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والمحتوى المحلي



Projects, Tenders and Local Content Authority



الدليل الاسترشادي
لتطبيق

You must take into account local added value, or what is known as local content.

Local content means purchasing project supplies that are manufactured locally, and this is one of the key points on which we will be focusing from now on.

Speech by His
Majesty Sultan
Haitham bin Tariq –
may God preserve and
protect him –

9 January 2022

Contents of the Guide

01	Introduction	5
02	Subject	5
03	Objectives	5
04	Significance of the Guide	6
05	Scope of Application of the Guide	6
06	Concepts and Terminology	6
07	Practical Process for the Financial Statement on Local Content	7
08	Mechanism for Implementing the Financial Statement	8
09	Roles and Responsibilities	9
10	Work Implementation Templates:	
11	Template 1: Terms and Conditions for the Implementation of the Financial Statement	10
12	Template 2: Bank authorisation	11
13	Template 3: Financial Statement for Local Content	12
14	Frequently Asked Questions	16
15	Conclusion	17
16	References	17

Index of Amendments

Changes from the previous version are shown in the table below

Version	Description	Date
0	First draft	
1	First issue following approval	

Distribution:	This document can be accessed via the Projects, Tenders and Local Content Authority		
Author	Isaac Saeed Al-Kharousi		
Relevant Parties	Managers or General Managers		
Auditor	Director or General Manager	Signature: _____	Date: _____
Approved by	General Manager or Chairman of the Board	Signature: _____	Date: _____



Introduction

The local content policy is one of the most important macroeconomic policies that directs domestic expenditure towards the national economy, and the most important type of expenditure is government spending on government projects and contracts. To monitor expenditure on these projects and contracts, the Authority for Projects, Tenders and Local Content has issued This guide on the financial statement for local content in projects and contracts explains the stages involved in preparing the statement, verifying the accuracy of its financial data, assessing the implementing company's compliance with the local content plan, and taking corrective or punitive measures should any breaches of local content requirements be detected.

Subject

The Guidance Manual for the Local Content Financial Statement relates to the disclosure of government expenditure on government projects and contracts in accordance with the components of local content (labour, goods, services, small and medium-sized enterprises, social responsibility, and research and development.

Objectives

The guide aims to:

03

To monitor the main contractor's compliance with its obligation to pay subcontractors.

02

Monitor companies' compliance with the local content plan in government projects and contracts.

01

To track expenditure on local content elements in government contracts and projects.

05

To build a database on expenditure in government projects and contracts, thereby contributing to the rationalisation of expenditure and enhancing opportunities for local content.

04

Monitoring local content indicators in government projects and contracts.

Importance of the guide

The importance of the Guidance Manual for the Financial Statement on Local Content lies in its role as a tool to facilitate the application of the financial statement in a standardised, consistent and harmonised manner across all contracts entered into by administrative units, as well as other public legal entities and companies wholly owned by the government, or those in which the government holds a stake exceeding 40 per cent of the share capital, across all sectors; Furthermore, it serves as an executive, auditing and supervisory reference, facilitating the performance of the duties of staff responsible for preparing and auditing financial statements and monitoring compliance with them in accordance with the correct procedural and substantive requirements.

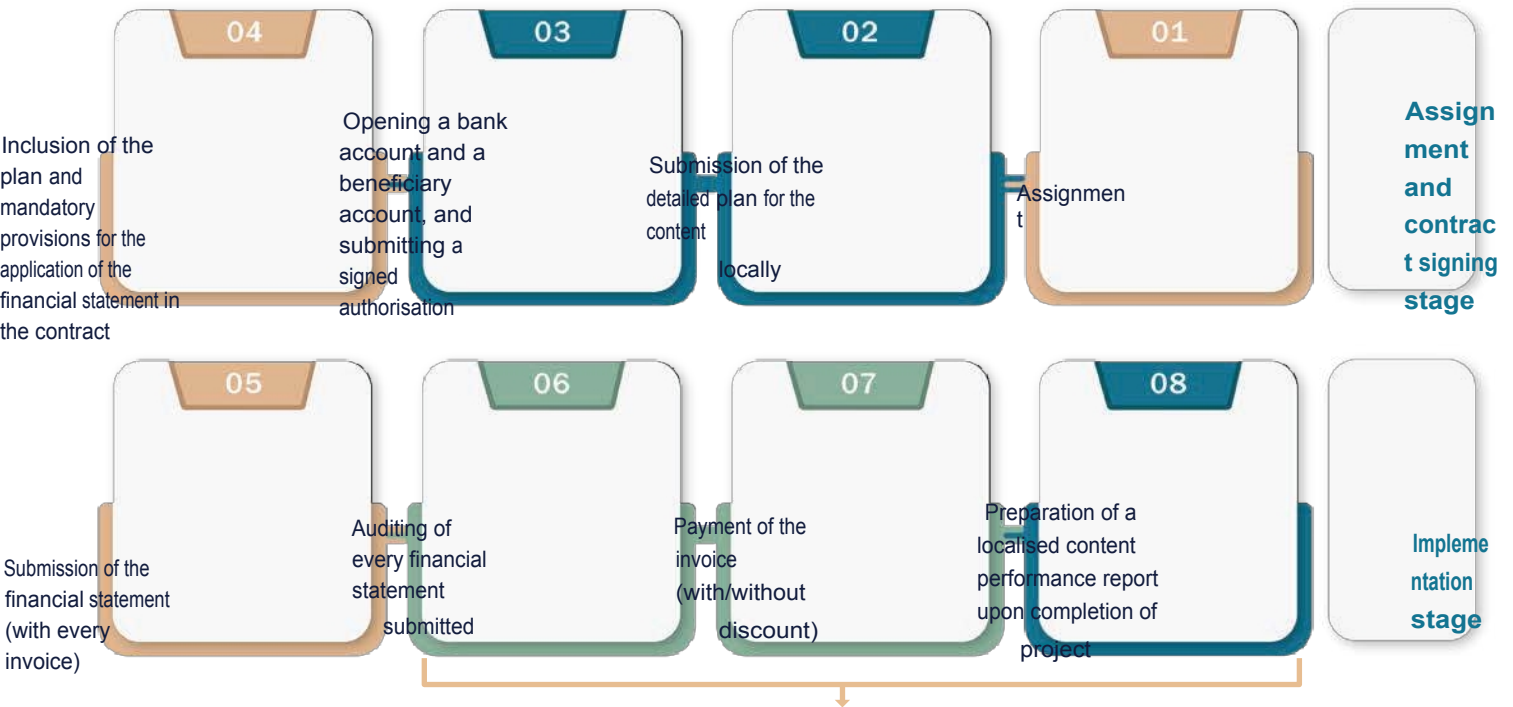
Application of the Manual

The scope of the guidelines covers contracts entered into by units of the State's administrative apparatus, other public legal entities and companies wholly owned by the Government, or those in which it holds a stake of more than 40 per cent of the share capital, across all sectors.

Concepts and Terminology

M	Term	Definition
1	Financial Statement for Local Content	A financial statement of local content elements (national workforce, services and products provided by Omani organisations) in a specific project, covering the company's income, expenditure and withdrawals.
2	Revenue	Includes financial payments made by the project owner to the implementing company, as well as bank interest on these revenues.
3	Expenditure	Amounts withdrawn from the project account to pay staff salaries, purchase goods and services, or settle payments due to subcontractors.
4	Company withdrawals	Submission of the invoice together with the financial statement, bank statement and supporting documents
5	National contributions	These include voluntary initiatives undertaken by the implementing company as a result of being awarded a government project or contract, with the aim of enhancing social welfare, contributing to research and development, and improving economic efficiency; such initiatives may form part of the company's withdrawals.

Practical procedure for the financial statement on local content

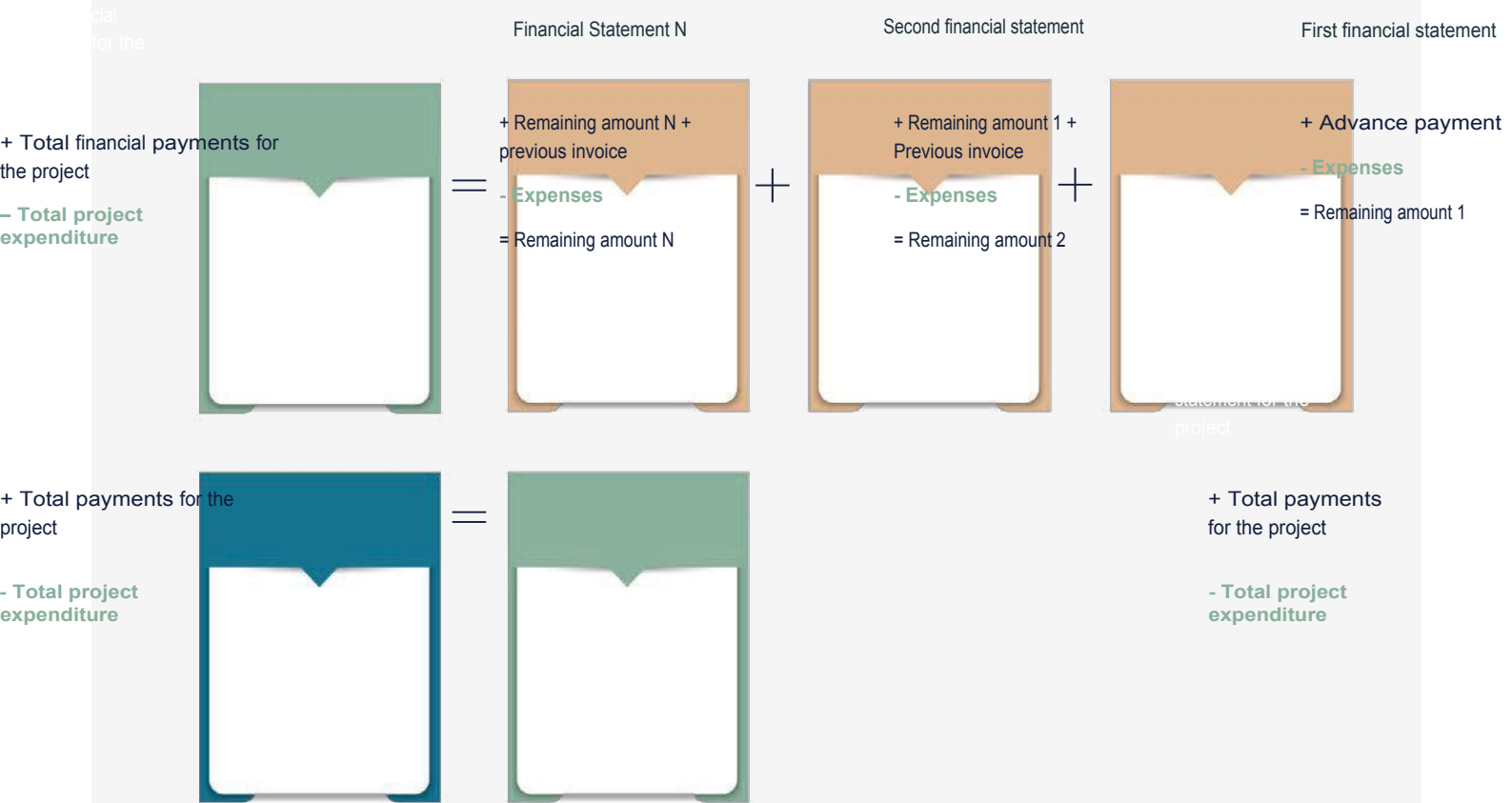


Authority for Projects, Tenders and Local Content
Responsible Authority:
Implementing Company

These stages are carried out on a regular basis with each invoice until the project is completed

Mechanism for Applying the Financial Statement

The financial statement for local content is submitted based on the dates of the payment invoices, as follows:



At the end of the project, the responsible authority and the Projects, Tenders and Local Content Authority shall compare the plan submitted by the company and agreed upon at the time of signing the contract with the actual figures in the for the project's local content at the end of the project; and take the necessary measures if there is a negative discrepancy.

Tasks and Responsibilities

The financial statement for local content goes through several stages, and these roles and responsibilities can be summarised as shown in the table below:

Stage	Responsible Body	Role
Document preparation	Project owner	Addition of bank authorisation clauses and invoice payment terms
After award of contract	Contractor	Delivery of authorisation
Signing of the contract	Responsible Body	Inclusion of the authorisation, conditions for payment of invoices, payment schedule and follow-up
Submission of the invoice	Contractor	Submission of the invoice together with the financial statement, bank statement and supporting documents
Review and audit	Project owner	Verification of supporting documents and their compliance with the financial statement and the local content plan in the contract; payment in accordance with the commitment, with deduction of items not complied with in the absence of acceptable justifications
Monitoring	Projects, Tenders and Local Content Authority	Verification of the project owner's compliance with applicable legislation and circulars regarding local content

Work Implementation Models

Model 1:

Provisions for the implementation of the financial statement

to be included in the tender document

Financial terms and conditions of the project:

02

Open a beneficiary account with the Ministry of Finance linked to the project's bank account.

01

A dedicated bank account must be opened for the project, through which all financial transactions relating to the project are to be conducted.

04

The contracting authority must transfer all payments due to the contractor to the beneficiary account linked to the project's bank account.

03

Authorisation to access the project's bank account must be provided and included in the project contract in accordance with the attached template.

06

The financial statement must be approved by the local content officer for the project, the project manager and the local content officer at the government agency.

05

The company must submit an invoice for the payment due, accompanied by a financial statement supported by a detailed bank statement and supporting documents for each financial transaction listed in the statement.

08

The authority must deduct any outstanding obligation that the contractor has failed to fulfil without acceptable reasons or justifications.

07

The authority must verify the bank account statement against the company's commitment to implementing the project plan.

10

Bank Authorisation

التاريخ: / / م

موافقة للاطلاع على معلومات حساب الشركة

نوافق نحن شركة/..... المسجلة تجاريا بالرقم: (.....). والمنفذة للمشروع وبموجب الصلاحيات الممنوحة للموقعين أنفاه على الحساب رقم إدي (اسم مصرف/ شركة التمويل و التأجير التمويلي) ؛ ونمنح الإذن والموافقة لهيئة المشاريع والمناقصات والمحتوى المحلي ممثلا عنها الموظفين الموضحة بياناتهم في النموذج رقم (1) المرفق للحصول مباشرة من (اسم المصرف/ شركة التمويل والتأجير التمويلي) على المعلومات الخاصة بالحساب المشار إليه للشركة وذلك لغرض التدقيق حصريا على مدى التزامها بشروط ومتطلبات عقد المشروع المشار إليه، وتشمل المعلومات المصرفية التي نوافق على الإفصاح عنها والمدفوعات التي أجرتها الشركة وتتعلق بالمشروع المذكور حصريا.

كما نقر الشركة وتتعهد بتحمل كامل المسؤولية عن جميع التصرفات التي تقوم بها الجهة المصرح لها، والأثار المترتبة على هذه الموافقة، وأي تبعات أو أثار قانونية تنتج عنها أيا كانت طبيعتها.

تسري هذه الموافقة والإذن بالإطلاع على حساب الشركة فيما يخص العقد المشار إليه ابتداء من التاريخ أعلاه وتظل نافذة حتى يتم إخطاركم بانتهائها بعد الحصول على موافقة هيئة المشاريع والمناقصات والمحتوى المحلي.

المخولون بالتوقيع نيابة عن الشركة على الحساب رقم.....

م	اسم	المسمى الوظيفي	الرقم المدني	التوقيع

نموذج (1)

قائمة بأسماء موظفي (الهيئة) المصرح لهم بمخاطبة (اسم المصرف/ شركة التمويل و التأجير التمويلي) للحصول على معلومات الحساب رقم بإسم شركة

م	اسم المخول	الرقم المدني	المسمى الوظيفي	الجهة	النقل	البريد الإلكتروني	التوقيع

Note: The bank authorisation is in accordance with the circular issued by the Central Bank

Financial Statement for Local Content

Project Name:	Financial instalment number:
Company name:	Invoice number:
Project Owner:	Date:
Project Beneficiary Number:	Project bank account number:

Note: All transactions carried out via the above-mentioned account number must be listed, together with supporting documents.

M	Clauses:	Sub-item (R.A.)	Total for main item
(+)	Revenue		
1	Payments received from the	- R.A.	
2	Other income	- R.A.	
Total revenue			000. RO
(-)	Expenses		
3	(-) Labour costs		
3.1	Omani workforce	- R.A.	
3.2	Mandatory Positions	- R.A.	
3.3	Non-Omani workforce	- R.A.	
Total labour force expenditure			- R.A.
4	(-) Expenditure on goods		
4.1	Goods included in the mandatory list	- R.A.	
4.2	Goods manufactured in Oman	- R.A.	
4.3	Goods imported by a locally registered company	- R.A.	
4.4	Goods imported directly from abroad	- R.A.	
Total expenditure on goods			- R.A.
5	(-) Expenditure on services		
5.1	Main services included in the mandatory list	- R.A.	
5.2	Key services provided by local companies (not listed in the financial statements)	- R.A.	
5.3	Support services on the mandatory list	- R.A.	
5.4	Support services provided by local companies (not included in the financial list)	- R.A.	
5.5	Services from foreign companies	- R.A.	
Total expenditure on services			- R.A.
6	(-) Sub-contracts		
6.1	Sub-contracts for small and medium-sized enterprises () not recorded in the financial statements (	- R.A.	
6.2	Sub-contracts for self-employed persons	- R.A.	
6.3	Sub-contracts for local companies	- R.A.	
6.4	Contracts for services included in the mandatory list	- R.A.	
6.5	Sub-contracts for foreign companies	- R.A.	
Total expenditure on subcontracts			- R.A.
Total expenditure			- R.A.
) - (Company withdrawals			- R.A.
) = (Total Balance))Revenue - (Expenses + Company withdrawals((			- R.A.

Revenue			(+)
Financial payments received from the entity			1
	Other revenue		2

Any amounts deposited into the account, excluding payments of bank interest

Payments made by the project owner or financier

Amounts deposited into the project account

Expenses			(-)
	(-) Expenditure on the workforce		3
	Omani workforce Mandatory posts		3.1
	Non-Omani workforce		3.2
			3.3

Total salaries of non-Omani workforce

Total salaries of the remaining Omani workforce on the project, excluding the mandatory posts held by Omanis as listed in the previous section

Total salaries of the Omani workforce occupying the positions included in the mandatory list issued by the Projects, Tenders and Local Content Authority. These amounts can be viewed on the 'Isnad' electronic tendering system

Total salaries of the workforce on the project only, excluding the company's other

employees; these amounts are excluded from the project accounts and deducted from total

(-) Expenditure on goods			4
Goods included in the mandatory list			4.1
Goods manufactured in Oman			4.2
Goods imported for a locally registered company			4.3
	Goods imported directly from abroad		4.4

Total expenditure on foreign goods imported directly from abroad without going through any local distributor

Total expenditure on foreign goods purchased from local companies

Total expenditure on domestic and locally manufactured goods produced in Oman and not included in the mandatory list

Total expenditure on domestic goods manufactured in Oman and included in the mandatory list

Total expenditure on goods that are tangible products and constitute inputs for the company's operations, as set out in the financial statement in the performance of the contracted scope of work, and which are deducted from total revenue

		(-) Expenditure on services	①	5
		Key services listed in the mandatory list	①	5.1
		provided by local companies	①	5.2
		Support services on the mandatory list	①	5.3
		services from local companies	①	5.4
		Services from foreign companies	①	5.5

Total expenditure on services provided by foreign companies which constitute direct or indirect inputs to the operations of the company implementing the project

Total expenditure on support services provided by local companies not included in the mandatory list, which do not constitute inputs to the operations of the company submitting the financial statement for the implementation of the project, such as services relating to the provision of labour for a construction project or the provision of labour

Total expenditure on support services provided by small and medium-sized enterprises included in the mandatory list, which do not constitute inputs to the operations of the company preparing the financial statements for the implementation of the project, such as services relating to the provision of labour for a construction project

Total expenditure on services provided by companies not included in the mandatory list, which constitute inputs to the operations of the reporting company relating to logistics services for goods pertaining to the scope of the project, and which the reporting company utilises in carrying out its operations to complete the project it is undertaking itself

Total expenditure on services provided by small and medium-sized enterprises included in the mandatory list, which constitute inputs to the company's operations as reported in the financial statements, such as logistics services for goods related to the project scope, and which the company reporting the financial statements utilises in carrying out its own operations to complete the scope of work it undertakes itself

Total expenditure on services which are intangible products and constitute inputs to the operations of the entity preparing the financial statements in the performance of the contracted scope of work, or which are support services not directly related to the scope of the project, and which are deducted from total revenue

(-) Sub-contracts			①	6
		Contracts for services listed in the mandatory catalogue	①	6.1
		Sub-contracts for small and medium-sized enterprises	①	6.2
		Sub-contracts for self-employed persons	①	6.3
		Sub-contracts for local companies	①	6.4
		Sub-contracts with foreign companies	①	6.5

Total expenditure on services provided by foreign companies which constitute direct or indirect inputs to the operations of the company implementing the project.

Total expenditure on support services provided by local companies not included in the mandatory list, which do not constitute inputs to the operations of the company submitting the financial statement for the implementation of the project, such as services relating to the supply of labour for a construction project or the provision of labour.

Total expenditure on support services provided by small and medium-sized enterprises included in the mandatory list, which do not constitute inputs to the operations of the company preparing the financial statements for the implementation of the project, such as catering services for the workforce on a construction project.

Total expenditure on services provided by companies not included in the mandatory list, which constitute inputs to the operations of the company preparing the financial statements, such as logistics services for goods relating to the project scope, and which the company preparing the financial statements utilises in carrying out its own operations to complete the project it is implementing itself.

Total expenditure on subcontracts with small and medium-sized enterprises included in the mandatory list of services.

Total expenditure on subcontracts refers to agreements entered into by the company implementing the project with other companies to carry out part of the scope of work in accordance with a complete production cycle, rather than the provision of goods or services that constitute inputs for its operations in carrying out its scope of work on the project: these are deducted from total revenue.

- R.A.	) - (Company withdrawals	①
- R.A.	) = (Total Balance) Revenue - (Expenses + Company Withdrawals((	①

The total balance represents the remaining amount in the project account at each stage. The company submits the project's financial statement, and total expenditure must equal or exceed the project's local content plan.

Amounts withdrawn by the company which do not represent any type of project-related expenditure, such as the company's profits from the project: these are deducted from total revenue

Statement of National Contributions

Statement of National Contributions arising from the project

.....: Date: /..... /..... 20.....

M	Item	Amount (R.A.)
1	Training (jobseekers / staff of the project owner)	
2	Research and Development	
3	Social Responsibility	
4	Deduction (1.2%) from the contract value	
	Total national contributions	0.00 O.A.

Prepared, reviewed and approved by:

M	Officials	Name	Signature
1	Prepared by: the company's local content manager		
2	Reviewed by: the company's project manager		
3	Initial approval: Project Consultant		
4	Internal review: Local content manager at the organisation		
5	Second approval: Project Manager at the organisation		
6	Financial review: Finance officer		
7	Final approval: Internal audit		

Frequently Asked Questions

Question 1:

When are the financial statements prepared?

Answer 1:

The financial statement for local content is prepared prior to the submission of the invoice for the required financial instalment, and the final financial statement for the local content of the project or contract is prepared upon its completion.

Question 2:

Who prepares the financial statement?

Answer 2:

The implementing company prepares the financial statement based on the actual financial transactions in the project or contract's bank account.

Question 3:

When is the bank authorisation issued?

Answer 3:

The bank authorisation is issued before the contract is signed.

Question 4:

What is the difference between services, goods and subcontracts?

Answer 4:

Services and goods are inputs for the main implementing company's operations, such as a construction project; cement and steel are goods, whilst logistics are services. Sub-contracts, on the other hand, are divided into two categories: main sub-contracts and which carry out part of the scope of work and aim to enhance the capabilities of subcontractors within the project scope; whilst supporting subcontracts provide services or goods that have nodirectly related to the scope of the project. For example, in a construction project where a company is contracted to provide food for the workers on the project, this is considered a supporting subcontract.

Question 5:

What is the role of the government body in the financial statement?

Answer 5:

To verify the accuracy of the financial statements submitted and ensure they comply with the local content plan, and to penalise non-compliance by deducting the value of unimplemented items from the invoice total.

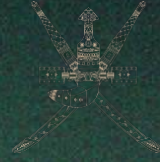
Conclusion

This guide governs the financial aspects of local content in government contracts and projects, ensuring that implementing companies adhere to the local content plans included in government contracts and projects, thereby contributing to national development, and the relevant authorities must adhere to its provisions to achieve the objectives of the local content policy in a systematic and consistent manner.

References

Guide to the Application of Local Content in Government Projects and Contracts





Guidance on the Implementation of the Financial Statement for Local Content