



PRIVATIZATION LAW OBJECTIVES



Raising the level of comprehensiveness and services quality at the appropriate time and cost.



Rationalizing public spending and increasing state revenues.



Stimulating the local and foreign private sector to invest and actively participate in the national economy.



Increasing job opportunities and optimizing the workforce.

Privatization Law Provisions Applicability

☒ The Law shall be applied to all contracts concluded by ministries and other government entities, and companies established by the government or owning more than 50% of their capital, provided that the purpose of their establishment or ownership is to implement a privatization project. Except for contracts concluded prior to the law entry into force, unless they are amended, extended, or renewed after its entry into force.

☒ As for the privatization projects for which a statutory approval was issued prior to the entry into force of the law and whose contracts have not yet been concluded, they shall be subject to the statutory provisions in force at the time of approval. Unless the Board of Directors of the National Center for Privatization decides otherwise.

Privatization Methods



☒ Transferring Assets Ownership



☒ Public-Private Partnership (PPP)



Public-Private Partnership (PPP) terms

The term shall be **five years** or more.
 The private party performs works that include two or more of the following: **designing, constructing, managing, operating, maintaining or financing the assets.**

A qualitative and quantitative distribution of risks between the government and the private party.
 The financial consideration to which the private party is entitled or obligated is **based on the level of its performance in implementing the obligations entrusted to.**

Disclaimer: This mat does not constitute legal advice; neither does it contain the entire legal procedures stipulated in the law. Also, the purpose of this mat is to draw attention to the significance of the law and its main provisions, however, it does not offer a substitute to careful and detailed legal advice.



The Most Prominent Provisions of Privatization Law

Private Party Obligations

The private party is obligated to deal with the beneficiaries of the works and services he provides in full equality unless the contract creates specific rights to certain categories.

The private party may not refrain to provide works and services to the beneficiaries, or restrict them by utilizing other services, or other practices, unless the contract stipulates otherwise.

The private party shall provide all information, documents and reports that allow the executive authority to exercise its censorship over the implementation of the contract.



The Term of the Partnership Contract

1. The term of the partnership shall be in accordance with what the parties agree upon, shall not exceed thirty years of its original term, or after its renewal or extension.

2. The authority concerned with approving privatization projects - based on a recommendation from the executive authority that studies and prepares privatization projects - may approve the following:

- a) The term of the partnership contract exceeds thirty years.
- b) Extending or renewing the partnership contract so its term becomes more than thirty years.

3. If the term of the partnership contract expires and the partnership project is re-submitted in a new bidding process and it is awarded to the same private party, this shall not be considered an extension or renewal of its term.



Cases of Termination of the PPP Contract

1. If the party breach of its essential contractual obligations, or its failure to achieve the required level of quality, after being notified and not responding to the notification.

2. The bankruptcy or liquidation of the private party.

3. If the public interest so requires.

4. Any other cases specified in the contract.



Cases of Extension the PPP Contract

1. Delaying the completion of the privatization project or interruption of its operation due to circumstances beyond the control of the two parties.

2. Suspension of the privatization project.

3. Allowing the private party to recover additional costs arising from additional provisions that it is not expected to be able to recover during the original term of the contract.

4. Amending some specifications of the contract in accordance with the requirements of the public interest.



Note: The law cancels any provisions that conflict with it, and it becomes effective after (120) days from the date of its publication in the Official Gazette on 14/12/1442 AH corresponding to 24/07/2021 AD.

Note: The executive regulations for the privatization law have not been issued yet.

Provisions for the Foreign Investor

1. The same standards, controls and procedures that apply to the local investor in the process of offering and awarding privatization projects shall be applied to the foreign investor.

2. The foreign investor shall have the same treatment as the local investor with respect to any procedure, condition, right or obligation arising from the law or contract.

3. The foreign investor may - after the approval of the competent authority - rent a property within the boundaries of the Two Holy Mosques for a period equivalent to the contract term, for the purpose of implementing the privatization project in accordance with the following conditions:

The private party's use of this property is limited to the purposes of implementing the privatization project. The private party abide by the controls contained in the contract.



Private Party Rights in Privatization Projects

After obtaining the approval of the competent authority, the private party may:

1. Collecting the financial consideration from the beneficiaries directly for the private party account for the works and services he provides, in accordance with the partnership contract.

2. Collecting the public revenues - including fees and taxes - related to the partnership contract for the account of the state treasury.

3. Collecting public revenues or part of them directly for the private party account, according to what is specified in the contract.



Disputes Provisions in Privatization Contracts

The privatization contracts and their related contracts are subject to the provisions of the Privatization Law and the Kingdom of Saudi Arabia's Regulations.

After the approval of the competent authority, it is may to:

1. The contract includes a condition for settling any dispute arising from it or any related contract through arbitration, or by concluding an arbitration agreement.

2. The condition or agreement includes a challenge to the applicable law to the subject of the dispute.

The disputes arising between the private party and third parties regarding privatization projects are not subject to the provisions of the Law.



Putting Forward Privatization Projects Methods

1. Putting the privatization project forward through a public competition.

2. Or by limited competition.

3. Or by direct contracting.

4. Or other appropriate putting forward means.



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