

ARTICLE

LOCAL CONTENT REQUIREMENTS IN PUBLIC PROCUREMENT:
COMPARATIVE REFLECTIONS FROM THE EUROPEAN UNION
AND SAUDI ARABIA

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Abstract:

This article offers a comparative analysis of local content requirements (LCRs) in public procurement, drawing on the contrasting legal and institutional frameworks of the European Union and the Kingdom of Saudi Arabia. While the EU has traditionally treated LCRs with suspicion due to the foundational principles of its internal market—particularly the prohibition of discrimination based on origin—recent geopolitical developments and rulings by the Court of Justice of the European Union have opened new avenues for their reconsideration, especially in relation to third-country suppliers. In contrast, Saudi Arabia has embraced a

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robust localisation policy as a central pillar of its Vision 2030 development strategy. The study explores key regulatory instruments deployed by Saudi authorities, including the Mandatory List of National Products, price preference mechanisms, weighted evaluation algorithms, and minimum local content thresholds, all of which promote domestic industry and strategic self-sufficiency. Particular attention is given to the role of Saudi Aramco and its IKTVA programme as well as Shareek Program as an examples of corporate-led local content policy. The analysis demonstrates that, despite differing systemic premises, Saudi Arabia's approach provides a rich source of regulatory innovation and strategic insight, which could inform the EU's evolving procurement policy. The findings underscore the untapped potential for mutual learning in EU–Saudi economic relations and advocate for a more open and pragmatic dialogue on integrating developmental objectives within procurement frameworks.

Key Words: Local Content Requirements, Public Procurement Law, Vision 2030 (Saudi Arabia), EU Trade and Procurement Policy

المقالات

متطلبات المحتوى المحلي في المشتريات العامة: تأملات مقارنة من الاتحاد الأوروبي والمملكة العربية السعودية

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الملخص:

تقدم هذه المقالة تحليلاً مقارنةً لمتطلبات المحتوى المحلي (LCRs) في المشتريات العامة، مستندةً إلى الأطر القانونية والمؤسسية المتباينة للاتحاد الأوروبي والمملكة العربية السعودية. في حين أن الاتحاد الأوروبي تعامل تقليدياً مع متطلبات المحتوى المحلي (LCRs) برؤية بسبب المبادئ الأساسية لسوقه الداخلي - لا سيما حظر التمييز على أساس المنشأ - فإن التطورات الجيوسياسية الأخيرة والأحكام الصادرة عن محكمة العدل التابعة للاتحاد الأوروبي فتحت آفاقاً جديدة لإعادة النظر فيها، لا سيما فيما يتعلق بالموارد من دول ثالثة. في المقابل، تبنت المملكة العربية السعودية سياسة توطين قوية كركيزة أساسية لاستراتيجية التنمية "رؤية ٢٠٣٠". تستكشف الدراسة الأدوات التنظيمية الرئيسية التي تستخدمها السلطات السعودية، بما في ذلك القائمة الإلزامية للمنتجات الوطنية، وآليات تفضيل الأسعار، وخوارزميات التقييم المرجحة، والحدود الدنيا للمحتوى المحلي، والتي تعزز جميعها الصناعة المحلية والاكتفاء الذاتي الاستراتيجي. ويتم إيلاء اهتمام خاص لدور شركة أرامكو السعودية وبرنامج IKVA الخاص بها فضلاً عن برنامج شريك، كأثلة على سياسة المحتوى المحلي التي تقودها الشركات. يوضح التحليل أنه على الرغم من الاختلافات في الفرضيات النظامية، فإن نهج المملكة العربية السعودية يوفر مصدراً غنياً للابتكار التنظيمي والرؤية الاستراتيجية، مما يمكن أن يثري سياسة المشتريات المتطورة للاتحاد الأوروبي. وتؤكد النتائج على الإمكانيات غير المستغلة للتعلم المتبادل في العلاقات الاقتصادية بين الاتحاد الأوروبي والمملكة العربية السعودية، وتدعو إلى حوار أكثر انفتاحاً وواقعية حول دمج الأهداف التنموية في أطر المشتريات.

الكلمات الرئيسية: متطلبات المحتوى المحلي، قانون المشتريات العامة، رؤية ٢٠٣٠ (المملكة العربية السعودية)، سياسة التجارة والمشتريات في الاتحاد الأوروبي

1. INTRODUCTION

Over the past twelve months, the Court of Justice of the European Union has issued two landmark rulings confirming that it is permissible to favour undertakings,¹ and the goods and services they offer, provided that they originate from within the EU or from states that are signatories to the Agreement on Government Procurement concluded under the auspices of the World Trade Organization (WTO). These rulings have further brought to the fore the legal and policy implications surrounding the application of local content in public procurement.

It should be noted, however, that calls for a preference for EU-based solutions had already been raised in the political arena. Indicative of this shift are the declarations articulated by Ursula von der Leyen during the selection process for the Presidency of the European Commission for the 2024 – 2029 term. Specifically, in a document published by the European Commission entitled *Europe's Choice: Political Guidelines for the Next European Commission 2024 – 2029*, the following commitment was made:

I will propose a revision of the Public Procurement Directive. This will enable preference to be given to European products in public procurement for certain strategic sectors. It will help ensure EU added value for our citizens, along with security of supply for vital technologies, products and services. It will also modernise and simplify our public procurement rules, in particular with EU start-ups and innovators in mind.²

Nonetheless, implementing these declarations in practice proves to be highly challenging. From the very outset of European integration, the notion of local content has been treated as something of a taboo. Particularly important case was *C-243/89 Commission v Denmark*.³ The judgment concerned a 1987

¹ See *Kolin İnşaat Turizm Sanayi ve Ticaret A.Ş. v. Državna komisija za kontrolu postupaka javne nabave*, Case C-489/22, ECLI:EU:C:2024:910 (Oct. 22, 2024); and *CRRC Qingdao Sifang Co. Ltd & Astra Vagoane Călători SA v. Autoritatea pentru Reformă Feroviară & Alstom Ferroviaria SpA*, Case C-207/23, ECLI:EU:C:2025:178 (Mar. 13, 2025).

² Ursula von der Leyen, *Europe's Choice: Political Guidelines for the Next European Commission 2024–2029* 11–12 (European Commission 2024).

³ *Commission of the European Communities v. Kingdom of Denmark* (Case C-243/89), 1993 E.C.R. I-3353, ECLI:EU:C:1993:257 (June 22, 1993).

procedure in which a Danish contracting authority (Aktieselskabet Storebaeltsforbindelsen) published a restricted invitation to tender for the construction of a bridge over the Western Channel in the supplement to the Official Journal of the European Communities.⁴ The general terms and conditions contained in the relevant contract documents stated as follows: “The contractor is obliged to use to the greatest possible extent Danish materials, consumer goods, labour and equipment.”⁵ The Court found that “the tendering procedure was conducted on the basis of a clause which was not in conformity with Community law and which, by its nature, was likely to affect both the composition of the various consortia and the terms of the tenders submitted by the five preselected consortia.”⁶ This is largely due to the fact that the EU’s internal market is founded on the prohibition of discrimination based on origin. Put differently, the local content concept – which is inherently geared towards favouring local goods, services, and suppliers – inevitably comes into conflict with the free movement of goods, services, and establishment, which constitute the cornerstone of the EU’s economic integration project, and more broadly, the EU legal order itself.⁷

In contrast, Saudi Arabia possesses an especially rich and instructive experience in the application of local content in the context of government procurement. Therefore, from both a European and a Saudi perspective, the study of local content requirements (LCRs) emerges as a timely and practically significant endeavour – one that encompasses not only public-sector regulations in Saudi Arabia but also initiatives spearheaded by Aramco, which plays a distinctive role in the Saudi economy.

The juxtaposition of Saudi Arabia, a sovereign state, with the European Union, which represents a supranational structure composed of multiple independent states, is justified not in institutional terms but in the context of regulatory approaches to economic law and public procurement. Saudi Arabia constitutes an example of centralised national frameworks designed to promote local content and to enhance economic diversification, whereas the

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ J. Kola, *Rethinking Local Content Requirements*, in *EU Public Procurement Within the Paradigm of Sustainable Development* (forthcoming 2025).

EU reflects a multi-level regulatory system in which competences are shared between the Union and its Member States. The divergences between these legal systems are self-evident. It is therefore equally evident that any observations made with regard to one of them cannot be automatically transposed or compared to the other. Nevertheless, despite – or indeed precisely because of – these divergences, their differing geopolitical and economic contexts, and the resulting legal conditions, render such a comparison analytically valuable: Saudi Arabia illustrates the case of a resource-rich state currently undertaking a significant attempt to transform its economy in order to diversify away from its predominantly hydrocarbon-export-based model. Accordingly, in its Vision 2030 strategy, Saudi Arabia envisages initiatives intended to act as catalysts for the development of the domestic economy in sectors other than hydrocarbon extraction.⁸ One such initiative is the pursuit of localisation policies and the application of Local Content Requirements in a model that would likely prove difficult to reconcile with the EU's legal framework. The European Union, in its relations both among its Member States and with countries belonging to the friend-shoring sphere (e.g. signatories of the Agreement on Government Procurement [GPA]), entirely rejects the possibility of favouring particular solutions or enterprises on the basis of their origin. At the same time, however, one of the principal objectives of Saudi policy is not only to promote local content but also to preserve the economic efficiency of the decisions taken in this regard. In this respect, the EU possesses extensive experience, and the effectiveness of its solutions has been corroborated in practice. It is for this reason that a comparison of these two systems may yield particularly insightful conclusions for readers from both Saudi Arabia and the European Union, including Poland, which the authors represent. Discussions within the European Union on the development of economic law seldom refer to Saudi Arabia or its experiences in this domain. Yet, current developments in the field of economic regulation suggest that Saudi solutions may in fact serve as a valuable source of inspiration for the EU and its Member States. One of the most noteworthy processes currently unfolding in the area of EU public procurement law is the growing interest in the

⁸ Ministry of Industry and Mineral Resources, *National Industrial Strategy (NIS)* (Saudi Arabia), https://www.vision2030.gov.sa/media/t0uiiudv/nsd_en.pdf (last visited Oct. 8, 2025).

concept of local content, which – under a justified simplification to be further elaborated in the following sections – may be understood as the promotion of locally based solutions in public procurement procedures.

The purpose of this article is to outline the main regulatory solutions in this area and to present their potential both to Saudi readers and to those with an interest in the functioning of the EU public procurement market. This objective has determined the structure of the analysis that follows. The discussion begins with an overview of the core principles underlying the local content concept, as well as the principal international challenges associated with its implementation. The subsequent section examines the most emblematic Saudi mechanisms. The article concludes with key reflections on the potential of comparative research addressing the intersections between the European and Saudi approaches to LCRs.

2. LCRS FROM THE WTO AND EU PERSPECTIVE

First and foremost, it is necessary to clarify how LCRs and the concept of local content are understood in this text. According to the OECD “local content” is recognized as “part of a broader set of ‘localisation’ policies that favour domestic industry over foreign competition, requiring companies and the government to use domestically-produced goods or services as inputs.”⁹ Accordingly, in the context of public procurement, LCRs are understood as measures that compel contractors to execute public contracts in such a way as to rely as extensively as possible on locally produced goods, services, and productive forces – located close to the place where the government contract is performed. Consequently, LCRs are widely recognised as tools for protecting the local economy and supporting domestic enterprises and are therefore typically regarded as having an essentially protectionist character.

Given this, it becomes clear that such measures cannot gain approval from international organisations whose fundamental goal is the liberalisation of international trade, particularly the WTO. Among its legal instruments are the Agreement on Trade-Related Investment Measures (TRIMS) and the General Agreement on Trade in Services (GATS), both adopted under the

⁹ OECD, *Local Content Requirements*, Trade Policy Brief (Feb. 2019), at 1.

Marrakesh Agreement Establishing the World Trade Organization on 15 April 1994 as Annexes 1A and 1B respectively. Article II of the GATS requires that “each Member shall accord treatment immediately and unconditionally to services and service suppliers of any other Member no less favourable than that it accords to like services and service suppliers of any other country.” However, the most significant instrument in this context is the Agreement on Government Procurement (GPA), which directly regulates public procurement. Article IV(1) of the GPA requires each Party to “accord immediately and unconditionally to the goods and services of any other Party and to the suppliers of any other Party offering the goods or services of any Party, treatment no less favourable than the treatment the Party, including its procuring entities, accords to: (a) domestic goods, services and suppliers; and (b) goods, services and suppliers of any other Party”.

Nevertheless, exceptions to this principle of equal treatment exist, particularly those negotiated by certain Parties to exclude specific categories of procurement from GPA obligations. A notable example is the United States, which, through its annexes, negotiated sectoral carve-outs that allowed for the enactment and application of the Buy American, Build America Act without contravening GPA obligations.¹⁰ Despite these exceptions, equal treatment remains the fundamental principle of the GPA. It is therefore apparent that the provisions of these agreements conflict with LCRs, especially in their most radical forms, which exclude non-local solutions.

Within the EU, adherence to the principle of equal treatment of suppliers, goods, and services – regardless of origin – is even more stringent, particularly in intra-EU relations. It must be recalled that the EU is founded on the concept of the internal market. Under Article 26(2) of the Treaty on the Functioning of the European Union (TFEU),¹¹ the internal market comprises an area without internal frontiers in which free movement of goods, persons, services, and capital is ensured in accordance with the EU

¹⁰ Jarosław Kola, *The “Local Content” Concept in Public Procurement: Global Trends in the Development of Public Procurement Law on the Example of the USA, South Africa and Poland*, 85 *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 1 (2023).

¹¹ *Consolidated Version of the Treaty on the Functioning of the European Union* art. 26(2), Oct. 26, 2012, 2012 O.J. (C 326) 47 [hereinafter *TFEU*]

Treaties. Accordingly, any discriminatory measures based on origin in relations between Member States are generally prohibited. The Court of Justice of the EU (CJEU) has repeatedly emphasised that the application of so-called national preferences distorts the internal market and is, in principle, unacceptable. This principle is reflected in several CJEU judgments, including *C-243/89 Commission v Denmark*,¹² *C-360/89 Commission v Italy*,¹³ *C-107/92 Commission v Italy*,¹⁴ *C-225/98 Commission v France*,¹⁵ *C-21/88 Du Pont de Nemours*,¹⁶ *C-351/88 Laboratori Bruneau Srl*,¹⁷ as well as more recent rulings in *C-234/03 Contse SA and Others v Instituto Nacional de Gestión Sanitaria (Ingesa)*¹⁸ and *C-296/15 Medisanus d.o.o. v Splošna bolnišnica Murska Sobota*.¹⁹ Notably, these judgments do not categorically declare LCRs inadmissible in every instance; rather, the CJEU permits their use provided they are justified by so-called public policy clauses. The current scope of these clauses is defined in Article 36 of the TFEU, which allows for restrictions on free movement of goods on grounds such as public morality, public policy, public security, protection of health and life of humans, animals or plants, protection of national treasures of artistic, historical or archaeological value, or protection of industrial and commercial property. However, such restrictions must not constitute arbitrary discrimination or hidden barriers to intra-Member State trade, emphasising the importance of demonstrating proportionality.

From an international perspective, it is significant that the EU also upholds the principle of equal treatment in external

¹² *Commission of the European Communities v. Kingdom of Denmark* (Case C-243/89), 1993 E.C.R. I-3353, ECLI:EU:C:1993:257 (June 22, 1993).

¹³ *Commission of the European Communities v. Italian Republic* (Case C-360/89), 1992 E.C.R. I-3401, ECLI:EU:C:1992:235 (June 3, 1992).

¹⁴ *Commission of the European Communities v. Italian Republic* (Case C-107/92), ECLI:EU:C:1993:344 (Aug. 2, 1993).

¹⁵ *Commission of the European Communities v. French Republic* (Case C-225/98), ECLI:EU:C:2000:494 (Sept. 26, 2000).

¹⁶ *Du Pont de Nemours Italiana SpA v. Unità Sanitaria Locale No. 2 di Carrara* (Case C-21/88), ECLI:EU:C:1990:121 (Mar. 20, 1990).

¹⁷ *Laboratori Bruneau Srl v. Unità Sanitaria Locale RM/24 di Monterotondo* (Case C-351/88), ECLI:EU:C:1991:304 (July 11, 1991).

¹⁸ *Contse SA, Vivisol Srl & Oxigen Salud SA v. Instituto Nacional de Gestión Sanitaria (Ingesa)* (Case C-234/03), ECLI:EU:C:2005:644 (Oct. 27, 2005).

¹⁹ *Medisanus d.o.o. v. Splošna Bolnišnica Murska Sobota* (Case C-296/15), ECLI:EU:C:2017:431 (June 8, 2017).

relations, albeit on a basis of reciprocity. This means that, formally, the principle applies only to suppliers, goods, and services from countries which have concluded reciprocal agreements on public procurement access with the EU. In recent months, this issue has attracted considerable attention from the CJEU. In the rulings of *C-489/22 Kolin İnşaat Turizm Sanayi ve Ticaret A.Ş.*²⁰ and *Case C-207/23 CRRC Qingdao Sifang Co. Ltd.*,²¹ the CJEU confirmed that contractors from so-called third countries – those without reciprocal access agreements with the EU – may only participate in EU tenders if the contracting authorities expressly permit it.²² Conversely, such suppliers are generally permitted to be excluded or otherwise discriminated against in EU procurement procedures. The implications of these rulings extend not only to foreign contractors but also to goods and services originating from such third countries.

In practice, this opens a space for the implementation of LCRs aimed at promoting suppliers, goods, and services originating from the EU and from countries with which the EU has international procurement agreements. However, this space remains underutilised. Several reasons contribute to this. Chief among them is the reality that, in today's highly globalised economy dominated by complex value chains, it is objectively difficult to fully discriminate against suppliers or solutions originating from countries like China or other East Asian economies, which play a significant role in the technological processes of many goods and yet are not signatories to the GPA.

²⁰ *Kolin İnşaat Turizm Sanayi ve Ticaret A.Ş. v. Državna komisija za kontrolu postupaka javne nabave* (Case C-489/22), ECLI:EU:C:2024:910 (Oct. 22, 2024).

²¹ *CRRC Qingdao Sifang Co. Ltd & Astra Vagoane Călători SA v. Autoritatea pentru Reformă Feroviară & Alstom Ferroviaria SpA* (Case C-207/23), ECLI:EU:C:2025:178 (Mar. 13, 2025).

²² These judgments – although delivered only recently – are already influencing the practice and regulations of the Member States. A definitive assessment of their practical impact on the Union's economy is, in all likelihood, premature; nevertheless, the actions of certain Member States are highly indicative. Poland has arguably acted the most swiftly and radically in this regard. Since 9 September 2025, Polish legislation has provided that contractors from third countries which have not concluded an agreement with the EU on the reciprocal liberalisation of access to public procurement markets may submit tenders only in those cases where the contracting authority has explicitly declared such a possibility in the tender documentation.

This practical challenge is difficult to dispute. Additionally, there is a legal rationale: as discussed, LCRs were long considered taboo within the EU due to its underlying values, and for decades, there was no real debate on using public procurement to achieve strategic development goals, including industrial policy objectives. It is precisely for this reason that Saudi experiences and solutions appear particularly inspiring today, even when the objective differences between the legal and economic systems of Saudi Arabia and those of the EU and its Member States are acknowledged.

3. THE PUBLIC PROCUREMENT SYSTEM IN SAUDI ARABIA – AN OUTLINE OF THE INSTITUTIONAL AND LEGAL FRAMEWORK

The backbone of Saudi Arabia's public procurement system is the Government Tenders and Procurement Law (GTPL),²³ which replaced the previous law.²⁴ The new law governs procurement procedures undertaken by public entities and plays a key role in promoting local content. As S. Matthews²⁵ has noted, the principle that public procurement should be used as a tool to stimulate the development of Saudi Arabia's non-oil economic sectors – consistent with the objectives of Vision 2030 – is reflected in Article 9 of the GTPL. This provision establishes a system of preferential treatment in government tenders for small and medium-sized enterprises (SMEs), companies listed on the Tadawul stock exchange, and firms demonstrating significant local content. Article 96 of the GTPL assigns the Ministry of Finance, in cooperation with the newly established LCGPA, the Small and Medium Enterprises General Authority, and the Capital Market Authority, the responsibility to develop implementing regulations for these preferences. These regulations are to include mechanisms for preferential treatment of local goods and services, methodologies for calculating local content, and specific provisions regarding goods and services supplied by domestic SMEs and publicly listed firms. The regulations must also set out

²³ *Government Tenders and Procurement Law*, Royal Decree No. M/128, 13/11/1440H (July 16, 2019) (Saudi Arabia).

²⁴ *Government Tenders and Procurement Law*, Royal Decree No. M/58, 4/9/1427H (Sept. 27, 2006) (Saudi Arabia).

²⁵ Stephen P. Matthews, KSA's Public Procurement Reform, 90 *The Oath: The Middle East Law Journal for Corporates* 12 (2020).

a schedule of penalties applicable to contractors who fail to meet local content requirements.

The central body responsible for implementing local content policy in Saudi Arabia is the LCGPA.²⁶ According to Article 3 of the LCGPA Statute, the Authority's mandate is to foster local content across all of its dimensions at the level of the national economy, and to modernise and oversee government procurement with a view to achieving both developmental and fiscal objectives in accordance with national visions, strategies, and plans.²⁷ Article 1 further defines local content as: “The total spending within the Kingdom of Saudi Arabia through the participation of Saudi elements in the labour force, goods, services, assets, technology, and similar components.”²⁸

Alongside the LCGPA, the Expenditure and Project Efficiency Authority (EXPRO) play a key role within the public procurement framework in Saudi Arabia. Established by Council of Ministers' Decision No. (389) of 23 February 2021, EXPRO is responsible for enhancing the efficiency of government expenditure, overseeing major public projects, and contributing to the standardisation of public procurement practices. In particular, EXPRO manages and supervises the conclusion of framework agreements, thereby ensuring cost-effectiveness, transparency, and alignment with national budgetary objectives. Whereas the LCGPA focuses primarily on promoting local content and economic development, EXPRO complements this role by safeguarding expenditure efficiency and project implementation within the broader public procurement system.²⁹

4. THE MANDATORY LIST OF DOMESTIC PRODUCTS – STRUCTURE AND APPLICATION

One of Saudi Arabia's key measures within its local content policy in public procurement is the introduction of a Mandatory List of National Products that must be prioritised in public purchasing

²⁶ *Statute of the Local Content and Government Procurement Authority*, Council of Ministers Decision No. 551, 15/9/1442H (Apr. 27, 2021) (Saudi Arabia) [hereinafter *LCGPA Statute*].

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Expro: About Us — Our Story*, Expro (Saudi Arabia), <https://expro.gov.sa/aboutUs/ourStory> (last visited Oct. 8, 2025).

procedures. Notably, this measure is closely aligned with the strategic development objectives of Saudi Arabia, as it constitutes one of the principal instruments for implementing the Vision 2030 strategy. The central aim of that strategy is to diversify the national economy and reduce its dependence on both imports and the oil sector.³⁰ The choice of instrument – a list of goods required to be procured from local producers under public procurement procedures – is based on the assumption that the public sector can effectively stimulate domestic industrial growth, enhance local production, and generate employment for Saudi citizens. From an economic perspective, the Mandatory List represents a form of institutionalised state intervention in the procurement process, intended to redirect public sector demand towards national resources. This is of particular relevance in the Saudi context, where for decades economic development despite the central role of hydrocarbons has been reliant on imported goods and technologies.

By obliging public institutions to procure selected goods from local sources, the government aims to foster industrial sovereignty, develop strategic sectors such as chemicals, steel, construction materials, and pharmaceuticals, facilitate technology transfer, and increase the contribution of the private sector to GDP.³¹ From a political standpoint, the Mandatory List also serves as an instrument of socio-economic transformation, designed not only to support industrial development but also to assist in the achievement of broader policy objectives, such as increasing employment among Saudi nationals (so-called Saudisation) and strengthening the position of domestic SMEs. Thus, the introduction of a Mandatory List of National Products is not merely a technical adjustment within the procurement system. Rather, it is a manifestation of a new model of economic development – one which affirms that public authorities not only have the right, but also the obligation, to shape demand structures in accordance with the state's developmental priorities.

The Mandatory List of National Products constitutes one of the key instruments of Saudi Arabia's public procurement

³⁰ Matthews, *supra* note 25.

³¹ WTO Secretariat, *Trade Policy Review of the Kingdom of Saudi Arabia* (2021), <https://www.wto.org/english/tratope/tpr/s407e.pdf> [<https://perma.cc/DS3N-67VR>] (last visited Oct. 8, 2025).

localisation policy. Its primary objective is to ensure that, in certain procurement procedures, bidders are required to use only products originating from approved Saudi manufacturers. The Mandatory List forms an integral part of the broader local content policy, implementing it in a direct and binding manner for both contracting authorities and suppliers.

The Mandatory List's legal basis is found primarily in Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions,³² and it carries a binding legal character – its application is not optional nor subject to the discretion of the contracting entity, but rather constitutes a statutory obligation. Under the aforementioned regulation, the LCGPA is entrusted with the authority to prepare, update, and publish the list.³³ It is also responsible for establishing the rules for identifying domestic manufacturers and for setting the conditions that products must meet in order to be included on the list.

The Mandatory List is continuously updated and published on the official website of the LCGPA. At present, it includes 1,444 items.³⁴ Issues related to the granting of preferences to domestic products within Saudi Arabia's public procurement system are comprehensively regulated in *R245*. This legal act constitutes one of the key instruments for implementing Saudi Arabia's local content policy. It introduces three fundamental mechanisms aimed at supporting domestic production and entrepreneurship within the public procurement system. Its objective is to promote national products even beyond the scope of mandatory purchases, particularly in procurement procedures where competition between domestic and imported goods is permitted. *R245* should not be confused with the Statute of the Local Content and Government Procurement Authority (LCGPA)³⁵ which primarily

³² *Regulations on Preference for Local Content and Local SMEs and Companies Listed on the Capital Market in Business and Procurement Transactions*, Council of Ministers Resolution No. 245, 29/3/1441H (Nov. 26, 2019) (Saudi Arabia) [hereinafter *R245*].

³³ *R245* art. 8(1).

³⁴ *Mandatory List*, Local Content & Government Procurement Authority (Saudi Arabia), <https://lcpa.gov.sa/en/Regulations/Docs-Lists/Pages/MandatoryList.aspx> (last visited Oct. 8, 2025).

³⁵ *Statute of the Local Content and Government Procurement Authority*, Council of Ministers Decision No. 551, 15/9/1442H (Apr. 27, 2021) (Saudi Arabia).

establishes the institutional framework of the authority, defining its mandate, delegated powers, and governance structure. The substantive rules governing the granting of preferences to domestic products, including the Mandatory List and related mechanisms, do not form part of the statute itself.

According to Article 10(1) of R245, all government agencies are required to apply a price preference mechanism in favour of domestic products not included on the Mandatory List. Pursuant to Article 10(2), a domestic product benefits from a default price preference by assuming that the price of a foreign product is 10% higher than the price quoted in the bid. This preference may be increased by agreement between the LCGPA and Expenditure and Projects Efficiency Authority (EXPRO), provided that the specific adjustment level is clearly indicated in the tender documentation.

In the case of supply contracts, Article 11 introduces a detailed financial evaluation formula that takes into account the proportion of local content. The adjusted bid value is calculated using the following formula:

$$\text{Adjusted bid value} = \text{bid price (in SAR)} + 10\% \times \text{bid price (in SAR)} \times (1 - \text{share of domestic products})$$

Accordingly, the higher the proportion of domestic components in the bid, the lower its adjusted value for financial evaluation purposes, thereby enhancing the competitiveness of that bidder. For mixed bids (i.e. including both products subject to mandatory domestic origin and others), the algorithm applies only to the portion not listed on the Mandatory List, whereas the value of the listed products is added after the calculation is completed. Such a solution is, in principle, intended to support the local economy. It should be noted, however, that in certain circumstances it may generate the risk that the contracting authority will be unable to satisfy its needs effectively. This is particularly the case where the procurement need is urgent. The mechanism, in effect, disfavors Saudi SMEs or other undertakings acting as distributors of goods and services which may be relatively easily available abroad but whose availability within Saudi Arabia is limited. In such instances, adherence to domestic preference may lead to adverse consequences. In this context, it is worth emphasising what is strongly highlighted in EU law – namely that the primary objective of public procurement is to meet the purchasing need, that is, the

acquisition of a given good or service within the paradigm of best value for money. Automaticity and an orthodox attachment to locality may, in practice, hinder the attainment of this objective.

Additional obligations are imposed on contractors regarding identification and reporting. According to Article 11(3) of *R245*, the bidder must specify the domestic content share in the offer and indicate the origin of each product in the bill of quantities. Failure to provide this information results in the product being deemed foreign and excluded from the preference mechanism. Upon completion of the contract, the contractor is required to submit a final report confirming the domestic origin of the goods supplied;³⁶ the contracting authority's failure to respond within ten working days is deemed as tacit approval of the report. This data is subsequently forwarded to the LCGPA via a dedicated electronic portal.³⁷

The price preference mechanism is a vital element of the policy supporting domestic industry. Unlike exclusionary measures, it does not eliminate foreign bids but, instead, systematically rewards local content through favourable valuation. As such, it creates conditions for simulated competition while preserving flexibility for contracting authorities and mitigating the risks associated with insufficient domestic production capacity.

5. LOCAL CONTENT WEIGHT MECHANISM IN FINANCIAL EVALUATION

In addition to the price preference mechanism, Saudi Arabia's public procurement system also relies significantly on the local content weighting mechanism. Its function is to promote domestic contribution not only in terms of the delivered products, but also in the overall structure of contract performance – by rewarding bidders who commit to achieving a high level of local engagement in capital, labour, and value-added activities. This mechanism is applied primarily to high-value contracts, with the exception of supply contracts,³⁸ unless otherwise decided by the LCGPA.³⁹

³⁶ *R245* art. 13(1).

³⁷ *R245* art. 13(2).

³⁸ *R245* art. 14(1).

³⁹ *R245* art. 18(1)-(2).

According to Article 14(2) of R245, the target percentage of local contribution is calculated in accordance with the methodology specified in the tender documentation and based on a formula published on the LCGPA portal. In selected procedures, the LCGPA may – in consultation with the contracting authority – establish a minimum threshold of local content, the failure to meet which results in automatic disqualification of the offer at the technical evaluation stage.⁴⁰ The offer must specify both the target level and, where applicable, the baseline level of local content. In case of ambiguity regarding the declared values, the contracting authority may request clarifications, and the absence of such information or the submission of an unsatisfactory explanation constitutes grounds for exclusion.⁴¹

The core component of this mechanism is a financial evaluation algorithm, in which price is not the sole selection criterion. Rather, it is balanced against the weighting of local content and, where applicable, the bidder's status as a publicly listed company. Pursuant to Article 17(1) of R245:

$$\text{Financial evaluation score} = (\text{price of the lowest technically qualified offer (in SAR)}) \div (\text{price of the offer being evaluated (in SAR)}) \times 60\% + (\text{targeted local content percentage} \times 50\% + \text{baseline content} \times 50\% + 5\% \text{ for a publicly listed company}) \times 40\%.$$

The result of this calculation identifies the bid that best balances price and domestic contribution. Importantly, if the winning offer exceeds the lowest technically compliant offer by more than 10%, the contract is awarded to the second-highest ranked bid,⁴² unless the tender documentation provides for a different threshold.

Once the contract is concluded, the contractor must submit a plan for the gradual achievement of the local content target,⁴³ followed by systematic reporting on its implementation.⁴⁴ Interim reports may be subject to approval by the LCGPA, which has 15 working days to carry out the verification – failure to respond

⁴⁰ R245 art. 15.

⁴¹ R245 art. 16(2).

⁴² R245 art. 19.

⁴³ R245 art. 20.

⁴⁴ R245 art. 21.

within this period is deemed as tacit approval. A final report is also required,⁴⁵ documenting the actual level of local content achieved; it may also be audited, should this be stipulated in the tender documents.

As a result, this mechanism serves the structural transformation of the public procurement market, encouraging bidders not only to offer competitive pricing, but also to localise production processes, employment, and value creation within the Kingdom of Saudi Arabia. In contrast to the price preference model, this mechanism is more complex and qualitative, based on a multi-dimensional evaluation of bid value and long-term monitoring of contract implementation.

6. MECHANISM FOR DETERMINING “THE MINIMUM LOCAL CONTENT”

The third key regulatory instrument is the mechanism for determining minimum local content requirements. This instrument is both mandatory and normative in nature – it entails establishing a minimum threshold of local contribution that bidders must meet for their offers to be considered during the procurement procedure. According to Article 23 of *R245*, this mechanism applies to high-value contracts identified by the LCGPA in cooperation with EXPRO, with the exception of supply contracts – unless decided otherwise.⁴⁶

The process of determining minimum requirements is based on analyses conducted by the contracting authority. These analyses are submitted to the Unified Procurement Agency and must be approved in consultation with the LCGPA within 15 working days.⁴⁷ A lack of response within this time frame results in presumed approval. If the proposed values are rejected, the central agency, again in consultation with the LCGPA, is required to propose a new minimum within the same timeframe. If this is not accepted, the weighted local content mechanism is applied instead.⁴⁸

⁴⁵ *R245* art. 22.

⁴⁶ *R245* art. 27(1).

⁴⁷ *R245* art. 24(1).

⁴⁸ *R245* art. 24(2).

In practice, bidders are required to declare the intended level of local contribution when submitting their technical offer. This level must not fall below the established minimum threshold, or the offer will be rejected during the technical evaluation stage.⁴⁹ This evaluation considers not only compliance with tender documentation but also the manner in which the data are presented on the designated LCGPA portal form.

To ensure systemic consistency, Article 26 of *R245* extends the application of Articles 15, 16(2), 17, 19, 20, 21, and 22 of *R245* to the implementation of the minimum requirements mechanism. This means that the financial evaluation model based on the formula in Article 17 continues to apply, as do the contractor's obligations, including the submission of a plan for the gradual achievement of the declared local content and periodic and final reports (which may also be subject to audit, if stipulated in the tender documentation).

Importantly, the minimum requirements mechanism may also be applied to supply contracts and contracts not classified as high-value, provided that such a decision is taken by the LCGPA in coordination with EXPRO.⁵⁰ In such cases, the offer value is adjusted either through the SME pricing preference mechanism (10%) or the corrected value formula laid down in Article 11 of *R245*.

Unlike the weighted mechanism, which is incentive-based and rewards local input by balancing price with other criteria, the minimum requirements mechanism is exclusionary – failure to meet the designated threshold results in the automatic disqualification of the bid. It therefore represents the most stringent form of enforcing local participation in the execution of public procurement contracts in Saudi Arabia.

7. THE ROLE OF ARAMCO IN IMPLEMENTING THE LOCAL CONTENT CONCEPT

It is worth emphasizing that Saudi Aramco – the largest enterprise in the energy sector – plays a significant role in the implementation of the Vision 2030 strategy and in promoting the local content

⁴⁹ *R245* art. 25.

⁵⁰ *R245* art. 27.

concept. As a result, Aramco holds particular importance for the Saudi Arabian economy, as it is responsible for generating well over half of the country's national revenue. In this context, it is particularly relevant that Aramco operates the In-Kingdom Total Value Add (IKTVA) program, which, in the company's own words, "is designed to drive supply chain efficiency and value across our operations, and to encourage the development of a diverse and globally competitive energy sector in the Kingdom."⁵¹

In its publicly available documents, Aramco makes the following declarations:

*Through IKTVA, we are building a world-class supply chain to support our needs and the needs of our partners. We strive to cultivate local business with the goal of retaining 70% of all procurement spend in-Kingdom. IKTVA's proven model has attracted more than 350 active investments as of early 2025. [...] The IKTVA program has demonstrated the benefits of creating successful partnerships with business, government, and academia. It also enhances the Company's competitiveness, fosters industry collaboration, and brings innovation to the Kingdom through research and development.*⁵²

These statements underscore the strategic role of IKTVA as both an instrument of industrial policy and a mechanism for promoting economic resilience, technological development, and private sector engagement within the broader framework of Saudi Arabia's Vision 2030.

The significance of IKTVA becomes even clearer when considered within the broader localisation agenda pursued under Vision 2030, particularly in light of the Shareek Program (Private Sector Partnership Program), which complements Aramco's efforts by fostering large-scale private sector investment and industry localization. Launched in 2021, Shareek is a flagship initiative under Vision 2030, designed to foster closer collaboration between the state and the private sector with the ambitious objective of generating SAR 5 trillion in private sector

⁵¹ Saudi Arabian Oil Co. (Aramco), *In-Kingdom Total Value Add (IKTVA)*, Aramco, <https://www.aramco.com/en/what-we-do/commercial-ecosystems/iktva> (last visited July 14, 2025).

⁵² *Id.*

investments by 2030.⁵³ Similar to IKTVA, the program places strong emphasis on localisation as a driver of long-term economic growth and resilience, encouraging private companies to expand domestic production capacities, invest in innovation, and create high-skilled jobs for Saudi citizens.⁵⁴ Taken together, IKTVA and Shareek demonstrate the Kingdom's systematic approach to embedding localisation across different sectors of the economy, thereby underscoring the strategic alignment between individual corporate initiatives and national economic policy.

In practical terms, this means that any foreign business seeking to cooperate with Saudi Aramco must undergo an audit to assess the extent to which its operations contribute to the development of the Saudi Arabian economy. This audit involves the analysis of data including, in particular, the value of goods and services produced locally, salaries paid to Saudi employees, expenditures on their training and development, and investments in research and development conducted within the Kingdom. The resulting IKTVA score is then presented by the company during Aramco's procurement procedures, where it constitutes an important factor in tender evaluations. Specifically, a contract with this contracting authority is awarded not only to a supplier that meets the technical requirements of the tender, but also to one that demonstrates a sufficiently high and positive economic impact on the Saudi economy.⁵⁵ Although Saudi Aramco is not a state entity, its strategic position and unparalleled scale of operations mean that its procurement practices exercise an influence comparable to that of public procurement regimes. By applying mechanisms closely resembling those used in the public sector, Aramco effectively shapes market behaviour, directs investment flows, and reinforces national economic objectives, thereby amplifying the impact of the IKTVA programme well beyond the confines of the company itself.

⁵³ *Shareek Program*, Vision 2030, <https://www.vision2030.gov.sa/en/explore/projects/shareek-program> (last visited Oct. 8, 2025).

⁵⁴ *Shareek Program Marks New Era for Saudi Private Sector*, Executive Centre (Aug. 12, 2025), <https://executivecentre.sa/blog/shareek-program-for-private-sector-reinforcement> (last visited Oct. 8, 2025).

⁵⁵ Christoph Cremers, *Die Zulässigkeit von Local Content Requirements im Lichte des Welthandelsrechts* [The Admissibility of Local Content Requirements in Light of World Trade Law] 48–49 (2022).

The above-described activity of Aramco provides a useful illustration of the fact that the application of local content requirements does not necessarily have to be protectionist in nature. The IKTVA program is not, in the first instance, intended to favour domestic or local enterprises; rather, its primary aim is to generate added value for the Saudi economy. The program's main objective is therefore to stimulate national economic development and support the strategic implementation of Vision 2030. That said, from the perspective of EU law – as currently interpreted under its internal public procurement framework – the implementation of a similar mechanism would likely be difficult to justify in the context of intra-EU trade (what was explained in previous sections). However, such an approach could be permissible in relation to third-country suppliers. Thus, despite the fact that Aramco is not formally a government entity and does not award public contracts in the strict sense, its practice nonetheless offers a valuable source of inspiration in addressing contemporary economic challenges faced by the European Union.

At the same time, it should be recognised that part of IKTVA's effectiveness stems from Saudi Aramco's unique position within the Saudi economy as a single buyer of unparalleled scale, capable of leveraging procurement power to induce broad compliance. Within the EU, by contrast, there is no comparable economic actor able to exert such influence. Moreover, the structural principles of the EU internal market – above all the prohibition of discrimination and the commitment to free movement – make the introduction of analogous measures legally impermissible in the context of intra-EU trade.

8. CONCLUSIONS

As a summary of the above discussion, a general reflection may be drawn: despite the evident differences in the functioning of the European Union's and Saudi Arabia's economic systems – including, in particular, their respective public procurement regimes – there are many elements that could serve as mutual sources of inspiration. The economic development of the EU and its Member States over recent decades has undoubtedly demonstrated the effectiveness of the European model in various respects. A compelling example is Poland, which, among the countries that joined the EU in the 21st century, has the largest economy. The implementation of EU procurement rules has led to

greater transparency in procurement procedures and helped curb phenomena such as corruption, thereby significantly enhancing the efficiency of the public procurement system. Furthermore, it is worth noting that over the past three decades, Poland's public procurement system – like its broader economy – has grown substantially, both in terms of total value and the number of contracts awarded, a significant share of which are granted to small and medium-sized enterprises.

The Saudi procurement system is built on a different set of assumptions. However, from the European perspective, it now represents an invaluable source of inspiration and a reservoir of practical experience – particularly in light of current geopolitical challenges and the debates sparked by the recent CJEU judgments in the Kolin and Qingdao cases. This is not to suggest that the Saudi model should be replicated verbatim, but rather that its underlying principles and outcomes may serve as a useful foundation for developing a more optimal approach to public procurement in the future. The analysis and presentation of the Saudi instruments conducted herein confirm this potential.

In this context, Saudi Arabia's experience assumes not only local relevance, but also global significance, becoming an important reference point in the ongoing international debate about the future of public procurement law. At the same time, it reaffirms the broader thesis that EU–Saudi relations contain untapped potential that is yet to be fully realised. It is worth taking steps to change that.