# The Governed Rules of Revenue Sharing Method

December 2022 AD

Issued by H.E. Minister of Finance's Resolution No. (1877) Dated 24th of Dhu al-Hijjah 1443 H



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 matt 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
- 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.
- IR 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:

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.

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.



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.



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.

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

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### **Preparing FeseabilityStudy**

The study shall comply with the requirements stated in article (6) of the rules



### **Preparing Tender Documents**

The documents shall comply with the requirements stated in article (8) of the rules.



# The President Approval

This approval concerns releasing the tender using the revenue-sharing method, and the president of the government entity may delegate such authority according to the relevant laws.



# **MOF Approval**

This approval concerns the prime proposed revenue-sharing formula that is included in tender documents.



# Pre-Qualification

To be complied with the Government Tenders and Procurement Law.



# **Tender Releasing**

The release shall be through the Etimad platform, in any available tender method stated in article (32) of the Government Tenders and Procurement Law's regulation.



# **Submission of Proposals**

To be complied with the Government Tenders and Procurement Law.



### Negotations

A committee shall be formed to conduct such negotiations in accordance with article (4) of the rules



# Award

The president of the government entity shall issue a resolution approving the awarded bidder.



### **Singing The Contract**

The contract shall comply with the requirements stated in article (15) of the rules.



### **Post-Qualification**

To be complied with the Government Tenders and Procurement Law if the pre-qualification procedure is not applied.

# **MOF Approval**

This approval shall obtain before signing the contract & concerns the following:

- Approval for the final proposed revenue-sharing formula by the awarded bidder.
- R Approval for the (1) year or more period contracts.
- B Approval for the contracts that the expected revenue exceeds (5) million SAR.



# SLA

- The government entity shall sign a service-level agreement after signing the revenue-sharing contract.
- ☑ The agreement shall comply with the requirements stated in (24/1) of the rules.

The government entity may include in tender

documents conditions to incorporate a company by

the private sector party to execute the

revenue-sharing contract without prejudice to Saudi

companies' law.

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