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Insights

A Minister for Localization in Saudi Arabia? Defense Localization in the Kingdom and Beyond

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DGA Group has followed Saudi Arabia's localization agenda from its earliest phases. Our previous publications have covered topics including the Kingdom's first local content mechanisms, the Economic Participation Policy, the Regional Headquarters Program, and evolving Saudization requirements.

Key Takeaways

- On July 11, 2026, Saudi Arabia issued royal orders relieving H.E. Minister Bandar Alkhorayef of his post as Minister of Industry and Mineral Resources, appointing him Minister of State and Member of the Cabinet, and assigning him to perform the duties of Governor of the General Authority for Military Industries (GAMI). HRH Prince Abdulaziz bin Salman, the Minister of Energy, was named Minister of Industry and Mineral Resources alongside his existing portfolio.

- The change places a sitting cabinet minister at the head of the Kingdom's defense industry localization regulator for the first time, succeeding Ahmed Al-Ohali, an experienced engineer with a long career in petrochemicals, who had led GAMI since 2019. We read this as a signal that defense localization is moving up the national agenda.

- As of writing, Minister Alkhorayef also remains chairman of the Local Content and Government Procurement Authority (LCGPA), Saudi Arabia’s civilian procurement localization regulator, a role he has held since 2020. The LCGPA chairmanship is a distinct appointment made by royal order; as with other chairmanships (e.g. leadership of the Royal Commission of Jubail and Yanbu or Modon), it does not transfer automatically with a ministerial portfolio, and no royal order reassigning it has been issued to date. We understand the chairmanship may pass to Prince Abdulaziz, although this has yet to be confirmed.

- If Minister Alkhorayef retains the chairmanship of the LCGPA, a single official will oversee both civilian and military localization, effectively serving as the Kingdom’s “Minister of Localization,” creating opportunities to connect supply chains, align policies, and transfer lessons between the two systems.

- If the chairmanship passes to Prince Abdulaziz, the two localization tracks would be led by two ministers, each with a deep localization record. The questions to watch would concern emphasis and coordination, including how the energy sector's localization model, which Prince Abdulaziz has championed, might shape the civilian agenda.

- Under either outcome, both authorities would be led by ministers with substantial localization experience. For defense, aerospace, and dual-use companies, these developments signal that localization expectations will intensify, and coordination between GAMI and LCGPA frameworks is likely to deepen.

What changed?

On July 11, 2026, the Saudi Press Agency published a series of royal orders reshaping the leadership of two institutions at the center of the Kingdom's industrial transformation. Minister Alkhorayef, who had served as Saudi Arabia's first Minister of Industry and Mineral Resources since the portfolio was created in 2019, was relieved of the industry and mineral resources ministerial portfolio, appointed Minister of State and Member of the Cabinet, and assigned to perform the duties of Governor of GAMI. HRH Prince Abdulaziz bin Salman added the industry and mineral resources portfolio to his responsibilities as energy minister.

GAMI was established in 2017 as the regulator, licensor, and enabler of the Saudi defense industry, with a headline mandate under Vision 2030 to localize more than 50% of the Kingdom's military spending by 2030. Progress has been substantial. GAMI reports that localization of military spending rose from roughly 4% in 2018 to 24.89% by the end of 2024. The sector's momentum was on display at the World Defense Show in Riyadh this February, which closed with more than SAR 33 billion (USD 8.8 billion) in announced deals. Even so, the remaining distance to the 2030 target is considerable. Placing a sitting minister at the head of the authority, in place of a non-minister, is a signal that the leadership of defense localization is being elevated to match the ambitious target for the sector.

As Minister of Industry and Mineral Resources, Minister Alkhorayef led the National Industrial Strategy and the Made in Saudi Program, while overseeing a broad portfolio of industrial development institutions. Since August 2020, he has also chaired the board of the LCGPA, the authority behind many key localization policies in the Kingdom.

Cabinet-level leadership for both localization authorities

When GAMI was created in 2017 and the LCGPA at the end of 2018, both authorities were led below cabinet rank: GAMI by Governor Ahmed Al-Ohali and the LCGPA by chairman Dr. Ghassan bin Abdulrahman Al-Shibl, who joined from the private sector. With Minister Alkhorayef's assignment to GAMI in 2020, the same is now true of the defense authority. Under either scenario for the LCGPA discussed below, both localization authorities will be led by members of the cabinet.

There is significant weight associated with cabinet level leadership in the Kingdom. Ministers can coordinate directly with the ministries and procuring entities whose cooperation is essential to localization efforts, participate in the bodies where procurement and industrial policies are approved, and engage directly with senior national leadership at the Center of Government. Minister Alkhorayef's appointment as Minister of State, which preserved his cabinet membership alongside the GAMI assignment, reinforces this reading.

For international suppliers, the change indicates that localization commitments are overseen at the most senior levels of the Saudi government. Combined with the gap between the current localization rate, just short of 25%, and the 50% target for 2030, the appointment points to a faster pace ahead in licensing, in industrial participation requirements, and in expectations of international suppliers.

Civilian localization experience applied to defense

The appointment can also be read as a transfer of experience from the civilian localization system to the defense sector. Under Minister Alkhorayef's chairmanship, the LCGPA raised local content in government procurement from 28% in 2018 to more than 51% by the end of 2025, against a target of 70% by 2030. The defense sector, at roughly 25% against a target of more than 50%, has a larger gap to close over the same period.

The two systems have common origins. The LCGPA's tools include mandatory lists, local content certificates and scoring, price preferences, and the Economic Participation Policy. GAMI operates a licensing regime and a range of localization initiatives for defense contracts. As we noted in our EPP analyses, the civilian policy drew direct inspiration from the offset requirements long applied in the defense sector, most notably, the Industrial Participation Program (IPP). Minister Alkhorayef has worked with both frameworks for six years, which positions GAMI to draw on the measurement methods, supplier development approaches, and certification practices developed in civilian procurement.

He also brings detailed knowledge of the industrial base that defense localization will draw on (now more than 12,000 factories) and has pointed to industries that serve both sectors — including steel, aluminum, electronics, and advanced chemicals — along with incentives designed to attract industrial investors into military supply chains. Recent regional events have demonstrated that supply chain depth is increasingly a resilience imperative, a theme we explored in our playbook for GCC policymakers.

The LCGPA chairmanship: Two scenarios

One question remains open. The July 11 royal orders left the LCGPA chairmanship unaddressed. That role is a separate appointment made by royal order. The authority is organizationally linked to the Council of Economic and Development Affairs, rather than to the Ministry of Industry, and Minister Alkhorayef's predecessor as chairman held the role from outside the cabinet.

As of this writing, Minister Alkhorayef remains chairman. We understand, however, that the chairmanship may pass to Prince Abdulaziz, the new Minister of Industry and Mineral Resources, although this has yet to be confirmed by royal order. Companies should plan for both scenarios.

If Minister Alkhorayef retains the chairmanship, coordination between the two authorities would run through a single official, effectively the Kingdom’s “Minister of Localization,” providing the most direct route to consistent measurement, aligned incentives, and reduced duplication for companies with obligations under both systems.

If the chairmanship passes to Prince Abdulaziz, we would expect continuity in the LCGPA's day-to-day work, with the current agenda, including finalization of the updated Economic Participation Policy (EPP) and expansion of the mandatory product list, proceeding under the existing executive team. Based on his record as energy minister, we would expect three developments over time:

- **Firmer enforcement:** His standing in OPEC+ was built on monitoring compliance and requiring members to make up for past shortfalls. That approach is consistent with the stricter reporting and audit provisions already in the draft EPP, and companies behind on commitments should expect follow-through.

- **A broader measure of success:** He has described the energy sector's goal as localizing complete supply chains, from raw materials to final products, and has characterized this as more ambitious than local content alone. Applied to the LCGPA, this suggests growing attention to the depth of local value behind a score, and closer alignment between the authority's measurement and the supplier development programs run by large state companies, such as Saudi Aramco's iktva.

- **Greater use of demand-side tools:** His preferred instruments in the energy sector have been long-term purchase commitments anchored by large buyers. Extending that model into government procurement in strategic categories would be consistent with his approach, with particular attention to industrial value chains in energy equipment, minerals processing, and petrochemicals.

The practical links between the two authorities are likely to hold in either scenario. Having chaired the LCGPA since 2020, Minister Alkhorayef is familiar with its operations. Prince Abdulaziz sits on GAMI's board, which gives the ministry visibility into defense localization decisions regardless of who chairs the LCGPA. Both authorities also work toward targets set at the national level, and their tools already overlap in areas such as local content measurement and industrial participation requirements. The scenarios differ mainly in terms of how coordination would be managed. Under consolidated leadership, alignment between the two systems would run through a single official. Under separate leadership, it would depend on working arrangements between two ministers, both of whom have led localization programs of their own.

Defense localization beyond Saudi Arabia

Saudi Arabia's defense localization drive is taking place as governments around the world increase defense spending and associated conditions on industry. Global military spending reached a record USD 2.9 trillion in 2025, the eleventh consecutive year of growth, and NATO members have agreed to raise defense and security spending toward 5% of GDP by 2035. In most capitals, domestic industrial benefits are treated as the return on these budgets. Finance ministries generally support higher defense spending on the condition that it generates local economic value, and with slowing growth in other sectors, defense is increasingly viewed as a source of growth.

This is increasingly reflected in how new defense expenditure is structured. For example, the European Defence Industry Programme, in force since December 2025, requires that at least 65% of the cost of components in funded products originate in the EU or closely associated countries, and the EUR 150 billion SAFE facility for joint procurement applies similar eligibility rules. Familiar requirements such as local participation rates, offsets, workshare for small and medium-sized enterprises, and partnerships with local supply chains now appear across major programs in Europe, the Gulf, and Asia. Geopolitical developments have reinforced the trend, as questions about the reliability of alliance commitments, particularly those involving the U.S., and concerns about operational restrictions on imported systems have led governments to reconsider which capabilities they need to control directly.

In our experience, the greatest difficulty for industry is that these requirements are rarely defined consistently. Governments often use different definitions of sovereignty, defense industrial strategy, and local participation. Even within the same government, finance ministries tend to focus on economic value while defense ministries focus on capability and security of supply. Few governments have fully reconciled these perspectives. As a result, major suppliers often negotiate the practical meaning of localization on a program-by-program basis, and the process has become more political. Suppliers are responding by engaging governments earlier and at more senior levels, and by addressing localization in their offers from the outset.

Requirements tend to be firmest in a small number of areas. Governments most consistently seek sovereign capability in communications, munitions, and air defense, a pattern shaped by recent conflicts. One of the first acts of the war in Ukraine was a cyberattack that disabled a commercial satellite network used by Ukrainian forces, and the wars in Ukraine and the Gulf have shown how quickly munitions stocks and air defense interceptors are consumed in sustained operations. Outside these areas, governments generally apply a sliding scale of offsets and participation requirements.

Even within that scale, emphasis varies. Some governments define sovereignty in terms of infrastructure, others in terms of people, and others yet in terms of intellectual property; companies have adopted a correspondingly wide range of structures, from local subsidiaries and joint ventures to ring-fenced local supply chains and governance arrangements that provide host governments with assurance of local control. Some smaller countries have managed these choices well. The Nordic countries and several other Northern European states have selected a limited number of areas for sovereign capability, invested in them consistently, and applied lighter requirements elsewhere.

Much of the localization debate also continues to rely on concepts developed for hardware, such as platforms, hulls, and final assembly. Few governments have set out what localization means for software-defined capabilities, including electronic warfare, artificial intelligence, cyber, and quantum technologies, where much of the intellectual property in modern systems resides. Defense investment, both private and public, is increasingly directed toward these areas, and the gap between where funding is going and how localization is defined remains unresolved. Questions of sovereignty over these dual-use technologies are only beginning to be addressed in national industrial strategies.

Where Saudi Arabia fits

Saudi Arabia is recognized internationally as one of the most significant defense markets, and its localization objectives are well understood. In our conversations with suppliers, attention focuses on the Kingdom's diversification beyond its traditional suppliers, and on whether that diversification will primarily deepen ties with European and NATO industry or expand the role of Asian suppliers. The Kingdom's widening network of trade negotiations with Europe and Asia adds to this interest, although companies are still working through how localization, offset, and regional headquarters requirements will apply in practice.

Suppliers also describe a more complex regional environment. Companies increasingly consider how to structure investments that can serve more than one Gulf market, and the recent conflict with Iran has raised new questions about export controls, regulatory oversight, and the protection of intellectual property. These considerations have introduced a degree of caution, although the region's importance to Western security planning, and its links to South Asia and Africa, keep Saudi Arabia central to suppliers' long-term planning.

Expectations of what defense industrial strategy should deliver are also rising. In addition to the local employment and technology transfer associated with individual sales, governments increasingly look for enduring outcomes, including domestic intellectual property, exports, spin-offs, and dual-use capability. Saudi Arabia's 2030 targets and the design of its localization programs reflect similar ambitions. The Kingdom faces the same underlying challenges as other markets, including aligning the perspectives of finance, industry, and defense institutions; defining sovereignty consistently; and extending localization policy from hardware to software.

Considerations for companies

- **Monitor official channels for announcements:** Any changes to the LCGPA chairmanship will be announced by royal order. Companies should also watch for formal coordination mechanisms between GAMI and the LCGPA, which might signal a greater degree of integration, as outlined above.

- **Plan for policy continuity:** The 2030 targets (more than 50% localization of military spending and 70% local content in government procurement) remain in place. Companies should plan for existing commitments to carry forward through the transition, and for future tenders to apply localization requirements with greater weight as the sector advances toward its target.

- **Prepare for convergence across frameworks:** Companies with both civilian and defense exposure in the Kingdom should map their obligations across LCGPA tools and GAMI's industrial participation requirements and position themselves for a future in which the two systems are increasingly aligned.

- **Engage as a partner:** As we have advised elsewhere, tone is especially important. Companies that bring credible, commercially sustainable localization proposals — and engage early with GAMI, the LCGPA, and procuring authorities — consistently fare better than those that treat localization as a box checking exercise.

- **Use the milestones ahead:** The updated EPP is expected to take effect in late 2026 or early 2027. GAMI's annual sector meeting and localization disclosures provide indications about the pace of defense localization. The next World Defense Show will follow in 2028. These milestones are an important opportunity to monitor developments, and in some cases, to engage directly with stakeholders.

DGA's National Security, Defense, and Aerospace practice

DGA's National Security, Defense, and Aerospace practice advises defense, aerospace, and technology companies on the challenges that define these markets: entering and expanding in complex jurisdictions, designing industrial participation and offset strategies, navigating localization and procurement policy, and building durable relationships with governments and national champions. The practice is led globally by Will Wallace, a Partner based in London, and in Saudi Arabia by Imad Al-Abdulqader, Partner and head of our Riyadh office. Drawing on DGA's on-the-ground presence in Riyadh and across key defense markets, the team helps clients turn localization requirements into long-term competitive positioning.

About Us

DGA Group is a global advisory firm with deep expertise and longstanding experience in Saudi Arabia and around the world. In Saudi Arabia, we have helped companies navigate a wide range of high-impact regulatory policy issues where market access and business growth is at stake, including EPP, Regional Headquarters (RHQ), defense industrial participation, and other local content mechanisms. To learn more, visit dgagroup.com. Please contact us with any questions or to arrange a follow-up conversation.

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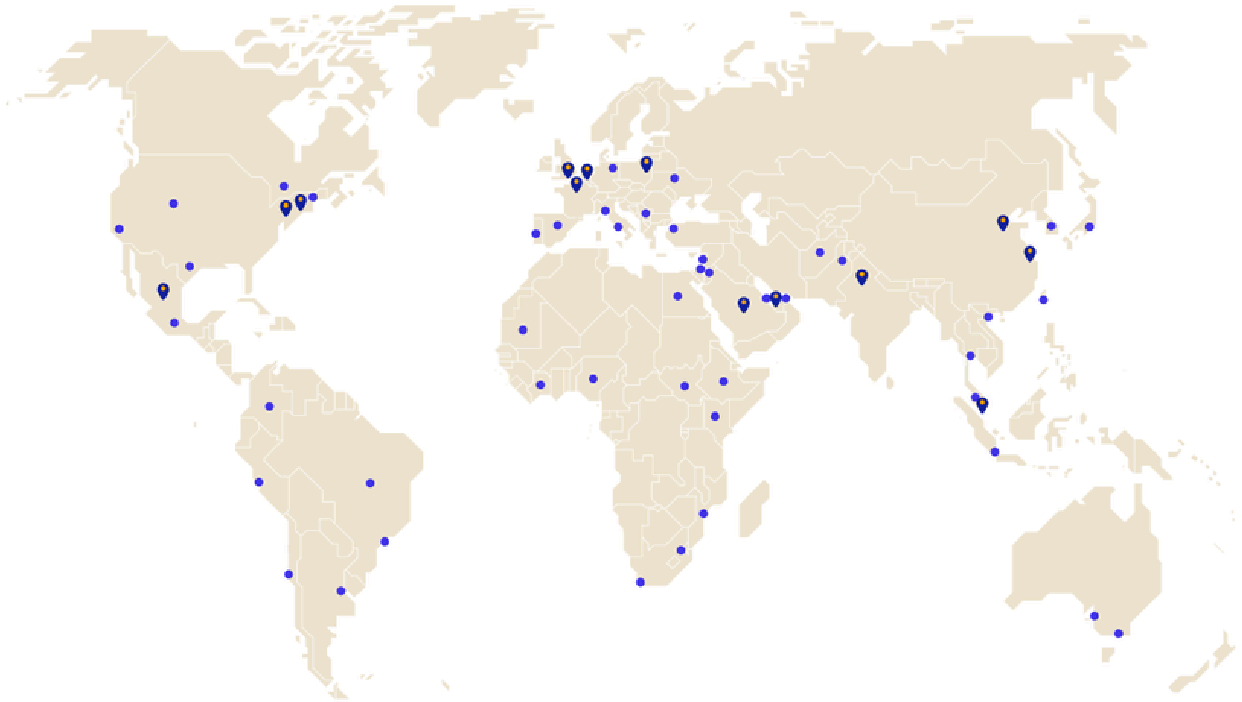
Imad Al-Abdulqader
Partner
Imad.AlAbdulqader@dgagroup.com

William Wallace
Partner
William.Wallace@dgagroup.com

Michael Grouskay
Consultant
Michael.Grouskay@dgagroup.com



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