

Dubai Team

27 March 2023

Dubai TeamTeam LeadersMarco De Leomarco.deleo@belex.com

Tel. +39-02-771131

+971 45646618

Catia Tomasetticatia.tomasetti@belex.com

Tel. +39-02-771131

AuthorsMarco De Leomarco.deleo@belex.com

Tel. +39-02-771131

+971 45646618

Sami Moacdiehsami.moacdieh@belex.com

Tel. +971 45816900

Sara Omairsara.omair@belex.com

Tel. +971 45816900

The KSA's Regional Headquarters Program

1. Introduction

Kingdom of Saudi Arabia (“**KSA**”) Cabinet Decision 377/1444 (“**Decision**”), which regulates the KSA’s program for regional headquarters (“**RHQ**”), will come into force on **1 January 2024**. In line with the KSA’s Vision 2030, the RHQ program has been developed by the Ministry of Investment of Saudi Arabia (“**MISA**”) and the Royal Commission for Riyadh City to encourage companies to set up RHQs in the KSA or relocate existing RHQs there.

2. Main provisions

The Decision regulates contracting between KSA governmental agencies (“**GAs**”) and companies with RHQs outside the KSA. To obtain an RHQ licence from MISA, a company’s RHQ must (among other things): (a) carry out certain mandatory activities relating to strategic direction and management; (b) refrain from conducting any revenue-generating commercial operations; and (c) employ at least 15 full-time employees within a year from receiving its RHQ licence with failure to do so resulting in the licence being revoked.

Under the Decision, a foreign company is considered not to have an RHQ in the KSA if it: (a) has an RHQ in the Middle East and North Africa region; and (b) is included in MISA’s list of companies without RHQs in the KSA.

Once the Decision comes into force, **GAs will not be permitted to contract with companies that do not have RHQs in the KSA or with any related companies, save for certain limited exceptions**. The following works and procurement are excluded from the scope of the Decision:

- works/procurement with an estimated maximum cost of SAR 1 m, or
- works/procurement executed outside the KSA.

Although the Decision does not prevent companies without RHQs in the KSA from submitting bids in public tenders, GAs may accept bids from those companies only if:

- the tender has received only one technically acceptable bid, or

This document is provided as a service to clients and other friends for educational purposes only. It should not be construed or relied on as legal advice or to create a lawyer-client relationship.

- the bid submitted by the company without an RHQ in the KSA is assessed as the best technical bid and is at least 25% lower in cost than the next best bid.

Additionally, GAs may not invite companies without RHQs in the KSA to participate in public tenders or to contract directly with GAs unless:

- only one qualified bidder other than the companies without RHQs in the KSA has participated in the tender,
- an emergency arises that can be resolved only by inviting or directly contracting with companies without RHQs in the KSA, or
- the works/procurement are exclusively available from companies without RHQs in the KSA.

The Decision is set to significantly impact multinationals that operate in the KSA, particularly those that rely heavily on public tender awards.

Companies that intend to establish RHQs in the KSA or relocate existing RHQs there will need to **act quickly** to ensure their operations are structured accordingly before the Decision comes into force next year.