

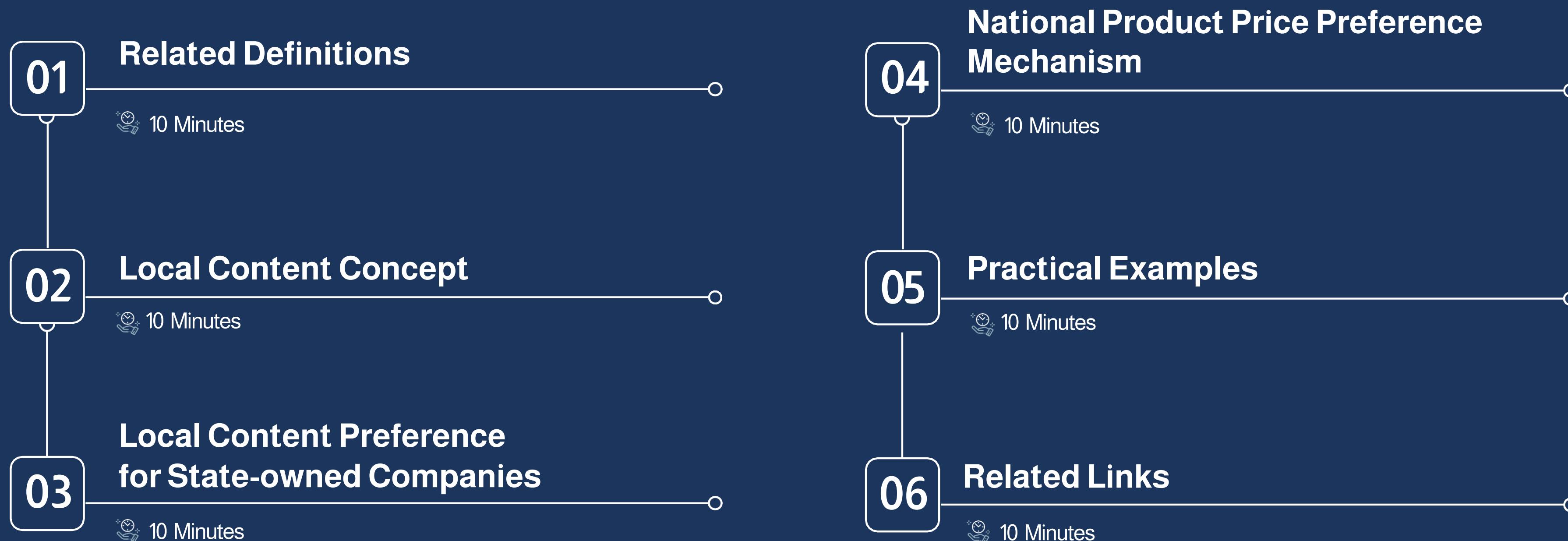


# Unit 2

## National Product Price Preference Mechanism (State-owned Companies)



# Workshop Agenda





01

## Related Definitions

# Definitions

## General Definitions



### Company

**State-Owned Companies - or any of its government 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 LCGPA.**



# Definitions

## General Definitions

### Local SMEs

**Local enterprises (micro-, small-, and medium-sized enterprises), as classified by the Small and Medium Enterprises General Authority.**

### Baseline Calculation Service

**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, and the contractor is obligated to deliver within 60 days from the awarding date.**

### Baseline Calculation Service

**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 Elements 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

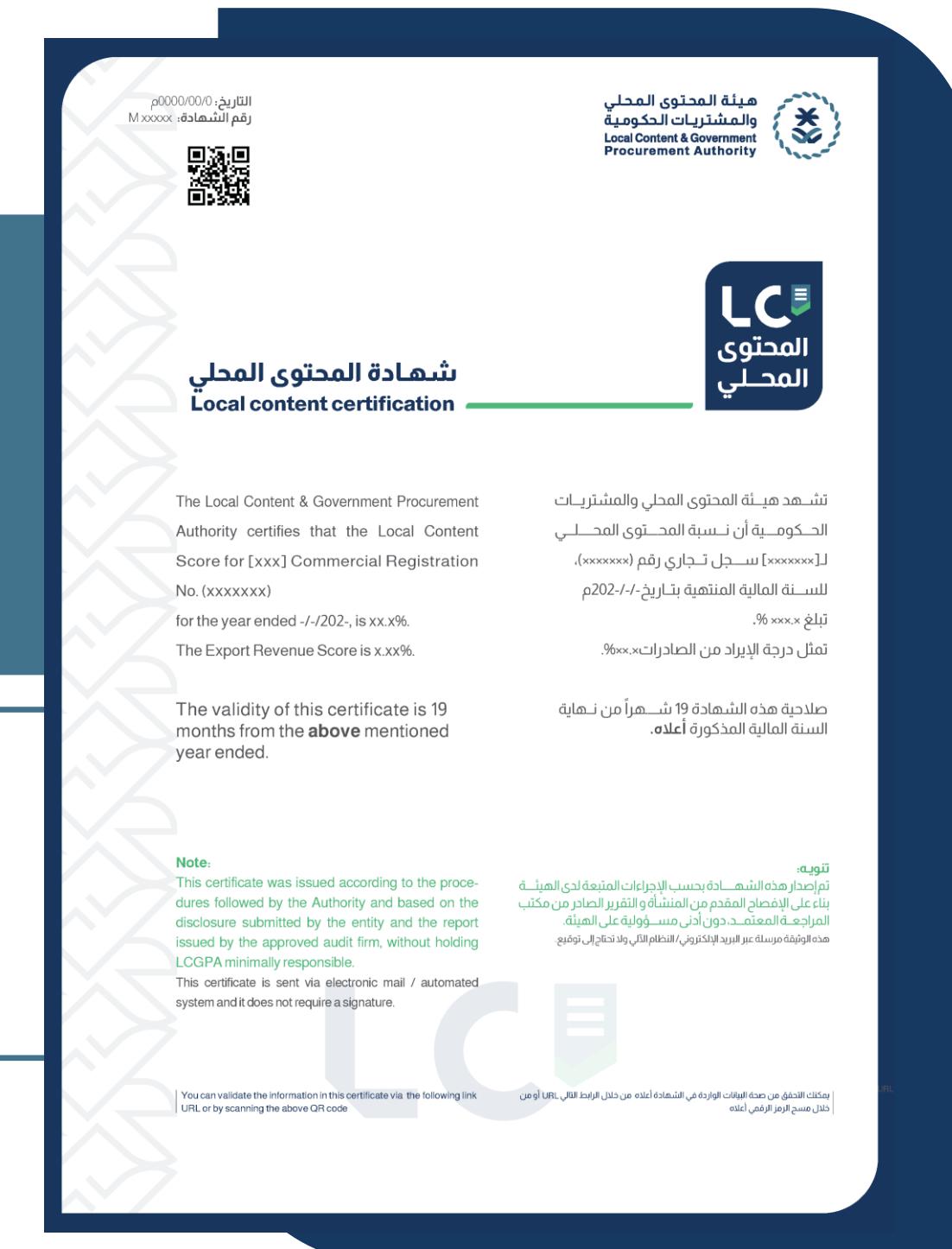


It is the local content percentage at the company for the targeted fiscal year, based on the company's financial statements, which enables it to determine its current local content status.

### Certificate Validity

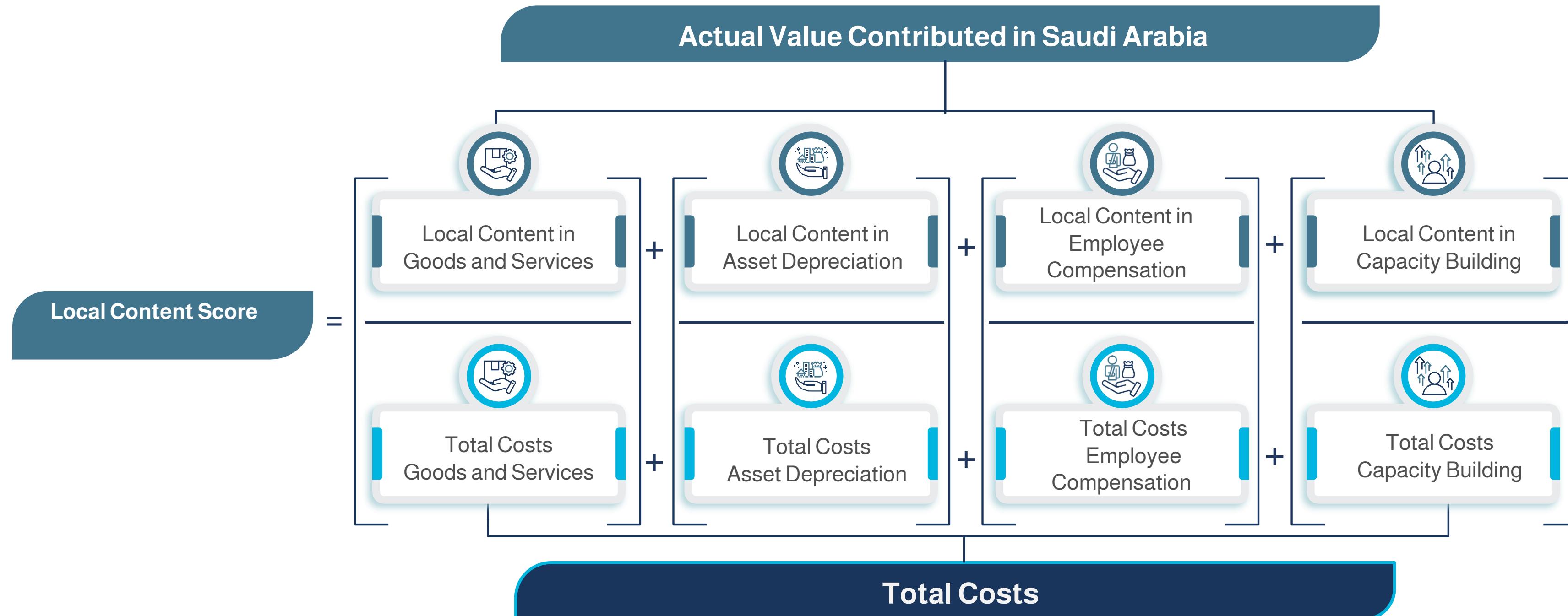


The validity of the local content certificate is Nineteen (19) months from the date of the financial statements under measurement.



# Local Content

## Local Content Score 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

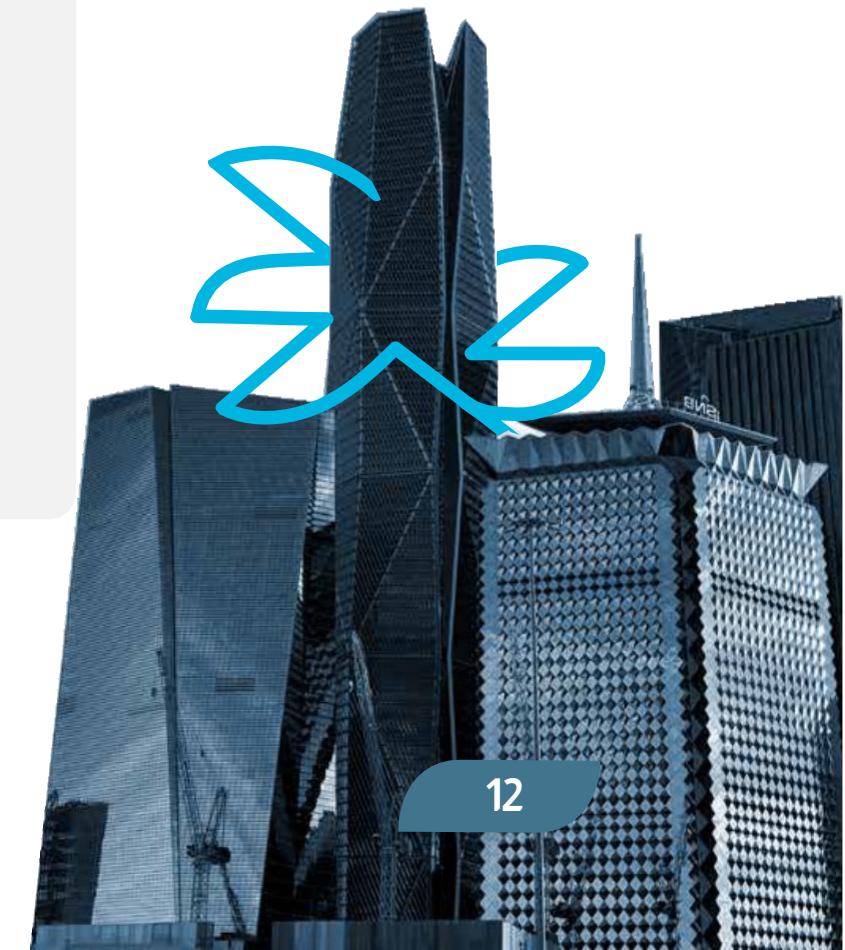
Where applicable, companies shall apply the Mandatory List when executing their business and procurement transactions.

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 enterprises during this period:

The aforementioned companies

State-owned companies (100%).

18 December

2022

### Second Phase

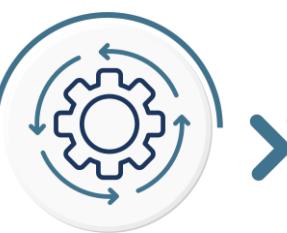
Subsequent to the completion of the first phase, the second phase commenced on December 18, 2024, as outlined below:

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.



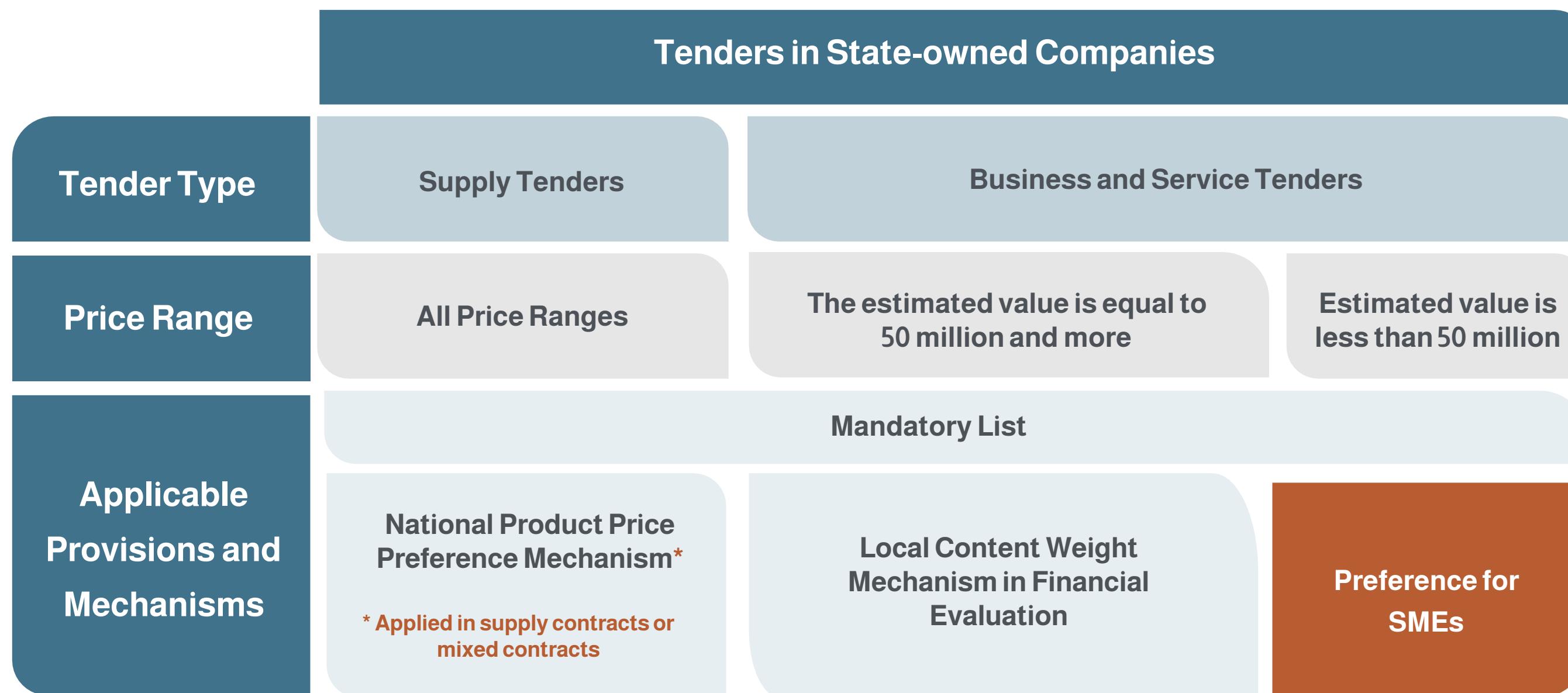


# Local Content Preference for State-owned Companies



## 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

## National Product Price Preference Mechanism



# National Product Price Preference



## Mechanism Overview



Involves granting a 10% price preference for national products over competing foreign products.

Applies to national products not listed in the Mandatory List in supply contracts or mixed contracts.

**National Product** shall be granted a price preference by assuming that the price of a foreign product is 10% higher than the price stated in the bid documents. Companies may, in circumstances determined by their internal regulations, increase this percentage.

# Incorporating National Product Price Preference Mechanism

## 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

## Practical Examples

# National Product Price Preference

## Case Study (for indivisible tenders)



### Tender Information

**Tendering Authority:**  
A 60% 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 4 million.

### Tender Items

Adhesive Tape

Paper Shredder

Staplers

### Mandatory List

SAR 50,000

SAR 50,000

SAR 150,000

SAR 250,000

SAR 265,000

### Enterprise 1

National Product

National Product

Foreign Product

SAR 263,000

SAR 263,000

### Enterprise 2

National Product

National Product

National Product

SAR 170,000

SAR 263,000

### Enterprise 3

Foreign Product

National Product

National Product

Price after adding 10%

### During Technical Evaluation Phase

Bidder No. 3 failed to comply with the mandatory list for the Adhesive tape item. Since the tender is indivisible, the bidder is technically disqualified from all items of the tender. Once the technical evaluation of the bidders is finalized, the financial evaluation phase will commence.

### During Financial Evaluation Phase

The evaluation committee of the state-owned company assessed the bidders, and the contract was awarded to bidder No. (2) who submitted the lowest bid, after adjusting the bid value by adding 10% to the foreign product, in accordance with regulations.

# National Product Price Preference

## Case Study (Divisible Tenders)



### Tender Information

<b>Tendering Authority:</b>	A 80% State-owned Company.
<b>Tender Type:</b>	Supply Tender.
<b>Tender Division:</b>	Tender is divisible.
<b>Applicable Provisions and Mechanisms:</b>	Mandatory List Provisions. National Product Price Preference Mechanism.
<b>Tender Value:</b>	SAR 4 million.

### Bidder Information

Bidders	Tender Items	Enterprise 1	Enterprise 2
	Paper Shredder	SAR 80,000 National Product	SAR 53,000 National Product
	Staplers	SAR 150,000 Foreign Product	SAR 160,000 National Product



# National Product Price Preference

Case Study (for indivisible tenders)



Bidders were evaluated as per each item of the tender:

## Item 1 Evaluation (Paper Shredder)

All bidders submitted offers for all items, and the national product share was calculated.

Tender Items	Bidders	Enterprise 1	Enterprise 2
Paper Shredder	SAR 80,000	National Product	SAR 53,000

The item award will be made in accordance with the company's internal regulations.

# National Product Price Preference

Case Study (for indivisible tenders)



**Bidders were evaluated on each item of the tender, with a price preference being granted to national products.**

## Item 2 Evaluation

(Staplers)

Given that not all products offered by bidders are of national origin, 10% will be added to the price of the foreign product.

Tender Items		Bidders			
		Enterprise 1	Enterprise 2		
Staplers	SAR 150,000	Foreign Product	National Product		
Price after adding 10%		SAR 165,000	SAR 160,000		

The tender evaluation committee of the state-owned companies assessed the bidders by comparing the bid price of Bidder No. (1) to that of Bidder No. (2). The item was awarded to Bidder 2 (Enterprise 2), which submitted the lowest bid.



06

Related Links



# Related Links



**E-Services**

QR code linking to the E-Services page.

The E-Services page displays four service options:

- 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 a local content certificate.
- 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 audit and sending them to the Authority for approval.
- 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

✉ cc@lcgpa.gov.sa ⌚ 19915

Lcgpa.gov.sa