



شعبة الترجمة الرسمية
Official Translation Department

**Rules and Arrangements Governing Employees and
Workers in Sectors Targeted for Transformation and
Privatization**

Council of Ministers Resolution No. 616
June 1, 2021

Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Rules and Arrangements Governing Employees and Workers in Sectors Targeted for Transformation and Privatization

Chapter 1: Definitions and Scope of Application

Article 1

In these Rules and Arrangements, the following words and phrases shall have the meanings assigned thereto, unless the context requires otherwise:

Rules and Arrangements: The Rules and Arrangements Governing Employees and Workers in Sectors Targeted for Transformation and Privatization.

Employee: A natural person who holds a public position or performs its duties regardless of the nature of his work or job title and who is governed by the Civil Service Law or any other employment law, and the Civil Pension Law.

Worker: A natural person who works for a government agency in return for a wage, and who is, directly or indirectly, under its management or supervision, and who is subject to the Labor Law and the Social Insurance Law.

Basic Salary: The sum of money paid to an employee in return for performing his job duties as per his rank and grade.

Actual Salary: The basic salary paid to an employee, including all allowances.

Basic Wage: The sum of money paid to a worker under a written or verbal contract in return for performing his job duties regardless of the type of wage or method of payment, including periodic increments.

Actual Wage: The basic wage, including any other sum of money, paid to a worker in return for the efforts he exerts or the risks he encounters in the performance of his duties, or paid under the work contract or employment bylaws.

Transformation: The application of the Labor Law to the employees of a government agency who are subject to the Civil Service Law or any other employment law, or the application of employment regulations to workers of the government agency other than the regulations to which they are subject, upon issuance of a transformation decision.

Transformation Decision: A resolution issued by the Council of Ministers approving the transformation.

Privatization: The transfer of employees and workers of a government agency from the public sector to the private sector upon issuance of a privatization decision.

Privatization Decision: A resolution issued by the Council of Ministers approving divestment of assets, or a decision issued by the Board of Directors of the National Center for Privatization or by the supervisory committee of the sector targeted for privatization, as the case may be, approving public-private



partnership.

Relevant Agency: An entity for which employees and workers work prior to transformation.

Supervising Agency: An entity for which employees and workers work prior to privatization.

Secondment: The assignment of a supervising agency's employee or worker to work temporarily for the receiving agency.

Receiving Agency: The entity to which employees and workers are transferred upon issuance of a transformation or privatization decision, as the case may be.

Supervisory Committee: The committee supervising a sector targeted for privatization which is formed according to the Rules Governing the Work and Tasks of the Supervisory Committees of Sectors Targeted for Privatization (amended) issued pursuant to the Council of Ministers Resolution No. 55 dated 20/1/1442H.

Article 2

These Rules and Arrangements shall apply to Saudi employees and workers of agencies subject of a transformation decision and of agencies or government services subject of a privatization decision, as the case may be.

Chapter 2: Transformation

Article 3

The relevant agency shall, upon issuance of a transformation decision and in coordination with the Ministry of Human Resources and Social Development, set fair and transparent mechanisms and criteria for the selection of employees and workers for the transformation.

Article 4

An employee who accepts the transformation and meets the criteria stipulated in Article 3 of these Rules and Arrangements shall be treated according to the following arrangements:

1. If his years of service, calculated for retirement purposes, is less than 25 years, he shall have his employment terminated and shall select one of the following options:
 - a) Receiving his pension benefits in accordance with Article 18(2) and Article 23 of the Civil Pension Law.
 - b) Combining his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with paragraph (3) of this Article and subject to the Law of Exchange of Benefits between the



Civil and Military Pension Systems and the Social Insurance System.

2. If his years of service, calculated for retirement purposes, is 25 years or more, he shall have his employment terminated and shall select one of the following options:
 - a) Early retirement in accordance with Article 18(1) of the Civil Pension Law.
 - b) Combining his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with paragraph (3) of this Article and subject to the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System.
3. In all cases stated in paragraphs (1) and (2)(b) of this Article, the receiving agency shall conclude an employment contract with the employee whose employment has been terminated in accordance with its employment regulations and applicable wages and benefits according to the following:
 - a) The basic wage shall not be less than the basic salary paid prior to the transfer.
 - b) The actual wage shall not be less than the actual salary paid prior to the transfer.

Article 5

The relevant agency shall, upon transfer, treat the financial and employment rights of the employee who accepts the transformation and meets the criteria stipulated in Article 3 of these Rules and Arrangements according to the following arrangements:

1. Paying his financial dues, if any, plus a severance pay of 16% of his basic salary for each year of his service period or part thereof, provided that the total amount paid to him in accordance with this paragraph does not exceed four basic salaries, or a severance pay paid according to applicable employment regulations, whichever is greater.
2. Compensating for his leave balance pursuant to the employment regulations he was subject to prior to transformation.

Article 6

An employee who meets the criteria stipulated in Article 3 of these Rules and Arrangements, but does not accept the transformation shall be treated according to the following arrangements:

1. In activities not covered by transformation, the relevant agency shall, pursuant to a decision issued thereby in coordination with the Ministry of Human Resources and Social Development, maintain his employment for a period not exceeding one year from the issuance date of the transformation decision. If the relevant agency cannot maintain his employment, the employee may, in coordination with the Ministry of Human Resources and Social Development and the Ministry of Finance, transfer his employment to another government agency within a period not exceeding six months from the date he is notified by the relevant agency of its decision. The relevant minister or head of the agency may, to the narrowest extent, extend said



- period for a similar term. During such period, the employee may be excused from work for one day or eight hours per week to seek employment at another government agency. If he fails to find employment at another government agency within said period, his employment shall be terminated.
2. An employee shall, upon the end of his service, be subject to the following arrangements:
 - a) If his years of service, calculated for retirement purposes, is less than 25 years, he shall select one of the following options:
 - i. receive his pension benefits in accordance with Article 18(2) and Article 23 of the Civil Pension Law; or
 - ii. combine his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System, if the new job is subject to the Labor Law and the Social Insurance Law.
 - b) If his years of service, calculated for retirement purposes, is 25 years or more, he shall select one of the following options:
 - i. early retirement in accordance with Article 18(1) of the Civil Pension Law; or
 - ii. combine his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System, if the new job is subject to the Labor Law and the Social Insurance Law.

Article 7

The relevant agency shall treat the financial and employment rights of an employee who meets the criteria stipulated in Article 3 of these Rules and Arrangements, but does not accept the transformation according to the following arrangements:

1. Paying his financial dues, if any, plus a severance pay of 16% of his basic salary for each year of his service period or part thereof, provided that the total amount paid to him in accordance with this paragraph does not exceed four basic salaries, or a severance pay paid according to applicable employment regulations, whichever is greater.
2. Compensating for his leave balance pursuant to the employment regulations he is subject to.

Article 8

An employee who does not meet the criteria stipulated in Article 3 of these Rules and Arrangements shall be subject to the following arrangements:

1. In activities not covered by the transformation, the relevant agency shall, pursuant to a decision issued thereby in coordination with the Ministry of Human Resources and Social Development, maintain his employment within a period not exceeding one year from the issuance date of the transformation



- decision.
2. If the relevant agency cannot maintain his employment in accordance with paragraph (1) of this Article, it shall, in coordination with the Ministry of Human Resources and Social Development and the Ministry of Finance, transfer his employment to another government agency.
 3. The employee shall, upon the end of his service, be subject to the arrangements stipulated in Article 6(2) of these Rules and Arrangements.

Article 9

A worker, including a person appointed under a wage-based employment contract, who accepts the transformation and meets the criteria stipulated in Article 3 of these Rules and Arrangements shall be treated according to the following arrangements:

1. The receiving agency shall conclude an employment contract with him in accordance with its employment regulations and according to its wages and benefits, taking the following into consideration:
 - a) The basic wage shall not be less than the basic wage paid prior to the transfer.
 - b) The actual wage shall not be less than the actual wage paid prior to the transfer.
2. His subscription to social insurance shall continue.
3. His service shall be deemed uninterrupted with respect to severance pay and leaves, and the receiving agency shall bear the financial costs, in accordance with Article 18 of the Labor Law.

Article 10

A worker, including a person appointed under a wage-based employment contract, who does not accept the transformation shall have his contractual relationship terminated and his rights shall be subject to applicable laws and regulations.

Article 11

The relevant agency shall treat a worker, including a person appointed under a wage-based employment contract, who does not meet the criteria stipulated in Article 3 of these Rules and Arrangements according to the following arrangements:

1. In activities not covered by the transformation, the relevant agency shall, pursuant to a decision issued thereby in coordination with the Ministry of Human Resources and Social Development, maintain his employment within a period not exceeding one year from the issuance date of the transformation decision.
2. If the relevant agency cannot maintain his employment in accordance with paragraph (1) of this Article, it shall, in coordination with the Ministry of Human Resources and Social Development and the Ministry of Finance, transfer his employment to another government agency according to the



following arrangements:

- a) The receiving agency shall conclude an employment contract with him in accordance with its employment regulations and according to its wages and benefits, taking the following into consideration:
 - i. The basic wage shall not be less than the basic wage paid prior to the transfer.
 - ii. The actual wage shall not be less than the actual wage paid prior to the transfer.
- b) His subscription to social insurance shall continue.
- c) His service shall be deemed uninterrupted with respect to severance pay and leaves, and the receiving agency shall bear the financial costs, in accordance with Article 18 of the Labor Law.

Chapter 3: Privatization

Article 12

The supervising agency shall, upon issuance of a privatization decision and in coordination with the Ministry of Human Resources and Social Development, set fair and transparent mechanisms and criteria for the selection of employees to be transferred to the private sector.

Article 13

An employee who meets the criteria stipulated in Article 12 of these Rules and Arrangements and is willing to transfer to the private sector shall be treated according to the following arrangements:

1. If his years of service, calculated for retirement purposes, is less than 25 years, he shall have his employment terminated and shall select one of the following options:
 - a) Receiving his pension benefits in accordance with Article 18(2) and Article 23 of the Civil Pension Law.
 - b) Combining his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with paragraph (3) of this Article and subject to the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System.
2. If his years of service, calculated for retirement purposes, is 25 years or more, he shall have his employment terminated and shall select one of the following options:
 - a) Early retirement in accordance with Article 18(1) of the Civil Pension Law.
 - b) Combining his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with paragraph (3) of this Article and subject to the Law of Exchange of Benefits between the



Civil and Military Pension Systems and the Social Insurance System.

3. In all cases referred to in paragraphs (1) and (2)(b) of this Article, the receiving agency shall conclude an employment contract with the employee whose employment has been terminated in accordance with its employment regulations and according to its wages and benefits, taking the following into consideration:
 - a) The basic wage shall not be less than the basic salary paid prior to the transfer.
 - b) The actual wage shall not be less than the actual salary paid prior to the transfer.

Article 14

The supervising agency shall, upon transfer, treat the financial and employment rights of an employee who meets the criteria stipulated in Article 12 of these Rules and Arrangements and is willing to transfer to the private sector according to the following arrangements:

1. Paying his financial dues, if any, plus a severance pay of 16% of his basic salary for each year of his service period or part thereof, provided that the total amount paid to him in accordance with this paragraph does not exceed four basic salaries, or a severance pay paid according to applicable employment regulations, whichever is greater.
2. Compensating for his leave balance pursuant to the employment regulations he was subject to prior to privatization.

Article 15

An employee who meets the criteria stipulated in Article 12 of these Rules and Arrangements, but is not willing to transfer to the private sector shall be treated according to the following arrangements:

1. In activities not covered by privatization, the supervising agency shall, pursuant to a decision issued thereby in coordination with the Ministry of Human Resources and Social Development, maintain his employment within a period not exceeding one year from the issuance date of the privatization decision. If the supervising agency cannot maintain his employment, the employee may, in coordination with the Ministry of Human Resources and Social Development and the Ministry of Finance, transfer his employment to another government agency within a period not exceeding six months from the date he is notified by the relevant agency of its decision. The relevant minister or head of the agency may, to the narrowest extent, extend said period for a similar term. During such period, the employee may be excused from work for one day or eight hours per week to seek employment at another government agency. If he fails to find employment at another government agency within said period, his employment shall be terminated.
2. An employee shall, upon the end of his service, be subject to the following arrangements:
 - a) If his years of service, calculated for retirement purposes, is less than 25 years, he shall select one of the following options:



- i. Receiving his pension benefits in accordance with Article 18(2) and Article 23 of the Civil Pension Law.
 - ii. Combining his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System, if his new job is subject to the Labor Law and the Social Insurance Law.
- b) If his years of service, calculated for retirement purposes, is 25 years or more, he shall select one of the following options:
- i. Early retirement in accordance with Article 18(1) of the Civil Pension Law.
 - ii. Combining his previous service under the Civil Pension Law with his new service under the Social Insurance Law in accordance with the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System, if his new job is subject to the Labor Law and the Social Insurance Law.

Article 16

The supervising agency shall treat the financial and employment rights of an employee who meets the criteria stipulated in Article 12 of these Rules and Arrangements, but is not willing to transfer to the private sector according to the following arrangements:

1. Paying his financial dues, if any, plus a severance pay of 16% of his basic salary for each year of his service period or part thereof, provided that the total amount paid to him in accordance with this paragraph does not exceed four basic salaries, or a severance pay paid according to applicable employment regulations, whichever is greater.
2. Compensating for his leave balance pursuant to the employment regulations he is subject to.

Article 17

An employee who does not meet the criteria stipulated in Article 12 of these Rules and Arrangements shall be subject to the following arrangements:

1. In activities not covered by privatization, the supervising agency shall, pursuant to a decision issued thereby in coordination with the Ministry of Human Resources and Social Development, maintain his employment within a period not exceeding one year from the issuance date of the privatization decision.
2. If the supervising agency cannot maintain his employment in accordance with paragraph (1) of this Article, it shall, in coordination with the Ministry of Human Resources and Social Development and the Ministry of Finance, transfer his employment to another government agency.
3. The employee shall, upon the expiration of his service, be subject to the arrangements stipulated in Article 15(2) of these Rules and Arrangements.



Article 18

A worker, including a person appointed under a wage-based employment contract, who meets the criteria stipulated in Article 12 of these Rules and Arrangements and is willing to transfer to the private sector shall be treated according to the following arrangements:

1. The receiving agency shall conclude an employment contract with him in accordance with its employment regulations and according to its wages and benefits, taking the following into consideration:
 - a) The basic wage shall not be less than the basic wage paid prior to the transfer.
 - b) The actual wage shall not be less than the actual wage paid prior to the transfer.
2. His subscription to social insurance shall continue.
3. His service shall be deemed uninterrupted with respect to severance pay and leaves, and the receiving agency shall bear the financial costs, in accordance with Article 18 of the Labor Law.

Article 19

A worker, including a person appointed under a wage-based employment contract, who is not willing to transfer to the private sector shall have his contractual relationship terminated and his rights shall be subject to applicable laws and regulations.

Article 20

The supervising agency shall treat a worker, including a person appointed under a wage-based employment contract, who does not meet the criteria stipulated in Article 12 of these Rules and Arrangements according to the following arrangements:

1. In activities not covered by privatization, the supervising agency shall, pursuant to a decision issued thereby in coordination with the Ministry of Human Resources and Social Development, maintain his employment within a period not exceeding one year from the issuance date of the privatization decision.
2. If the supervising agency cannot maintain his employment in accordance with paragraph (1) of this Article, it may, in coordination with the Ministry of Human Resources and Social Development and the Ministry of Finance, transfer his employment to another government agency according to the following arrangements:
 - a) The receiving agency shall conclude an employment contract with the worker in accordance with its employment regulations and according to its wages and benefits, taking the following into consideration:
 - i. The basic wage shall not be less than the basic wage paid prior to the transfer.
 - ii. The actual wage shall not be less than the actual wage paid prior to the



transfer.

- b) His subscription to social insurance shall continue.
- c) His service shall be deemed uninterrupted with respect to severance pay and leaves, and the receiving agency shall bear the financial costs, in accordance with Article 18 of the Labor Law.

Article 21

1. Secondment shall, to the narrowest extent, be restricted to the receiving agency's principal activities and to rare and vital specialties in accordance with the terms agreed-upon between the supervisory committee and the supervising agency, taking the following into consideration:
 - a) The secondment period shall not exceed two years.
 - b) The receiving agency shall bear the secondee's actual salary or actual wage, as well as the percentage of his pension contributions borne by the employer, as the case may be, subject to the following:
 - i. The basic salary or basic wage shall not be less than the basic salary or basic wage paid prior to the secondment.
 - ii. The actual salary or actual wage shall not be less than the actual salary or actual wage paid prior to the secondment.
 - c) The receiving agency shall set the plan for the theoretical or practical qualification and training necessary for the secondee.
2. A secondee shall, upon expiration of the secondment period, be subject to the provisions of this Chapter.

Chapter 4: General and Final Provisions

Article 22

The relevant or supervising agency shall, upon issuance of a transformation or privatization decision, as the case may be, notify its employees and workers of the following:

1. The procedures, mechanisms, and measures to be taken.
2. The transformation or privatization decision.
3. The specified or expected date for implementing the transformation or privatization.
4. The legal, economic, and social impact of a transformation or privatization.

Article 23

Without prejudice to the statutory provisions governing the termination of the employment contract, the receiving agency shall comply with the following:

1. The contracts of all transferred workers shall be for a fixed term of not less than two years from the transfer date.
2. Employment contracts of transferred workers shall not be terminated within



the first two years of the transfer date.

Article 24

Disputes relating to these Rules and Arrangements shall be decided by administrative courts. However, disputes arising from contractual relationships subject to the Labor Law shall be decided by labor courts.

Article 25

The relevant agency or the supervisory committee, as the case may be, shall determine the period during which these Rules and Arrangements are applied to employees and workers at sectors, agencies, and services covered by the transformation or privatization decision, provided that such period does not exceed three years from the decision date.

Article 26

1. A technical committee, chaired by the Ministry of Finance, shall be formed. It shall comprise representatives from the Ministry of Economy and Planning, the National Center for Privatization, the Public Pension Agency, the General Organization for Social Insurance as well as the relevant agency or the supervising agency, as the case may be. The committee shall, upon transformation or privatization, conduct actuarial studies to assess any additional financial burden on the civil or military pension systems or the social insurance system that may arise from implementing these Rules and Arrangements, and shall propose the manner of covering such financial burden. Said committee shall submit its findings to the Council of Ministers within a period not exceeding six months from the date of issuance of a transformation or privatization decision to take necessary action. The committee may seek the assistance of individuals from other agencies.
2. The supervising agency or the relevant agency, as the case may be, shall, for the purpose of carrying out the studies referred to in paragraph (1) of this Article, provide the technical committee referred to in paragraph (1) of this Article with the necessary data and information relating to its employees and workers within a period not exceeding one month from the date of issuance of a transformation or privatization decision.
3. The Ministry of Finance shall call for the meetings of the technical committee referred to in paragraph (1) of this Article within a period not exceeding one month from the date of issuance of a transformation or privatization decision, as the case may be.
4. The technical committee referred to in paragraph (1) of this Article shall appoint an actuary to conduct the studies referred to paragraph (1) of this Article, provided that the relevant agency or supervising agency, as the case may be, bears the costs of such studies and any updates thereto.
5. The procedures set forth in Chapter 2 and Chapter 3 of these Rules and Arrangements shall only be implemented upon the Council of Ministers' approval of the findings of the technical committee.



Article 27

1. Subject to Article 6(5) of the Law of Exchange of Benefits between the Civil and Military Pension Systems and the Social Insurance System, the Council of Ministers shall, pursuant to a resolution issued thereby, determine the manner of and timeframe for payment of the financial burden referred to in Article 26(1) of these Rules and Arrangements.
2. The Public Pension Agency and the General Organization for Social Insurance shall, upon issuance of the Council of Ministers' resolution referred to in paragraph (1) of this Article, pay the compensations stipulated in the Civil Pension Law, Military Pension Law, and the Social Insurance Law which arise from the implementation of these Rules and Arrangements.

Article 28

These Rules and Arrangements shall, upon implementing a privatization decision, supersede the Rules and Arrangements Governing Saudi Employees and Workers in Sectors Targeted for Privatization issued pursuant to Council of Ministers Resolution No.210, dated 18/06/1429H.