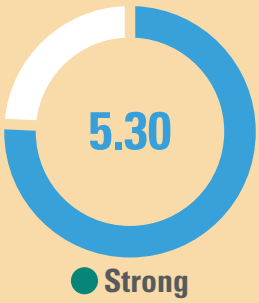
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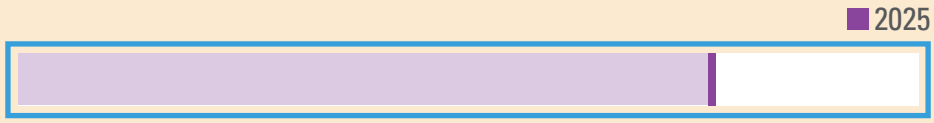
Shared Prosperity Dignified Life

Country profile
SAUDI ARABIA

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



FOREIGN DIRECT INVESTMENT

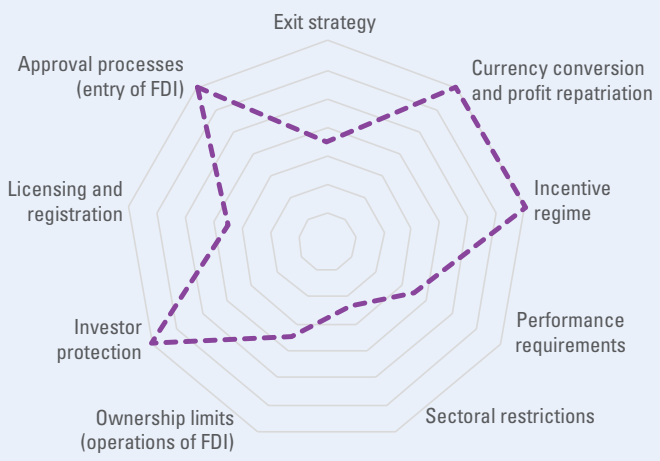


Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

COMPONENTS	2025
Approval processes (entry of FDI)	7.00
Licensing and registration	3.50
Investor protection	7.00
Ownership limits (operations of FDI)	3.50
Sectoral restrictions	2.33
Performance requirements	3.50
Incentive regime	7.00
Currency conversion and profit repatriation	7.00
Exit strategy	3.50

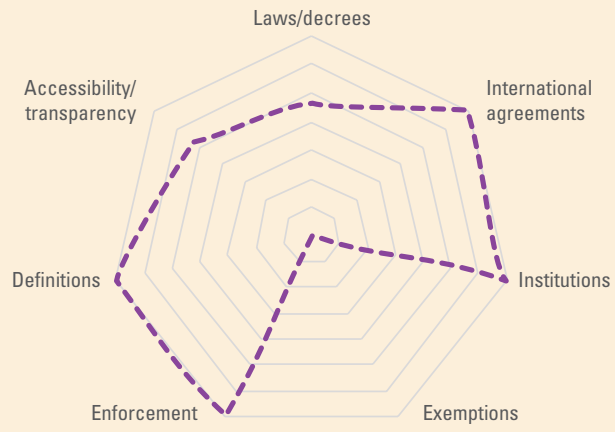
COMPONENTS

2025



ELEMENTS

2025



Note on methodology: The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

2020 EDITION

Moderate

Foreign direct investment framework assessment

Macroeconomic enabling environment lens

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



Macroeconomic policies



Investment regulatory framework



Incentivization schemes



Bilateral treaties



Banking regulations

This country profile is prepared based on the legal and regulatory framework in force as at April 2025.

This country profile assesses the foreign direct investment (FDI) framework of Saudi Arabia based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

The new Investment Law of Saudi Arabia (2024) aims to enhance the competitiveness of the country's investment environment, support economic growth, and create job opportunities by fostering a more attractive climate for foreign direct investment. This law was introduced to replace the old foreign investment law, as part of broader efforts to modernize the legislative framework.



Approval processes

This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.

The Investment Law of Saudi Arabia (2024) designates the Ministry of Investment as the competent authority responsible for overseeing the investment regulatory framework and requires foreign investors to register with the ministry prior to undertaking any investment in the country, under article 7(2). Within this framework, the ministry exercises regulatory monitoring and enforcement functions related to the application of the Investment Law, including the authority to detect and record violations, pursuant to article 27 of the Implementing Regulations of the Investment Law.

Investors are required to comply with all applicable laws, regulations and international agreements to which Saudi Arabia is party, pursuant to article 5 of the Investment Law. Article 13 of the law further confirms that its provisions do not prejudice any of the country's international obligations. At the procedural level, article 11 of the Implementing Regulations require applicants for registration to submit

information and documents specified by the ministry in accordance with the Investor Guide.

The Investment Law does not contain a standalone provision specifically regulating mortgages in favour of foreign investors. However, the Implementing Regulations include real estate mortgages among the assets that qualify as capital for the purposes of implementing the Investment Law, pursuant to article 2(c).



Licensing and registration

This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Saudi Arabia, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.

The Investment Law and its Implementing Regulations do not impose general minimum capital thresholds for foreign investments. Any minimum capital requirements, where applicable, are determined under the Companies Law.

Licensing and registration procedures are, however, institutionally streamlined. The Investment Law establishes a national register for investors and authorizes the Ministry of Investment to manage investor registration and related approvals, under article 7 thereof. In practice, these procedures are implemented through a one-stop service model supported by a unified digital platform (Invest Saudi), which enables investors to access information, submit applications, and complete registration and licensing processes electronically, pursuant to the administrative arrangements adopted by the Ministry.

However, neither the Investment Law nor its Implementing Regulations establish a legal requirement for conducting a cost-benefit or economic impact analysis as part of licensing or registration procedures.



Investor protection

This assessment component reviews the legal protections available to foreign investors in Saudi Arabia, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.

Article 4 of the new Investment Law grants investors a set of fundamental rights, including the right to equal treatment with other investors and the right to fair and equitable treatment. The same article stipulates that an investment may not be expropriated except by a judicial ruling and for public interest purposes. Investors are also entitled to the protection of intellectual property rights and confidential trade information.

Article 10 provides investors with the right to resort to competent courts in the event of a dispute or to agree on alternative dispute resolution mechanisms, such as arbitration, mediation or conciliation. Saudi Arabia reaffirms its full commitment to relevant international agreements. As a member State of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention, Saudi Arabia guarantees the international resolution of disputes and the recognition and enforcement of foreign arbitral awards, thereby reinforcing investor confidence in the Saudi investment environment.



Ownership limits

This assessment component examines the extent to which Saudi legislation imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.

Article 3 of the Investment Law grants investors the freedom to engage in any sector or activity that is open to investment, thereby promoting openness and market access within Saudi Arabia. Saudi Arabia allows 100 per cent foreign ownership of investment projects in most sectors, subject in certain cases to conditions requiring investors to invest over $50 million during the first five years of their project and to ensure that 30 per cent of all products sold are manufactured locally.[1]



Sectoral restrictions

This assessment component reviews sector-specific regulations that affect foreign direct investment in Saudi Arabia, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.

The investment framework of Saudi Arabia combines competition-supportive rules with targeted sectoral restrictions on foreign direct investment. Market competition is governed by the Competition Law and its Implementing Regulations, which prohibit anti-competitive practices and support fair market entry, including for foreign investors. These principles are reinforced by the Investment Law, which guarantees fair and equitable treatment and non-discrimination among investors, pursuant to article 4.

Article 8 of the Investment Law provides for sector-specific restrictions through the List of Excluded Activities, issued and updated by the competent authority and published by the Ministry of Investment. Foreign investors are required to obtain prior approval before investing in restricted or prohibited activities or before changing ownership in such activities. As reflected in the ministry's Services Manual (tenth edition, 2023), these restrictions are limited to specific sectors linked to strategic or public-interest considerations. Additionally, the Ministry of Investment may suspend foreign investments for reasons related to national security, subject to objective grounds and in accordance with the country's international obligations, pursuant to article 9 of the Investment Law.



Performance requirements

This assessment component examines whether Saudi investment legislation or policies impose performance-related obligations on foreign investors, such as requirements related to employment, skills development, export promotion, or compliance with social and labour standards.

The legal framework of Saudi Arabia imposes labour and workforce development requirements applicable to all employers, including foreign direct investment projects. Under article 42 of the amended Labour Law, employers are required to adopt training and qualification policies to develop workers' technical, administrative and professional skills. Additionally, the Labour Law establishes workforce localization obligations, requiring employers to prioritize the employment, training and qualification of Saudi nationals and to maintain a minimum Saudi workforce share of 75 per cent, subject to adjustment where qualified national labour is unavailable, pursuant to article 26 of the Labour Law.

However, the Investment Law and related legislation do not impose export performance requirements on foreign investors, nor do they establish statutory criteria for evaluating the opportunity costs, effectiveness or efficiency of foreign direct investment strategies.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Saudi Arabia, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying

the competent authorities responsible for administering and implementing these incentives.

The investment framework of Saudi Arabia expressly recognizes investment incentives within its foreign direct investment legislation. Article 6 of the Investment Law provides that the competent authority may grant investment incentives based on objective, clear and fair eligibility criteria, subject to applicable laws, and requires the Implementing Regulations to define the rules necessary for implementation.

The Implementing Regulations further specify the incentive framework by providing that incentives are granted in accordance with published classifications and eligibility criteria aligned with the objectives of the Investment Law and the rights of investors, pursuant to article 8 thereof. Institutional responsibility for administering and implementing investment incentives lies with the competent authorities, with the Ministry of Investment playing a central coordinating role through the establishment and management of the national register of investors, which supports data integration and policy implementation, pursuant to articles 9 and 10 of the Implementing Regulations.

Specific incentive schemes are applied within designated economic cities and special economic zones, which operate under separate legal and regulatory regimes and may provide customs exemptions, tax incentives, infrastructure facilitation, labour-related flexibilities, export financing support, and other financial or regulatory incentives. These incentives are governed by the applicable special laws and regulations and do not alter the general incentive framework established under the Investment Law.



Currency conversion and profit repatriation

This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Saudi Arabia, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.

Under article 4 of the Investment Law, the investor shall have the right to freely transfer funds into and out of the country, including the transfer of investment returns and profits. These transfers may be conducted in any officially recognized currency, thereby ensuring the free movement of capital related to investment activities. The Saudi Central Bank supervises banks under the Banking Control Law.



Exit strategy

This assessment component assesses the legal framework governing the exit of foreign investors from the Saudi market, focusing on provisions related to divestment, liquidation, mergers and acquisitions.

The Investment Law provides a legal basis for the exit of foreign investors by guaranteeing the free transfer of funds inside and outside the country, pursuant to article 4(d) of the law. However, the Investment Law does not contain specific provisions regulating mergers and acquisitions carried out by foreign investors.

[1] 2023 Investment Climate Statements: Saudi Arabia.

RECOMMENDATIONS

- Introduce a statutory requirement for conducting a structured cost-benefit or economic impact assessment as part of licensing or registration procedures.
- Clarify, in binding legal text, the legal nature and enforceability of investment commitments related to minimum investment thresholds and local content requirements, including their scope and monitoring mechanisms.
- Establish clear legal criteria or reporting mechanisms to assess the opportunity costs, effectiveness and efficiency of the country's foreign direct investment strategies.
- Introduce explicit legal provisions regulating mergers and acquisitions undertaken by foreign investors, including applicable procedures and competent authorities.

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