

Saudi Arabia Issues Decree to Permit Foreign Ownership of Retail Pharmacies

The new law, which offers a unique opportunity for investors in Saudi Arabia's pharmacy market, forms part of a broader strategy to encourage innovation and foreign investment.

The Kingdom of Saudi Arabia (KSA) has opened its doors to foreign investment in the retail pharmacies sector, marking a significant shift in the regulatory landscape. A recent Royal Decree, effective March 3, 2025, allows foreign ownership in retail pharmacies, creating new opportunities for global investors, eliminating previous ambiguities, and transforming the sector.

Background

Historically, the pharmaceutical market in KSA was tightly regulated, with foreign ownership restricted to Saudi nationals. This market was governed by the now-repealed Law of Pharmaceutical and Herbal Establishments and Preparations promulgated in 2004. While the current law lifted some restrictions in 2020, including those relating to pharmaceutical wholesale warehouses, retail pharmacies remained off-limits to foreign investors, limiting market potential.

This regulatory ambiguity created uncertainty in the market, particularly with regard to the interpretation of the foreign ownership restrictions imposed on retail pharmacies, and whether the restriction only applies to direct ownership or extends to indirect foreign ownership.

Key Changes

Royal Decree M/195, issued on March 3, 2025, explicitly permits foreign ownership in retail pharmacies, removing previous restrictions and legal ambiguities. The Royal Decree 195 applies until the promulgation and enforceability of a new Integrated Healthcare Law.

This change is part of KSA's broader strategy to attract foreign investment across various sectors, fostering a more dynamic and competitive market environment.

Commercial Implications

For foreign and local investors, this development presents a unique opportunity to enter or expand within the Saudi retail pharmacies sector. The removal of ownership barriers is expected to stimulate market growth, encourage innovation, and enhance service delivery. Investors can now explore partnerships, joint ventures, and direct investments in a previously restricted market.

Looking Ahead: The Integrated Healthcare Law

KSA is also planning to introduce a new Integrated Healthcare Law, which is anticipated to further reshape the healthcare and pharmaceutical sectors. This forthcoming legislation could redefine market dynamics, offering additional opportunities and challenges for stakeholders.

Recommendations

- **Monitor Regulatory Developments:** Stay informed on the progress of the anticipated Integrated Healthcare Law to adapt strategies accordingly.
- **Verification and Compliance:** Ensure that ownership structures comply with the new regulations. Consulting with the Ministry of Health's Licensing Department is advisable to align with the latest legal interpretations.

Conclusion

The recent regulatory changes represent a transformative step for the retail pharmacies sector in KSA, opening doors for foreign investment and fostering a more competitive market. Stakeholders should proactively adapt to these changes to maximize opportunities and ensure compliance. Monitoring the development of the Integrated Healthcare Law will be crucial for strategic planning and investment decisions.

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