



وزارة الاستثمار
Ministry of Investment

استثمر في السعودية
INVEST SAUDI

Executive summary Profile for
Updated Investment law
1446H – 2024G



First:

Introduction :



Investment is of fundamental importance in the roadmap drawn up by the Kingdom through the Kingdom's Vision 2030, where the Kingdom aims in the second pillar of its vision to become a global investment force through stimulating the economy and diversifying total revenues, improving the investment and business environment, and upgrading the Kingdom's rankings and classification in key global indicators to create a more resilient, diverse and sustainable economy.

Thus, the National Investment Strategy issued by Council of Ministers Resolution No. (134) and dated 28/2/1443 AH, aimed at enhancing the competitiveness of the investment environment in the Kingdom by benefiting from the investment capabilities of the Kingdom, its geographical and strategic location that connects three continents, and providing facilities for investors and easing regulatory procedures related to the entry and establishment of investments, and adopting creating a package of basic and special investment incentives for qualitative local and foreign investment projects according to specific and fair eligibility criteria, in addition to supporting the investments and business of national companies to enhance their

global position and enable them to deliver their products and services to regional and global markets, thereby contributing to increase non-oil exports to achieve one of the targets of the Kingdom's Vision 2030 (which is for non-oil exports to account for 50% of total non-oil GDP, as well as developing investment opportunities and supporting medium and long-term projects that contribute to creating job opportunities to support reducing unemployment rates to less than 7% by 2030).

To achieve this the National Investment Strategy has studied all the investment obstacles and challenges facing the public and private sectors, identified and analyzed them, and developed several qualitative solutions and executive initiatives, including the initiative to prepare a comprehensive draft investment law - which replaces the Foreign Investment law issued by Royal Decree No. (M/1) and dated 5/1/1421 AH - in line with the Kingdom's Vision 2030, and the targets of the National Investment Strategy and best international practices, taking into account the established principles and investment policies of the Kingdom approved under Directive No. (16917) and dated 27/3/1440 AH.

Second:

The Updated Investment law principles and characteristics compliant with the principles and policies of investment in the Kingdom, international standards, and benchmark studies:



- 01 Transparency and clarity:** Draft a unified law that combines the rights and duties of domestic and foreign investors in line with the international practices.
- 02 Easing regulatory restrictions:** replacing foreign investor licensing requirement with a simplified registration process.
- 03 Promoting equal treatment between the domestic and foreign investors under similar circumstances:** Reevaluate the restrictions of economic activities to treat domestic and foreign investors equally without prejudice to public order.
- 04 Grant of Investment Incentives:** Attracting domestic and foreign investments by way of granting incentives according to specific objective and pre-announced eligibility and evaluation standards.
- 05 Promoting investors' rights:** Reemphasize investor basic rights, such as protection from expropriation without fair compensation, fair and equitable treatment, protection of intellectual property and confidential commercial information, freedom to manage his investment and make legal disposal thereof, freedom to transfer his funds inside and outside the Kingdom without delay, facilitating his administrative procedures, and providing statistical information and data.
- 06 Fair competition:** Enhance the principle of fair competition principle by way of ensuring the public sector non-competition to the private sector.
- 07 Means of effective dispute resolution:** The right to seek arbitration, mediation and reconciliation in addition to the right to seek recourse at competent courts.
- 08 Streamline procedures and enhance investment governance:** Comprehensive Service Center provides the necessary facilities to streamline government transactions related procedures, including such help and assistance necessary to streamline flow of investments.

The Investment Law is the most important initiative of the National Investment Strategy



This Law aims to develop and enhance the competitiveness of the investment environment in the Kingdom, contribute to economic development, and create job opportunities by providing an attractive investment climate, in accordance with relevant laws; this shall include the following:

01 Facilitating the establishment of investments, ownership of assets therein, and the exit therefrom or liquidation thereof.

02 Reemphasizing and promoting the rights of investors.

03 Guaranteeing equal procedural treatment for local and foreign investors under similar circumstances.

04 Ensuring transparent, efficient, and fair procedures for investors and their investments.

05 Promoting the principle of competitive neutrality and fairness and ensuring equal opportunities in investments.

Thus, the achievement of these objectives described above requires the development of a comprehensive and objective law that is aligned with the legislative framework of the investment system and related regulations domestically and internationally, as well as to keep pace with recent international trends and practices and the movement of emerging markets at the regional and international levels regarding the treatment of investments.

The main elements of the law:

01

General Provisions:

- Definitions.
- Objective of the Law.



02

Rights, benefits and obligations:

- An investor has the right to invest in any sector or activity available for investment.
- Highlighting the investors' rights, such as protection from expropriation without fair compensation, fair and equitable treatment, and other essential rights.
- Governance and grant of incentives according to objective and fair eligibility criteria.

03

Investment requirements:

- Provisions related to National Register of Investors and mandatory registration of foreign investors.
- A foreign investor may submit an application to invest in an excluded activity and MISA has the right to prevent any such foreign investment for purposes related to national security.

04

Alternate Dispute Resolution:

- The right of the investor who is a party to any dispute to apply to the competent court, arbitration, or other alternate dispute resolution avenue.

05

Penalties and Methods of Grievance:

- Penalties imposed on the investor when he violates the provisions of the Draft Law and fails to eliminate the violation.
- Filing grievances against MISA decisions before the competent court.

06

International obligations, special economic zones and closing provisions.

- The provisions of the Law shall not prejudice any of the Kingdom's obligations under applicable international conventions, to which the Kingdom is a party.
- The provisions of the Law shall not prejudice the special laws and regulations applicable to specific economic activities or special economic zones in the Kingdom.
- Entry to force of the Law.



Methodology for Preparing the Law and the International Experiences and Practices that have been benefited from



Based on the Ministry's goal to develop an integrated investment law that's in line with best international practices and standards, the Ministry has adopted an objective methodology in preparing the law represented in the following five steps:

- 01 Assessment of the current situation
- 02 Study of international practices and experiences
- 03 Drafting policy and recommendations document
- 04 Drafting the law
- 05 workshops with the relevant authorities to discuss the investment draft law



01. Assessment of the current situation:



The Ministry has reviewed the provisions of the foreign investment law, the provisions contained in other relevant laws and regulations, and listened to the views and proposals submitted by international organizations.

02. Study of international practices:



The Ministry studied international and regional standard practices, such as: (Indonesia, Singapore, Germany, United Arab Emirates, Turkey, United States of America) with the aim of identifying the methodologies and practices followed in the countries benchmarked, addressing the challenges faced, and developing concepts to enhance the regulatory environment for investment.



Indonesia



Singapore



Germany



United
Arab
Emirates



Turkey



United
States of
America

Taking into account the selection of countries whose investment environment challenges are similar to the Kingdom, membership in the G20 countries, convergence in their economies, development classification and membership in international organizations that have adopted international investment standards such as:



THE WORLD BANK

03. Drafting the policy and recommendations document:



The Ministry worked on analyzing the practices followed in the standard countries under study, comparing them with the practices followed in the Kingdom, and reaching a policy paper that included several recommendations, in the light of which the law was prepared.

04. Drafting the law:



In drafting the articles of the law, the Ministry has benefited from the results of standard international and regional studies and practices, as well as the policy paper and its recommendations.

05. Workshops with relevant authorities to discuss and review the law:



The Ministry reviewed and studied the feedback received - through «Istitlaa» platform - or directly from relevant government agencies (such as: the Saudi Central Bank, the General Authority for Competition, and the Saudi Authority for Intellectual Property), the private sector, local and foreign investors, and from relevant consultancy offices. In addition, the Ministry held meetings and workshops with a number of government agencies, the private sector, local and foreign investors, Saudi universities, international organizations, and other relevant bodies to discuss the law, listen to their feedback and views on it, and update the law in light of those feedback and views.



Summary statement of the law's positive effects



01.

- The law adopts investment principles and policies consistent with international best practices
- It will enhance the flow of foreign investment into the Kingdom; Increase in non-oil revenues and reduce the financial gap
- Which will reflect positively on the State's general budget and the national economy by generating career opportunities

02.

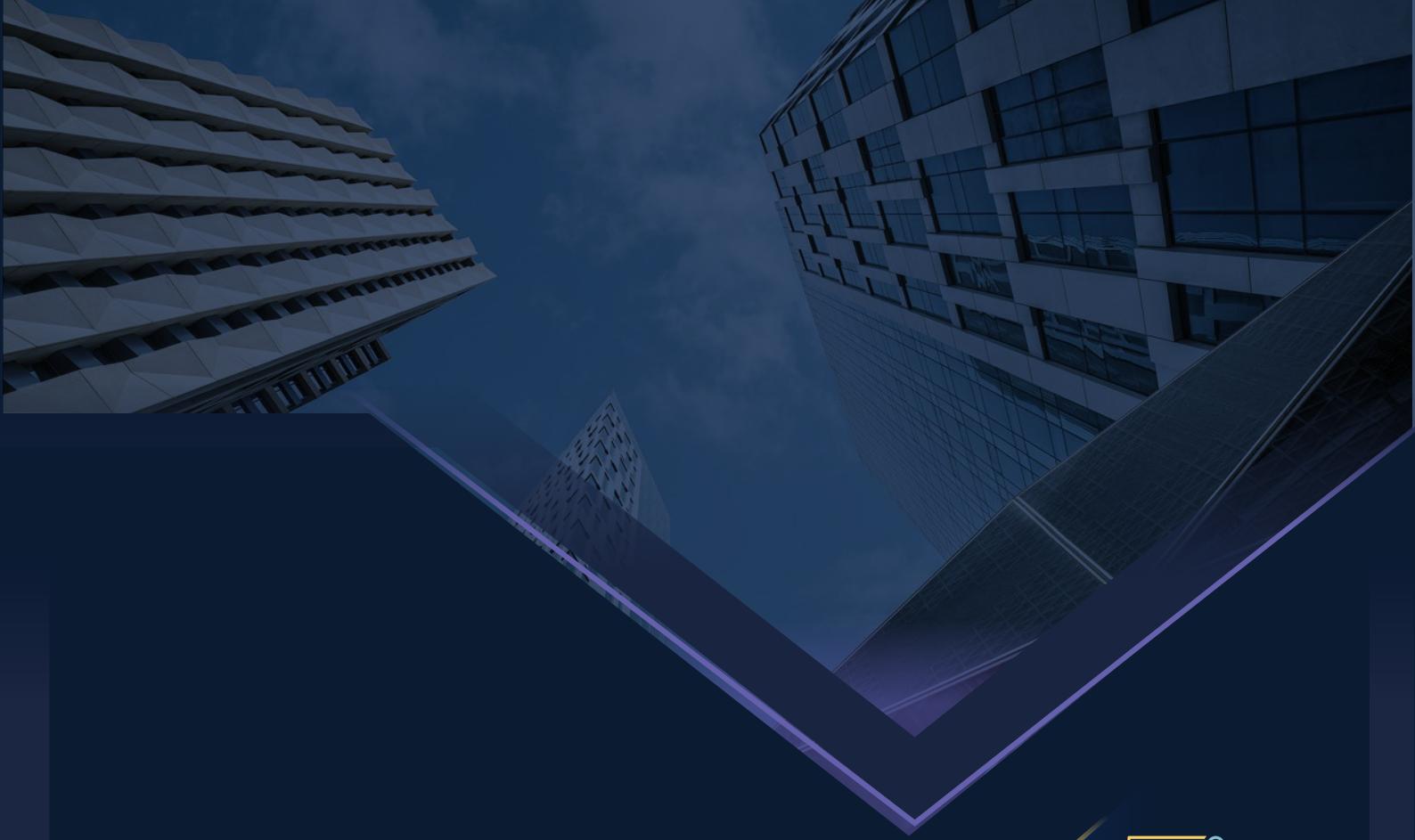
- Vision 2030 focuses on diversifying the economy outside the oil sector; The investment Law is therefore essential for national programmes, initiatives and projects whose implementation depends on domestic and foreign direct investment; To achieve sectoral plans and strategies
- The investment Law also contributes to attracting investors to participate, finance and develop major national projects

03.

- The law aims to create a competitive environment for investors of different sectors and sizes
- It seeks to provide better quality services to beneficiaries at competitive prices. This in turn will contribute to stimulating and encouraging research and innovation, creating new opportunities to invest in different areas
- It contributes to the localization of expertise, the transfer of technology and the improvement of qualification and training of human capital

04.

- The Law enables investors to raise their commitment to implementing targeted safety, health and environmental standards, in particular by observing international reporting standards associated with ESG
- and sensing the responsibility for the conservation of land and natural resources. The Law is a tool to attract and motivate investors towards green investments, to create a more sustainable economy



The most important differences between the Updated Investment law and the Foreign Investment Law:

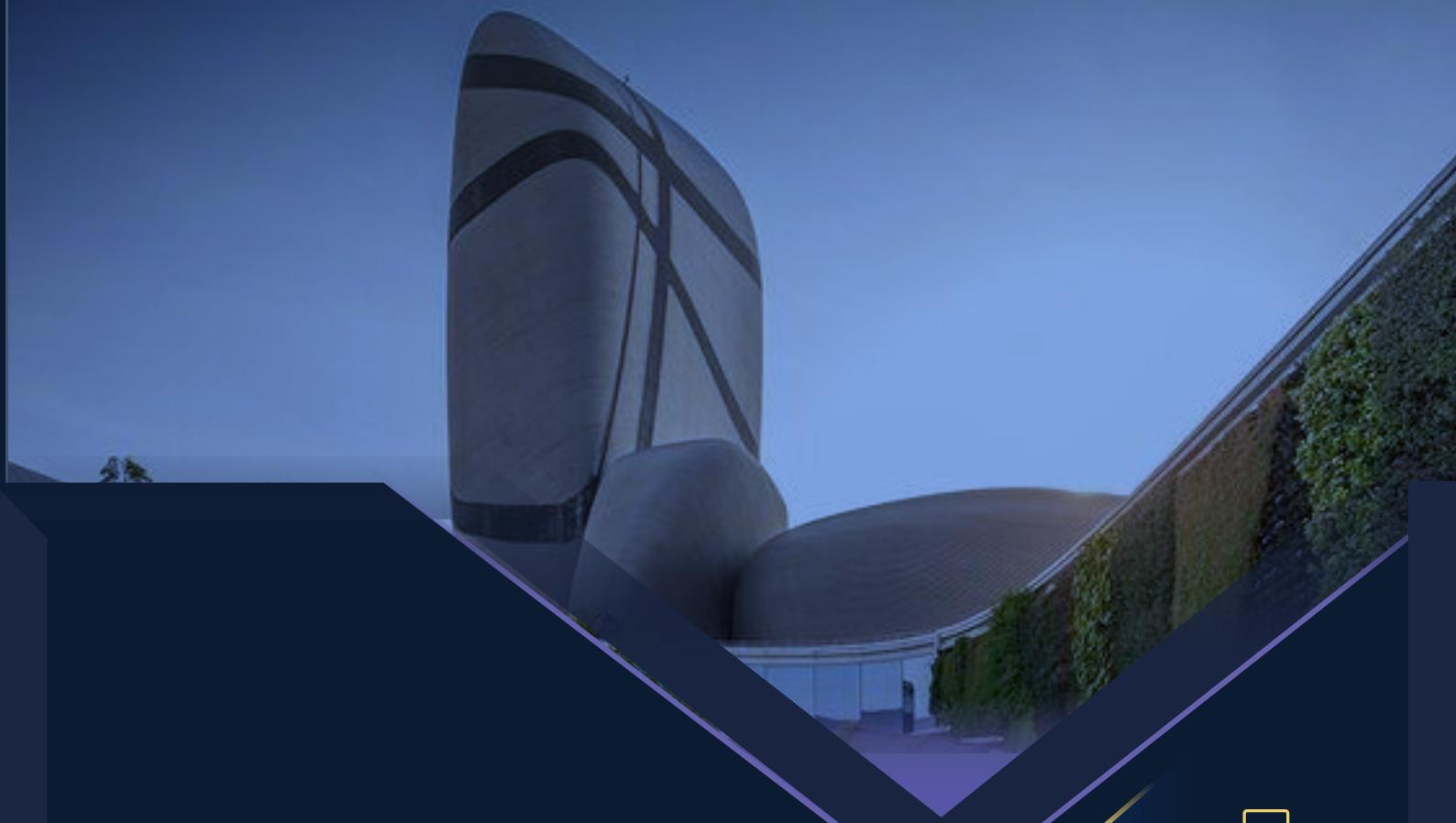


The Investment Law cancels the Foreign Investment Law issued by Royal Decree No. (M/1) dated 5/1/1421H, and its executive regulations issued by the resolution of the Board of Directors of the General Authority for Investment -previously - No. (2/74) dated 12/5/1435 H.



The topic	Investment Law (Updated)	Foreign Investment Law
Title and scope of the law	Investment Law, which governs provisions of domestic and foreign Investors	Foreign Investment Law, which governs provisions of foreign investor
Investment Requirements	<ul style="list-style-type: none">• Cancelling the investment license.• Setting practice of economic activities free and limiting the exception to a list to be developed by the Ministerial Standing Committee to examine foreign investments according to objective criteria	<ul style="list-style-type: none">• A foreign investor has to obtain an investment license• The Council of Ministers shall be competent to issue a list of activities excluded from Foreign Investment.

Local and foreign investor treatment	Ensure equal treatment between the domestic and foreign investors	None
Investment Incentives	Enhance governance of grant of investment incentives and facilities to investors	None
Investor Rights	<ul style="list-style-type: none"> • Investor protection governance by establishing a clear and transparent complaints handling mechanism • Aligning local and foreign investor rights with international investment principles and policies • Freedom to use the investment activity and freedom to transfer capital (without delay) • Emphasizing on protection of intellectual property and confidential business information • Addressing provisions for direct and indirect 	<ul style="list-style-type: none"> • Allocation of specific rights to the foreign investor • Possibility of transferring funds
Violations	<ul style="list-style-type: none"> • Determining serious and non-serious violations in the executive regulations • Taking into account the principle of graduation and setting standards for penalties (taking into account the frequency of the violation, the size of the facility and the severity of the penalty) 	None
Settlement of Disputes	<ul style="list-style-type: none"> • The local and foreign investor may recourse to the competent court in the dispute with the government authority; unless the parties to the dispute agree otherwise • Investors may agree to settle their disputes through alternative means of dispute settlement including arbitration, mediation and conciliation 	<ul style="list-style-type: none"> • Settlement of disputes amicably between the foreign investor and the government



Views on the Updated Investment law.



International Monetary Fund



The International Monetary Report noted that the new Investment Law introduced for public consultations will help create equal opportunities for Saudi and non-Saudi investors by protecting investors' rights and supporting transparency. The report stressed that there must be an effective strategy to publicize these measures, which will help to ensure confidence in policies, stabilize investors' expectations and reduce their uncertainty.



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