmaceuticals



268
Products 43
Factories

Hygiene Supplies



13
Products 271
Factories

Paper Consumables



4
Products 71
Factories

Stationery and Office Supplies



3
Products 25
Factories

Medical Supplies



2019
Products 69
Factories

Chemicals and Fertilizers



15
Products 126
Factories

Information Technology



9
Products 25
Factories

Transportation and Logistics



8
Products 8
Factories

Food and Agricultural Products



68
Products 280
Factories

Furniture



14
Products 334
Factories

Cybersecurity



8
Products 1
Factories

Recreational Equipment and Supplies



5
Products 7
Factories

06

Regulations for Exemption from Mandatory List



Mandatory List

Mandatory List Exemption



1

**Exemption due to Lack
of National
Manufacturing
Capacity to Meet
Demand.**



2

**Exemption due to Price
Difference Exceeding
10% Between National
and Foreign Products.**



3

**Exemption due to the
Need for Special
Specifications Not Met
by National Products.**



4

**Exemption due to
Technical or
Operational
Requirements
Necessitating the
Procurement of a
Foreign Product.**

Mandatory List

Mandatory List Exemptions



First: Exemption due to insufficient production capacity for national products, contingent upon meeting one of the following conditions:

First Case: The incapacity of national factories to supply the required quantity within the timeframe planned by the company or contractor, as specified in the contract execution schedule. For this to be fulfilled, all the following conditions must be met:



Provide written statement from three national factories substantiating their inability to supply the required quantity according to the contract schedule.



The company must review the statements from national factories and verify their accuracy before approving the exception, ensuring that its periodic reports to LCGPA include the following:

1. Excluded Products.

2. Value of Excluded Products.

3. Copy of Statements from National Factories Regarding Inability to Supply the Required Quantity.



In the event that the tender or purchase order is divisible and national factories are unable to supply the full required quantity of the national product, the available quantity of the national product must be supplied, and the remainder must be sourced from a foreign product.

Second Case: None of the bidders or suppliers submitted National products for bids or purchase orders. Fulfillment of this condition requires the invitation of three national factories, provided that the company ensures in its periodic reports to LCGPA the following:

1. Excluded Products.

2. Value of Excluded Products.

3. A Copy of the Invitation to Three National Factories.

Mandatory List

Mandatory List Exemptions



Second: Exemption due to Price Difference Exceeding 10% between National and Foreign Products.

For this to be fulfilled, all the following conditions must be met:



Provide at least three quotations for National products.



Provide at least two price quotations for foreign products.



The difference between the lowest price offered for the national product and the price of the technically acceptable foreign product, specifically the one immediately higher than the lowest technically acceptable foreign price quote (second lowest foreign price, exceeding 10%), must be considered. Fair comparison between the submitted price quotations must be conducted in terms of the costs included in the offer, which include—but are not limited to—taxes, insurance, fees, and shipping costs to the delivery location.



The company must review the price quotations and verify their accuracy before approving the exemption, ensuring that its periodic reports to LCGPA include the following:

1. Exempted Products.

2. Value of Exempted Products.

3. A copy of the invitations submitted to the National factories, and a copy of the quotations received for National products.

4. A copy of the received quotations for foreign products (at least two quotations).



If the foreign products for which a price quotation has been submitted are pharmaceutical products or medical supplies, registration with the Saudi Food and Drug Authority (SFDA) is mandatory.

Mandatory List

Mandatory List Exemptions



Third: Exemption Due to the Project's Specific Requirements that are not Met by National Products:

For this to be fulfilled, all the following conditions must be met:

 Providing three written statements from national factories indicating the inability of these factories to meet the required specifications and standards for products.

 The company must review the statements from national factories and verify their accuracy before approving the exemption, ensuring that its periodic reports to LCGPA include the following:

1. Excluded Products.
2. Value of Excluded Products.
3. Copy of National product specifications and proof of their non-compliance with project or contract requirements.
4. Proof that the products comply with the specifications and standards of the Saudi Food and Drug Authority for pharmaceutical products and medical supplies.

 Copy of National product specifications and proof of their non-compliance with project or contract requirements.

Mandatory List

Mandatory List Exemptions



Fourth: Exemption Due to Technical or Operational Requirements Necessitating the Procurement of a Foreign Product:

In the event of technical or operational requirements necessitate the supply of a non-national product, the company may be exempted from the mandatory list after studying the justifications, ensuring that its periodic reports to LCGPA include the following:

1. Exempted Products.
2. Value of Exempted Products.
3. Technical or operational justifications necessitating the exception.





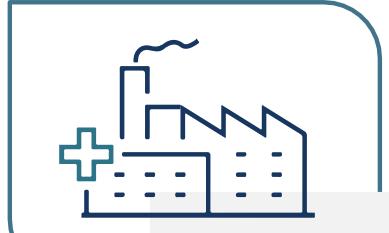
07

Registering a Factory or Service Provider on the Mandatory List



Registering a Factory or Service Provider on the Mandatory List

Beneficiaries and Requirements



Registering a Factory or Service Provider on the Mandatory List

This service aims to enable local and GCC factories to register their factory or service provider on the mandatory list of national products, which the LCGPA issues and updates periodically.

Service Beneficiaries



- Private Sector.

Approved Processing Time



- 6 business days.

Requirements

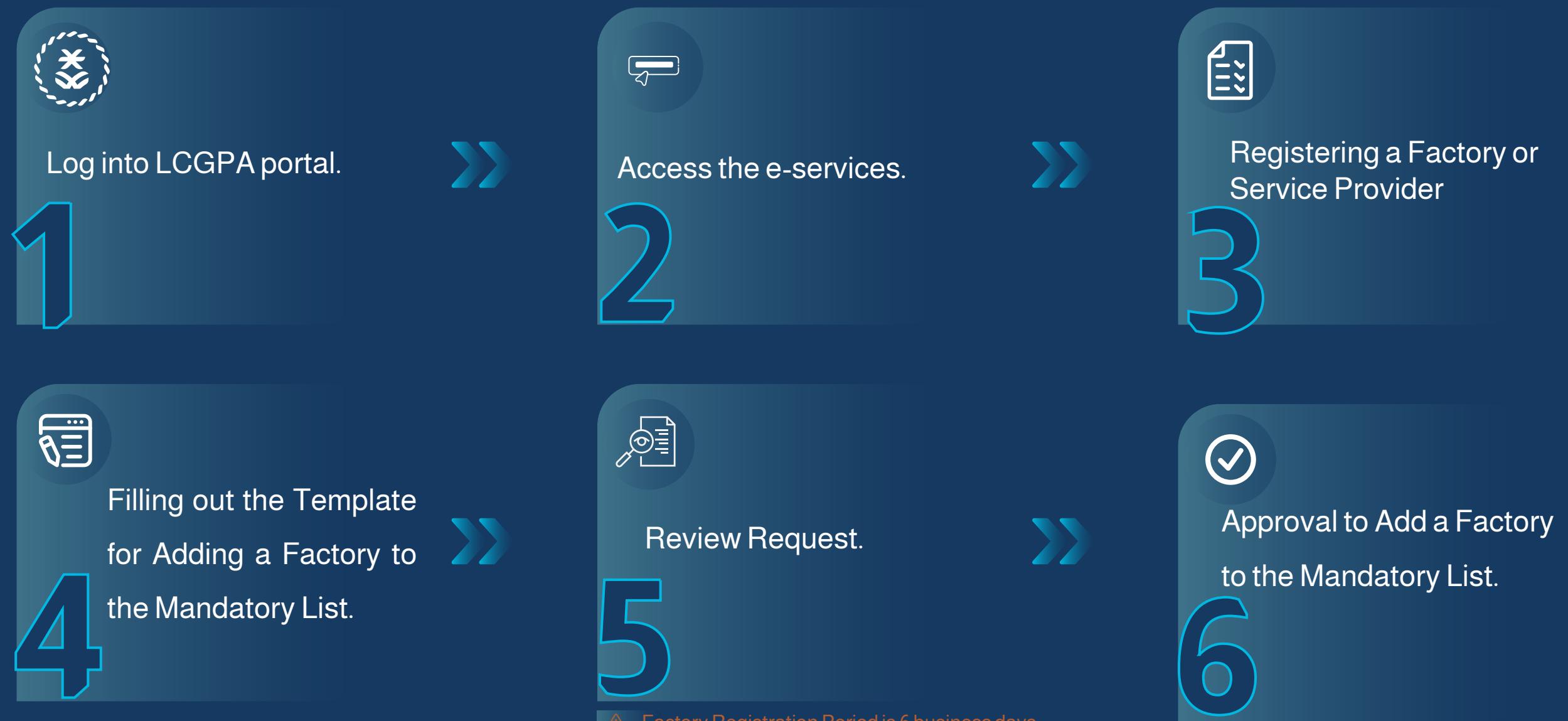


- The product shall be listed in the mandatory list.
- A valid commercial register (CR) is mandatory, and it is important that the stated business activity aligns with the services being added.
- A valid industrial license covering the product to be listed.
- Certificate of Origin for GCC factories.
- Local Content Certificate for products for which it is required.
- The "Saudi Tech" Certificate for technical products.
- A license from the competent authority for services.



Registering a Factory or Service Provider on the Mandatory List

Beneficiary Path



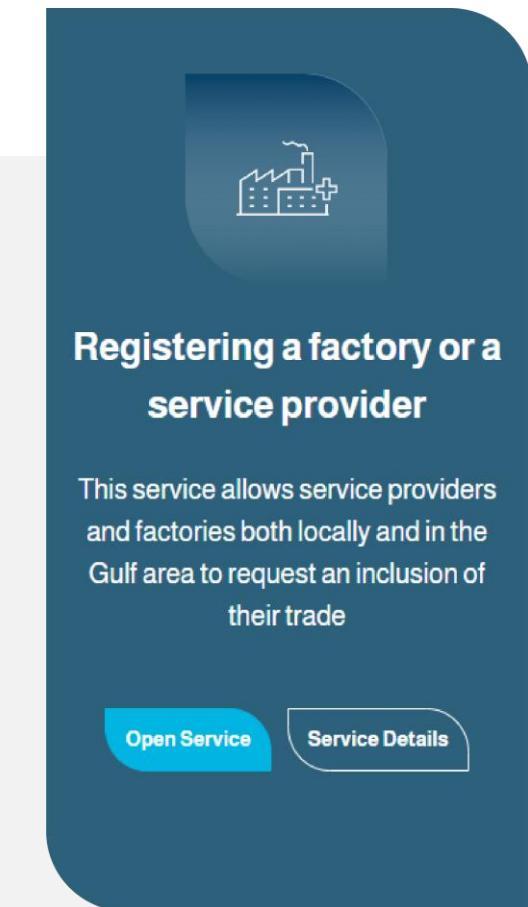


Registering a Factory or Service Provider on the Mandatory List

Service Guide



Learn about the service and its procedures through the following:



Registering a factory or a service provider

This service allows service providers and factories both locally and in the Gulf area to request an inclusion of their trade

Open Service

Service Details





08

Adding a Product to the Mandatory List

Adding a Product to the Mandatory List

Beneficiaries and Requirements



Adding a Product to the Mandatory List

This service aims to enable beneficiaries from government entities and the private sector to submit a request to add a product to the mandatory list of national products.

Service Beneficiaries



- Government entities and private sector.

Approved Processing Time



- 180 business days from receipt of all requirements.

Requirements



- A valid commercial register (CR), with the activity matching the added services being a prerequisite.
- A valid industrial license.
- Attach a list of products manufactured by the factory, including the items in the request of addition.
- Quality certificate.
- The "Saudi Tech" Certificate for technical products.
- A license from the competent authority for services.



Adding a Product to the Mandatory List

Beneficiary Path

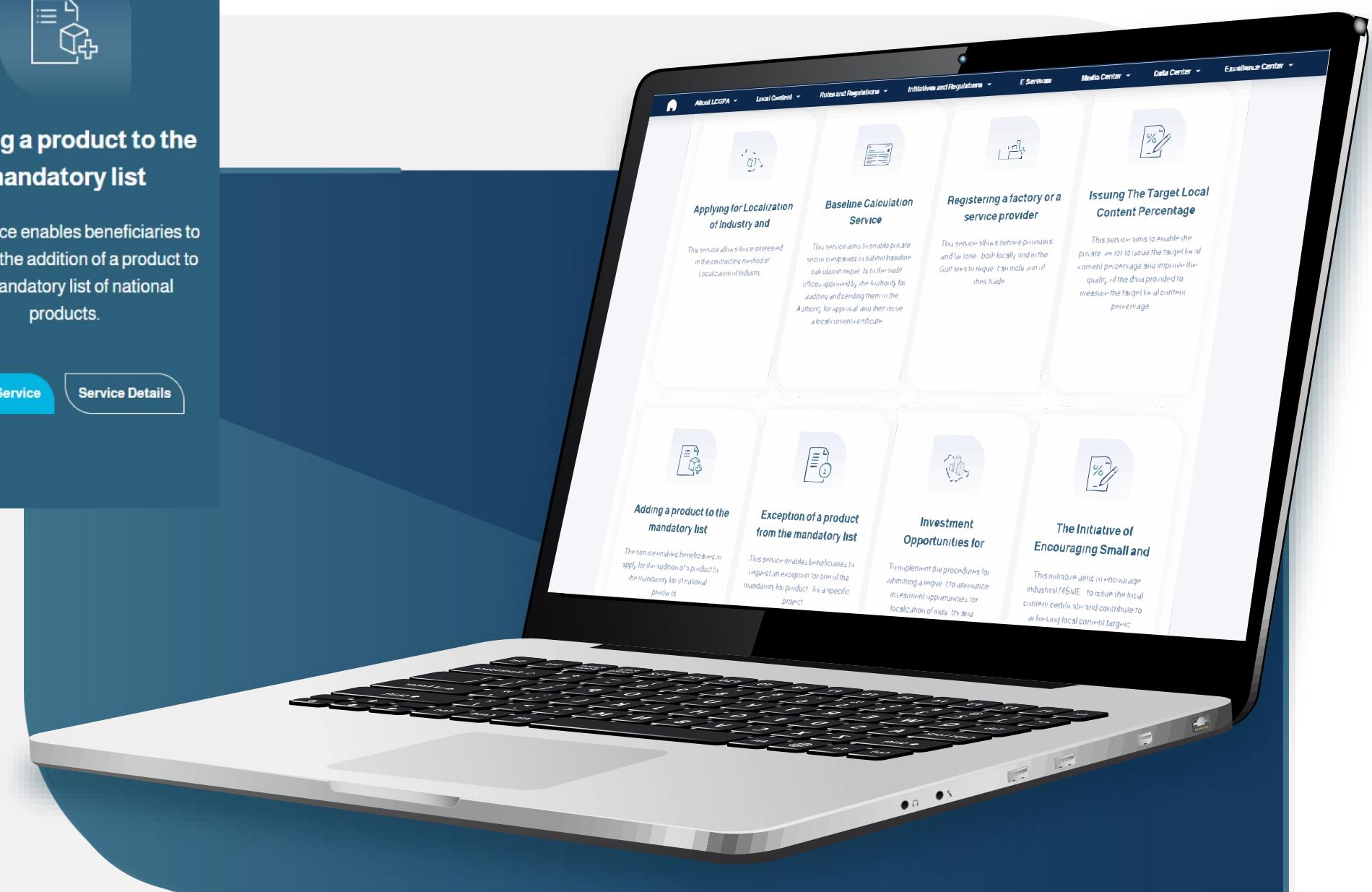
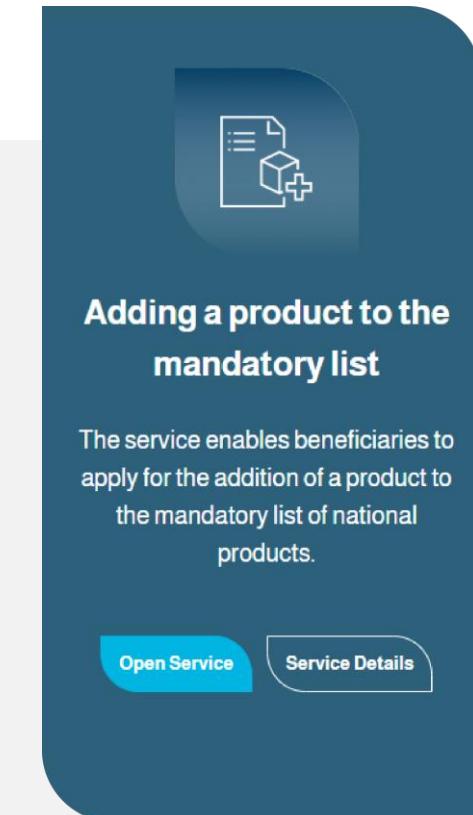


Adding a Product to the Mandatory List

Service Guide



Learn about the service and its procedures through the following:





09

Practical Examples



Mandatory List

Case Study (Indivisible Tenders)



Tender Information

Tendering Authority:	A 70% State-owned Company.
Tender Type:	Supply Tender.
Tender Division:	Tender is indivisible.
Applicable Provisions and Mechanisms:	Mandatory List Provisions. National Product Price Preference Mechanism.
Tender Value:	SAR 300,000

Bidder Information

Mandatory List	Bidder No. 1	Bidder No. 2	Bidder No. 3
✓	National	National	Foreigner
✓	National	National	National
✓	National	National	Foreigner
✗	Foreigner	Foreigner	National
✗	National	National	National

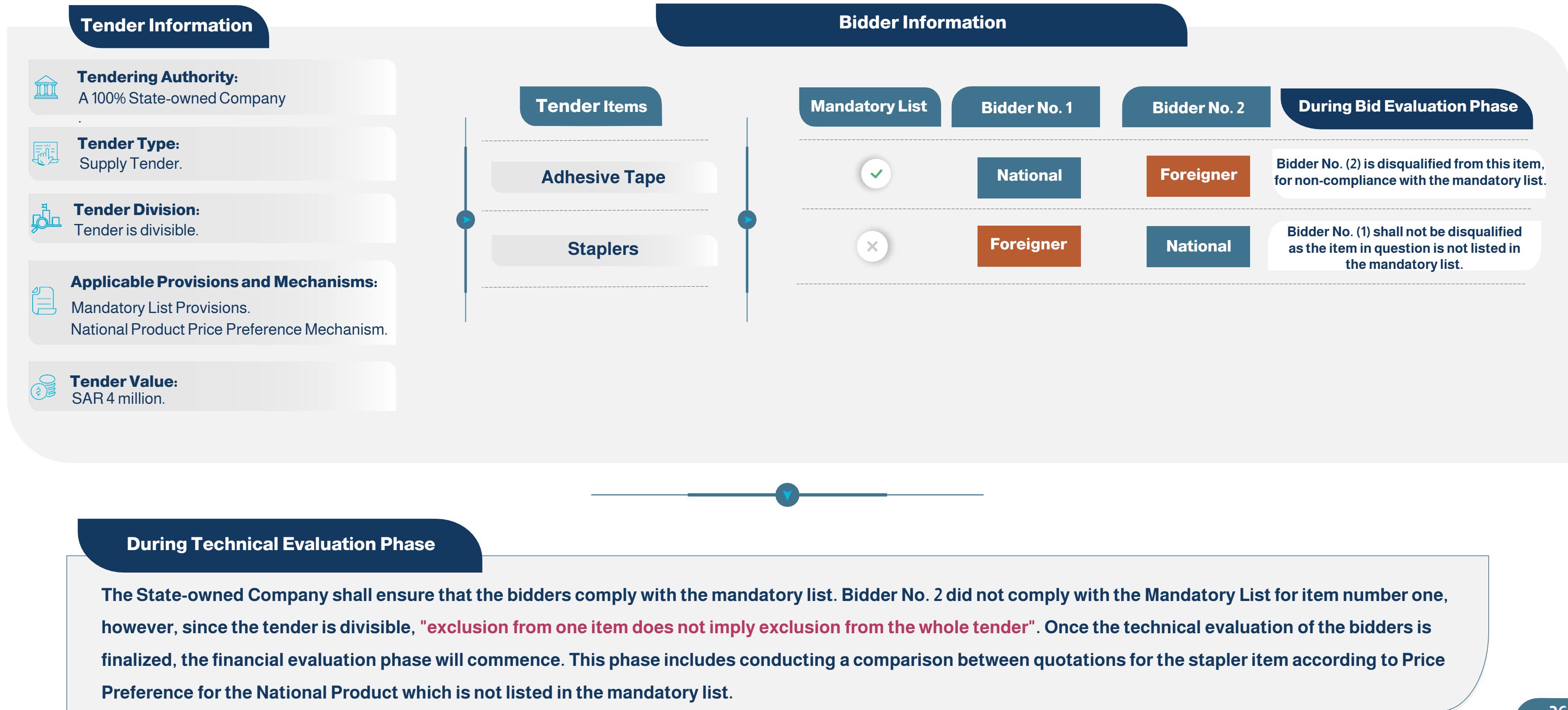
During Technical Evaluation Phase

The State-owned Company shall ensure that the bidders comply with the mandatory list. Bidder No. (3) did not comply with the mandatory list in two items, namely: Reusable Cups, Paper Gift Bags. Since the tender is indivisible, the bidder shall be technically disqualified from all items. Once the technical evaluation of the bidders is finalized, the financial evaluation phase will commence.



Mandatory List

Case Study (Divisible Tenders)





10

Related Links



Related Links



Search Page for Factory or Service Provider Listed on the Mandatory List

Regulations for Exemption from Mandatory List

E-Services.

QR codes are provided for each section to facilitate quick access.

The digital interface on the screen displays the following services:

- Applying for Localization of Industry and**
This service allows those interested in the contracting method of Localization of Industry.
- Baseline Calculation Service**
This service aims to enable private sector companies to submit baseline calculation requests to the audit offices approved by the Authority for auditing and sending them to the Authority for approval, and then issue local content certificates.
- Registering a factory or a service provider**
This service allows service providers and factories both locally and in the Gulf area to request an individual registration.
- Issuing The Target Local Content Percentage**
This service aims to enable the private sector to issue the target local content percentage and improve the quality of the data provided to measure the target local content percentage.



Thank you..

X LCGPA_SA in LCGPA

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