

How Saudi Aramco's localisation programme helped battle the pandemic

Mohammad A. Al Shammary, VP Procurement & Supply Chain Management at Saudi Aramco, answers our questions about the impact of iktva on the pandemic, and how localisation helps build resilience



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Did Aramco's localisation programme have an impact on its performance during the pandemic? If so, how?

One of the reasons we are able to continue providing reliable energy supplies to the world during the current COVID-19 pandemic is our strong, in-Kingdom supply chain base and network of

partners. Thanks to the In Kingdom Total Value Add (iktva) program, this network has been growing steadily. In addition to driving foreign investment and creating new opportunities, it is also ensuring Aramco's resilience and reliability in times of global uncertainty. The importance of our supply chain was reinforced during this pandemic. Global transport networks have been disrupted by COVID-19, yet many of our suppliers and partners are – thanks to iktva – already situated in Saudi Arabia.

With travel restrictions and supply chain disruptions across the globe, do you think the pandemic added an extra incentive to localise supply chains and workforces? Did it add more obstacles?

Aramco's localization program is predicated on maturing Saudi Arabia's supplier base for the energy sector, which in turn drives local Saudi hiring. A key tenet of the program is to shorten supply chains, and the pandemic has reinforced the importance of actively building a world-class supply chain to serve both our needs and the needs of our partners, facilitating the development of a diverse, sustainable, and a globally competitive energy sector in the Kingdom. The beneficiaries of this initiative are not limited to the oil and gas industry. Aramco's ongoing contribution to infrastructure development through major anchor projects, such as King Salman International Complex for Maritime Industries and Services (IMI) and the King Salman Energy Park (SPARK), is also helping localize other sectors, from raw materials to services. This will boost the national economy of Saudi Arabia and encourage domestic spending, at a time when the global economy has suffered due to the impact of COVID-19.

What are your plans in terms of localisation in 2021?

Aramco, through its localization programs, has identified many localization opportunities for both materials and services. We continue to evaluate new technologies and partnerships, which can benefit the commercial ecosystem of Saudi Arabia. These opportunities aim to open new doors by enhancing the business environment, creating opportunities for Saudi jobseekers, entrepreneurs and international businesses. Large, medium and small enterprises all contribute towards building an integrated domestic supply chain, attracting new capabilities to Saudi Arabia.

What are the greatest opportunities presented by localisation?

The primary objective of the iktva program is to contribute to Aramco's reliability and efficiency while building a competitive supply chain. The most important measurement of success is the impact that iktva is having on people's lives. Creating jobs, encouraging learning, expanding career options, enhancing the business environment - in short, opening many new doors of opportunity for Aramco and its suppliers. Many opportunities have been created by localization. These opportunities vary, covering all aspects of major commodities, minor specialist services and day-to-day needs. All have added value to the Saudi economy, helping create a globally competitive market and providing a platform for the Saudi workforce to demonstrate its technical and professional capabilities.

For example, since the launch of iktva in 2015, our suppliers have tripled their local purchases of goods and services. There has also been a 13-fold increase in spending by our main suppliers in developing local sub-suppliers. iktva has created a vibrant business-friendly model, establishing partnerships between local businesses and leading global companies – and our suppliers are now investing three times the amount on research and development in the Kingdom. Their employment of Saudis is also up by 50% and female employment has increased by almost a third.

Meanwhile, our suppliers are exporting 50% more from the Kingdom because of iktva. And we intend to cultivate local business with a goal of 70% of all procurement spend to remain in-Kingdom.

What are the major challenges in developing and implementing a localisation agenda?

Aramco is conscious, through open direct engagements with suppliers, that there are still challenges facing the ecosystem. Aramco understands these challenges, evaluates them with concerned entities, and identifies the required initiatives to streamline the supply chain.

The company is therefore focusing efforts on many fronts: setting up anchor projects and industrial parks, driving investment opportunities, enabling human capital development and collaborating with stakeholders.

Many key anchor projects are ongoing, such as IMI and the Casting & Forging project to drive investment in target industries. Industrial parks such as SPARK enable investors and new suppliers. We are identifying many opportunities and attracting investments to close gaps in the supply chain, in addition to helping establish training institutes to equip the Saudi workforce with the skills required by our partners and suppliers.

How do you think localisation impacts the oil and gas sector in general?

Localization initiatives such as Aramco's iktva program offer value creation opportunities for firms, while also improving the supply chain and contributing to the national economy. Suppliers benefit from increased opportunities, access to a highly skilled workforce, exposure to industry-leading innovation and the possibility of capturing markets across the GCC region and beyond. Localization programs help manage supply chain risk and support continuous improvements to its responsiveness and reliability. In doing so, it creates added value and contributes to long-term economic growth and diversification at the national level.