



Code 29 M/5A

Ministerial Decree No. 656/2015
Promulgating the Executive Regulations
of Law No. 5/2015
Regarding Preference of Egyptian Products
in Governmental Contracts

HAS DECREED THE FOLLOWING:



L.E. 40

Serial No. 48/2015



مكتبة الشرق الأوسط للخدمات الاقتصادية

**The Middle East Library For
Economic Services**

Tel.: 33351141-37606804 Fax: 37485844

www.egyptlaws.com





Al-Wakaye Al-Mesreyya / Government Bulletin – Issue No. 219 (Supplement) –
Dated 28 September 2015

Ministry of Industry, Trade and Small and Medium Projects

Decree No. 656 of the year 2015

Promulgating the Executive Regulations of Law No. 5 of the year 2015
Regarding Preference of Egyptian Products
in Governmental Contracts

The Minister of Industry, Trade and Small and Medium Projects,

After having perused Law No. 21 of the year 1958 Regarding Regulation and Promotion of Industry;

Law No. 89 of the year 1998 Regulating Tenders and Bids;

Small Projects Development Law No. 141 of the year 2004;

Law No. 5 of the year 2015 Regarding Preference of Egyptian Products in Governmental Contracts; and

Presidential Decree No. 420 of the year 2005, Organizing the Ministry of Trade and Industry; and

Based on the opinion of the State Council;

HAS DECREED THE FOLLOWING:

(Article One)

The Regulations attached hereto shall apply as the Executive Regulations of Law No. 5 of the year 2015 Regarding Preference of Egyptian Products in Governmental Contracts.

(Article Two)

The relevant entities prescribed in Article (2) of Law No. 5 of the year 2015 Regarding Preference of Egyptian Products in Governmental Contracts, must incorporate a clause in requests for proposals of contracts that are subject to the Law Regarding Preference of Egyptian Products in Governmental Contracts, stipulating that the provisions of the Law Regarding Preference of Egyptian Products in Governmental Contracts and its Executive Regulations are deemed an integral part of the terms of reference document and the contract entered into.



(Article Three)

This Decree shall be published in Al-Wakaye Al-Mesreyya / Government Bulletin and shall come into force as of the day following its date of publication.

Issued on 13/9/2015

**Minister of Industry, Trade
And Small and Medium Projects
Mounir Fakhry Abdel Nour**



The Executive Regulations of the Law Regarding Preference of Egyptian Products in Governmental Contracts

Chapter - 1 Definitions

(Article 1)

In application of the present Regulations, the following terms shall have the meaning assigned thereto:

The Law: shall mean Law No. 5 of the year 2015, Regarding Preference of Egyptian Products in Governmental Contracts.

The relevant entity: shall mean any of the entities addressed in Article (2) of Law No. 5 of the year 2015 referred to.

Chapter - 2 Giving Preference to Egyptian Industrial Products in Contracts for Projects

(Article 2)

In contracts for projects prescribed by the Law, the relevant entities shall fulfill the following requirements:

- 1- A project's terms of reference document must include a clause whereby bidders are obliged to ensure that the Egyptian industrial component, conforming to the approved standard specifications, is not less than (40%) of the value of their respective offers.
- 2- Demanding bidders to submit an undertaking to the effect that the Egyptian industrial component is not less than (40%) of their respective offers. Such undertaking shall be submitted as part of the technical envelope documents.
- 3- The project contract must include a clause by which the party to the contract is obliged to make sure that the Egyptian industrial component is not less than (40%) of the overall value of the contract.



- 4- The contract must expressly state that no invoices or payments related to the Egyptian industrial component percentage shall be settled or disbursed if works, stacks, or supplied materials subject of the contract do not conform to the specifications established for said component. This provision shall not prejudice any contractual penalties mandated in this regard.

(Article 3)

In the course of implementing the contract, the contractor shall submit the certificate provided for in Article (5) of the Law, when applying the Egyptian industrial component percentage mandated in the contract. The administrative authority shall annotate the certificate to the effect that it has sighted the original of the certificate and shall maintain a copy(ies) thereof.

(Article 4)

Pursuant to a Prime Minister decree, based on a proposal of the competent minister and the Ministers of Finance and Planning, and upon the request of the competent authority, a project contract entered into with a relevant entity may be released from the requirement prescribed in the first paragraph of Article (3) of the Law, under the following circumstances:

- 1- If the project is financed by a grant, or loan with special terms that make it impossible for the project to comply with the Egyptian industrial component percentage.
- 2- If the project is of the type that makes it impossible to be split, for technical or technological reasons, as so affirmed by a report to be made by a consultancy office licensed by virtue of a decree of the minister responsible for industrial affairs, in agreement with the competent minister.
- 3- If no offers fulfilling the Egyptian industrial component percentage conforming to the approved standard specifications and project-related supply programs have been submitted.

In the two instances indicated in items (2) and (3) of the present Article, the Minister responsible for the industrial affairs may request the opinion of the Committee for Preference of the Egyptian Industrial Product,



on an expedited basis, before submitting the proposal for releasing the project from the said requirement.

(Article 5)

Pursuant to a Prime Minister decree, based on a proposal of the competent minister and after consulting the Committee for Preference of the Egyptian Industrial Product, the Egyptian industrial component percentage may be increased in any of the following events:

- 1- If the productive capacities of the product that satisfies the Egyptian industrial component percentage conforming to the approved standard specifications, adequately meet the project's needs throughout the implementation timetable.
- 2- If the value of the industrial product that has an Egyptian counterpart exceeds (70%) of the estimated value of the project.

The aforesaid percentage may be reduced, following the same procedures provided for in the first paragraph of the present Article, in any of the following events:

- 1- If the productive capacities of the product that satisfies the Egyptian industrial component percentage conforming to the approved standard specifications cannot adequately meet the project's needs throughout the implementation timetable.
- 2- If the value of the industrial product that has an Egyptian counterpart does not exceed (60%) of the estimated value of the project.

Under no circumstances, the increase/reduction percentage shall not exceed (10%) of the established percentage prescribed in the first paragraph of Article (3) of the Law.

Chapter - 3 **Giving Preference to Egyptian Industrial Products** **in Procurement Contracts**

(Article 6)

In procurement contracts provided for in the Law, the relevant entity shall enter into contracts to purchase its needs of industrial products from



those satisfying the Egyptian industrial component percentage and conforming to the approved standard specifications. It shall not enter into procurement contracts for other products, except for the cases and on the conditions outlined in the present Chapter.

(Article 7)

When presenting his offer, the bidder shall submit the certificate provided for in Article (5) of the Law, as part of the documents to be included in the financial envelope.

(Article 8)

In application of item (b) under Article (4) of the Law, products meeting the Egyptian industrial component percentage shall be deemed to be lacking should any of the following cases occur:

- 1- If the database prescribed in Article (21) of the present Regulations indicates insufficient quantities of the product subject matter of the contract.
- 2- If no offers meeting the Egyptian industrial component percentage have been submitted.

The foregoing products shall be deemed to be available in insufficient quantities if the quantities offered in the tender are less than (60%) of the quantities required to be contracted for.

(Article 9)

Subject to the provisions of Article (4) of the Law, the relevant entity may enter into procurement contracts for products not meeting the Egyptian industrial component percentage, based on a report made by the tender / practice adjudication committee, or the competent committee in case of direct contracting, and endorsed by the competent authority of that entity, if, during the technical inspection process, it identifies any of the following cases:

- 1- If industrial products meeting the Egyptian industrial component percentage in the offers submitted in the tender/practice, or proposals submitted in direct contracting, do not conform to the approved standard specifications.



- 2- If offers of the tender/practice, or proposals submitted in direct contracting, do not include any industrial products meeting the Egyptian industrial component percentage.
- 3- If the price of the product meeting the Egyptian industrial component percentage is 15% higher than its competitive counterpart.
- 4- If the public interest so necessitates, in the cases to be specified by a Prime Minister decree.

(Article 10)

If the available quantities are insufficient to cover the required amount of products meeting the Egyptian industrial component percentage in the offers submitted under the tender/practice, preference shall be given to the offer with the lowest price, provided that these offers are technically accepted.

Chapter - 4
General Provisions

(Article 11)

In application of the first paragraph of Article (11) of the Law, the relative entities shall initiate announcement procedures of the terms and specifications of tenders, contracts or direct contracting, only after the lapse of fifteen days at least from the date the Committee for Preference of the Egyptian Industrial Product has been notified to this effect in writing via a letter with acknowledgment of receipt, or via any other medium, including modern technical media, as to be specified by a decree of the competent minister.

(Article 12)

Upon the request of the parties concerned, the Federation of Egyptian Industries shall issue the certificate denoting the fulfillment of the Egyptian industrial component percentage. The certificate shall be valid for one year from the date of issuance, and shall be issued in compliance with the following rules:

- 1- The establishment/company has to draw up a statement of the industrial component cost, as per Form No. 1 attached hereto.



- 2- The establishment/company shall compute the industrial component cost on the basis of the fixed and variable costs EX-works, excluding profits, in accordance with the Egyptian accounting rules and standards.
- 3- The establishment/company shall submit the above statement to the General Authority for Industrial Development for review and approval.
- 4- The General Authority for Industrial Development shall review the statement of the industrial component cost and indicate the Egyptian component percentage on the attached Form No. 1, after the establishment/company pays a fee of 2% of the value of the industrial component unit, with a minimum of 200 Egyptian pounds and a maximum of one thousand Egyptian pounds. To perform the above task, the Authority's employees in charge may move to the premises of the establishment/company and review its records.
- 5- The establishment shall submit the statement after review and approval by the General Authority for Industrial Development, within fifteen days to the competent department at the Federation of Egyptian Industries.
- 6- The Federation of Egyptian Industries shall issue the certificate of fulfillment of the Egyptian industrial component percentage, as per Form No. 2 attached hereto, after sealing it with the Federation stamp, in return for a fee of 2% of the value of the industrial component, with a minimum of 200 Egyptian pounds and a maximum of one thousand Egyptian pounds.
- 7- The Federation shall prepare a record to register the Egyptian industrial component percentage fulfillment certificates. Data of this record shall include the following particulars: "data on the establishment/ company, name of the establishment / company, name of the industrial component, production cost, and percentages of both foreign and Egyptian industrial components".



(Article 13)

The establishment/company applying for the certificate referred to in Article (12) of the present Regulations, must meet the following conditions:

- 1- It must be registered with the Egyptian Tax Authority (Sales Tax Authority).
- 2- It must maintain regular accounting books and records.

(Article 14)

When calling for bids, the relevant entities must state in the terms of reference document that small and micro projects are exempt from 50% of the value of the bid bond and 50% of the performance bond if the industrial product subject of their respective offers does meet the Egyptian industrial component percentage.

Exemption shall be made by refunding the said amount by the relevant entities when the contractor presents the certificate as illustrated in Articles (3 and 7) of the present Regulations.

(Article 15)

If the relevant entity finds that small and micro projects violate the contractual terms or the provisions of the Law, it shall prohibit them from enjoying the exemption provided for in Article (7) of the Law, and Article (14) of the present Regulations. Suspension of enjoyment shall be for one year.

In case of recurrence of violation, enjoyment of the exemption shall be denied for the lifetime of the project.

The relevant entity shall notify the Committee for Preference of the Egyptian Industrial Product thereof, and shall publish the names of the violating projects, referred to above, on the Government Procurement Portal. The period defined above shall be computed from the date of publication.



(Article 16)

In application of Article (6) of the Law, the following procedures and measures must be observed:

- 1- Technical specifications and terms of bid in contracts must not indicate any reference to a trademark, or country of origin, or a particular technology that may be considered a discrimination against the Egyptian industrial product.
- 2- When drafting the technical specifications, the approved standard specifications must be strictly observed.
- 3- Should the technical specifications include terms and conditions not contained in the approved technical specification, the Committee for Preference of the Egyptian Industrial Product must be notified of the reasons for non compliance.
- 4- No discrimination must be allowed between the method of payment of the prices of Egyptian industrial products, and products meeting the Egyptian industrial component percentage, and those of other non-Egyptian industrial products. Contractors aggrieved by non compliance with this provision have to file their complaints to the Committee for Preference of the Egyptian Industrial Product to investigate the matter and recommend the proper action in this regard.

If the relevant entity violates any of the obligations outlined in the present Article, the Committee for Preference of the Egyptian Industrial Product shall be entitled to notify that entity of the violation, so as to take its actions to penalize the person who has committed it.

(Article 17)

In consideration of the commitment of the relevant entities to publish the data set forth in Article (8) of the Law on the Government Procurement Portal, the following data shall also be published:

- 1- The final value of the project and the value of the Egyptian industrial component agreed on in the contract.



- 2- Country of origin and country of manufacturing of the products indicated in the contracts that have been entered into to purchase industrial products.
- 3- Names of the establishments or companies which have breached the contractual terms, or the Law, or the present Regulations.
- 4- Penalties imposed, pursuant to the Law.

(Article 18)

The relevant entities shall provide the Committee for Preference of the Egyptian Industrial Product with a quarterly report, covering the following data:

- 1- Progress of actual implementation of contracts for projects, and the percentage of the actual implementation of the Egyptian industrial component.
- 2- Contracts entered into to purchase industrial products, displaying the overall value of the contract, and the value of the industrial products meeting the Egyptian industrial component percentage, and the value of other Egyptian and non-Egyptian industrial products.
- 3- The extent of compliance of contractors with the contractual terms, including those pertaining to the Egyptian industrial component percentage.

(Article 19)

The General Authority for Industrial Development, in coordination with the Federation of the Egyptian Industries and Chambers of Industries, shall set up a database on locally-manufactured industrial products, including in particular productive capacities, products meeting the Egyptian industrial component percentage, manufacturers, and other data essential for the execution of the Law. Such data shall be available at the Authority's website. Coordination shall be made with the General Authority for Governmental Services to render these data available also at the Government Procurement Portal, so that the relevant entities can identify what is available of local production before initiating bidding procedures.



(Article 20)

The Egyptian Organization for Standardization and Quality shall provide a database on the standard specifications of industrial products. Such data shall be published at its website. It shall also coordinate with the General Authority for Government Services to render these data available also at the Government Procurement Portal, so that the relevant entities can take such specifications into account when drafting the technical specifications, before initiating bidding procedures.



Annex (1)
A Statement of Industrial Component Cost

First – Particulars of the Manufacturing Company:

Name of the establishment/.....
 Address/.....
 Registration No. in Industrial Register/.....
 Operating license No./.....
 Type of activity/.....
 Name of industrial product/.....

Second – Particulars of Industrial Product Cost:

Statement	Value	Remarks (to be filled in by the General Authority for Industrial Development)
Local inputs:		
Foreign inputs:		
Operating cost:		
Variable cost		
Fixed cost		
Total		
Egyptian industrial component percentage		

Manager of the establishment **Auditor / approving entity** **Official of General Authority for Industrial Development** **Seal of the Republic**
 Name:..... Name:..... Name:.....
 Signature:..... Signature:..... Signature:.....



Translated By: The Middle East Library For Economic Services

Ministry of Industry, Trade
and Small and Medium Projects
Federation of Egyptian Industries

Serial No.:

Annex (2)
Certificate of Fulfillment of the Local Component Requirement

Name of the establishment/.....
Address/.....
Registration No. in Industrial Register/.....
Operating license No./.....
Type of activity/.....
Name of industrial product/.....
Egyptian industrial component percentage as approved by the General
Authority for Industrial Development (.....)

The Federation of Egyptian Industries certifies that the Egyptian product (-----) satisfies the Egyptian industrial component percentage, as per Law No. 5 of the year 2015 Regarding Preference of Egyptian Products in Governmental Contracts.

Certificate's expiry date!...../....

Date of issue:!...../....

Seal of the Republic

Manager of the Federation of Egyptian Industries

Name:.....

Signature:.....