

Brief of The Governed Rules of Revenue Sharing Method

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Introduction:

It is worth saying that the revenue-sharing method is not a recent practice in Saudi Arabia as it has a valuable experience of practicing such method in technology's projects based on Council of Ministers' resolution No. (110) dated 05th of Rabi al-Awwal 1425 H. Therefore, this mat briefly presents the key concepts and provisions included in the new governed rules of the revenue-sharing method and the promising opportunities that do offer.

Essential Concepts in The Revenue-Sharing Method

The Contract Structures

Building the contract on counter obligations and rights that defines the contract's purpose explicitly, in a manner that erases ignorance on how to execute the contract.

Addressing Main Potential Risks

- ☑ Data protection, that creates from providing the public services from the private sector party in the revenue-sharing contract on behalf of the government entity.
- ☑ A review mechanism for the government entity to monitor the private sector party's execution, and to prepare plans for continuous services providing and emergencies situations.
- ☑ Dispute resolution, where the two parties agree on potential disputes classification, in order to not solve the simple generic disputes through a similar mechanism as the technical complicated ones.

The Revenue-Sharing Formula

This formula shall point out what, when, and how the financial consideration will be calculated and collected between the parties.

The Revenue-Sharing Method Criteria

The Criteria

- ☑ The revenue-sharing contract shall not exceed (5) years, and the government entity may increase this length after obtaining Ministry of Finance approval, without prejudice to the rules' article (3) provision.
- ☑ The revenue source shall not be mainly paid by the government entity.
- ☑ The revenue-sharing contract shall not include providing warranties nor insurance support by the government entity, except for the minimum usage guarantee that is related to the government entity usage - if any-, without prejudice the rules' article (3) provision.
- ☑ The revenue-sharing contract for providing goods or services shall include **any of the following:**

1 Grant a number of intangible rights owned by the government entity to the private sector party according to the relevant laws and regulations.
E.g. **Intellectual property rights** according to the relevant laws and regulations.

The laws and regulations that Saudi Authority for Intellectual Property is supervising its compliance and applications.

2 Grant usufruct, rental, or license right on the government entity's assets for the private sector party in purpose to enable providing goods and services that will be insured to the government entity in accordance with the relevant laws and regulations.

The regulations and resolutions related to the Disposal of State Properties that issued by the State Properties General Authority.

These definitions has been created in light of Saudi laws and regulations provision, and represent an attempt to interpret the meaning, thus, it does not consider as the only pointed meaning nor an official one for it.

Usufruct is: grant a private sector party the right to utilize the government entity's assets and benefit from it.

Rent is: selling the benefit of the government entity's assets to the private sector party.

Licensing is: granting permission to the private sector party to use the government entity's asset, without utilizing it.

The Revenue-Sharing Journey

