



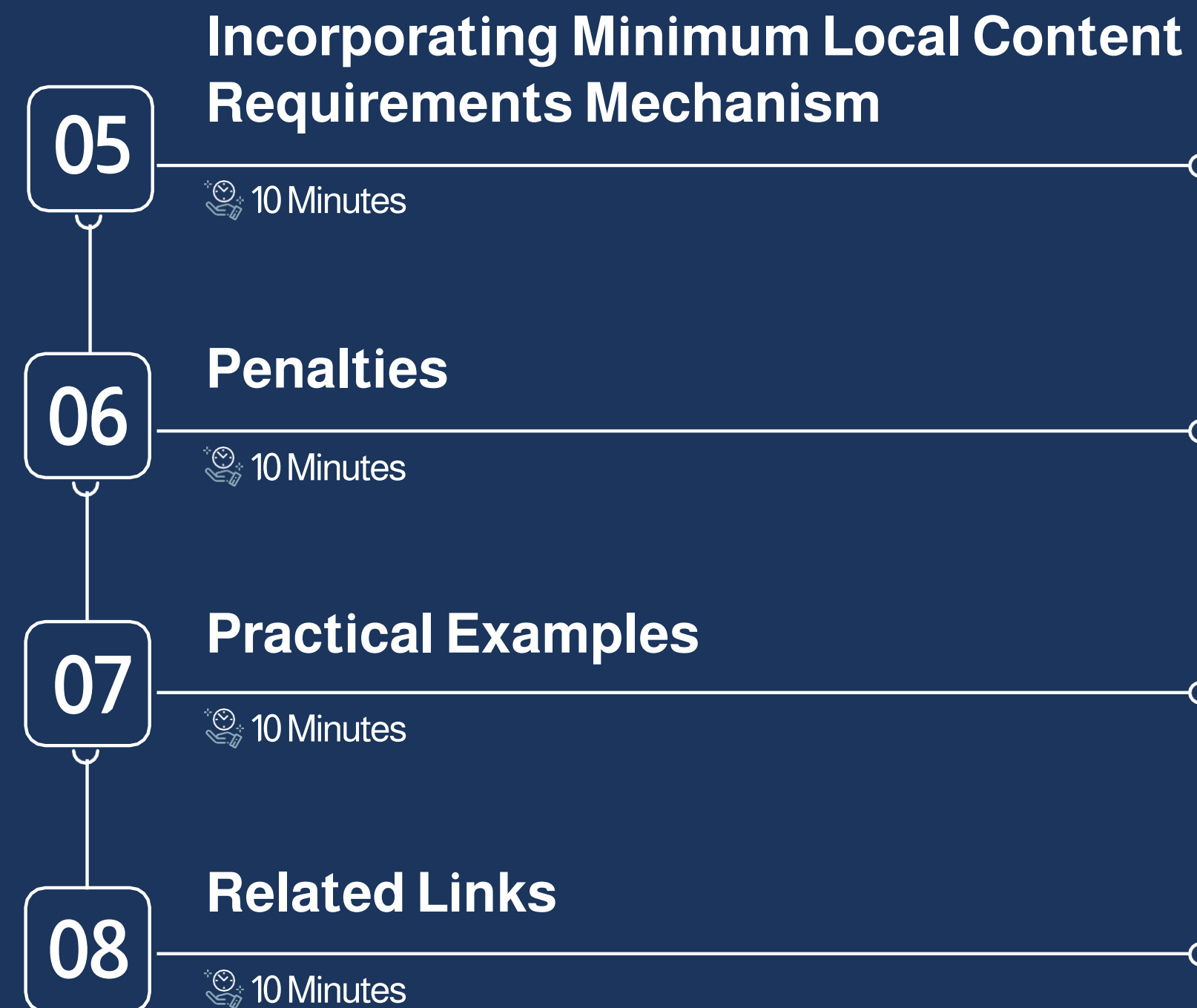
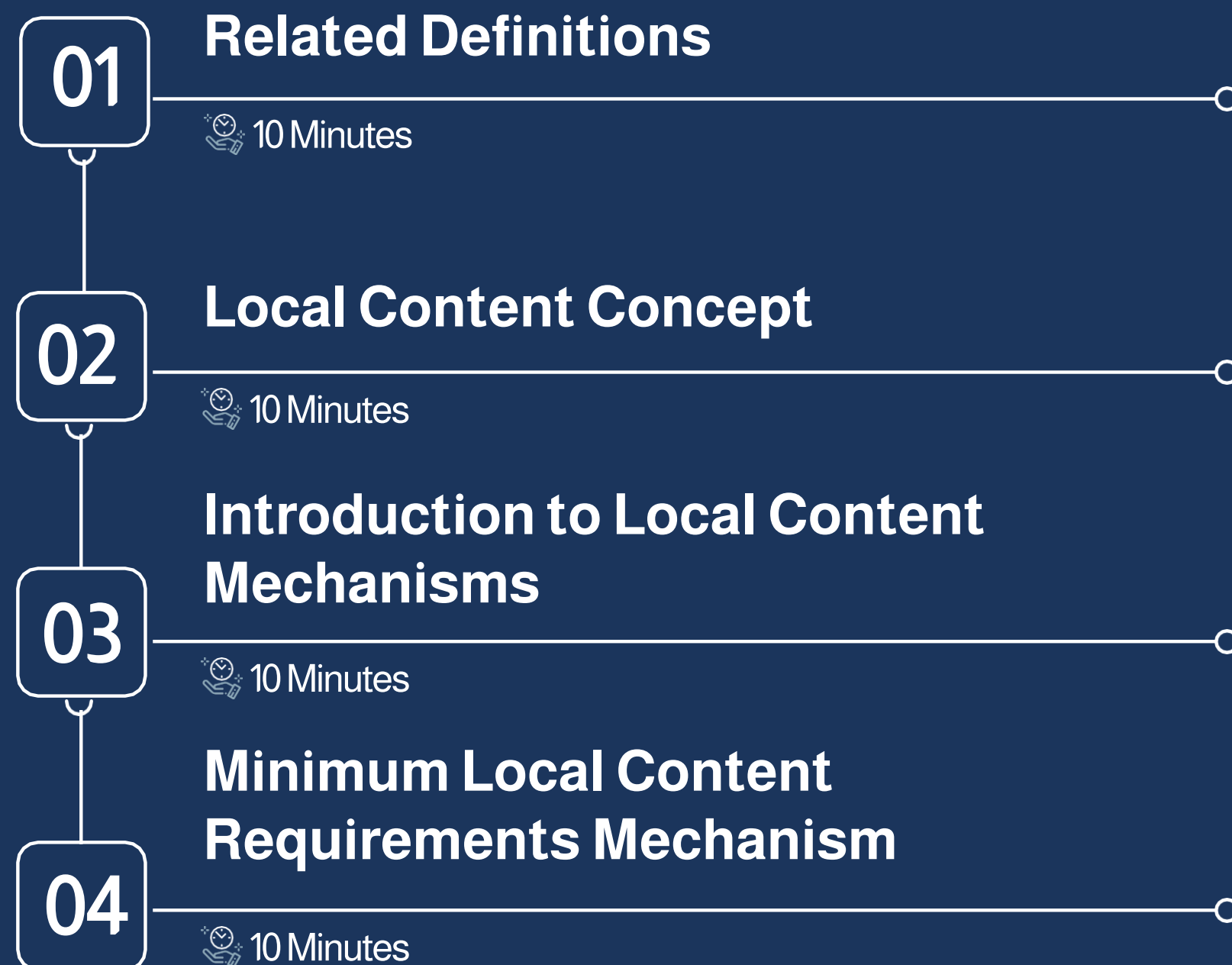
هيئة المحتوى المحلي
والمشتريات الحكومية
Local Content & Government
Procurement Authority

Unit 5

Minimum Local Content Requirements Mechanism



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 that 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.

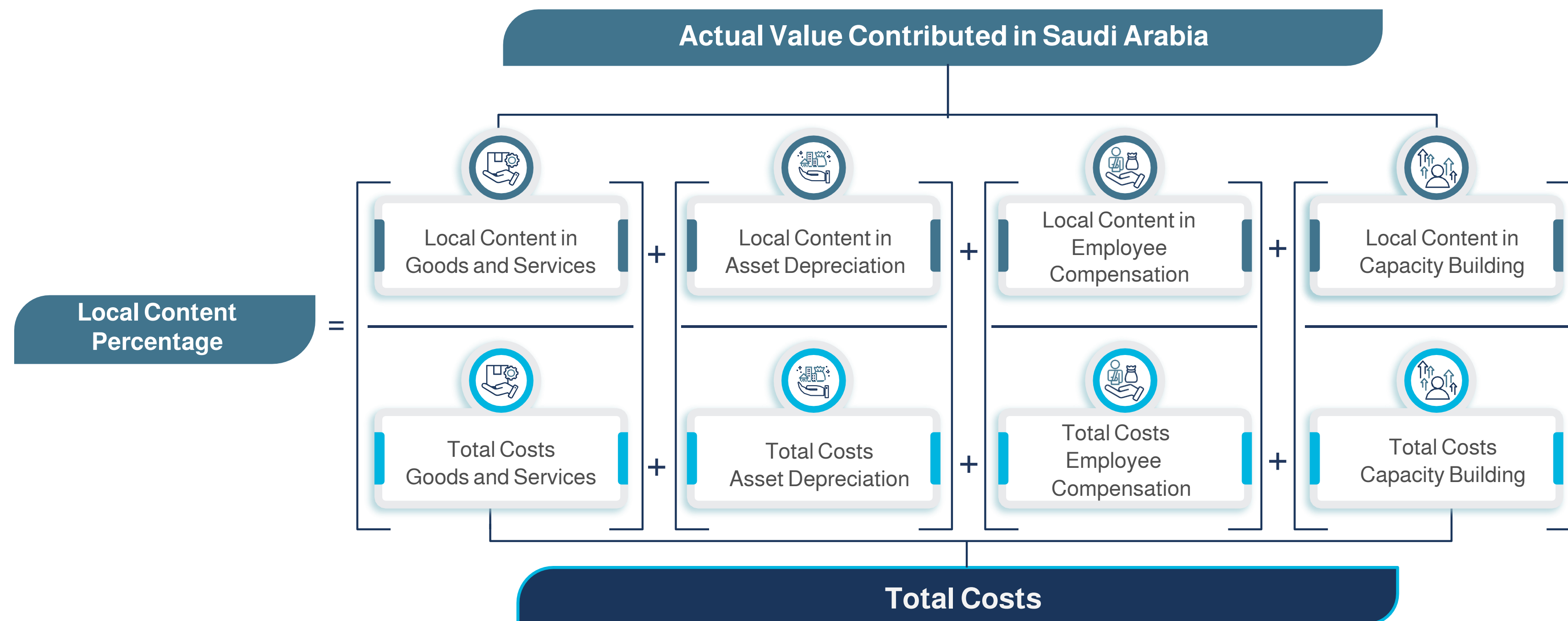
تنويه:
تم إصدار هذه الشهادة بحسب الإجراءات المتبعة لدى الهيئة بناءً على الإفصاح المقدم من المنشأة والتقرير الصادر من مكتب المراجعة المعتمد دون أدنى مسؤولية على الهيئة.
هذه الوثيقة مرسلة عبر البريد الإلكتروني، النظام الذي لا يحتاج إلى توقيع.

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: URL 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.





Introduction to Local Content Mechanisms

Regulations on Preference for Local Content



About the Regulations



Under Council of Ministers Resolutions 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, excluding 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 includes four mechanisms for developing local content in government procurement:

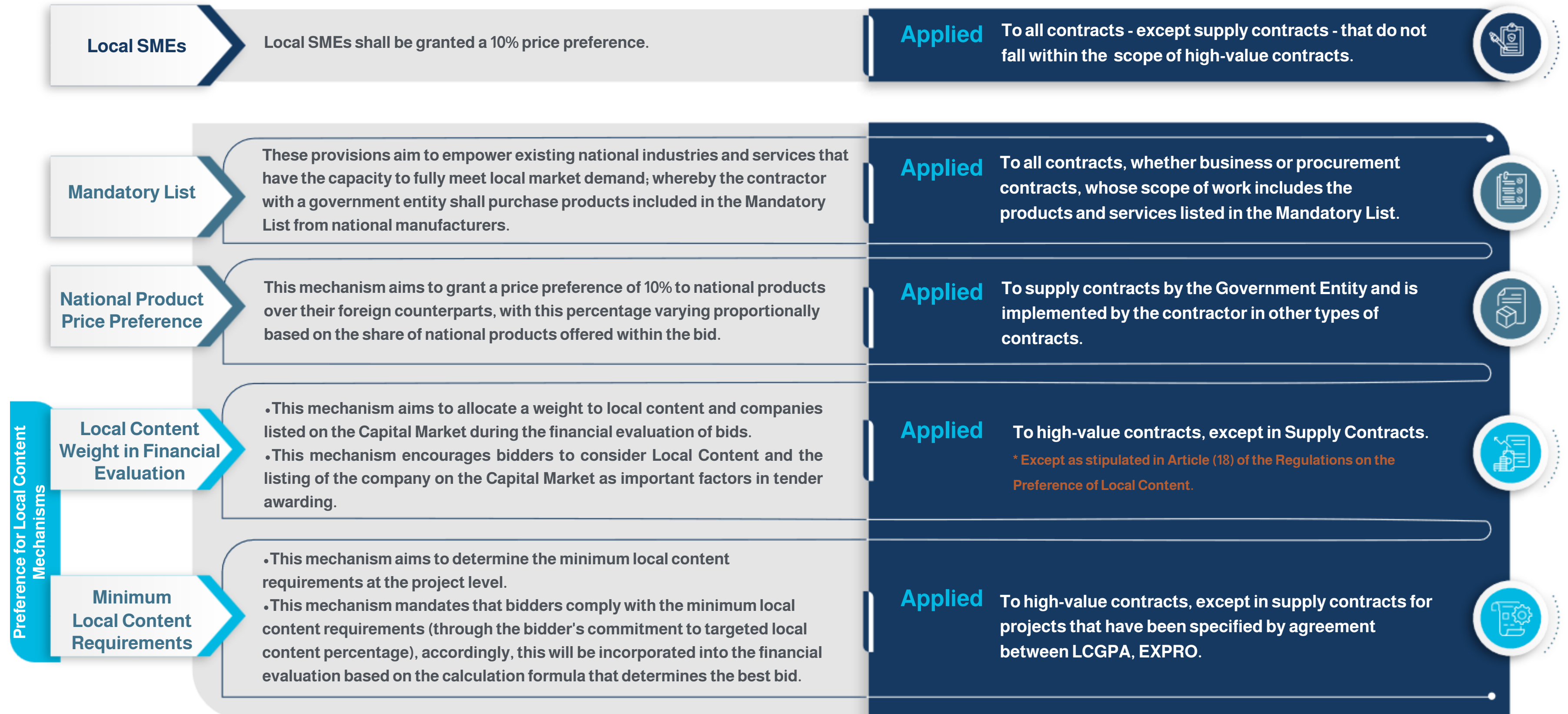
	Total Government Tenders		
Tender Type	Supply Tenders	Business and Service Tenders	
Price Range	All Price Ranges (High and Non-High Value Tenders)	High Value	Non-high-value
Applicable Provisions and Mechanisms	Mandatory List		
	National Product Price Preference Mechanism	Local Content Weight Mechanism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

Local Content Mechanisms.

Preference for local SMEs.

Introduction to Local Content Mechanisms

Overview of Local Content Mechanisms





04

Minimum Local Content Requirements Mechanism

Minimum Local Content Requirements Mechanism

About the Mechanism



About the mechanism



It is a mechanism for determining the minimum local content requirements, at the contract level, in projects designated by the LCGPA and EXPRO, in coordination with the government entity.



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



This evaluation mechanism assigns a weight of 60% to the price. While the remaining 40% includes the following:

Local Content Certificate (baseline).

Publicly listed company.

Targeted Local Content Score.

Government entity shall apply the mechanism of the minimum targeted local content score to high-value contracts as determined by LCGPA and EXPRO, except for supply contracts. *Preference Regulation / Article 23.*

Minimum Local Content Requirements Mechanism

About the Mechanism



Application Mechanism



Bids' Evaluation Criteria: Technical Evaluation:

- A bidder shall, along with his technical bid, submit the targeted local content percentage in a contract, in accordance with the provisions of the tender documents and using the designated form on the local content portal. [Preference Regulation / article 25.](#)
- The targeted local content percentage shall not be less than the minimum limit stated in the tender documents; otherwise, the bidder shall be disqualified at the technical evaluation phase. [Preference Regulation / article 25.](#)
- 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.](#)

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 16.](#)

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



05

Incorporating Minimum Local Content Requirements Mechanism

Minimum Local Content Requirements Mechanism

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



Minimum Local Content Requirements Mechanism

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



Minimum Local Content Requirements Mechanism

Government Procurement Cycle



01



02



03




Execution / Closure

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

(Regulatory Clauses)



	Division	Division Name	Required Clauses
01  Government Procurement Cycle Preparation / Issuance of Tender Documents	2	Local Content	<p>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.</p>
	5	Bids' Evaluation Criteria	<ul style="list-style-type: none"> The Bidder shall submit the Targeted Local Content Percentage to pass the Technical Evaluation. If the bidder fails to do so, they shall be disqualified from the tender. [This requirement applies only if the Local Content Weight Mechanism was applied in the Financial Evaluation, or the Minimum Local Content Requirements Mechanism was in place.] 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: <p> 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> <p>The tender shall be awarded to the bidder with the highest evaluation, provided that the price difference between their bid and the lowest-priced technically qualified bidder does not exceed 10%. If the price difference exceeds this percentage, the award will then be offered to the next highest-evaluated bidder.</p>

Minimum Local Content Requirements Mechanism

(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 specified. If an item is general, details must be specified within the item description. (While taking into account compliance with all products on the Mandatory List)</p> <p>The field for any product listed on the Mandatory List shall be amended to "Yes" in all Bills of Quantities, by navigating to the relevant table, and selecting the "Edit" icon for the product listed in the Mandatory List, and then selecting "Yes" in the "Product from the Mandatory List" field, and after that selecting the correct product code from the drop-down list.</p>
<div>02</div>	9	Local Content Requirements	<p>Requirements for Minimum Local Content Requirements Mechanism</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. <i>* This requirement is applicable only if a minimum Local Content baseline has been set for this tender in agreement with LCGPA.</i>The Minimum Local Content Requirements for this tender is (....)%, which the Bidder must comply with when submitting the Targeted Local Content Percentage at the contract level, according to the Terms and Conditions attached to these Tender Documents.The Bidder 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 committed to submit a Local Content Targeted percentage, in accordance with the attached terms and conditions of the tender.
<div>03</div>			

Minimum Local Content Requirements Mechanism

Appendices



Section 10: "Economic Participation"

01



Government
Procurement Cycle

Preparation /
Issuance of Tender
Documents

Economic Participation

If the estimated value of this tender 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.

Section 11 : "Appendices"

02



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 for Minimum Local Content Requirements Mechanism*.
Appendix (2): Mandatory List (to be included in confirmed cases and removed if not applicable).

03



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).



Minimum Local Content Requirements Mechanism

Technical Evaluation Phase – Tender Review Committees

01 

02 
Government Procurement
Cycle
Evaluation

03 

	Document	Requirement
1	Tender Documents	Ensuring the correct incorporation of Local Content requirements and the approved mechanism for this tender.
2	Technical Proposal	<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> <ol style="list-style-type: none">Document of targeted Local Content percentage (Contract Level). – The Bidder shall be disqualified if they fail to submit it or do not achieve the minimum local content.Local Content Certificate (baseline), (if applicable).Compliance with the Mandatory List, (if applicable).
3	Review and Approval of Local Content Requirements	<p>The following should be reviewed:</p> <ul style="list-style-type: none">Local Content Certificate: Ensure the certificate is valid.Targeted Local Content Percentage Form (Contract Level - Minimum Local Content Requirements Mechanism):Ensure the submission of the Targeted Local Content Percentage document at the Contract Level. .

During the technical evaluation phase, a bidder shall provide any additional clarifications, concerning the targeted local content percentage submitted in his bid, upon the request of the government entity. 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. If the company is listed on the Saudi Capital Market, the bidder must provide proof of such listing.



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.

Minimum Local Content Requirements Mechanism

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 minimum 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 minimum baseline within their bid, a baseline of 0% will be applied during the financial evaluation.

If a bidder submits a baseline score with their bid, the baseline must be certified by the Local Content & Government Procurement Authority.

Minimum Local Content Requirements Mechanism

Financial Evaluation



01



02



Government Procurement
Cycle
Evaluation



Technically qualified bids are evaluated based on the financial proposal, which accounts for 60% of the evaluation (price weight), the baseline, the targeted Local Content Score, and the company's listing status on the Saudi Capital Market, which together account for the remaining 40% of the evaluation, as per the following equation:



The result of the financial evaluation =
$$\frac{\text{The lowest price of a technically qualified bid (in SAR)}}{\text{Bid price for the bidder to be evaluated (in SAR)}} \times 60\% (\text{Targeted Local Content Percentage} \times 50\% + \text{baseline} \times 50\% + 5\% \text{ points for the Listed Company} \times 40\%)$$



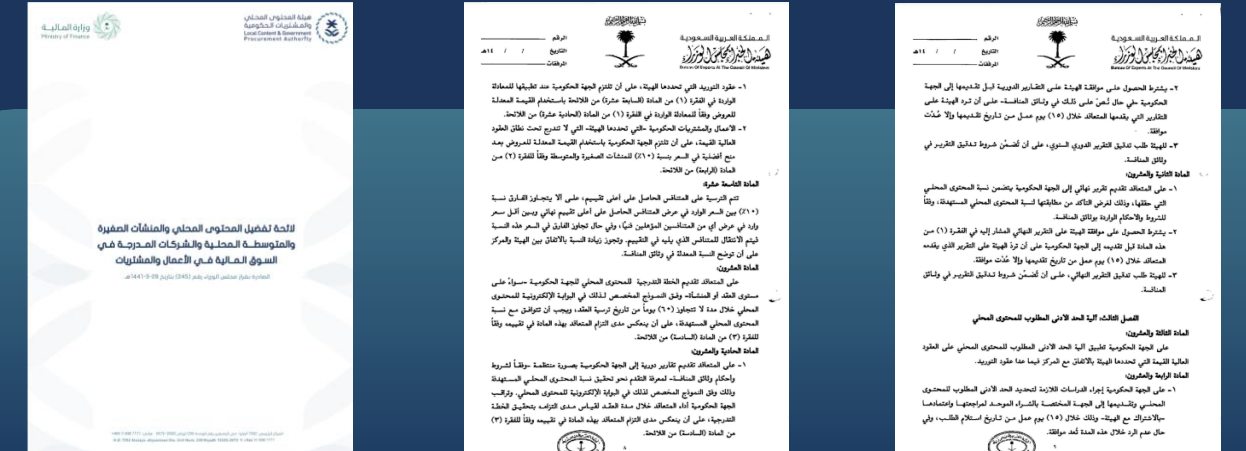
The price difference between the highest-evaluated bidder and the lowest-priced technically qualified bidder shall not exceed 10%. This difference may be increased upon agreement between the LCGPA and EXPRO, provided that this is specified in the tender documents.



Minimum Local Content Requirements Mechanism

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 bidder 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 the LCGPA 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.

1



Inputs

- » 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**

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]

03

Government Procurement Cycle

Execution / Closure

Minimum Local Content Requirements Mechanism

Reports



01



02



03



Government
Procurement Cycle

Execution /
Closure



Periodic Reports



Final Reports

Applied Mechanism

Minimum Local Content Requirements

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 first Periodic Report shall cover the period from the contract commencement date up to the end of the initial reporting period for which periodic reports are required.

The last remaining term of the contract, according to the contract expiry date.

Submission Date

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

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

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.

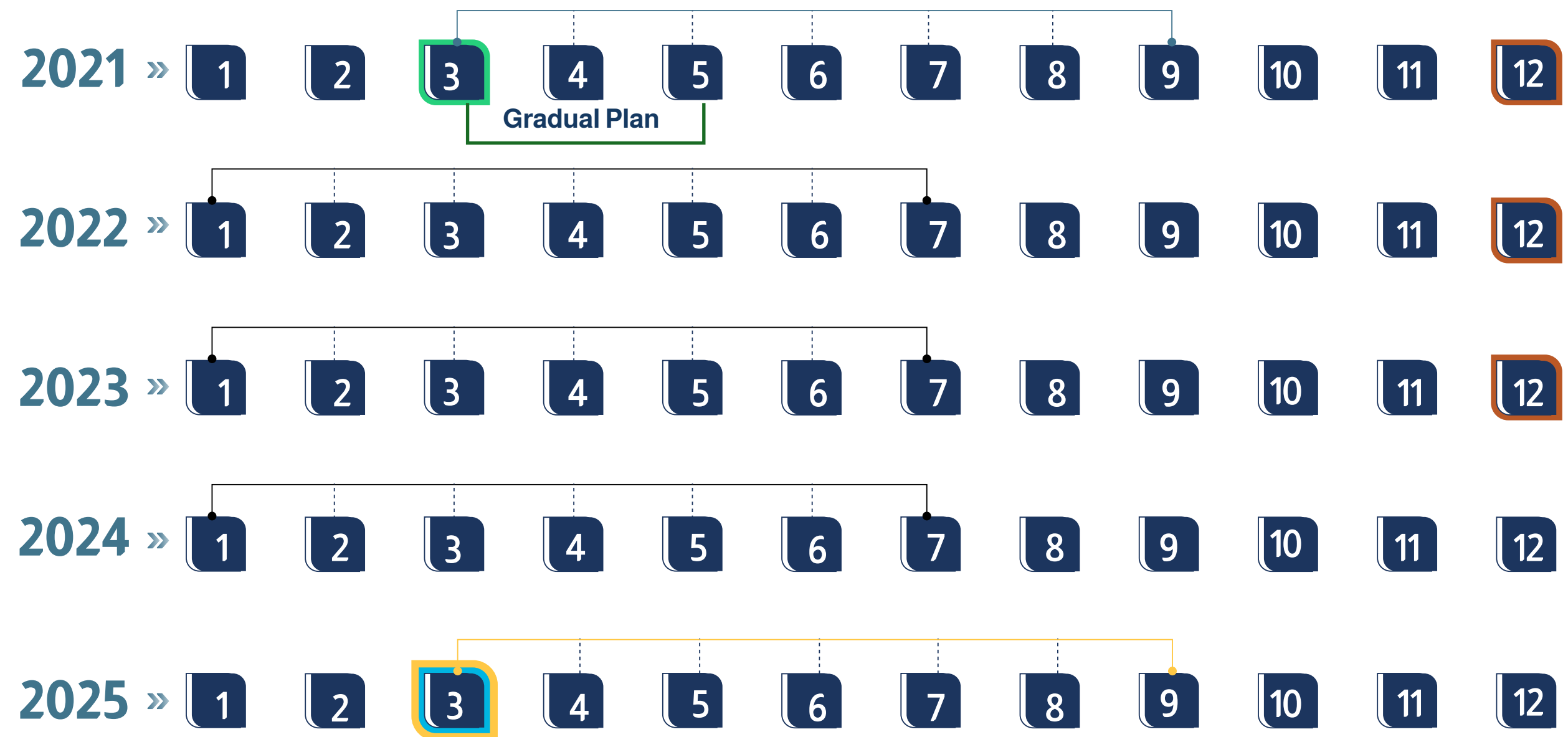
Comparing the approved score in the report against the targeted score.



Inputs

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

-  **Contract Start Date: March 2021**
 -  **Periodic Report Submission Date
(After the end of the fiscal year)**
 -  **End of the Contract**
 -  **Final Report Submission Date
(After the End of the Contract)**
-  **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**





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

Minimum Local Content Requirements Mechanism

Practical Example



Tender Information

**Tendering Authority:**

Government Entity.

**Tender Type:**

Works and services.

**Tender Documents:**

The government entity has specified a minimum target local content percentage of 40% in the tender documents, following approval from the LCGPA and EXPRO.

No minimum baseline requirement is specified in the tender documents (Baseline).

**Applicable Provisions and Mechanisms:**

Minimum Local Content Requirements Mechanism

**Tender Value:**

SAR 300,000,000, and for four years.

Bidders' Information

**Bidder No. (1)**

Local Content Certificate (Baseline) for the enterprise.

15%

Targeted Local Content Percentage at the contract level.

40%

Not listed on the Capital Market.

**Bidder No. (3)**

Local Content Certificate (Baseline) for the enterprise.

19%

Local Content Percentage targeted at the contract level.



Listed on the Capital Market.

**Bidder No. (2)**

Local Content Certificate (Baseline) for the enterprise.

31%

Local Content Percentage targeted at the contract level.

45%

Listed on the Capital Market.

**Bidder No. (4)**

Local Content Certificate (Baseline) for the enterprise.

31%

Local Content Percentage targeted at the contract level.

39%

Not listed on the Capital Market.



Minimum Local Content Requirements Mechanism

Case Study



Bids' Evaluation Mechanism (Technical)

Enterprise Local Content Certificate (baseline).

The Tender Documents did not stipulate 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 stipulated the application of a Local Content Weight Mechanism in the Financial Evaluation. Bidder No. 3 was disqualified for failing to meet the Targeted Local Content Percentage. Bidder No. 4 was disqualified for submitting a percentage lower than the Minimum Local Content Requirements specified in the Tender Documents.



**Bidder
No. (1)**

Local Content Certificate
(Baseline) for the enterprise.

15%

Targeted Local Content
Percentage at the contract level.

40%

Not listed on the Capital Market.



**Bidder
No. (3)**

Local Content Certificate
(Baseline) for the enterprise.

19%

Local Content Percentage
targeted at the contract level.



Listed on the Capital Market.



**Bidder
No. (2)**

Local Content Certificate
(Baseline) for the enterprise.

31%

Local Content Percentage
targeted at the contract level.

45%

Listed on the Capital Market.



**Bidder
No. (4)**

Local Content Certificate
(Baseline) for the enterprise.

31%

Local Content Percentage
targeted at the contract level.

39%

Not listed on the Capital Market.



Minimum Local Content Requirements Mechanism

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)	15%	40%	310,000,000	✗
Bidder No. (2)	31%	45%	311,000,000	✓
Bidder No. (3)	Technically disqualified; due to failure to meet the targeted percentage.			
Bidder No. (4)	Technically disqualified due to submitting a percentage that is lower than the minimum local content threshold.			

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

Bidders	Calculation Method	The Result
Bidder No. (1)	$\left(\frac{\text{SAR } 310,000,000}{\text{SAR } 310,000,000} \times 60\% \right) + [(40\% \times 50\%) + (15\% \times 50\%) + (0\%)] \times 40\%$	73%
Bidder No. (2)	$\left(\frac{\text{SAR } 310,000,000}{\text{SAR } 311,000,000} \times 60\% \right) + [(45\% \times 50\%) + (31\% \times 50\%) + (5\%)] \times 40\%$	77% Winner

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

Minimum Local Content Requirements Mechanism

Case Study



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

Contract Level

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

Reports

Gradual Plan

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

Submission Date
for Gradual Plan

April 30, 2021



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

Periodic Reports

Periodic reports related to Minimum Local Content shall be at the contract level and shall be submitted after the end of each fiscal year for the contractor.

Periodic

Submission Date

First

January 01, 2022

Second

January 01, 2023

Third

January 01, 2024

Final

March 01, 2025



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



Final Report

Deadline for
Submitting the
Final Report

September 30, 2025

To be approved by LCGPA prior its
submission Government entity

Minimum Local Content Requirements Mechanism

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 %45

Achieved Percentage %34

Financial 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 = 45% - 34% = 11%

Financial Penalty Amount = 40% x 10% x (311.000.000) = 13.684.000 SAR



08

Related Links

Related Links



Templates for Periodic Reports and the Final Report



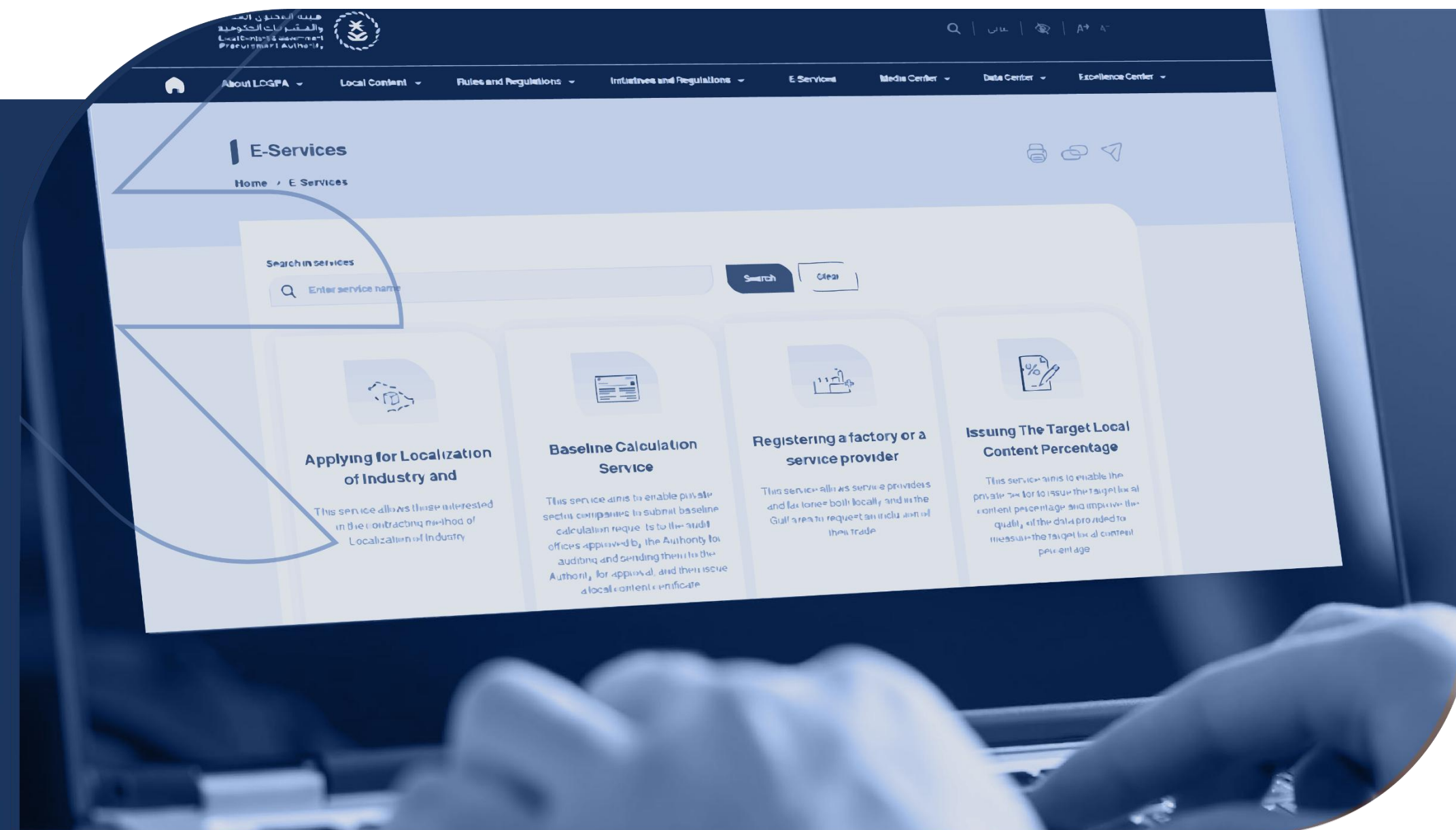
Gradual Plan.



Guidelines for filling out a study form determining the Minimum Local Content Requirements.



E-Services.





هيئة المحتوى المحلي
والمشتريات الحكومية
Local Content & Government
Procurement Authority

Thank you..

X LCGPA_SA in LCGPA

cc@lcpa.gov.sa 19915

Lcpa.gov.sa

Disclaimer

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