

Saudi Arabia's Economic Transformation:

A Legal Reforms Overview.

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I.

Legal Policy Background: Visionary Path

Recognized regionally and internationally as a flourishing investment and growth market, the Kingdom of Saudi Arabia has experienced a remarkable transformation spurred by the Saudi Vision 2030 reform program.

This reform initiative showcases Saudi Arabia's intensive reform and economic diversification efforts which have triggered significant legislative amendments, cultivated a more attractive investment landscape, and bolstered legal certainty; consequently, positioning the Kingdom as an appealing destination for both local and international investors. In the following we highlight some important legal changes in KSA.

II.

Key Legal Reforms: Navigating Change

Company Law and Focused Development Zones

In June 2022, Saudi Arabia introduced a comprehensive new Companies Law. This reform recognizes joint ventures, introduces uniform liability standards, and extends to freelance and non-profit companies. Notably, Limited Liability Companies undergo significant restructuring, offering foreign investors greater flexibility.

Another strategic push to allure foreign investment is Saudi Arabia's recent focus on special economic zones, including the Special Integrated Logistics Zone (SILZ). This emphasis is evident in the NEOM megaproject, which envisions a special economic zone with an independent legal system, highlighting the kingdom's dedication to attracting global businesses.



Key Legal Reforms: Navigating Change

Regional Headquarters Program

The Regional Headquarters Program aims to establish Saudi Arabia as the regional hub for multinational companies, requiring them to have their regional headquarters in the Kingdom from 2024 if they wish to participate in public tenders.

Employment & Residence Law; Saudization

The employment sector has witnessed various reforms over the past years, e.g., the introduction of newly established labour courts at the Ministry of Justice, a mandatory employment contract model for foreigners and changes to the so-called sponsorship system, allowing foreigners to change employers.

Additionally, since February 2021, a "Temporary Work Visit Visa" facilitates short-term work, and an "eTourist Visa" streamlines entry for nationals of select countries. Furthermore, aligned with Saudi Vision 2033, the Nitaqat nationalization program, updated in December 2021, sets Saudization quotas for companies based on size and sector.

Legal Frameworks: Individuals & Civil Affairs

Saudi Arabia had issued the Data Protection Act (DPA) in September 2021. The DPA contains similar core concepts as the European General Data Protection Regulations (GDPR) and imposes stringent requirements for cross-border data transfers, particularly in matters involving foreign connections. The corresponding implementing regulations have been issued in September 2023.

Other noteworthy legal reforms

In addition to the above listed reforms, there have been various other legislative codifications in Saudi Arabia. Some of these include:

- The **Medical Devices and Medical Products Law (2021)**: Enhances regulation for medical devices in line with regional trends.
- **Franchise Law (2019)**: Saudi's first independent regulation for franchises.
- **Revamping Court Costs (2021)**: The 2021 Court Costs Law introduced a 5% fee of the dispute's value departing from the past practice of free court proceedings.



Conclusion

Saudi Arabia's rapid pace of legislative reforms, aligned with the Vision 2030 framework, showcases its commitment to economic diversification, liberalization, and social openness. Ongoing efforts to balance localization and liberalization policies will significantly improve the attractiveness of the country for foreign investors. Continued administrative reforms, investment in education, and Saudization programs reflect a determined approach to enhance the nation's competitiveness.

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