Saudi Arabia's New Government Procurement Law: What Companies Should Know

On 4 August 2026, the Council of Ministers of the Kingdom of Saudi Arabia approved the new Government Tenders and Procurement Law ("GTPL"). The new law aims to streamline government procurement procedures, enhance spending efficiency, transparency and governance, promote equal opportunities, and provide greater flexibility in the management of tenders and government contracts in support of Saudi Vision 2030.

These changes are particularly relevant to both Saudi and foreign companies that contract, or intend to contract, with the government in the Kingdom. Their impact extends beyond the tendering and award stages to matters including contract administration, guarantees, change orders, payment arrangements, agency structures and brokerage arrangements. Below, we highlight ten of the most significant amendments and their potential impact on companies:

1. Increase of the Direct Procurement Threshold to SAR 1 Million

The new law increases the financial threshold for direct procurement from SAR 100,000 to SAR 1 million and expands the circumstances in which this procurement method may be used, including certain specialised services and training of government employees.

This creates broader opportunities for companies to contract with government entities through faster and less complex procedures. It also increases the importance of pre-qualification, registration and maintaining an established presence with relevant government entities.

2. Greater Flexibility in Change Orders

The previous law imposed narrower limits on increases to government contracts. Under the new law, government entities may add new items up to 10% and increase existing items by up to 20%, provided that the aggregate increase does not exceed 20% of the value of the contract or purchase order, subject to the contractor's consent where required by law.

While this provides government entities with greater flexibility in project implementation, contractors should assess and manage pricing, resource allocation, programme and cost risks more carefully from the tender stage and ensure that their contracts adequately address the potential impact of change orders.

3. Enhanced Protection of Private-Sector Receivables

The new law links a government entity's ability to enter new contractual commitments to its handling of outstanding amounts due to private-sector contractors and suppliers.

This represents an important development for businesses, as it strengthens the framework for the timely settlement of government receivables and may help mitigate cash-flow risks associated with delayed payments.

4. Accelerated Contract Approval

The amendments reduce the maximum period for the Ministry of Finance to review relevant government contracts from 15 days to four business days.

This should shorten the period between contract award, execution and commencement. Companies should therefore be prepared to mobilise more quickly following an award, including by arranging the required guarantees, resources, personnel and supply-chain commitments.

5. Consolidation of Bid Opening and Evaluation Committees

Under the previous framework, bid opening and bid evaluation were undertaken by separate committees. The new law consolidates these functions into a single Bid Opening and Evaluation Committee. The change is expected to streamline the evaluation and award process and reduce administrative steps in government procurement.

6. Longer Bid Validity Period

The amendments change the standard bid validity period from 90 calendar days to 90 business days. In practical terms, bidders may therefore remain bound by their submitted prices for a longer period. This is particularly relevant to companies exposed to fluctuations in commodity prices, foreign exchange rates, transportation costs and supply-chain expenses.

7. Greater Flexibility for Advance Payments

The new law allows government entities, subject to the requirements of the implementing regulations, to pay the full contract value in advance. It also permits certain cases to be exempted from the requirement to provide a bank guarantee against an advance payment.

This may materially improve the financing of projects requiring substantial upfront expenditure, including equipment, technology, imported components and other significant mobilisation costs.

8. Clearer Regulation of Brokerage and Agency Arrangements

The new GTPL reinforces the requirement that government contracts be entered into directly with persons or entities duly authorised to carry out the relevant activity and prohibits brokerage in government contracting. Importantly, the GTPL clarifies that an authorised distributor or agent of the original manufacturer, or persons otherwise legally licensed to conduct such activities are not considered brokers for the purposes of this prohibition.

This provision is particularly important for foreign companies operating through agents, distributors, business-development consultants or commission-based arrangements. Companies should review these arrangements to ensure that the role, licensing status and remuneration of intermediaries are consistent with the regulatory framework. Companies operating in the defence sector should, in particular, remain mindful of the statutory limitations and restrictions applicable to intermediaries and brokers, notwithstanding that the wording of Article 90 remains unchanged.

9. Changes to the Scope of Limited Tendering

The new GTPL removes the previous basis for using limited tendering merely because the estimated value of the works or procurement does not exceed SAR 500,000.

Accordingly, lower contract value alone will no longer justify the use of limited tendering. This may result in certain government opportunities being opened to a broader pool of bidders and could increase both market access and competitive pressure.

10. Special Flexibility for National Security-Related Procurement

Where use of the Etimad platform is inappropriate for national security reasons, government entities may use alternative methods to issue tender documents, announce tenders and announce the names of persons who submitted bids, while bids may be submitted in sealed envelopes.

Defence-sector companies should therefore prepare for procurement partly or entirely outside the Etimad portal and maintain appropriate confidentiality, information-security, access-control and document-handling procedures.

What Does This Mean for Companies?

The amendments move government procurement towards a faster and more flexible framework. Expanded direct procurement, expedited contract approvals, streamlined bid evaluation and broader administrative powers for government entities are intended to reduce procedural delays and facilitate more efficient contracting.

Saudi and foreign companies should reassess tender pricing, change-order management, guarantees, agency and commission arrangements, government receivables, contractual risk allocation and internal compliance procedures. Defence and security companies should also review confidentiality and information-security controls for procurements conducted outside the Etimad platform.

We would be pleased to assist you with matters relating to government procurement in the Kingdom of Saudi Arabia.

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