

# ASG Analysis: Saudi Arabia Enacts New Localization Rules for the ICT Sector

October 16, 2020



## Key Takeaways

- On October 5, the Saudi Ministry of Human Resources and Social Development (MHRSD, formerly the Ministry of Labor and Social Development) issued Ministerial Decree No. 28889, introducing new localization requirements for information and communications technology (ICT) roles.
- The Decree requires companies of all kinds, not just companies whose core business is ICT-related, to employ Saudis in at least a quarter of their ICT jobs. Affected companies will have nine months to comply.
- The new rules are part of a broader trend of stricter localization requirements in the Kingdom. The Covid-19 pandemic and the related increase in unemployment have put the government under greater pressure to create jobs for Saudis.

## Provisions of the Decree

Below is a summary of the main provisions of the new Decree. The MHRSD also issued an accompanying [guide](#) (in Arabic) on its website that discusses the Decree in more detail.

- **Localization requirements:** The Decree mandates that 25 percent of employees in ICT roles must be Saudi citizens. This applies to *all* companies that have five or more employees in ICT roles – it does not distinguish between companies whose core business is ICT-related and those that simply employ ICT professionals. The rules previously required companies to localize 35 percent of jobs across their whole business but did not set a specific localization quota for ICT jobs.
- **Affected professions:** The guide includes a list of almost 40 affected roles across three main areas – communications and IT engineering; application development, programming, and analysis; and communications and IT technical support.
- **Minimum salaries:** For Saudi employees to count for localization purposes, their monthly salaries must be at least SAR 7,000 (~\$1,800) for IT engineers and SAR 5,000 (~\$1,300) for communication technicians. Companies can hire Saudis at lower wages, but they will not count toward the 25 percent localization quota. Localization requirements previously set a minimum salary for Saudis of SAR 3,000 (~\$800) across the board.
- **Timeline and penalties for non-compliance:** Affected companies will have nine months to comply with the requirements of the Decree. If they fail to do so, the government reserves the right to prevent them from making any further hires or bringing any foreign employees into the Kingdom.

## Context and Objectives

- The new Decree is part of a broader trend of stepped-up localization efforts amid the Covid-19 pandemic. In recent months, the MHRSD has:
  - Mandated higher localization quotas for certain jobs in the rural Al-Jawf region where job opportunities are especially limited;
  - Signed a memorandum of understanding (MOU) with the Ministry of Transportation, Human Resources Development Fund (HRDF), and Council of Saudi Chambers to promote the localization of transportation and logistical services in the Kingdom;
  - Restricted driving jobs with ride hailing services such as Uber and Careem to Saudi nationals;
  - Mandated 70 percent localization of jobs involving the sale of a wide range of products including books and stationery, toys, coffee and tea, and meat and fish.
- This is in addition to the existing *Nitaqat* system that awards companies localization credits based on their ratio of expatriate to Saudi employees, new local content requirements for government contracts (see our previous [ASG Analysis](#)), and increased visa and other fees for expat workers.
- The ratcheting up of localization requirements comes as the government faces mounting pressure to create jobs for Saudis. According to the latest figures from the General Authority for Statistics, the unemployment rate among Saudis has increased from ~12 percent to more than 15 percent during the pandemic, despite a government program covering 60 percent of the salaries of Saudis in the private sector, which was recently extended. Moreover, more than half of new jobs created in the second quarter went to non-Saudis.
- Given this context, we expect the Kingdom to continue to impose new localization requirements in the coming months and encourage companies operating in Saudi Arabia to proactively review their localization plans in anticipation of potentially stricter requirements.

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