

# Kluwer Arbitration Blog

## Countdown to RIDW25: Transforming Investment in the Kingdom of Saudi Arabia: A New Legal Framework

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The Kingdom of Saudi Arabia (“KSA”) is undergoing a transformative shift in its economy. In 2016, the KSA launched the [Saudi Vision 2030](#), an initiative to, among others, attract foreign and domestic investment by improving the regulatory environment and enhancing business opportunities. A key piece of this transformation came on 11 August 2024, when the Saudi Ministry of Investment (“MISA”) introduced an updated Investment Law under Royal Decree No. (M/19) Investment Law 2024-1446 (“New Law”), replacing the foreign investment law from Royal Decree No. (M/1) 5/1/1421H (“Old Law”). The [New Law](#) will take effect 180 days after its publication, on or around 7 February 2025.

### The Key Changes Introduced by the KSA’s New Investment Regime

The New Law marks a pivotal transformation in the investment landscape, fostering a more investor-friendly environment for local and foreign investors. One of the most significant changes in the New Law is its broader scope, which now regulates both foreign and local investors in the KSA in Article 1, unlike the Old Law, which was limited to foreign investors. Additionally, the New Law enshrines the principle of freedom of investment, allowing investors to operate in any sector, with only a few exceptions based on national security or other objective grounds (Articles 3, 8 and 9). In contrast, under Article 5.2 of the Old Law, investment opportunities were more restricted and largely controlled by the Council of Ministers.

Another important update in the New Law is the shift from a cumbersome investment license regime to a more straightforward registration process in Article 7. Investors, both national and international, will no longer need to obtain multiple licenses to operate in the KSA; they simply need to register with the MISA. The Old Law, in contrast, required foreign investors to secure multiple licenses depending on their activities, creating unnecessary complexity (Articles 1(f), 2, 4, and 5). This simplification of administrative procedures lowers barriers to entry and fosters a more welcoming investment environment.

Further, the New Law introduces a comprehensive set of rights and protections for investors in Article 4, providing far greater safeguards than the Old Law. These include the right to equal treatment for both foreign and local investors, fair and equitable treatment, protection against both

direct and indirect expropriation, the right to freely transfer and repatriate funds, and protection of the investors' intellectual property and trade secrets. Notably, Article 4.1 requires that investor rights be respected even when the competent authority takes actions in the public interest, such as protecting national security or fulfilling international obligations. This provision is aimed at ensuring a delicate balance between public interest and investor rights, unlike the Old Law, which offered limited safeguards.<sup>1)</sup> This improvement signals a significant step forward in creating a safer and more predictable environment for investors.

Another significant change is found in Article 10 of the New Law, which addresses dispute resolution and offers two options for resolving disputes:

- Resorting to domestic courts: As a default option, “[t]he investor who is a party to any dispute, including disputes with the competent authority, may resort to the competent court, unless the parties to the dispute agree otherwise”.
- Alternative dispute resolution: “Investors may agree to resolve their disputes through alternative dispute resolution methods, including arbitration, mediation, and conciliation”. It is arguable whether this constitutes an offer from the KSA to arbitrate, requiring only the investor's acceptance or whether the state's agreement is also required for each case.

Under the Old Law, dispute resolution was more restricted, focusing on amicable settlements without clearly defining the processes for alternative dispute resolution mechanisms. If amicable efforts failed, disputes were resolved “according to the relevant laws” under Article 13 of the Old Law.

## **Reflections on the New Investment Regime**

The New Law marks a bold step toward positioning the KSA as a global investment hub. With its emphasis on transparency, fairness, and inclusivity, the law aims to attract both regional and international investors.

One of the most critical aspects of the New Law is the enlarged scope, which now regulates both local and foreign investors. This shift towards inclusivity indicates a clear effort to create a level playing field for all investors, something that the Old Law did not provide as it only governed foreign investments. Moreover, the streamlined regulatory framework is likely to eliminate the need for complex licensing requirements. However, the real impact of these reforms will depend on how quickly the implementing regulations are issued to clarify the enforcement of these provisions of the New Law.

The New Law also offers stronger investor protections, particularly the obligation for the state to respect investor rights even in the public interest. This fosters legal certainty and aligns with international standards. Nevertheless, the ambiguity regarding whether mutual consent from both the investor and the state is necessary for ADR or whether the state's consent is pre-established could be a sticking point for investors accustomed to automatic arbitration clauses in investment treaties or other investment laws.



We look forward to attending the SCCA 25 Conference!

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## References

For example, the Old Law did not provide equal or fair treatment for investors, and protections were limited to direct expropriation and basic provisions on transferring funds. See Foreign Investment Law, Articles 7 and 11.

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