

# ASG Analysis: Saudi Arabia Steps Up Efforts to Attract Foreign Investment with New Incentives Committee

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## Key takeaways

- On June 14, Saudi Arabia's Council of Ministers announced the establishment of the National Incentives Committee (NIC), a new body tasked with providing financial and non-financial incentives for investment projects inside and outside the Kingdom.
- This announcement represents a major development in Saudi investment policy, providing the clearest guidance to date on the types of available investment incentives, the process for awarding these incentives, and the responsible deciding authority. The creation of the NIC is in line with a number of other steps the Kingdom has recently taken to attract foreign investment and to position itself as a regional business hub.
- The committee has broad power and authority to structure incentives packages in coordination with other government entities; approve the distribution of incentives to various investment projects; and determine which incentives are available, among other functions.
- The list of incentives released to date covers a wide range of financial and non-financial incentives, including but not limited to tax incentives, government subsidies in a variety of sectors, relaxed Saudization requirements, and discounts on government fees.
- While the extent of these incentives is still unclear, past precedent suggests that they may be quite generous, depending on the project. For example, electric car-maker Lucid Group received up to \$3.4 billion in financing and incentives from the Saudi government to establish a factory in the Kingdom. Saudi Arabia has also established a customs zone, the Integrated Logistics and Bonding Zone (ILBZ), which offers wide variety of incentives including a 50-year tax holiday, zero-rated corporate, income, and withholding tax, lenient Saudization requirements, and 100 percent foreign ownership.
- We encourage companies doing business in the Kingdom to keep abreast of the rapid changes in the Saudi investment landscape and to continue prioritizing engagement with relevant sector regulators, which will now be required to coordinate with the NIC on any incentives they wish to offer moving forward.

## Key provisions

The NIC is empowered to regulate, approve, and supervise the process for awarding incentives for local and foreign investment projects. Some of the most important aspects of the announcement include:

- **Committee background.** The NIC is under the authority of the Supreme National Investment Committee (the "Supreme Committee"), which is chaired by Crown Prince Mohammed bin Salman and is part of the powerful Council of Economic and Development Affairs. The Supreme Committee was established in 2021 to oversee the National Investment Strategy, with a focus on coordinating government efforts to negotiate major investment deals. A second new committee, the Committee for Listing and Developing Investment Opportunities, was also created to identify and refer attractive investment opportunities to the NIC.
- **Committee makeup.** The Chairman and members of the NIC will report to the Supreme Committee. Minister of Investment Khalid Al Falih will serve as Chairman of the NIC, while other NIC members have not yet been announced. The General Secretariat of the NIC will be headquartered at the Ministry of Investment (MISA), led by a Secretary General to be appointed by the Chairman. The NIC's budget will fall within the budget of MISA.
- **Committee mandate.** The NIC has broad power and authority to: determine and structure incentives packages in coordination with other government entities and with the Finance Committee at the Royal Court; approve and supervise the distribution of incentives to various investment projects (including deciding which projects take precedence); review and approve proposals for offering incentives in various projects; provide the relevant government agencies with guidance on their roles and responsibilities in relation to the process of offering incentives; determine which incentives are eligible (including which types of incentives to offer and for how long); work closely with the owners of investment projects to set the relevant performance indicators; and carry out any other duties assigned to it by the Supreme Committee.
- **Investment projects.** While the announcement did not specify which sectors will be eligible for investment incentives, it references local and foreign investments (inside and outside the Kingdom), and any investment opportunities referred to the NIC by the Committee for Listing and Developing Investment Opportunities or any other government agencies.
- **Investment incentives.** The announcement lists a number of different types of financial and non-financial incentives, while noting that the list is not exhaustive. Investment incentives include, but are not limited to: tax and customs incentives; discounts on government fees depending on the type of economic activity; relaxed Saudization requirements; government subsidies related to energy, industry, environment, agriculture, health, and telecommunications; support in obtaining low interest financing; privatization concession incentives; and mining concessions.

- **Committee reach.** Government authorities must coordinate with the NIC on any incentives they seek to offer to make sure they are in accordance with NIC regulations. The NIC will play an important role in shaping the investment incentive landscape in the Kingdom.

## Broader context

- The establishment of the NIC is in line with the Kingdom's ambitions to become a regional business hub. Recent developments include: a draft investment law published by MISA that would strengthen investor rights and protections (see our recent [analysis](#)); the launch of the Regional Headquarters Program (RHQ) designed to offer a variety of incentives to encourage multinational companies to establish their regional headquarters in the Kingdom (see our previous [analysis](#)); and the expected creation of a regulatory framework for a number of special economic zones (SEZs) in the Kingdom to help attract investments in high-priority sectors, including manufacturing and exports.
- In the past, various authorities tasked with attracting investment to the Kingdom, particularly in the industrial, real estate, and agriculture sectors, had authority to issue certain narrow kinds of incentives, mainly interest-free loans. With the creation of the NIC, we expect to see a more streamlined and integrated process for awarding incentives and a significantly expanded set of available incentives.

This is especially relevant for companies currently doing business in the Kingdom, as the NIC will play an important role in defining and setting the limits of incentives for certain initiatives, such as in the RHQ program and the SEZ regulatory framework. Companies will likely not engage directly with the NIC on incentives but should continue to prioritize engagement with their relevant sector stakeholders, which will now have to seek the NIC's approval on any incentives they wish to offer. One exception is for big-ticket projects, such as the Lucid Group investment deal, where the NIC may be willing to engage directly with companies to negotiate tailored incentives. Lucid – in which the Saudi Public Investment Fund (PIF) is a majority shareholder – received \$3.4 billion in financing and incentives (including offtake agreements for a certain number of vehicles) for establishing a factory in Saudi Arabia.

## Considerations for companies

- **Understand the landscape.** As companies consider their future investment plans in the Kingdom, and the incentives that may be available, it is important to understand the full context of doing business in the Kingdom, including regional dynamics, possible reputational risks, increasingly strict Saudization requirements, tax enforcement, and other challenges that may arise.
- **Develop a strategy.** Before companies engage with the government and ask for specific incentives, it is important to develop a long-term plan for what they want to achieve in the Kingdom. The Saudis have serious ambitions for increasing foreign direct investment and becoming a regional business hub and are willing to negotiate with companies on significant incentives; however, they will likely expect a significant investment in return. Symbolic investment projects, without clear benefits to the Kingdom, will likely not impress.

- **Keep an eye on the broader context and plan accordingly.** As we await the implementation of the draft investment law and the SEZ regulatory framework, it is important for companies to keep abreast of the relevant changes in the Saudi investment landscape and plan accordingly. The Saudis are in the midst of creating a new and improved system for investing in the Kingdom. Therefore, it will be important for companies to engage with the relevant stakeholders early on, whether to work with policymakers on the draft laws or to advise on the development of the implementing regulations. Companies should be prepared to engage quickly and effectively and develop a plan for ongoing engagement.

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