

New Government Tendering and Procurement Law for Saudi Arabia

by Stephanie Panzic

Saudi Arabia's Cabinet has approved a new law to replace its existing legislation on tendering and procurement. The law aims to save the government money on procurement, as well as making the process fairer and supporting local providers. It is part of a series of reforms planned to implement Vision 2030, Saudi Arabia's strategy for diversifying the economy and encouraging foreign investment.

In a press release issued this month, Saudi Arabia's Minister of Finance stated:¹

"The law will enhance integrity and competition by preventing the impact of personal interests, thereby protecting public funds. It provides fair treatment to all bidders within the principle of equal opportunity, which fulfills one of MOF's objectives. In addition, the law seeks to allocate and manage financial resources effectively, provides more transparency in all tenders and procurement procedures."

While full details of the law are not yet available, key changes have been reported to include the following:

- Government agencies may procure through a wider range of models and consider non-price factors when assessing bids.
- Government agencies may pay subcontractors directly (a response to recurrent infighting between main contractors and subcontractors about payment).
- Bids from local companies and SMEs will be given priority over those from overseas entities.
- Arbitration is now available for dispute resolution of government contracts. Under the previous law, arbitration was prohibited unless permitted by the President of the Council of Ministers.

The impact of the law on contractors operating in Saudi Arabia will become clearer when regulations are released at a later date.

1. <https://www.mof.gov.sa/en/MediaCenter/news/Pages/news16072019.aspx>