Last week KSA’s Finance Ministry announced the Government had approved a new government tenders and procurement law.

The law will regulate Government tenders and procurements and will provide greater flexibility in the procurement process and is part of the reforms being implemented in the Saudi Vision 2030 to diversify the economy and encourage more foreign investment.

The full details of the law and how it will operate are not yet available and will be supplemented by regulations, which are yet to be issued.

Some key known changes

- Local companies, SMEs and Saudi listed companies are given priority over foreign companies
  - Priority is to be given to supporting small and medium enterprises and also locally registered companies.
  - Further SME’s may be exempted from providing bid bonds.

- Wider choice of procurement method
  - Under the new law there is wider choice for procurement from the current 3 methods, being general tenders, closed tenders and direct purchases.
  - There are now to be more procurement options including use of the RFP model or “competitive negotiations method”. For larger or output focussed projects this will permit the Government to consider not only price but also quality and experience.

- Default rights
  - The Government will have the power to pay the sub-contractor directly to help overcome project delay.
  - Where there have been incessant delays there are expanded rights for the Government to terminate a contract or partially withdraw works from a contractor, with the option of completing those withdrawn works at the contractor’s expense.

- Arbitration of disputes
  - Arbitration will be permitted as a dispute resolution mechanism.
  - This is an important change and it is not known yet the conditions that may apply to when arbitration may be used and what institutions may be used or rules which will apply.

We will keep monitoring developments regarding the implementation of this law and the issue of supporting regulations.

If you need help with any projects in the KSA please contact us using the details below.

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