

# THE REPORT

## Bahrain 2023

ECONOMY  
REAL ESTATE  
EDUCATION  
TOURISM

ENERGY  
INDUSTRY  
TRANSPORT  
CONSTRUCTION

ICT  
UTILITIES  
BANKING  
INTERVIEWS

[www.oxfordbusinessgroup.com](http://www.oxfordbusinessgroup.com)



OXFORD  
BUSINESS  
GROUP





مطار البحرين الدولي  
Bahrain International Airport

# A state-of-the-art airport to match the Kingdom that never ceases to impress.

Bahrain International Airport is a hub for business,  
industry connections, and dreams soaring to new heights.

With its cutting-edge eco-friendly infrastructure and exceptional  
service, offers everything necessary to explore Middle Eastern economic  
prospects and extraordinary tourist destinations.



5-star Airport



World's Best Airport  
for Baggage Delivery 2023



Best Airport Staff  
in the Middle East 2023



World's Best  
New Airport 2022

## Bahrain is the host of Routes World 2024

[bahrainairport.bh](http://bahrainairport.bh)







# 65 years and continuing to enrich the lives of generations

Established in 1957 as the first locally owned bank in Bahrain, National Bank of Bahrain B.S.C (NBB) has made consistent efforts to innovate and break new ground that has allowed the bank to consolidate its position as Bahrain's banking partner of choice and a national powerhouse operating in accordance with international standards.

As pioneers in ESG practices in the local and regional banking sector we are committed to embedding ESG into our core business and operations throughout our sustainability journey.



*Closer to you*

    @nbbonline





## Sustainable growth

Page 21

Policy interventions and an investor-friendly regulatory environment continue to attract investors to Bahrain as both a place to establish a business, and as a gateway through which to enter GCC and MENA markets. The economy has been bolstered by high oil prices, but the fact that non-oil GDP growth outpaces that of the oil economy suggests Bahrain is insulated against the anticipated moderation in global hydrocarbons prices.

### COUNTRY PROFILE

- 10 Solid footing: Growth in tourism and the financial technology industry boost efforts towards economic diversification
- 16 Interview: Shaikh Khalid bin Abdullah Al Khalifa, Deputy Prime Minister, on upskilling the local workforce and attracting investment
- 17 Sustainable development: The kingdom promotes socio-economic development through women's empowerment and transition towards green energy
- 18 Regional ties: Bilateral trade talks between the UK and the GCC are set to boost renewable energy and food security in the bloc

### ECONOMY

- 21 Sustainable growth: Medium- and long-term national development plans implemented to guide long-standing efforts to facilitate economic diversification
- 27 Local talent: New regulations aim to educate and train Bahrainis in efforts to boost domestic participation in the labour force
- 30 Interview: Khalid Humaidan, Chief Executive, Bahrain Economic Development Board, on attracting investment
- 31 Positive outlook: Surpluses from oil revenue are enhancing regional integration and economic diversification efforts among GCC countries
- 33 Interview: Maha Mofeez, Chief Executive, Tamkeen, on developing human capital and expanding employment opportunities

- 34 Interview: Hala Al Ansari, Secretary-General, Supreme Council for Women, on the importance of and implementation of flexible work policies in order to promote women's inclusion in the workforce
- 35 Ease of transfer: A number of remittance-focused start-ups and other players are expanding operations in emerging markets around the world

### BANKING

- 39 Forward momentum: Digital payment innovation positions the country as a centre for financial technology in a dynamic landscape
- 45 Interview: Usman Ahmed, Group CEO, National Bank of Bahrain, on establishing a sustainability roadmap and using digital tools to manage risk
- 46 Interview: Yaser Alsharifi, CEO, Bahrain Islamic Bank, on growth opportunities for sharia-compliant financial entities
- 47 New horizons: With the rapid expansion of Islamic finance, the role of specialised financial technology players has become increasingly vital
- 48 Crypto rush: Decentralised financing could play an important role in GCC countries' efforts to diversify their economies and embrace new technologies

### INSURANCE

- 50 Premium gains: Upcoming rollout of mandatory health care programme and increased digitalisation set to shake up the domestic market
- 54 Interview: Abdulla Sultan, CEO, Bahrain Kuwait Insurance Company (GIG Bahrain), on the potential of new business lines and technology
- 55 Change ahead: Emerging markets implement amendments in line with updates to international accounting standards

ISBN 978-1-912518-71-5

Editor-in-Chief: Oliver Cornock

Managing Editor, Middle East & Asia:  
Patrick Cooke  
Editorial Manager:  
Pablo Estévez Gutiérrez

Group Managing Editor: Laura Nelson  
Deputy Chief Sub-Editors:  
Monisha Kar, Teresa Meoni  
Web Editor: John Bowlus  
Sub-Editor and Web Content Writer:  
Geoffrey Ballinger  
Senior Sub-Editor: Gus Peters  
Sub-Editors: Aatika Ahmed, Steven Howard  
Editorial Researcher: Carla Sarabia

Analysts: Raphael Angieri, Rodrigo Diaz, Eduardo Francozo, Jon Gorvett, David Green, Matt Haigh, Alberto Perez, Jonah Schrock

Group Creative Director: Yonca Ergin  
Executive Art Editor:  
Catherine Celeste  
Senior Art Editor: Zahra Rashid  
Junior Graphic Assistants:  
Samantha Espardinez, Debby Espineda, Daisy Natividad  
Illustrations: Jeong Min

Logistics & Administration Manager:  
Burçin Ilgaz  
Logistics Executive: Marly F Gimeno  
Logistics Associate: Will H Mamatra



## Forward momentum

Page 39

The MENA region is one of the few areas globally where growth capital is readily accessible. Bahrain is well placed to capitalise on this by strategically deploying funds in the domestic financial services market, aligning with its ongoing sector development plans. Furthermore, the kingdom is in a favourable position to leverage sustained demand for Islamic banking products and financial technology.



Chairman: Michael Benson-Colpi

Managing Director: Polina Virr

Managing Director, Middle East: Jana Treeck

Country Director: Fernanda Braz

Senior Regional Coordinator: Grace Aguiluz

Director of Contracts & Compliance: Nataša Morrison

For all editorial and advertising enquiries, please contact us at: [enquiries@oxfordbusinessgroup.com](mailto:enquiries@oxfordbusinessgroup.com). To order a copy of this publication or to enquire about your subscription, please contact us at: [booksales@oxfordbusinessgroup.com](mailto:booksales@oxfordbusinessgroup.com).

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means without the prior written permission of Oxford Business Group.

While every effort has been made to ensure the accuracy of the information contained in this book, the authors and publisher accept no responsibility for any errors it may contain, or for any loss, financial or otherwise, sustained by any person using this publication.

Updates for the information provided in this volume can be found in Oxford Business Group's 'Economic Updates' service available via email or at [www.oxfordbusinessgroup.com](http://www.oxfordbusinessgroup.com).

**Bloomberg Terminal**  
Research Homepage:  
**OBGR<GO>**



## Enhancing efficiencies

Page 66

Bahrain, known as the birthplace of the Arabian Peninsula's oil industry, is navigating the challenges and opportunities of the energy transition. While focusing on the production of renewables, energy efficiency and sustainability, the kingdom is leveraging its remaining hydrocarbons resources and has made promising hydrocarbons discoveries.

### CAPITAL MARKETS

- 58 Investment horizon: Trading of listed companies looks set to grow as the country makes the strengthening of financial services a long-term economic priority
- 62 Interview: Sheikh Khalifa bin Ebrahim Al Khalifa, CEO, Bahrain Bourse, on regional cooperation to promote investment and strengthening local financial awareness
- 63 On the up: The macroeconomic climate is set to boost public offerings

### ENERGY & UTILITIES

- 66 Enhancing efficiencies: The kingdom seeks to increase renewable energy production
- 72 New discoveries: The kingdom makes efforts to capitalise on its potential for energy exploration and development
- 73 Going solar: Bahrain takes steps to boost renewable energy by embracing solar power
- 74 Interview: Mark Thomas, Group CEO, Bapco Energies, on building an ecosystem for innovative and sustainable energy solutions
- 75 Decarbonisation solutions: The Gulf looks to carbon capture and hydrogen
- 76 Positioning for growth: Emerging market producers strive to secure greater market shares amid an evolving industry landscape

### TOURISM

- 79 Unique proposition: Island developments, new projects and diversification efforts promise to transform the tourism landscape

- 86 Promising signs: Bahrain is strengthening its capacity to welcome international visitors and positioning itself as a destination for events
- 88 Interview: Fatima Jaafar Al Sairafi, Minister of Tourism, on how tourism objectives can be achieved through public-private collaboration
- 89 Cross-border connections: Gulf countries develop strategic partnerships to promote the region as a leading travel destination
- 92 Seek the faith: Faith-based tourism is set to become a key segment for markets worldwide
- 94 Unlocking opportunities: Emerging markets leverage advanced technology to ensure sustainable growth of the tourism sector

### TRANSPORT

- 98 At the crossroads: Plans for new road and rail connections support the kingdom's aim to become an international logistics centre
- 102 Interview: Mohamed bin Thamer Al Kaabi, Minister of Transportation and Telecommunications, on enhancing logistics infrastructure
- 103 Clear horizons: Increased passenger and cargo aviation capacity aligns with key tourism and logistics objectives
- 105 Interview: Mohamed Yousif Al Binfalah, CEO, Bahrain Airport Company, on improvements being made in the aviation industry

### CONSTRUCTION & REAL ESTATE

- 108 Laying foundations: New developments and regulatory changes are expected to boost infrastructure and real estate projects
- 113 Interview: Ahmed Alammadi, CEO, Diyar Al Muharraq, on creating the conditions to attract investment in real estate
- 114 Self regulation: Efforts are being made to provide greater oversight in real estate and amend laws to strengthen ownership rights
- 115 Interview: Mohamed Abdulghaffar Al Kooheji, CEO, Kooheji Contractors, on boosting development and using sustainable practices

### INDUSTRY

- 118 Building blocks: Industrial zones, free trade agreements and efforts to improve the investment climate facilitate growth
- 122 Empowering business: Strengthening ties with trading partners and establishing free zones to help increase the kingdom's influence
- 123 Interview: Abdulla bin Adel Fakhro, Minister of Industry and Commerce, on increasing exports and boosting digitalisation
- 124 Interview: Sameer Abdulla Nass, Chairman, Bahrain Chamber of Commerce and Industry, on diversification and reform
- 125 Green solutions: The MENA region is poised to lead global steel decarbonisation



**ICT**

- 128 Innovative landscape: Advanced digital infrastructure and a supportive business environment cement the sector's role in actualising growth
- 132 Encouraging experimentation: A new licence aims to provide a regulatory environment conducive to innovation and next-generation technology
- 133 Interview: Philip Marnick, General Director, Telecommunications Regulatory Authority, on enabling innovation
- 134 Interview: Mikkel Vinter, CEO, Beyon, on promoting collaboration between the public and private sectors to spur innovation
- 135 Digital fortress: Confronting the next generation of cyberthreats in the GCC

**HEALTH & EDUCATION**

- 138 Future targets: Initiatives look to increase local participation in schooling as insurance scheme set to reduce outbound medical tourism
- 144 Digital skills: New technologies are positioning Bahrain as a source of high-value talent
- 145 Interview: Dr Sheikh Mohammed bin Abdullah Al Khalifa, Chairman, Supreme Council of Health, on enhancing the effectiveness and quality of care, and increasing investment in the sector
- 146 Interview: Ghassan Fouad Aouad, Former President, Applied Science University, on the link between education and entrepreneurship

**TAX****KPMG Fakhro**

- 149 Changing ecosystem: Regulatory landscape continues to evolve, with plans to update international minimum standards in 2024
- 153 Interview: Mubeen Khadir, Head of Tax and Corporate Services, KPMG Fakhro, on the litigation landscape for value-added tax

**LEGAL FRAMEWORK****Zu'bi & Partners, Attorneys & Legal Consultants**

- 157 Guiding principles: Updated legislation regulates the categorisation, registration and code of conduct for external auditors
- 161 Personal protection: New resolutions to enhance data privacy and security measures
- 162 Interview: Hatim Zu'bi, Partner, Zu'bi & Partners, Attorneys & Legal Consultants on how the provisions of the new law will safeguard biodiversity

**THE GUIDE**

- 164 Pillow talk: Selection of hotels around Manama and surrounding areas
- 168 Facts for visitors: General information for business and leisure arrivals

## Unique proposition

**Page 79**

Bahrain is implementing a long-term strategy to transform tourism into a major engine of growth. In order to boost the number of tourists, and increase daily spending and time spent in the country, Bahrain is making targeted efforts to diversify and promote its offerings – both to better serve visitors from the Gulf, and to attract tourists from further afield.



## At the crossroads

**Page 98**

There has been significant public investment in transport, with a new port, a high-capacity causeway connecting Bahrain with Saudi Arabia and an airport all launched in recent years. The positive socio-economic impact of these projects has encouraged other enhancements, with stronger multi-modal links with the broader GCC.

## Building blocks

**Page 118**

Bahrain's manufacturing industry is a critical contributor to non-oil GDP and is targeted by the government to drive economic diversification. Aluminium manufacturing is the country's largest industrial segment, and the kingdom's globally competitive capabilities and output is set to be further leveraged through downstream infrastructure expansion.



## Innovative landscape

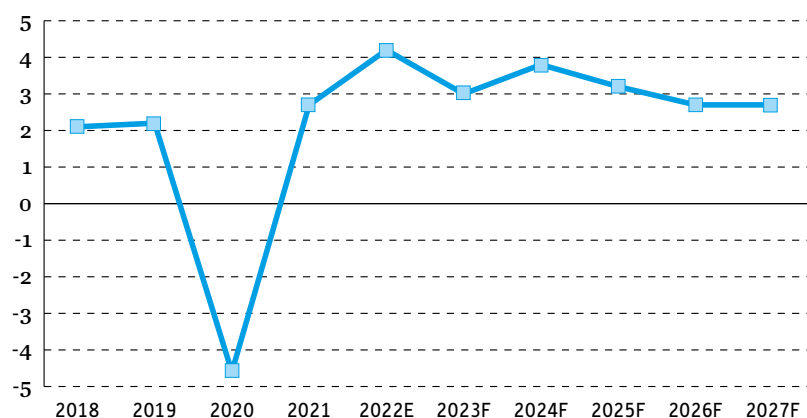
**Page 128**

Owing to a favourable business environment, advanced digital infrastructure and deep talent pool, the kingdom has emerged as an attractive proposition for global tech companies. The sector is pursuing a medium-term strategy to propel it into the next phase of development.

# Bahrain in brief

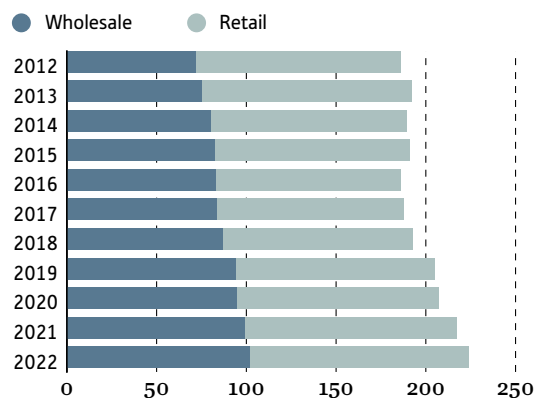
Bahrain's strategic location and economic diversification make it an attractive destination for foreign investment, positioning the kingdom as a competitive player in the GCC and further abroad. Sectors such as financial services, ICT, tourism, energy, manufacturing, and transport and logistics are being harnessed to propel economic growth into the future. Although Bahrain continues to leverage its hydrocarbons resources, it is also making a concerted effort to develop renewable alternatives in line with the kingdom's pledge to reach net-zero emissions by 2060.

Real GDP growth, 2018-27F (%)



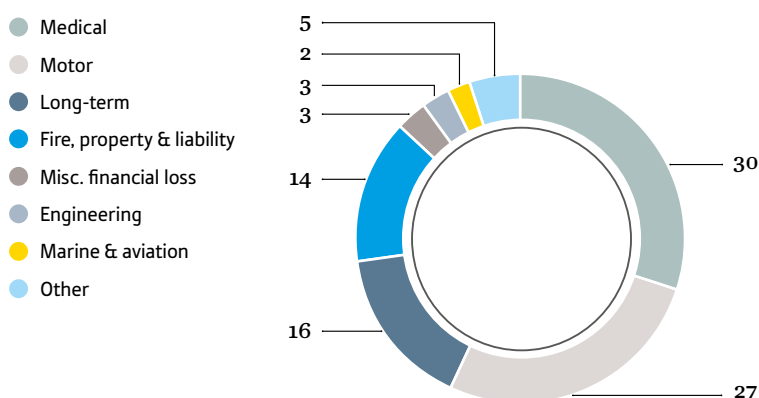
Source: IMF

Banking sector asset composition, 2012-22 (\$ bn)



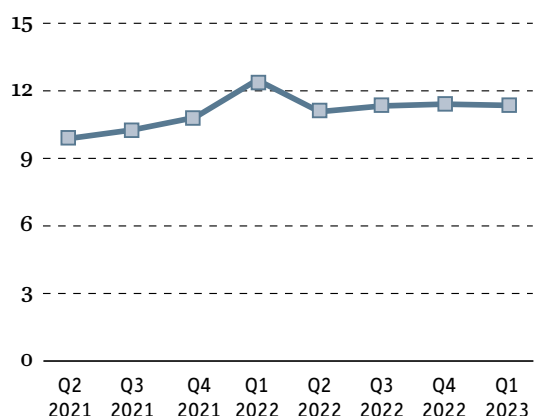
Source: CBB

Gross premium, September 2022 (%)



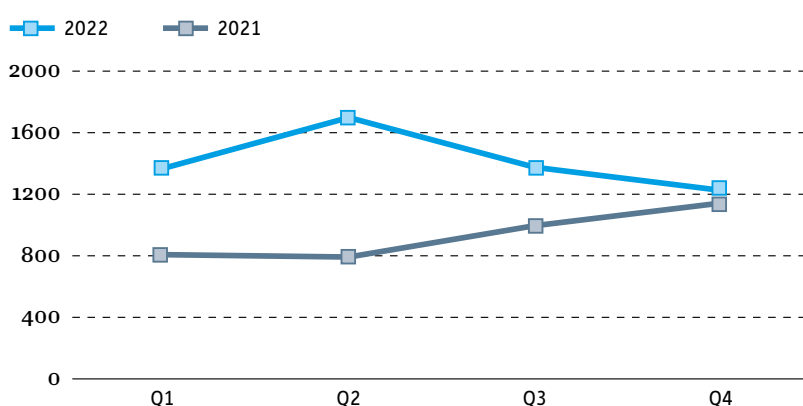
Source: CBB

Bourse market capitalisation, 2021-23 (BD bn)



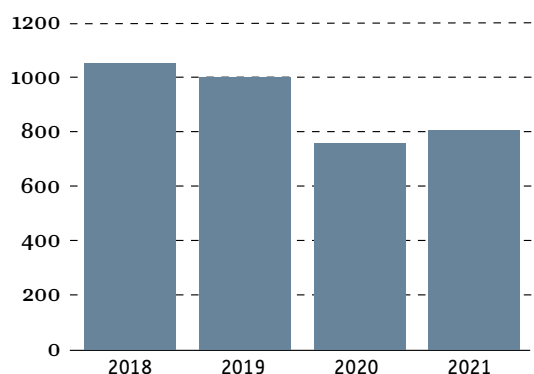
Source: BHB

Oil exports, 2021-22 (BD m)



Source: CBB

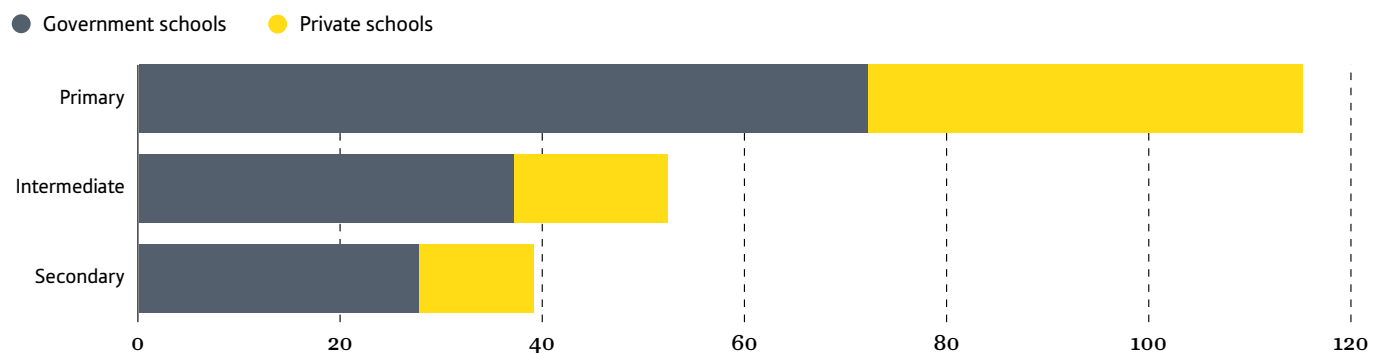
Transport & logistics gross value added, 2018-21 (BD m)



Source: Tamkeen

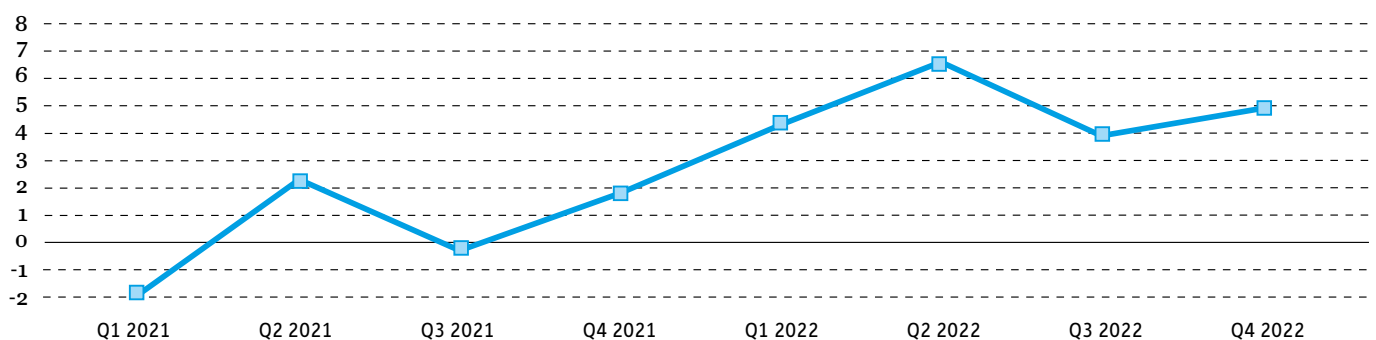


### Number of students by level & type of school, 2018/19 (ooo)



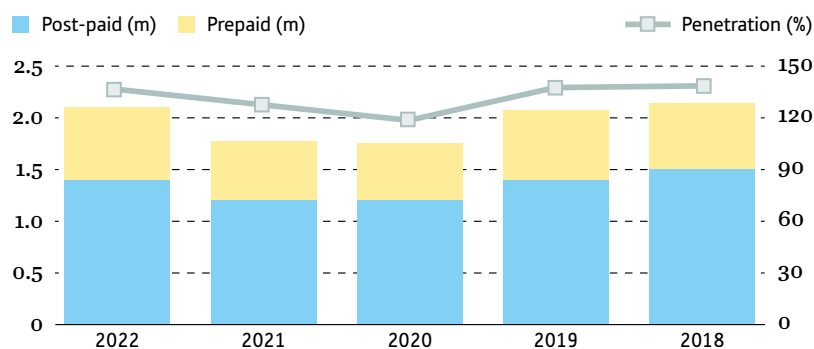
Source: MoE

### Manufacturing real GDP growth, 2021-22 (% change y-o-y)



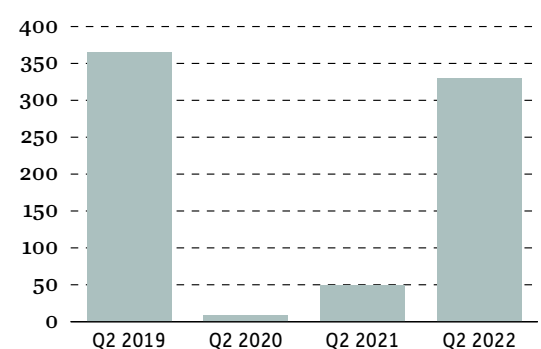
Source: MoFNE

### Mobile subscriptions and penetration, 2018-22



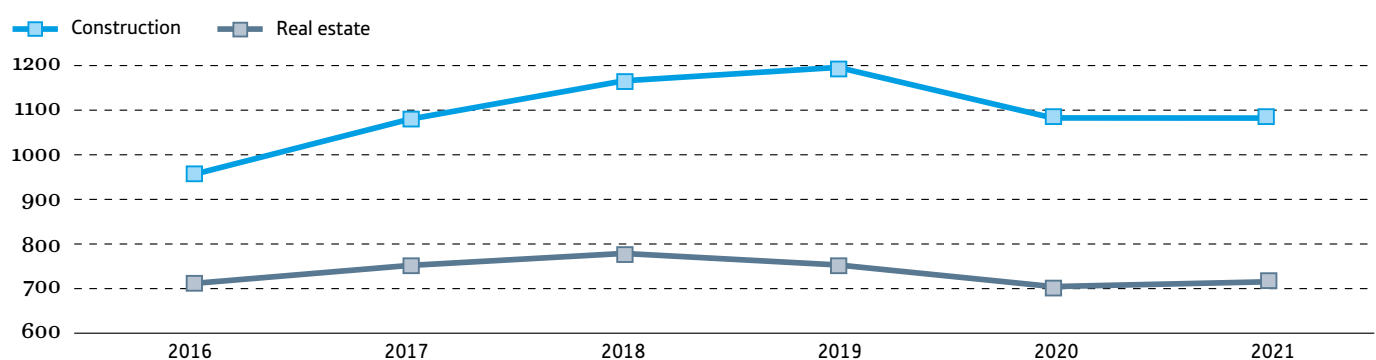
Source: TRA

### Inbound tourism receipts, 2019-22 (BD m)



Source: BCCI

### Value added, 2016-21 (BD m)



Source: iGA



## Elite Resort & Spa

Elite Resort & Spa welcomes you to an oasis of tranquility and a perfect place to unwind. Overlooking the Bahrain Bay on both sides, close to the airport and a ten minute drive from the city centre, we offer a breathtaking view along with the relaxing atmosphere of a city resort. Elite Resort & Spa has been the preferred choice of leisure and business travelers. Chill and relax at our very own beach and club "Azur" with white sands along a tranquil sea!

Elite Resort & Spa has won accolades from Tripadvisor and from the prestigious "Haute Grandeur Hotel Awards" and "World Luxury Hotel Awards" in various categories in Bahrain and the middle east region. We look forward to welcoming you with our traditional Bahraini hospitality!

For enquiries, Call: +973 17 558 200

[cro@elitegrouphotels.com](mailto:cro@elitegrouphotels.com)

[www.elitegrouphotels.com](http://www.elitegrouphotels.com)

 Elite Resort & Spa

 @eliteresortspa1





# Country Profile

Infrastructure projects boost regional connectivity

Financial technology segment sees significant growth

Tourism sector on target to achieving short-term goals

Focus on women's empowerment to drive development





As of December 2022 Bahrain was host to 364 financial institutions

# Solid footing

Growth in tourism and the financial technology industry boost efforts towards economic diversification

As of mid-2022 Bahrain was host to more than

**120**

financial technology organisations

The strategic location of the island country of Bahrain, combined with its business-friendly ecosystem and diversified economy, have seen it emerge in recent decades as an attractive destination for foreign investment. The kingdom's economic resilience during the disruption that came with the Covid-19 pandemic, aided by stable governance and a commitment to economic reform, have positioned the country as a competitive player in the GCC and broader Middle East.

**HISTORY:** One of the first groups to settle in the area was the Bronze Age Dilmun civilisation, approximately 5000 years ago. Throughout history Bahrain's strategic location has attracted the attention of numerous empires, including the Persians, Sumerians, Assyrians, Babylonians, Arabs, Portuguese and British. Having served as a commercial centre in ancient times, Bahrain's advantageous location for trans-Gulf trade continues to draw merchants and multinationals to this day.

**ECONOMY:** In 1932 Bahrain pioneered oil production in the Middle East, and in doing so established the region's initial framework for the petroleum industry. The new resource enabled Bahrain to modernise its economy by moving beyond traditional industries such as pearl diving and fishing. Hydrocarbons production also provided the funding to help the country diversify to its economy and establish itself as a leading regional financial centre in the 1970s and 1980s.

Bahrain's regulatory system has been a driving force that attracted banks seeking stability in the region and many have established operations in the kingdom. Bahrain is adapting to the changing banking landscape in the GCC by focusing on financial technology (fintech). Highlighting the segment's potential, as of mid-2022 Bahrain was host to more than 120 fintech firms, some of which are valued at more than \$1bn.

The country's guiding plan, Bahrain Economic Vision 2030, aims to enhance private sector growth and promote government investment in infrastructure, affordable housing, human resource development and

digital transformation. The kingdom maintains a developed industrial sector and hosts the world's largest single-site aluminium smelter outside of China, Aluminium Bahrain, with downstream firms creating products for export. Other industries include downstream hydrocarbons processing and ICT, with segments such as data analytics, cloud computing, storage and business process outsourcing expanding rapidly.

GDP contracted by 4.9% in 2020 amid the pandemic, as the health and economic crisis impacted sectors such as energy and tourism. Recovery followed, with GDP growth at 2.7% and 4.9% in 2021 and 2022, respectively, and Ministry of Finance and National Economy projections for 2023 at 2.9%. However, the budget deficit is expected to amount to 4.1% of GDP in 2023 and 5.6% in 2024. Challenges also remain in tackling public debt, which reached 125% of GDP in 2023 and is projected to be 128% in 2024, according to the IMF. In October 2021 the government announced an update to the Fiscal Balance Programme, which included a value-added tax increase from 5% to 10%. This sets the country on course to balance the budget in the years ahead.

**MODEL OF DEVELOPMENT:** In the World Economic Forum's 2019 Global Competitiveness Index, Bahrain's overall ranking rose five places to 45th out of 141 economies. More specifically, it placed 18th for product market, 31st for infrastructure, 33rd for the labour market and 37th for the financial system. However, Bahrain ranked 117th for macroeconomic stability.

The country's model of development has been studied and formalised by the UN Industrial Development Organisation (UNIDO), in partnership with the Arab International Centre for Entrepreneurship and Investment, based in Manama. The UNIDO Enterprise Development and Investment Promotion programme, created in Bahrain, has been implemented in more than 50 countries around the world.

In 2000 the government formed the Bahrain Economic Development Board (Bahrain EDB), chaired by

In October 2021 the government announced an update to the Fiscal Balance Programme, which included a value-added tax hike from 5% to 10%.



the crown prince, Sheikh Salman bin Hamad bin Isa Al Khalifa. The organisation was created to enhance the competitiveness of the economy by improving the ease of doing business and fostering a more attractive environment for foreign investors. In a bid to facilitate increased privatisation and improve efficiency, the Tender Board – a fully independent body – works to improve government transparency and the clarity of the public tender system by creating pre-certification, online tracking and standardisation of tenders.

Addressing the challenges posed by an expanding young population and seeking to build a more resilient job market after the pandemic, in January 2021 the crown prince launched the National Employment Programme 2.0, which created 26,344 jobs that year. With foreign investment and innovation viewed as crucial elements in expanding economic opportunity, Bahrain is working to develop relations with a diverse range of countries. For example, in late 2020 Bahrain signed agreements with Israel on technical cooperation, technology transfer and small business development, and in 2021 it announced a partnership with the US for the creation of the US Trade Zone. Construction on the zone began in February 2022, with full operations expected to commence in 2025. February 2022 also saw the country introduce the Golden Residency Visa to attract international talent and investment.

**GOVERNMENT STRUCTURE:** Bahrain gained full sovereignty from Great Britain in 1971 and has been governed as a constitutional monarchy since 2002 under the leadership of King Hamad bin Isa Al Khalifa. He came to power in 1999 upon the passing of his father, Sheikh Isa bin Salman Al Khalifa, who began his rule in 1961. Prince Khalifa bin Salman Al Khalifa held the position of prime minister for the 50 years preceding his death in 2020. Prince Salman is the kingdom's prime minister, as well as the deputy supreme commander of the Bahrain Defence Force and chairman of the Bahrain EDB. Executive authority in the kingdom is entrusted to the king and the Council of Ministers.

A bicameral legislature, known as the National Assembly, was re-established in 2002 after its suspension in 1975. The National Assembly consists of a 40-seat lower house, the Council of Representatives, whose members are elected to four-year terms; and the Consultative or Shura Council, a 40-seat upper house, whose members are appointed by the king. The Shura Council has veto power over the lower house. Parliamentary elections took place in November 2022 and garnered 73% voter turnout. Women increased their presence in the Parliament that year to hold eight of the 40 seats.

**FINANCIAL SERVICES:** Bahrain's rise to prominence as a key regional financial centre occurred in the 1970s. The banking sector benefitted significantly from the kingdom's economic diversification programme and is highly regarded for its regulatory framework under the Central Bank of Bahrain. In recent years regulations have been updated at a quick pace in an ongoing effort to keep up with the impact of new technologies on the sector. According to the central bank, there were 364 financial institutions in the country as of December



In February 2022 Bahrain introduced the Golden Residency Visa in an effort to attract international talent

2022, and the sector accounted for 17.7% of GDP in 2021. Notably, approximately 70% of employees in the sector were Bahraini nationals as of end-2022.

**ISLAMIC FINANCE:** Bahrain ranked fourth after Malaysia, Saudi Arabia and Indonesia for the most developed Islamic finance market in the world, and third in terms of governance on the “Islamic Finance Development Indicator Report 2022” – published by the Islamic Corporation for the Development of the private sector and REFINITIV. The kingdom hosts a number of regulatory institutions that provide international standards for the segment, such as the Accounting and Auditing Organisation for Islamic Financial Institutions, the International Islamic Financial Market, the Islamic International Rating Agency, and the General Council for Islamic Banks and Institutions. Bahrain regularly issues *sukuk* (Islamic bonds), which are well received by the international financial community, and is home to several *takaful* (Islamic insurance) companies.

**ENERGY:** The energy sector is a pillar of the economy, accounting for the majority of government revenue but a shrinking share of GDP. Onshore oil production has been relatively steady over the last decade, at 48,000 barrels per day (bpd) in 2013 and 42,000 bpd in 2019, according to data from the Ministry of Oil and Environment. The majority of crude comes from the offshore Abu Safa Field – whose output is shared with Saudi Arabia – which reached its full capacity of 300,000 bpd in 2004. The country refined approximately 260,000 bpd per year in 2010-19, with this figure dropping to 228,000 bpd in 2021, according to BP's “Statistical Review of World Energy 2022” report. The Bahrain Petroleum Company (Bapco) operates a refinery with a throughput of 267,000 bpd, and in 2019 launched the Bapco Modernisation Programme (BMP), a multibillion-dollar project to boost refining capacity to 380,000 bpd. The BMP is expected to be completed in 2024.

In terms of finds, a significant offshore shale oil discovery of some 80bn barrels was announced in April

In 2021 the government announced a partnership with the US to develop a trade zone, with full operations expected to commence in 2025.

Bahrain regularly issues *sukuk* (Islamic bonds), which are well received by the international financial community, and is home to several *takaful* (Islamic insurance) companies.

# Communications Is A **Game-Changing Industry**



For 25 years, TRACCS has been inspiring, driving, and leading the evolution of communications in the Middle East and North Africa into a game-changing industry with the power to influence positive change and deliver present and future impact.

TRACCS has built the largest network of offices across the region, each led by local market experts and Arabic-speaking communications professionals with decades of multi-industry experience.

TRACCS | 25 YEARS

Saudi Arabia | United Arab Emirates | Bahrain | Kuwait | Qatar | Oman | Lebanon | Jordan | Egypt  
Turkey | Morocco | Algeria | Tunisia

[www.traccs.net](http://www.traccs.net)



2018 with subsequent years seeing extensive assessments for viability. Production could be accelerated if partners are found to commercialise the reserves (see Energy & Utilities chapter). Natural gas output, meanwhile, increased from 12.6bn cu metres in 2011 to 17.2bn cu metres in 2021, according to figures from BP. While there are high-potential projects in the pipeline, Bahrain is committed to exploring other energy sources. In May 2023, nogaholding, which provided overarching support for the oil and gas entities operating in the kingdom, was rebranded to Bapco Energies to emphasise its commitment to sustainable energy solutions and diversification.

**TRANSPORT:** Bahrain's location is a strategic asset, enabling it to serve as a transport nexus for the region. The Khalifa Bin Salman Port has enhanced the country's role as a key supplier of goods to Saudi Arabia, the region's largest market. Bahrain is also linked to Saudi Arabia via the 25-km King Fahd Causeway, which has been expanded to handle increased traffic. A second road link, the King Hamad Causeway, was in the pre-construction phase as of early 2023. In addition, Bahrain International Airport opened its new passenger terminal in January 2021, strengthening the position of the country as a travel destination and centre for business in the wider region.

Bahrain Customs Affairs is similarly modernising eCustoms initiatives in an effort to further streamline processes and increase pre-clearance capabilities. For example, in 2020 the government body automated data collection and deployed artificial intelligence scanners for shipment inspections at the Saudi Arabia-Bahrain border. Infrastructure works are under way to improve urban transport as well. Work on the \$2bn first phase of the kingdom's metro network is expected to commence in 2023 after the tender is awarded. The metro grid will have four lines spanning 109 km, as well as electric, driverless trains. The underground system is set to significantly improve mobility across the kingdom.

**TOURISM:** Thanks to its colourful history, rich culture and diverse population, the kingdom attracts a large number of tourists, including many visitors from other GCC countries. In terms of the event calendar, the annual Formula 1 Gulf Air Bahrain Grand Prix is a significant driver of tourism. The Ministry of Tourism was absorbed by the Ministry of Industry and Commerce in 2015 to accelerate development of the sector, but in June 2022 became independent and autonomous, with Fatima Jaafar Al Sairafi appointed in June of that year as minister of tourism. The Bahrain Tourism and Exhibitions Authority (BTEA) – established in 2015 – has worked to formalise the sector, encourage investment in tourism facilities and spearhead development with the messaging “Bahrain. Ours. Yours.” to highlight the hospitable and welcoming culture of the country.

In 2022 the BTEA partnered with a leading online travel marketplace to drive tourism to the kingdom, in line with the government's strategy to attract over 14.1m annual tourists to the country by 2026. In 2022 Bahrain was well on its way towards achieving those aims. At a board meeting of the BTEA in February



Approximately 70% of employees in the financial services segment were Bahraini nationals as of end-2022

2023 Al Sairafi revealed that tourism revenue reached BD1.5bn (\$4bn) in 2022, 50% over its goal of BD1bn (\$2.7bn). The country welcomed 9.9m tourists that year, up by 19% over the target figure of 8.3m.

**CLIMATE & GEOGRAPHY:** Bahrain's climate consists of two seasons: a hot and humid summer, and a mild winter. April through October generally mark the summer months, with the average temperature around 40°C, with highs of up to 48°C. During the winter months – generally November through to March – the temperature ranges between 10°C and 20°C. The country's annual rainfall averages 77 mm, which typically comes during the winter months.

Due to land-reclamation projects, the country has increased its overall landmass to more than 765 sq km, up from its original size of 665 sq km. The archipelago consists of 33 islands and is situated off the eastern shores of the Arabian Peninsula. The four principal islands are Bahrain Island – accounting for 76% of the total landmass – Muharraq Island, Sitra Island and Umm Al Nasan Island, all of which are interconnected by causeways. The King Fahd Causeway links Bahrain Island to Saudi Arabia. The capital, Manama, sits at the north-eastern part of Bahrain Island and is the most populous city. Other major cities include Riffa, Muharraq, Isa Town and Sitra. Bahrain International Airport is located on a 5-km strip along Bahrain's northern coast that produces dates, almonds, figs and pomegranates.

**NATURAL RESOURCES:** The country's primary natural resources are oil, gas, fish and pearls. The traditional industries of fishing and pearl diving have diminished substantially since Bahrain began oil production, but they remain culturally significant. Despite the fact that the kingdom was the first GCC country to discover oil, it has smaller petroleum reserves than its neighbours.

Water is another finite natural resource, and the kingdom's primary aquifer has been depleted by overuse. Bahrain depends on desalination for approximately 90% of its potable water, as freshwater sources are scarce.

Infrastructure works are under way to improve urban transport, with work on the \$2bn first phase of the kingdom's metro network expected to commence in 2023.

Bahrain aims to attract 14.1m annual tourists by 2026 and is on track to achieving that target, with 9.9m visitors in 2022 bringing in \$4bn in revenue.



A number of the private universities that operate in Bahrain are partnered with international institutions

The population includes communities across a diverse blend of different religions, including Buddhists, Christians, Jews, Hindus, Muslims and Sikhs.

**POPULATION & LANGUAGE:** Bahrain's diverse population expanded from 1.5m in 2021 – with 53% being expatriate workers – to 1.8m in 2023. Due to the large size of the foreign workforce, males account for more than 60% of the population. According to the World Bank, 90% of people live in urban areas, with most in the Capital Governorate that includes Manama.

The official language of the kingdom is Arabic. There are several local dialects, however – some closer to Khaleeji (Gulf) Arabic and others closer to Iraqi Arabic. English is widely spoken due to the sizeable expatriate community and international business environment. Most street signs and documentation include English, which is a compulsory second language in the education system. Nevertheless, cultural protection laws exist that require most signage to include at least an equal amount of Arabic with other languages. Other languages that are widely spoken in the country include Farsi, Urdu, Hindi, Malayalam and Tagalog.

**RELIGION:** Islam is the official religion of Bahrain; 98% of nationals are Muslim and adhere to either the Shia or Sunni denominations, but the kingdom is considered to be tolerant regarding the practice of different religious beliefs and freedom of religion is enshrined in the constitution. The 2010 census documented that 70% of the country's population classified themselves as Muslim and 30% as members of other religions. The expatriate population includes substantial Christian, Hindu, Buddhist and Sikh communities. The country is also home to a small indigenous Jewish community that originally emigrated from Iraq in the late 19th century. Bahrain's freedom of faith is considered a defining characteristic. It has been promoting this in travel forums for years, highlighting its ethnic and religious diversity.

**EDUCATION & TRAINING:** Bahrain was the first Gulf country to initiate a public education system – for boys in 1919 and for girls in 1928. Since then, Bahrain has invested heavily in the education sector, and in 2021 the government spent 9.1% of its annual budget

on education development. Bahrain's literacy rate is among the highest in the Arab world, at 97.5% as of 2018, according to the World Bank.

In line with the goals of Bahrain Economic Vision 2030, the governmental Education & Training Quality Authority develops standards for learning institutions. Furthermore, employers of expatriates must make mandatory contributions to Tamkeen, the semi-autonomous government agency charged with the development of the private sector. The funds are then invested in Bahrain's training and employment support system, with a view to cultivating the local workforce.

For its part, the Bahrain Institute of Public Administration aims to improve the technical and soft skills of workers in the government sector. Focuses include sharing knowledge by bringing in outside experts and offering services to other governments in the GCC. In higher education, a number of the private universities that operate in Bahrain are partnered with international institutions, such as the British University of Bahrain and the American University of Bahrain, which officially opened its doors in the 2019/20 academic year.

**HEALTH CARE:** Bahrain has historically led the GCC countries in terms of health care. The American Mission Hospital (AMH), established in 1902, is the region's oldest health institution. Bahrain created the Ministry of Health in 1973 and modelled policies on the successful operations of the AMH. The government subsidises health care costs for all citizens.

In an effort to reduce costs and improve service quality, the Supreme Council of Health has developed an e-health initiative that connects the country's hospitals to a central database of medical records. In 2018 the Parliament and the Shura Council approved Law No. 23 – known as the Health Insurance Law – which applies to all nationals, residents and visitors. Its overarching goal is to increase the privatisation of the health care sector. The law requires that expatriates and their employer pay a set amount of health insurance contributions.



In 2021 the government spent 9.1% of its annual budget on education

In an effort to reduce costs and improve service quality, the government developed an e-health initiative that connects hospitals across the country to a database of medical records.





**COMMITTED  
TO MAKING  
AFRICA THRIVE**



**Creating Tailor-Made  
Industrial Zones with High  
Added Value for Sustainable  
Economic Growth**





Shaikh Khalid bin Abdullah Al Khalifa

## Sustaining success

Shaikh Khalid bin Abdullah Al Khalifa, Deputy Prime Minister, on upskilling the local workforce and attracting investment

**To what extent is Bahrain's drive towards sustainability shaping investment attraction strategies?**

**AL KHALIFA:** Several fiscal sustainability initiatives aim to promote foreign direct investment (FDI). The Economic Recovery Plan (ERP), which launched in 2021, includes a roadmap that supports long-term economic growth and competitiveness. The plan includes 27 programmes under five main pillars: launching major strategic projects; developing priority sectors through the rollout of various strategies; increasing the efficiency of commercial procedures; achieving fiscal sustainability and economic stability; and providing quality employment for Bahrainis.

The plan also aims to increase FDI by more than \$2.5bn by the end of 2023 by streamlining business set-up procedures and supporting the development of a skilled local workforce to make the kingdom an attractive base for investors. The Bahrain Economic Development Board attracted a record \$1.1bn in direct investment in 2022. This investment came from a total of 88 companies and is expected to generate over 6300 jobs by 2025.

The kingdom has also pledged to achieve carbon neutrality by 2060 with interim environmental targets, joining global efforts in combatting climate change. These goals have been integrated into the ERP, as have concurrent strategies to promote sustainability and achieve targets, such as the National Renewable Energy Action Plan.

**In what ways can public-private partnerships (PPPs) help meet future labour market needs?**

**AL KHALIFA:** PPPs form a key part of government plans, including Bahrain Economic Vision 2030, which launched in 2008. The kingdom is working towards efficient and effective governance by changing the role of the government from operator to regulator, while enabling the private sector to aid in driving economic development. To this end,

the government issued standards regulating PPPs in 2022 and has engaged in strategic partnerships with private institutions, international companies and agencies in a variety of fields, including cloud computing, e-services, software development and e-payment solutions. The PPPs incorporated in the ERP aim to create quality job opportunities for locals and enhance their skill sets to meet the evolving needs of the labour market.

Bahrain has also put in place initiatives to encourage private sector growth. On top of facilitating foreign investments, the kingdom supports start-ups and small and medium-sized enterprises (SMEs) through Tamkeen, a semi-autonomous agency that underpins private sector development. In 2019 Tamkeen's development programme disbursed over BD29m (\$76.9m), benefitting around 1700 Bahraini businesses, of which 93% were SMEs.

**How would you characterise the country's long-term vision of digitalisation as enabling socio-economic development?**

**AL KHALIFA:** The Telecommunications, ICT and Digital Economy Sector Strategy 2022-26 intends to transform services through digital technologies, while enhancing the sector environment and encouraging adoption. Through this strategy, the country aims to increase the number of ICT start-ups by 20%; automate an additional 200 government services; increase national employment in the sector by 35%; and train at least 20,000 citizens on cybersecurity to support the digital economy by 2026.

The kingdom has launched several initiatives to support digitalisation efforts, including Tamkeen's innovation programme, which provides support to digital start-ups in research and development, prototyping, and product testing and launching. Another example is Citibank's Global Technology Hub, which aims to create 1000 coding jobs by 2033.





Women occupied 20% of parliamentary seats after the 2022 elections

# Sustainable development

## Bahrain promotes socio-economic development through women's empowerment and transition towards green energy

Bahrain has made the UN Sustainable Development Goals (SDGs), adopted in 2015, a central component of its socio-economic planning. The SDGs represent 17 global objectives that call for action to eradicate poverty, preserve the planet, and promote peace and prosperity by 2030. The kingdom has made significant strides towards achieving these goals domestically, with the government taking steps to align its national strategies with the SDGs. This includes Bahrain Economic Vision 2030, the country's long-term socio-economic development blueprint, which aims to create a sustainable economy, enhance human capital, and promote social justice and environmental sustainability in line with the SDG goals.

In 2021 Bahrain launched an SDG portal, which offers updated data on key indicators linked to the goals and tracks the country's progress towards each SDG. The portal is an essential tool for promoting transparency and accountability, as it enables citizens, policymakers and stakeholders to access reliable information about Bahrain's progress towards these goals, and identify areas that need more attention and resources. Furthermore, the portal serves as a platform for sharing best practices and innovative solutions to help streamline organisational activities.

**WOMEN'S EMPOWERMENT:** Bahrain has made advances towards improving women's empowerment and gender equality in recent years. As of March 2021 women accounted for 49% of the workforce, exceeding the global average of 47%. According to the "Women, Business and the Law 2022" report by the World Bank, Bahrain received a higher overall score than the regional average. The report specifically recognises Bahrain's efforts to mandate equal remuneration for work of equal value, which is a significant step towards gender equality in the workplace. This followed the 2020 government resolution prohibiting gender discrimination in wages. Additionally, the government has launched initiatives to support female

entrepreneurs, enhance their access to financing and provide business support services. These measures, along with the country's high literacy rate and increasing levels of education, indicate positive progress towards women's empowerment in Bahrain.

According to the World Economic Forum, Bahraini women are making notable progress in the technology industry, and the country is a leader in the Middle East and North Africa region in terms of gender parity in the ICT sector. This is due in large part to government initiatives that aim to promote gender diversity in the workforce, as well efforts by women themselves to break barriers and succeed in previously male-dominated fields. In terms of political empowerment, women occupied 15% of parliamentary seats following the 2018 elections. This figure rose to 20% after the 2022 elections.

**ENERGY TRANSITION:** Bahrain has made commitments to transition to a more sustainable and green economy. Under the National Energy Efficiency Action Plan and the National Renewable Energy Action Plan, the kingdom set a target of generating 5% of its electricity from renewable sources by 2025 and 10% by 2035, and is aiming to reach net-zero carbon emissions by 2060. According to the SDG portal, 99.9% of the population has primary access to clean fuels and technology, which has far-reaching benefits. This level of access has the potential to significantly reduce environmental pollution and improve public health. Furthermore, Bahrain has invested heavily in infrastructure projects ensuring that 100% of the population has reliable access to electricity. This achievement is critical for promoting socio-economic development and enhancing the quality of life for citizens.

In recent years Bahrain has intensified its efforts to conserve natural resources by establishing of protected marine areas, as well as setting national standards on energy efficiency and carbon emissions. This includes a target to reduce emissions by 30% by 2035.

As of March 2021  
women accounted for

**49%**  
of the workforce

As part of the National Energy Efficiency Action Plan and the National Renewable Energy Action Plan, the kingdom set a target of generating 5% of its electricity from renewable sources by 2025 and 10% by 2035.





Annual trade between the GCC and the UK was around \$40bn in 2021

## Regional ties

Bilateral trade talks between the UK and the GCC are set to boost renewable energy and food security in the bloc

GCC countries would benefit from the removal of tariffs on renewable energy infrastructure and having more access to UK clean energy technology, such as innovations that improve energy efficiency in homes, buildings and businesses.

In June 2022 the UK and the GCC officially launched negotiations for a comprehensive trade deal to reduce or remove tariffs on a series of goods and services. Anne-Marie Trevelyan, former UK secretary of trade, met with Nayef Falah Al Hajraf, the GCC secretary-general, and representatives from the six GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. **ENERGISING RENEWABLES:** With current annual trade at around \$40bn between the GCC and the UK, the deal is expected to help Gulf countries diversify their energy sectors and reduce their reliance on hydrocarbons. GCC countries would benefit from the removal of tariffs on renewable energy infrastructure and having more access to UK clean energy technology, such as innovations that improve energy efficiency.

Gulf countries have made considerable commitments to expand the role of renewables in their domestic energy mixes as part of wider efforts to forge a more sustainable economic model. Saudi Arabia has pledged to derive 50% of its energy needs from renewables by 2050 – up from just 0.1% when the commitment was first made in 2016 – and has pledged to reach net-zero carbon emissions by 2060. The Kingdom's National Renewable Energy Programme aims to add 27.3 GW of renewable capacity by 2023 and 58.7 GW by 2030.

**BOLSTERING FOOD SECURITY:** Gulf countries are highly import dependent when it comes to food. At the beginning of the pandemic countries in the bloc imported around 85% of their food. Almost all rice consumed in the region was imported, as well as some 93% of cereals, approximately 62% of meat and 56% of vegetables. While countries in the region have reacted to recent events by increasing investment in agri-tech and improving efforts to bolster agricultural self-sufficiency, any agreement to alleviate the import of food and drink products could benefit the bloc's food security. Among the items being discussed is the reduction or removal of GCC tariffs on food and drink imports from the UK which currently range from 5 to 25%.

**GCC TRADE FOOTPRINT:** Aside from individual sectors, the free trade talks seek to help the GCC diversify its trade partners and improve its position in global trade. On top of existing free trade deals with New Zealand, Singapore, and the European Free Trade Area countries of Iceland, Liechtenstein, Norway and Switzerland, the GCC is in trade negotiations with the EU, Japan, China, South Korea, Australia, Pakistan, India, Turkey and the Mercosur member countries of South America.

These agreements are expected to attract foreign investment as GCC countries embark on broad transformation strategies to diversify their economies. For example, Saudi Arabia has launched a series of mega-projects to stimulate economic activity in non-oil sectors. These include the \$500bn NEOM smart city, which operates as a high-tech city for residents and businesses, and functions as a tourist destination; the \$8bn Qiddiya entertainment city outside Riyadh; and The Red Sea Project, a 34,000-sq-km luxury tourism development along the Kingdom's western coast.

**STRENGTHENING BILATERAL TIES:** The trade talks reflect an increase in cooperation between the UK and individual GCC countries. In March 2022 Saudi Arabia and the UK signed a memorandum of understanding to form a strategic partnership council to bolster bilateral investment and cooperation. With \$13.2bn in bilateral trade in 2021, an increase of 3.9% from 2020, Saudi Arabia is the UK's largest trading partner in the GCC, accounting for one-third of its business with the bloc.

This was followed by the announcement in March 2022 that Qatar would invest \$12bn in the UK's economy over the next five years. The agreement comes on the heels of a similar agreement struck in March 2021 between the UK and the UAE, which will see Mubadala Investment Company, Abu Dhabi's private investment vehicle, invest £800m in UK life sciences over five years. The partnership was expanded in September 2021, with Mubadala committing to invest another £10bn in technology, infrastructure and the energy transition.

The GCC is in trade negotiations with the EU, Japan, China, South Korea, Australia, Pakistan, India and Turkey, as well as the Mercosur member countries of South America.

# Economy

Regulations established for public-private partnerships

Non-oil sector key driver behind financial expansion

Golden Visa programme set to attract foreign talent

Reforms aim to boost local workforce participation







## Comfortable Stay at the Heart of Manama

Nested in the heart of Manama the capital city of Bahrain stands a 26-storey building that houses the magnificent and luxurious Downtown Rotana. Perfect for both business and leisure travelers, the 5-star hotel is conveniently located just 20 minutes from the airport, walking distance to local businesses, Bahrain World Trade Centre, Bahrain Financial Harbor, and historic sites such as Bab Al Bahrain.

With a commanding view of the city, Downtown Rotana comprises 243 rooms and suites well furnished to provide the comfort of home. For those who enjoy the finer things in life, Club Rotana is exactly what you need during your stay. With its rooms located in the higher floors, guests who choose this room category enjoy personalized hospitality making their stay memorable. Club Rotana suites allow guests to have unlimited access to the Club lounge, private reception with express check in and check out, private dining area, complimentary cocktails or a refreshing drink, a dedicated private meeting space and a business corner with high-speed internet. Club Rotana is a hotel within a hotel experience. Solo leisure or family travelers visiting Bahrain also get to enjoy the comfort and luxury that comes with staying at a 5-star hotel. The spacious family connecting rooms, studios and king and twin rooms are well fitted with the latest technology and in-room amenities convenient for long and short stays. One of the perks of staying at Downtown Rotana is while the stay is at the heart of the city, guests also get access to explore one of the islands sandy beaches located in close proximity to the hotel.

With 5 dining venues, guests get to enjoy daily breakfast, business lunch and Friday brunch at Flavours on 2, an all-day dining restaurant voted the Best International Restaurant in the Island located on the 2nd floor while

feasting their eyes to the view of the bustling financial district. For a fine dining experience, Teatro located on the 4th floor offers the guests a relaxing ambience with soothing entertainment as one explores different cuisines from Japan, China, Southeast Asia, India and Italy. The City Lobby Lounge is perfect for coffee and pastries lovers. The lounge is located at the hotel lobby ideal for a quick snack or meetings and catch ups with friends. Soak up the sun and cool down the heat with a refreshing drink at the Sundeck Pool Bar located on the 9th floor. This is a perfect venue for all sports lovers as it broadcasts all games throughout the year. If you are looking for a private events venue during the day or night, the pool bar would be a great pick. All night life lovers get to marvel at the view of the city at Alto Lounge. Located on the 25th floor, Alto is perfect for those who love to dance and watch the sunset over a refreshing cocktail.

Meetings are made easier and convenient at Downtown Rotana. With 7 well equipped meeting spaces and a ball room, the hotel offers first class meeting and event spaces for weddings, small gatherings, gala dinners as well as grand events.

Keeping your mind, body and soul fit is important and Bodylines Fitness & Wellness Club will ensure a relaxing and rejuvenating experience. The gym, pool and jacuzzi are open to all guests during their stay. For those that love a spa experience, a body scrub, facial and a relaxing massage should be on your list of things to explore during your stay. Downtown Rotana also offers competitive monthly and annual gym membership rates for those living in the city or are frequent travelers.

**For more information or reservations,**  
email [downtown.hotel@rotana.com](mailto:downtown.hotel@rotana.com)  
or call +973 1311 9999





In 2019 additional sectors were opened to 100% foreign ownership

# Sustainable growth

## Medium- and long-term development plans implemented to guide efforts to facilitate economic diversification

Bahrain's economy rebounded from the impact of the Covid-19 pandemic and more recently successfully avoided the worst of global inflationary pressure, largely due to the fact that its currency, the dinar, is pegged to the US dollar. Bahrain's recovery was also aided by forward-thinking policy formulation. While the country faced economic headwinds following the global drop in oil prices in 2014, a \$10bn financial aid initiative from Kuwait, Saudi Arabia and the UAE in 2018 helped stabilise the economy and enabled the government to embark on a major fiscal reform programme.

In light of economic challenges related to the pandemic, volatility in energy markets and the fallout from Russia's invasion of Ukraine, deadlines for macroeconomic targets such as eliminating the fiscal deficit have been postponed. This has allowed key public and private operators to reset to new realities and refocus on achieving the goals of Bahrain Economic Vision 2030, the government's blueprint for long-term socioeconomic development. Sectors such as financial services, ICT, tourism, energy, manufacturing, and transport and logistics are being harnessed to propel economic growth and attract private investment. While regional competition in those areas is strong, there appears to be an increasing openness across the GCC towards regional cooperation as governments recognise the bloc's potential in a shifting global geopolitical and economic landscape. Indeed, the region's location along international shipping routes, and its abundant oil and gas reserves present multiple opportunities for improving trade relations and revenue.

**DEVELOPMENT AGENDA:** Bahrain Economic Vision 2030 was formulated through collaboration between local public and private entities, as well as a range of international bodies. The plan was launched in 2008 and is structured around three guiding principles: sustainability, fairness and competitiveness. Bahrain Economic Vision 2030 has at its core the diversification of the economy away from the country's dependence on

hydrocarbons revenue by developing high-productivity, high-value sectors. Bahrain's economy is experiencing increased digital integration across the board, with advanced technologies harnessed to raise efficiency and facilitate high-income job creation.

In October 2021 the government launched the Economic Recovery Plan to help Bahrain adapt to post-pandemic economic realities and keep the country on course to achieve its long-term development goals. The plan was developed around five pillars: the continued development of strategic priority sectors, the implementation of the Strategic Projects Plan (see Construction & Real Estate chapter), the simplification of commercial procedures, the achievement of sustainable fiscal and economic stability, and the creation of employment opportunities for Bahrainis (see analysis).

Medium-term agendas have also been implemented to guide progress towards the aims of these and other long-term plans. The Government Action Plan 2023-26 was approved by the Council of Representatives in early 2023. The plan prioritises issues including digital transformation, the enhancement of public services and higher standards of living for Bahrainis.

**OVERSIGHT:** Government authorities are key to establishing regulatory frameworks that facilitate economic development and improve fiscal stability. These include the Ministry of Finance and National Economy (MFNE); the Labour Market Regulatory Authority; the Bahrain Economic Development Board (Bahrain EDB), which was established to attract private investment; and the National Bureau for Revenue, Bahrain's tax authority.

Meanwhile, entities such as the Labour Fund (Tamkeen), a semi-autonomous agency that supports the development of the country's private sector and labour market, and the Supreme Council for the Environment are key to the success of the country's medium- and long-term development agendas. Bahrain's collective approach to economic development is encapsulated by the Team Bahrain initiative, which was launched

Bahrain Economic Vision 2030, the government's blueprint for long-term socioeconomic development, was launched around three guiding principles: sustainability, fairness and competitiveness.

The Government Action Plan 2023-26 prioritises issues such as facilitating digital transformation, enhancing public services and raising the average income of Bahrainis.

As of the end of 2022  
Bahrain had free trade  
agreements with

**22**

countries

in 2018 to foster cross-ministerial and public-private cohesion to enhance agility across different sectors.

The Bahrain EDB, for its part, works to enhance Bahrain's investment climate, acting as the primary point of communication for international investors. Identifying potential avenues for investment and growth is among the Bahrain EDB's chief mandates. Since its launch in 2000, the Bahrain EDB has been influential in encouraging leading international companies to set up in Bahrain and has played a pivotal role in securing milestone achievements for the kingdom. Some of these include the introduction of Islamic banking regulations in 2001; the signing of a free trade agreement (FTA) with the US in 2004 and its ratification in 2006; the opening of Khalifa bin Salman Port in 2009; the prioritisation of cloud solutions and the launch of commercial 5G services in 2017; the establishment of cloud innovation centres as part of the University of Bahrain's migration of its IT infrastructure to Amazon Web Services; and the passing of a new data jurisdiction law.

**BUSINESS ENVIRONMENT:** Bahrain has an open, investor-friendly economy, with the government paying close attention to the needs of the private sector in the formulation of laws and regulations. Bahrain permits 100% foreign ownership in most sectors without the need for local sponsors or partners. The number of sectors open to 100% foreign business ownership was expanded in 2017, while further relaxation in 2019 saw foreigners permitted 100% ownership of firms engaged

in oil and gas activities, pending certain conditions. The various special economic zones, industrial zones and trade zones throughout Bahrain offer a range of rates and incentives to investors (see Industry chapter).

Bahrain has been keen to respond to the challenges cited by investors, working towards increasing the efficiency and ease of completing commercial procedures, accelerating the issuance of licenses, and updating laws and regulations to further improve the ease of doing business in Bahrain. Investors should be aware that companies are required to have local commercial registration to bid on government tenders.

Nevertheless, increasing inflows of international investment and capital reflect the kingdom's overall dynamism as a destination for business. Another attractive factor for foreign investors is the kingdom's free trade agreements with 22 countries. In addition, Bahrain also has investment protection and promotion agreements with 34 countries and double taxation avoidance agreements with 41 countries.

Construction on the 1.1m-sq-metre, BD75m (\$199m) US Trade Zone began in February 2022, and it is slated to become operational by 2025. Meanwhile, the 2022 implementation of a long-term Golden Visa to attract international talent to the kingdom underscores the government's continuing efforts to improve the investment environment and strengthen the local skill base.

**POLICY REGULATION:** Resolution No. 30 of 2022 was released in June of that year to establish an official



  
AL ZAIN

90 YEARS OF CRAFTSMANSHIP

Established in 1930, today Al Zain is driven by a bold vision to re-introduce Arabian heritage to a global audience where authenticity and uniqueness are at the forefront of every collection.

E: [alzain@alzainjewellery.com](mailto:alzain@alzainjewellery.com) T: +973 1721 2144  
[www.alzainjewellery.com](http://www.alzainjewellery.com)

regulation framework for public-private partnerships (PPPs). The various articles of the document were formulated following a review of a number of existing laws and policies pertaining to government tendering and privatisation released between 2002 and 2021.

The policy is Bahrain's first dedicated set of PPP regulations, precipitated by the government's intention to seek private partnerships for its large-scale infrastructure development programme. The policy is designed to enable the government to benefit from private sector expertise and agility, reduce strain on the national budget – historically the majority of national infrastructure works were funded by the government – and to improve transparency in public entities' business interactions with the private sector.

The policy document contains details regarding tendering, project timelines, proposal submission, ownership of partnership assets and contract closure. Once a project has been approved as a PPP by the ministerial committee, the opportunity will be presented to the private sector, or, in some cases, to specific private entities. Qualifying firms may then submit proposals detailing how they meet government-issued criteria. Investors can form a consortium on the basis that any bid and resulting contract is registered to the consortium rather than to any of its constituent entities.

**TAXES:** Bahrain is home to a favourable tax regime with no restrictions on the repatriation of capital, profits or dividends. The only form of income tax applied in Bahrain is a 46% corporate income tax for specific operators within the oil and gas sector. The tax is levied on net profit for each tax-paying period. Bahrain implemented 5% value-added tax (VAT) in 2019 that was then doubled to 10% in January 2022. Certain goods and services are afforded a 0% VAT rate or VAT exemption. The National Bureau for Revenue is responsible for VAT oversight and implementation, and the voluntary and mandatory registration thresholds are BD18,750 (\$49,700) and BD37,500 (\$99,500), respectively.

A unified excise tax agreement among GCC countries came into force in Bahrain in December 2017. Tobacco and energy drinks are subject to a 100% tax, and carbonated soft drinks to a 50% rate. A range of other taxes apply, such as a Customs duty of 5%, except for cigarettes and alcohol and their respective rates of 200% and 225%; a stamp duty of 2% on most real estate transactions; however, in cases when transactions are settled inside two months the rate drops to 1.7%; company registration fees that range from BD25 (\$66.30) to BD1000 (\$2700), depending on the nature of the organisation; a 10% municipality tax applied to commercial and residential rents for non-Bahrainis; and social security taxes. Employers' social security contribution requirements are 12% of Bahraini employees' salaries and 3% of that for expatriate workers.

**SIZE & PERFORMANCE:** Bahrain's GDP contracted by 2.8% year-on-year (y-o-y) in the first quarter of 2021, according to figures from the MFNE, but has since followed an upward trend. Indeed, real GDP increased by 5.5%, 2.1% and 4.3% during the second, third and fourth quarters of 2021, respectively, with GDP for the year



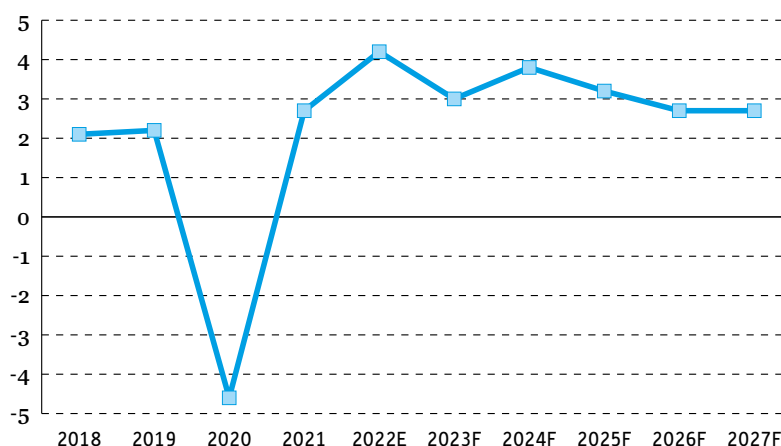
The Bahraini dinar is pegged to the US dollar, easing inflation concerns

rising by 2.2% to reach \$34bn. Growth continued into 2022, with a 5.3% y-o-y increase during the first quarter, 6.8% during the second, 3.3% during the third and 4.1% during the fourth. The year closed with a 4.9% rise in real GDP, the highest such rate since 2013.

Oil's contribution to GDP saw 0.1% y-o-y growth in the fourth quarter of 2022, due in large part to an increase in global prices. Crude averaged \$100.80 per barrel in 2022 compared to around \$70.70 per barrel the previous year. Further supporting the sector's contribution to GDP, domestic consumption of petrol rose 13.1% in 2022. Meanwhile, annual oil production from Abu Safa field reached 54.7m barrels in 2022, accounting for 79% of the kingdom's total oil production – a 0.3% decrease compared to 2021. Oil production from Bahrain Field reached 14.4m barrels in 2022, recording a decline of 7.2%. Natural and associated gas production fell 1.1% y-o-y in the fourth quarter of 2022. Looking towards the future, it is expected that global oil prices will drop

The only form of income tax applied in Bahrain is a 46% corporate income tax for specific operators within the kingdom's oil and gas sector, levied on net profit for each tax-paying period.

Real GDP growth, 2018-27F (%)



Source: IMF World Economic Outlook April 2023



The real GDP contribution of the non-oil sector reached a high of 83.1% in 2022, with financial corporations outpacing oil and gas, at 17.5% and 16.9%, respectively.

in 2023, even as progress on a modernisation drive by the Bahrain Petroleum Company, the national oil company, is expected to reinforce sector performance. The project, which is set to increase refining capacity to 380,000 barrels per day (bpd) from 267,000 bpd, is due for completion in the fourth quarter of 2023. Additionally, in November 2022 the government announced the discovery of two unconventional gas reservoirs.

The year 2022 saw significant growth in the non-oil sector, which contributed 83.1% to GDP, led by financial corporations, outpacing oil and gas for the first time. Indeed, financial corporations grew by 4.1% that year, recording 8.2% expansion during the fourth quarter. Data from the MFNE for 2022 shows the fastest non-oil growth since 2013, at 6.2% in real terms. Financial corporations contributed 17.5% to GDP, followed by oil and gas at 16.9%. Other major sectors included manufacturing (14%), government services (13.1%), construction (7.2%) and transport and communication (6.8%). Smaller sectors included real estate and business activities (5.3%), social and personal services (5.2%), trade (4.3%), and hotels and restaurants (1.7%).

In March 2023 ratings agency Fitch reported that non-oil sectors – such as construction, real estate and those related to tourism – were the drivers behind the country's GDP growth in 2022. However, the agency forecast expansion would slow to 2.8% in 2023, with the expected lower oil prices and resulting fiscal consolidation among the reasons behind the slowdown. The IMF has taken a more moderate view, estimating Bahrain's real GDP expansion at 4.2% in 2022 and projecting growth will contract to 3% in 2023.

**INFLATION & INTEREST RATES:** According to the IMF, Bahrain's consumer price index (CPI) dropped from 1% to -2.3% between 2019 and 2020, before rising to -0.6% in 2021 and 3.6% in 2022. The Middle East average

across those years was 6.3%, 9.8%, 12.1% and 14.5%, respectively. The IMF projects headline inflation in Bahrain to fall from 3.6% in 2022 to 2.2% in 2023, while staying almost the same at 14.8% for the MENA region.

The Bahraini dinar has been pegged to the US dollar since 1980, which has enabled the government to maintain stability for its currency. Indeed, 2022 saw the US dollar appreciate in value next to a number of major global currencies. That, in turn, boosted the dinar's purchasing power at a time when sharp increases were seen in the cost of imported goods, benefitting Bahrain-based businesses and consumers.

The MFNE tracks and weighs inflation across nine categories. In 2022 clothing and footwear; and housing, water, electricity, gas and other fuels both experienced deflation, slowing by rates of 4.9% and 0.9%, respectively. Restaurants and hotels recorded the highest increase that year at 12.5%, with the other categories experiencing inflation within that range.

While inflation in Bahrain has been moderate in the global context, in January 2023 the government outlined plans to mitigate and stabilise rising prices for businesses and consumers. Approvals and fees normally required by the Ministry of Commerce related to supermarket promotional campaigns were suspended for three months, and additional financial support was rolled out for low-income families.

Rising commercial bank interest rates reflect a series of 0.75% increases to the US Federal Reserve's policy interest rate. Given the dinar-to-dollar currency peg, the CBB has also increased its own policy interest rate by the same margin, with the rate reaching 5.75% as of March 2023. The measures have been put in place in response to rising global inflation.

These increases were reflected in commercial bank interest rates. In January 2022 the average interest rate on loans to construction and real estate companies was 3%, while for manufacturing and trade-related companies it was 2.9% and 4.6%, respectively. By February 2023 rates had undergone considerable increases, with loans to manufacturing firms offered in the range of 5-10.5%, with an average of 6.9%. Loans to construction companies carried the highest average interest rate of 9%, with lower and upper bounds of 7.7% and 9.9%. Interest on loans to trade-related organisations placed in the range 10.5-4.9% with an average rate of 8.8%.

"Amid the global macroeconomic situation with rising inflation and interest rates, the government has demonstrated its commitment to bolstering the local business ecosystem. The positive results of these efforts are now more visible, which creates confidence in the immediate economic future of Bahrain," Dalal Ahmed Qais, group CEO of Bahrain Development Bank, told OBG.

**BUDGET INITIATIVE:** Bahrain launched the Fiscal Balance Programme (FBP) in late 2018 with the original target of eliminating the fiscal deficit by 2022 extended to 2024 to account for the economic disruption related to the pandemic. The MFNE is responsible for guiding progress towards that goal, with the formulation of Bahrain's two-year national budgets as one of its key duties. The 2021-22 budget was designed to align with

#### Economic indicators, 2021-24F

	2021	2022E	2023F	2024F
GDP, current prices (BD bn)	14.8	16.7	16.9	17.7
GDP per capita, current prices (BD)	9,823.47	10,823.16	10,673.05	10,928.12
Inflation, avg. consumer prices (% change)	-0.6	3.6	2.2	2.2
Vol. of imports of goods & services (% change)	15.2	0.6	3.8	1.4
Vol. of exports of goods & services (% change)	29.5	-9.5	6.9	2.8
Population (m)	1.5	1.5	1.6	1.6
General gov't revenue (BD bn)	3.1	3.9	3.4	3.1
General gov't revenue (% of GDP)	20.8	23.5	20.4	17.7
Total gov't expenditure (BD bn)	4.8	4.9	4.8	4.7
Total gov't expenditure (% of GDP)	32.4	29.1	28.6	26.7
Gov't net lending/borrowing (N bn)	-1.7	-0.9	-1.4	-1.6
Gov't net lending/borrowing (% of GDP)	-11.6	-5.6	-8.2	-9
Gov't gross debt (BD bn)	18.7	19.6	21	22.7
Gov't gross debt (% of GDP)	126.3	117.6	124.7	127.9
Current account balance (% of GDP)	6.6	9.1	5.2	3.7

Source: IMF World Economic Outlook April 2023

overarching development plans. In the budget, the ministry forecast total revenue of BD2.4bn (\$6.4bn) in 2021 and BD2.5bn (\$6.6bn) in 2022. Meanwhile, government expenditure was expected to reach BD3.61bn (\$9.58bn) and BD3.57bn (\$9.47bn), respectively. Between 2017 and 2021 the fiscal deficit narrowed from 14.2% of GDP to 9.9% of GDP. Bahrain posted its largest current account surplus in decades in 2022 at 15.4% of GDP, compared to 6.6% of GDP in 2021. This was the result of a 52% rise in government revenue, from BD1.1bn (\$2.9bn) in 2021 to BD1.7bn (\$4.5bn) in 2022, in part due to increased oil factors and higher VAT receipts.

Lowering spending is a core element of the FBP, and reduced energy subsidies for businesses in recent years are a key component of that drive. However, public expenditure increased nearly 2% y-o-y during the first six months of 2022. Despite the shift from deficit to surplus for the period, Fitch projected in a December 2022 report that Bahrain would end the year with a deficit equal to 3.6% of GDP. The agency forecast that this figure would widen over the course of 2023 to 4.1%. Nevertheless, Bahrain's recovery from the pandemic prompted rating agency Moody's to raise the kingdom's outlook from "negative" to "stable" in April 2022.

**TRADE:** Bahrain's non-oil trade deficit decreased between 2021 and 2022 from \$1.8bn to \$400m, a trend the MFNE attributed to the higher value of local exports, reflecting the government's focus on increasing production as a means of diversifying its economy.

In 2021 exports of national origin carried a value of \$10.6bn, compared to \$13.2bn in 2022. Re-exports also rose from \$1.8bn in 2021 to \$1.9bn, with total exports rising by 22% in 2022, reaching \$15.1bn, according to figures from the Information & eGovernment Authority.

In 2022 the value of imports increased as well – albeit at the slower rate of 9.2% – reaching \$15.5bn by the close of the year. The monthly trade deficit narrowed from \$200m in December 2022 to \$100m in January 2023. The value of imports decreased from \$1.3bn to \$1.2bn during that period, while that of exports remained steady at \$1.1bn. However, the value of exports of national origin dipped from \$988m in December 2022 to \$948m in January 2023. Meanwhile, re-export value rose from \$143m to \$154m.

The top-five destinations for Bahrain's exports in 2022 were Saudi Arabia, the US, the UAE, the Netherlands and Oman; and the top-five countries from which Bahrain imported goods were China, Brazil, Australia, the UAE and the US. That year the top-five export and re-export products included unwrought aluminium alloys, agglomerated iron ores and concentrates, non-alloyed unwrought aluminium, non-alloyed aluminium wire over 7 mm and urea. Notably, all of those goods were of Bahraini origin.

**FOREIGN INVESTMENT:** Provisional figures from the fourth quarter of 2022 show total foreign direct investment (FDI) stock in Bahrain to have been BD13.3bn (\$35.3bn), compared to BD12.6bn (\$33.4bn) the

In 2022 Bahrain posted a current account surplus of

**15.4%**

of GDP



Moda Mall : +973 17 535 344  
Seef Mall : +973 17 587 888  
Bahrain City Center : +973 17 179 009

  @asiajewellers

www.asiajewellers.com







Sectors such as financial services and ICT are driving economic growth

In 2022 foreign direct investment in financial and insurance activities, and manufacturing stood at \$22.2bn and \$5.6bn, respectively, reflecting these sectors' status as the two highest non-oil contributors to GDP.

previous year. In terms of individual categories, financial and insurance activities, and manufacturing accounted for the highest levels of foreign investment for both years, a statistic that reflects the sectors' status as the two highest non-oil contributors to GDP.

In 2022 FDI in financial and insurance activities stood at BD8.37bn (\$22.20bn), a slight drop from BD8.38bn (\$22.23bn) in 2021, and the manufacturing sector at BD2.12bn (\$5.62bn), up from BD1.86bn (\$4.93bn) the previous year. Other sectors also witnessed higher investment, with wholesale and retail activities expanding to BD720m (\$1.9bn) in 2022, up from BD596m (\$1.6bn); and ICT at BD465m (\$1.23bn) in 2022, a slight increase from BD450m (\$1.19bn) in 2021.

**LIABILITIES:** In 2021 portfolio investment accounted for BD8.9bn (\$23.6bn) and other investments stood at BD23.2bn (\$61.5bn). According to the most recent figures from the Central Bank of Bahrain (CBB), in the fourth quarter of 2022 FDI increased to around

BD13.3bn (\$35.3bn), while portfolio investment expanded to BD9.4bn (\$24.9bn) and other investments contracted to BD23.1bn (\$61.3bn).

In 2020 Kuwaiti investors accounted for the highest proportion of FDI in Bahrain, at 28.1% of the total. By the close of 2021, however, Saudi Arabia was the largest source of foreign investment, accounting for 29.4% of the total, or around BD3.7bn (\$9.8bn). Indeed, Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), announced in October 2022 that Bahrain was one of five destinations in which it planned to establish investment funds. Agriculture, financial services, health care, ICT, infrastructure, manufacturing and real estate are among the sectors of the economy expected to receive PIF investment.

**OUTLOOK:** Policy interventions and an investor-friendly regulatory environment continue to attract investors to Bahrain as both a place to establish a business, and as a gateway through which to enter the markets of the broader GCC and MENA regions. A more strategic and sustainable funding model has been adopted by the government, and this shift in approach is beginning to be reflected in the fiscal balance, while the balance of trade is shifting into more positive territory – a notable achievement for a small country that is traditionally dependent on imported goods and materials.

GDP growth has been bolstered by high international oil prices. However, the fact that non-oil GDP growth consistently outpaces that of the kingdom's oil economy suggests Bahrain is well insulated against the anticipated moderation in global hydrocarbons prices.

There are likely to be challenges in the years ahead, which means that smaller firms may need to shift their perspective to improve their scalability and promote growth. Moving forwards, however, market consolidation is likely to lead to greater investment opportunities. With a renewed focus on reforming the kingdom's labour market and providing quality employment opportunities for its citizens (see analysis), the country appears likely to remain an investment destination of choice for international entrepreneurs and enterprises.

**Etisalcom**

FOR MORE DETAILS  
+973 1332 2331

## MAIN TELECOM SERVICES

- ✓ Telephony and Voice Services
- ✓ SMS Services
- ✓ Internet and Data Services  
(Broadband, Dedicated, Wired & Wireless)

## OTHER TELECOM AND ICT SOLUTIONS

- ✓ IP PBX Solutions
- ✓ Call Recording with PCI-DSS Compliance
- ✓ Teams Voice and Video Recording Solutions with Full Admin Management Reporting and Analysis Compliant with Bahrain Central Bank Law
- ✓ Banks SMS solutions and applications (Transactional, OTP, etc.) and integration with any application
- ✓ CCTV Network (bSecured) connecting all Branches and bank ATM's to MOI and Main Control Rooms





There were 99,945 Bahrainis employed in the private sector as of 2022

# Local talent

## New regulations aim to educate and train Bahrainis in efforts to boost domestic participation in the labour force

The launch of the National Labour Market Plan 2021-23 represents the government's decades-long effort to improve employment opportunities and conditions for workers in Bahrain. A plan detailing required policy amendments and the schedule of launch dates for strategic initiatives was inaugurated in 2004 to establish synergies between labour market and education development programmes. Both the Labour Market Regulatory Authority (LMRA) and the Labour Fund (Tamkeen) were established in 2006. The LMRA was formed to oversee and guide all regulatory issues and policy reforms relevant to the labour market, as well as the employment status of both Bahraini and expatriate workers. Tamkeen, meanwhile, was established as a semi-autonomous funding and training body focused on strengthening the private sector and labour market. Tamkeen's initiatives are aligned with the government's overarching development agendas, and the organisation is the key entity in implementing human capital development strategies within the kingdom.

**REGULATORY AUTHORITY:** In 2012 the LMRA launched Law No. 36, which enhanced workers' rights, protections and working conditions. The LMRA was restructured in 2019 before the launch of the National Labour Market Plan 2021-23. The new plan was formulated in collaboration with Tamkeen in a bid to boost the labour market following the Covid-19 pandemic. Key public and private institutions are collaborating to facilitate progress towards the goals of the plan.

The three core objectives of the plan include promoting job creation, strengthening the private sector in order to boost economic growth, and bolstering regulatory frameworks regarding access to employment and workers' rights. Through the various initiatives relating to labour market expansion and reform, the government is aiming to create 20,000 local jobs and provide training for 10,000 Bahrainis per year by 2024.

**PRIVATE SECTOR EXPANSION:** According to Bahrain's Social Insurance Organisation (SIO), private

sector employees accounted for 92% of the kingdom's 583,000-strong workforce in the first quarter of 2022 – a 1% increase over the fourth quarter of 2021. By the close of 2022 the total national workforce expanded to 614,624 individuals comprising 150,320 Bahrainis and 464,304 non-Bahrainis. The total private sector workforce amounted to 564,249 people. While the recent expansion of the workforce reflects the post-pandemic normalisation of economic activity, the endeavours of the government and its partner organisations under the banner of the National Labour Market Plan 2021-23 are also believed to have made a significant impact. "It is clear that a more comprehensive, structured and coherent approach is being taken towards addressing human capital-related issues and unleashing productivity, and that the relevant national strategies are afforded high priority by the government," Jarmo Kotilaine, chief strategy and data analytics officer at Tamkeen, told OBG.

Indeed, given the fact that work towards labour market reform pre-dated both the pandemic and the launch of the National Labour Market Plan 2021-23, SIO data recorded between 2012 and 2019 reveals significant progress across several key metrics. In the third quarter of 2012 the total private sector workforce was 486,068 individuals, containing 83,092 Bahrainis. By the fourth quarter of 2019 the total workforce had grown to 620,713, and the private sector workforce had expanded by 18% to 574,074, with 96,333 Bahrainis – an increase of 16% in that respect. While neither the total workforce nor the private sector workforce had by the fourth quarter of 2022 equalled their 2019 size, the number of Bahrainis employed in the private sector was 4% higher than in 2019 at 99,945 workers.

Since Tamkeen's launch, its various initiatives have provided funding and vocational support to over 118,000 individuals and 74,000 enterprises. In the 12 months leading up to February 2023 Tamkeen programmes resulted in over 10,000 Bahrainis entering

Under the National Labour Market Plan 2021-23 the government aims to create 20,000 local jobs and provide training for 10,000 Bahrainis per year by 2024.

In the first quarter of 2022 private sector employees made up

**92%**  
of the workforce





Career guidance and vocational training are being provided to Bahrainis to drive economic diversification

A key target of the National Labour Market Plan 2021-23 is to establish Bahrainis as the employees of choice in the kingdom, with high-skilled expatriate talent complementing a foundation of domestic human capital and plugging gaps in the labour market.

employment and around 8500 more entering training programmes. In light of these successes, the sharper focus brought about by the new labour market plan should facilitate additional progress.

**INCREASED PRODUCTIVITY:** Improving productivity is not solely dependent on increasing the size of the workforce. Traditionally, Bahrain's private sector workforce has been dominated by low-cost expatriate labour – a dynamic that the relevant bodies are working to address. A key target of the National Labour Market Plan 2021-23 is to establish Bahrainis as the employees of choice in the kingdom, with high-skilled expatriate talent complementing a foundation of domestic human capital and plugging gaps in the national labour market.

Another initiative funded by Tamkeen is the Skills Bahrain programme, through which a range of public and private entities involved in education, training and various other economic sectors collaborate to map the attributes and requirements of the labour market and to establish professional standards for entry into specific vocations. Career guidance and vocational training are being offered to Bahrainis, with a focus on establishing and developing skill sets tailored to the high-productivity sectors that the government has targeted to drive economic diversification and expansion (see Economy chapter).

**CREATIVITY & INNOVATION:** Harnessing technological and creative capacities to drive productivity is another focus for Tamkeen and the government. According to the UN, as of January 2021 creative industries employed around 50m people worldwide and contributed around 6% to global GDP. Developing Bahrain's creative industries could stimulate increased revenue, raise economic dynamism and facilitate the creation of employment opportunities. "The local entrepreneurial ecosystem is hindered by the relative lack of liquidity compared to regional markets. In addition, the opportunities to assist and promote local start-ups would increase with greater scalability across the region

alongside the provision of more training programmes to enhance the expertise of entrepreneurs," Bader Sater, CEO of Bahrain FinTech Bay, told OBG.

Tamkeen announced in February 2023 that it planned to increase its focus on creative individuals and businesses, and that it had entered into partnerships with entities such as Middle Eastern e-sports company D11 Gaming, Al Riwaq Art Space in Manama, and the Bahrain International Federation of Business and Professional Women. Those and other entities are set to operate as incubator and accelerator programmes for start-ups and entrepreneurs, enabling them to expand their businesses.

**EDUCATION & TRAINING:** The National Labour Market Plan 2021-23 features a significant education-related component, and in March 2023 the Ministry of Education (MoE) announced the launch of its strategy for the 2023-26 period. The strategy focuses on tailoring the output of Bahrain's education system to the needs of its labour market, and sees relevant entities committed to raising both the quality and performance of the country's tertiary education system. Along with the MoE, the Supreme Council for the Development of Education and Training is key to formulating and implementing strategies and initiatives to that end.

In 2022 the LMRA and the Information & eGovernment Authority did a soft launch of their jointly created Employability Skills Portal (ESP) – a Tamkeen-funded project in progress since 2019 – for a trial period among some government entities. The ESP has clear synergies with the Skills Bahrain initiative, providing information for jobseekers, businesses, education and training institutions, and government entities as to the skills required by companies and the jobs available in Bahrain. The digital platform is intended to enable the government to more easily formulate education- and labour market-related policies, as well as reduce expenditure. It is set to also bring clarity and efficiency to the recruitment process for individuals and enterprises, facilitating smoother employment and business operations. In addition, 2022 saw the opening of a MENA Training Centre in Manama, which offers programmes in management, finance, big data, artificial intelligence and innovation.

**NEW REGULATIONS:** A package of reforms relating to work permits and registration of expatriate workers in irregular employment was launched in December 2022. Under the new regulations, these workers will enjoy added protections, while processes relating to employment registration have been streamlined and digitised. LMRA representation is also now guaranteed in all employment disputes involving non-Bahrainis, while possession of a work permit now legally entitles expatriates to increased protections regarding workplace safety. Those measures build on the 2022 launch of the long-term Golden Visa, which was designed not just to attract international talent into priority sectors, but also to retain international employees that were already working in Bahrain, enhancing the kingdom's business climate and improving its reputation as an attractive destination in which to live, work and invest.

A package of reforms launched in December 2022 grants non-Bahraini employees increased protections regarding workplace safety.

# THE ELITE LIFESTYLE



Our all-suite hotels and residences enjoy a reputation for warm, friendly and excellent service - thanks to our amazing team. They are our front line, our charm offensive and the beating heart of our group. Because we believe that hospitality comes from the heart, every service is carried out with great sincerity. We do everything possible, and at times the impossible to delight our guests. And if we are remembered for our big smiles and warmth, we'll accept that as our reward!

***With you in mind!***

For enquiries, call +973 17 558200







Khalid Humaidan

# Appetite for impact

Khalid Humaidan, Chief Executive, Bahrain Economic Development Board (Bahrain EDB), on attracting investment and supporting diversification

**In what ways can investment support Bahrain's long-term diversification strategy?**

**HUM Aidan:** The Bahrain EDB surpassed its target of \$1bn in direct investment in 2022. Investment not only stimulates robust economic growth, but also creates value-added opportunities, leading to more sustainable growth across various sectors. Consequently, higher levels of investment contribute to paving the way for a more competitive economy. The objectives of the Bahrain EDB align with Bahrain's national Economic Recovery Plan (ERP), which aims to attract \$2.5bn in foreign investment by the end of 2023. The ERP focuses on stimulating economic growth and achieving fiscal balance and stability by 2024. In 2022 the economy experienced a growth rate of 4.9%, supported by a 6.2% expansion in non-oil GDP. This marks the fastest pace of economic growth in the past decade.

Despite the challenging global economic conditions and fluctuating inflation, Bahrain has managed to maintain high levels of economic growth and lower levels of inflation. As such, we remain optimistic about the economic outlook for the future.

**How can Bahrain cater to investors amid competition from neighbouring countries?**

**HUM Aidan:** Countries in the Gulf region are pursuing diversification to reduce their reliance on hydrocarbons revenue. The financial landscape following the Covid-19 pandemic has accelerated these efforts, prompting governments to prioritise large-scale digital, social and economic initiatives. A notable shift in Saudi Arabia is the decision to open its previously closed borders to tourists from around the world.

When it comes to attracting international investment, each GCC nation has distinct value propositions that complement one another. As one economy within the greater ecosystem experiences growth, it positively impacts the entire region, creating mutually beneficial areas for synergy. Bahrain will continue to

maintain economic, cultural, political and trade ties with the rest of the region in order to support growth.

Trade agreements among Gulf countries facilitate the agility of their economies on the international stage. These agreements enable the exchange of knowledge, best practices and investment, leading to enhanced capabilities. An example of such collaboration is the partnership between the UAE's Mubadala and Saudi Arabia's Public Investment Fund. The entities are exploring co-investment opportunities and exchanging knowledge and best practices to leverage their respective strengths and capabilities.

Bahrain's strategic location in the Gulf region positions it as a gateway for investors. Additionally, the country provides investors with a qualified workforce. Initiatives like the Labour Fund, commonly known as Tamkeen, is tasked with supporting private sector growth, further support the development of talent.

**What is the outlook for investment inflows, and what are the short-term challenges in attracting foreign direct investment (FDI)?**

**HUM Aidan:** Despite a global landscape characterised by rising interest rates and inflation, Bahrain continues to demonstrate high levels of growth and moderate inflation. Our efforts remain focused on attracting investment from local, regional and global sources across six priority sectors identified in the ERP: manufacturing, logistics, ICT, financial services, tourism, and oil and gas. As of 2021 Bahrain's inward FDI stock represented 86% of GDP, the highest in the GCC and above the global average of 47%.

Over the past two decades Bahrain transitioned from being an oil-reliant economy to one of the most diversified markets in the region. By the end of 2022 the oil and gas sector had become the second-largest contributor to the economy, at 16.9%, whereas the financial services sector stood at 17.5%. GDP growth in the non-oil sector that year reached 6.2%.



Regional diversification efforts have focused on boosting food security

# Positive outlook

## Surpluses from oil revenue are enhancing regional integration and economic diversification among GCC countries

While 2022 was a year of global economic uncertainty fuelled by inflation, geopolitical crises and supply chain insecurity, the Middle East witnessed a second consecutive year of economic growth, with countries in the region investing in new technologies and projects that could herald greater integration in the years ahead.

In April 2023 the IMF's "World Economic Outlook" projected that global GDP expansion would slow from 3.4% in 2022 to 2.8% in 2023. Oil-exporting countries in the Middle East are projected to see growth contract from 5.1% to 3.1% over the same period. Although regional economic expansion is slated to moderate somewhat to 3.2% in 2024, this nonetheless outpaces the projected global figure of 3.0%.

Oil-producing countries in the GCC were the region's top performers in 2022: Saudi Arabia's GDP expanded by 8.7% that year, followed by Kuwait (8.2%), the UAE (7.4%), Oman (4.3%) and Bahrain (4.2%). Iraq, meanwhile, saw GDP growth of 8.1% on the back of oil revenue, while Egypt (6.6%) and Algeria (2.9%) continued their post-Covid-19-pandemic recoveries.

The windfall from oil revenue has generated more fiscal flexibility and external balance surpluses, allowing GCC members to continue to fund their economic diversification efforts. Meanwhile, improving diplomatic relations have opened the possibility for enhanced regional and global integration.

**FISCAL STRENGTH:** GCC countries are in a strong position in 2023. High energy prices in 2021 helped the region's largest economy, Saudi Arabia, forecast its first budget surplus in eight years for 2022. Even so, many countries remained focused on balancing their budgets after two years of pandemic-related expenditure – a trend that continued into 2023.

In past periods of high international oil prices – for instance, in 2002-08 and 2011-14 – public sector wages in the GCC rose by 51% and 40%, respectively. This time, however, the increase in government spending, especially in wages, was limited despite the region accruing

a combined \$100bn surplus in 2022, according to a November 2022 report from the IMF.

Reforms in the banking sector were another factor behind improved fiscal balances, as GCC banks remained shielded from macroeconomic conditions and took measures to ensure future stability. By embracing digitalisation, diversifying funding sources, and establishing sustainable finance networks that help safeguard against social and environmental risks, Gulf financial service providers are working to mitigate future risk and enhance their longevity.

**DIVERSIFICATION PATHWAYS:** Positive fiscal balances in the coming years are positioning the Gulf to fund efforts to diversify away from hydrocarbons revenue. Indeed, GCC countries are expected to save 33% of their oil revenue from 2022 to 2026.

In 2022 there was a notable interest in new or emerging technologies such as artificial intelligence that can enhance high-value sectors including energy, finance and government services. Abu Dhabi National Oil Company (ADNOC) has already deployed machine learning to mine its historical and current data to generate scenarios and forecast operations. Manufacturing, health care, education, automotive, retail, e-commerce and transport are other segments that could benefit from such technology deployment, which could generate an estimated \$320bn for the region by 2030.

Diversification efforts in the region have also focused on enhancing food security in response to supply chain disruptions caused by Russia's invasion of Ukraine. Prior to the pandemic, the GCC relied on imports to meet 85% of its food needs. To that end, public funds are being allocated to support supply chain resilience, as well as agri-tech to promote innovation, including alternative varieties of crops. Saudi Arabia established two funds worth a combined SR2.5bn (\$666m) – one focused on providing loan guarantees for exporters of key goods and the other directed towards local farmers. Meanwhile, Egypt has traditionally relied on Russia and

Oil producers were the GCC's top performers in 2022: Saudi Arabia's GDP expanded by 8.7%, followed by Kuwait (8.2%), the UAE (7.4%), Oman (4.3%) and Bahrain (4.2%).

The adoption of advanced technologies could generate around

**\$320bn**

for the region by 2030





Gulf countries are investing in transport projects in efforts to boost long-term regional integration and trade

Energy revenue has been directed towards investment in the green transition, specifically in carbon capture, utilisation and storage technologies, and hydrogen production.

Ukraine for nearly 70% of its wheat imports. Disruptions in the global grains market resulted in a local shortfall, and several agri-tech start-ups are working alongside the government to address the gap.

**TRANSITION ECONOMICS:** Oil prices remained high throughout 2022, thanks in part to the efforts and successes of GCC countries in driving the production policy of the Organisation of the Petroleum Exporting Countries (OPEC). When the global economy looked fragile in September 2022 and oil prices were adding inflationary pressures to consuming countries, oil-producing countries in the Gulf led an additional production supply, seeing that demand was set to weaken. Oil prices indeed fell in the subsequent months, opening up the question of whether the Gulf's leadership may have warded off a potential price collapse if OPEC had continued producing at levels seen during the summer.

This policy has ensured robust energy revenue, which has been directed towards investment in the green transition. Specifically, countries have been investing in the capacity to deploy carbon capture, utilisation and storage technologies, and hydrogen production. Saudi Arabia, for instance, announced plans to lead the world in hydrogen production and aims to generate 2.9m tonnes per annum (tpa) by 2030 and 4m tpa by 2035. In March 2022 it started construction on the \$5bn wind- and solar-powered hydrogen plant at its NEOM mega-project. Upon completion, the facility will have an output of 650 tonnes of hydrogen per day.

In May 2022 ADNOC announced a new energy partnership with UK-headquartered oil and gas giant BP to develop hydrogen facilities in both the UAE and the UK. ADNOC is set to acquire a stake in BP's H2Teesside hydrogen project, while BP will invest in ADNOC's green hydrogen plant at Masdar in Abu Dhabi.

Gulf countries have also committed to generating renewable energy sources, backed by the region's abundant solar potential. Saudi Arabia, for example, aims to produce 50% of its electricity from renewable sources

by 2030. In 2023 the region will look to leverage these areas of focus within the energy transition as the UAE hosts the COP28 UN Conference on Climate Change. Home to a wide range of clean energy innovations and the International Renewable Energy Agency, the country's role as host of the conference will shape the agenda, which is set to focus on decarbonising five sectors – power, road transport, steel, hydrogen and agriculture – thereby reducing energy costs and enhancing food security. With building construction and cement responsible for more than 50% of global emissions, COP28 is also likely to include efforts to decarbonise these areas of the global economy.

**FUTURE TRADE GROWTH:** A brighter economic outlook has encouraged Gulf countries to invest in projects to enhance long-term regional integration and trade – particularly in transport. A promising development was the revival of the GCC Railway project, which would run from Kuwait City in the north through Jubail and Dammam in Saudi Arabia before passing through Manama in Bahrain and Doha in Qatar (see Transport chapter). The line would then return to Saudi Arabia and pass through major areas of the UAE – Abu Dhabi, Dubai and Fujairah – before moving south to Muscat in Oman. The ability to move large-scale goods by rail would augment connectivity and regional trade.

In December 2021 the six leaders of the GCC countries agreed to establish the GCC Railways Authority to oversee the programme. In the meantime, Qatar, Saudi Arabia and the UAE have taken steps to improve their domestic rail networks and transport infrastructure.

The GCC also launched negotiations with the UK in June 2022 for a region-wide free trade agreement that is expected to bolster renewable energy and food security. Both sides remain committed and negotiations continued in March 2023 in Riyadh, with the next round of negotiations expected to be held in the UK later that year. Like the GCC Railway project, the deal stands to enhance the region's leverage as a global trade bloc.



The UAE will host the COP28 UN Conference on Climate Change in 2023

The GCC launched negotiations with the UK in June 2022 for a region-wide free trade agreement that is expected to bolster renewable energy and food security, as well as enhance the region's leverage as a global trade bloc.



Maha Mofeez

# Streamlining efforts

Maha Mofeez, Chief Executive, The Labour Fund (Tamkeen), on developing human capital and expanding opportunities

**What strategies and policies could be implemented to ensure that students and workers gain the skills required by the future labour market?**

**MOFEEZ:** Tamkeen's strategy cycle for the years 2021-25 was developed to cater to the unique market requirements. It focuses on incentivising positive changes, such as enhancing productivity by enabling high-potential sectors, encouraging business model changes, supporting nationwide projects that generate economic impact, and fostering partnerships with leading local and global organisations. To address skill gaps, we have developed programmes and partnerships that enable enterprises and individuals to cultivate the necessary skills to ensure their competitiveness both locally and internationally.

Programmes such as Train Me, Train and Place, and Train and Grow provide Bahraini nationals with training opportunities and support their employment in companies, thereby closing skill gaps and supplying the private sector with the talent required to drive productivity and growth. Furthermore, partnerships with leading providers of training and education will offer Bahraini citizens the chance to develop the required skills. Our recent collaboration with cybersecurity training firm SANS Institute, coding institute Reboot 01 and tech training firm General Assembly aims to provide specialised training for locals and assist them in securing high-value careers in the technology industry.

**Where do you see investment opportunities for the private sector that would help to achieve the goals outlined in Tamkeen's strategy cycle for 2021-25?**

**MOFEEZ:** The current strategic cycle is focused on increasing economic impact and fostering greater productivity. The private sector can contribute significantly to attaining these targets by augmenting productivity through investment in human capital development. Consistent training and development will ensure that the workforce possesses the requisite skills

to keep pace with evolving market dynamics. This will help organisations to maintain their competitiveness in the global economy. Investing in business enhancement through the adoption of technology, digital transformation and innovation is essential. These measures can boost the competitiveness of enterprises, allowing them to drive progress in their respective sectors and potentially emerge as significant disruptors.

The private sector needs to prioritise key industries that have the potential to transform the economy in line with the national strategic direction. It is important to explore opportunities for growth and expansion, both domestically and internationally, through avenues such as franchising, opening new branches, identifying new business lines, introducing new products and services to the market, and other growth paths, to achieve a more sustainable and resilient business model. Furthermore, private sector enterprises can benefit from policies that foster inclusivity and diversity, such as offering flexible work arrangements and equal opportunities to women. Female inclusion in the workplace has proven to be a powerful driver of economic productivity and growth.

**How can technology and digitalisation aid in accelerating and streamlining bureaucratic procedures?**

**MOFEEZ:** Technology and digitalisation are helping to speed up and streamline bureaucratic procedures in several ways. For example, the use of digital forms and online submission systems can simplify the job application procedure, reducing the time and effort required in the recruitment process.

Additionally, digital tools can be used to automate certain tasks and operations. This can create high-quality job opportunities for locals in fields such as data analysis and process automation. Overall, the adoption of technology and digitalisation in bureaucratic procedures can increase the efficiency and dynamism of job markets, resulting in more employment opportunities.





Hala Al Ansari

## Agile solutions

Hala Al Ansari, Secretary-General, Supreme Council for Women (SCW), on the implementation of flexible work policies to promote women's inclusion in the workforce

**To what extent are more flexible policies helping to reconcile business and social needs in Bahrain?**

**AL ANSARI:** One of the key drivers for achieving both family stability and work-life balance is the implementation of flexible work policies, including the adoption of remote work practices. These measures have been found to significantly enhance productivity, efficiency and overall organisational performance.

Bahrain took measures to promote the active engagement of women in the public and private sectors, both in professional and social contexts, amid the Covid-19 pandemic. The SCW encouraged the private sector to embrace flexible work policies that cater to the needs of working mothers, pregnant women, individuals with chronic and respiratory conditions, and those needing child care. As a result, many private firms have successfully implemented remote work systems.

According to a recent institutional survey conducted by the Central Bank of Bahrain, remote work practices yielded numerous benefits for financial institutions. Some 57% of such institutions reported a decrease in employee absenteeism, while the productivity levels of those working from home were consistently high. In terms of long-term adoption, around half of the participating institutions reported that they plan to continue to implement such policies.

As for entrepreneurship, the Ministry of Industry and Commerce launched the virtual commercial registry, Sijili, to support the business activities of entrepreneurs with flexible conditions such as the provision of a virtual address for home-based entities.

**Which key gender equality challenges need to be addressed in the National Plan for the Advancement of Bahraini Women 2023-26?**

**AL ANSARI:** The council has taken steps to mitigate the effects of the pandemic and to tackle the gaps that were seen or exacerbated due to the health crisis as well as to contribute towards the priorities of Bahrain's

Economic Recovery Plan. The SCW is monitoring the next stage of the national plan's implementation. This phase will build on networking mechanisms established with all stakeholders in the country to support the needs of women and contribute to national development in line with the aspirations of the government action programme. These efforts align with the goals of the National Gender Balance Model for Governance of Equal Opportunities applications.

Examples of key priorities are increasing female participation in the labour force, including through entrepreneurship; promoting gender balance in promising positions and future science fields; enhancing gender balance on boards of major corporations; and facilitating the implementation of policies and services that encourage work-life balance, among others. In addition, the SCW is focusing on sustainable development, gender balance and the further advancement of Bahraini women regionally and globally to increase their participation in the workforce.

**Where do you identify the main priorities to fulfil Bahrain's commitment to achieving the UN Sustainable Development Goals (SDGs) by 2030?**

**AL ANSARI:** The National Plan for the Advancement of Bahraini Women has an alignment rate of 64% with the SDG indicators pertaining to women. The aligned areas encompass equitable access to health care and employment opportunities for women and children, education, as well as their representation in political and economic decision-making processes. Reaching these goals will foster sustainable economic growth, and generate societal and humanitarian benefits.

National priorities in this regard include achieving gender balance, integrating women's needs into national development programmes, increasing the efficiency of social services and workers, and using technical development and digital transformation to support flexible policies that contribute to gender balance.



The number of digital remittance users is set to reach 18.6m by 2027

# Ease of transfer

## A number of remittance-focused start-ups and other players are expanding operations in emerging markets

Financial technology (fintech) firms are gaining market share that was formerly the preserve of established remittance service providers. Remittances have grown in importance in recent years and today constitute the largest source of foreign income for many developing economies. They also tend to be countercyclical, increasing during economic downturns or natural disasters when other capital flows generally dwindle. Growth in the segment has gathered pace, with the importance of remittances as a source of income for emerging economies and financial service providers alike set to rise further in the coming years.

**INFLATION & INVESTMENT:** As inflation and global food insecurity place financial pressure on many countries around the world, remittance inflows to emerging markets provided crucial support in 2022. In a November 2022 report, the World Bank's Global Knowledge Partnership on Migration and Development (KNOMAD) estimated that remittances to low- and middle-income countries (LMICs) grew by 5% to reach \$626bn in 2022. KNOMAD estimated that growth in remittance flows for that year was 9.3% in Latin America and the Caribbean, 3.5% in South Asia, 2.5% in the Middle East and North Africa, and 0.7% in East Asia and the Pacific. Despite projections from the World Bank in April 2020 that the Covid-19 pandemic would lead to a 19.7% contraction in year-end remittance flows to LMICs, they instead held firm and increased by 0.8% in 2020.

Such transfers took on greater importance as foreign direct investment (FDI) to LMICs fell by 13.5% over the course of 2020. Indeed, that year the value of remittances to LMICs (\$540bn) surpassed the equivalent value of FDI (\$259bn) and overseas development assistance (\$179bn) combined. In many instances, these inflows provided a source of replacement income to cover essentials such as housing and food, as pandemic-related curfews and other health restrictions curtailed the ability of many people to work in person – particularly those working in the informal sector.

**TECH EVOLUTION:** While around 97% of global remittance inflows are paid in cash and transmitted via traditional brick-and-mortar banks and financial institutions, there has been a noticeable increase in fund transfers using alternative methods. Indeed, lockdowns and border closures led to a 48% increase in mobile phone payments in 2021 alone. Many fintech start-ups are keen to move into the remittances space, which is seen as having significant potential. Indeed, London-based consultancy and data provider Tellimer estimates that 45% of the global fee pool is above the 3% mark.

Meanwhile, data aggregator Statista anticipates that the digital remittances segment will reach \$135.2bn in 2023 and \$174.5bn by 2027, with an estimated 18.6m users by the end of the period. The market is increasingly characterised by intense competition on fees, with apps competing in terms of price.

**REDUCING COSTS:** Both public and private sector bodies are working to facilitate lower-cost remittances across emerging markets, often by expanding their own digital offerings or by partnering with a fintech firm. In January 2022 the Nigerian Postal Service launched an e-debit card and finalised arrangements to launch a microfinance bank that will enable 52m previously unbanked Nigerians to conduct financial transactions. Also in Africa, in October 2021 Western Union – an established global remittance company – announced that clients of KCB Bank Kenya, Diamond Trust Bank and the Kenya Post Office Savings Bank would be able to send and receive money via their mobile banking apps.

**CRYPTO EXPANSION:** In parallel to these regional and global developments, the remittances space is being disrupted by blockchain-based digital currencies. Among other advantages, cryptocurrency is traded internationally and its transfer requires no intermediaries. If cryptocurrency expands as far and as fast as its most ardent supporters predict, the technology could challenge legacy service providers and fintech companies alike for a slice of the global remittances pie.

In 2022 remittances are estimated to have grown by 9.3% in Latin America and the Caribbean, 3.5% in South Asia, 2.5% in the Middle East and North Africa, and 0.7% in East Asia and the Pacific.

Lockdowns and border closures led to a 48% increase in mobile payments in 2021 alone. Many financial technology players are keen to move into the remittances space, which is seen as having significant potential.





**The Ultimate  
Business  
Destination**

**1710 2600  
@bfharbour**

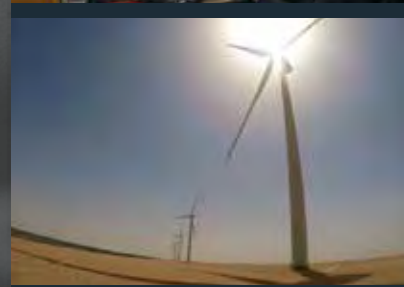
# Banking

Efforts to boost access to funds for small enterprises

Increase in demand for Islamic financial products

Financial technology draws significant investment

Integration of sustainability into industry framework





**“THIS IS THE REAL SECRET OF LIFE  
TO BE COMPLETELY ENGAGED  
WITH WHAT YOU ARE DOING  
IN THE HERE AND NOW.  
AND INSTEAD  
OF CALLING IT WORK,  
REALIZE IT IS PLAY.”**

ALAN W. WATTS

# Keep playing!



video production and animation

[bmedia.me](http://bmedia.me)



Bahraini banks are required to maintain a capital adequacy ratio of 12.5%

# Forward momentum

## Digital payment innovation positions the country as a centre for financial technology in a dynamic landscape

The financial services industry plays a crucial role in Bahrain's economy, contributing 16.8% to GDP. Recognising the need to reduce the country's dependence on oil, the government has prioritised the development of the sector. In order to strengthen the local economy and facilitate recovery from the Covid-19 pandemic, the government introduced the Economic Recovery Plan (ERP). The plan is centred around securing over \$30bn for investment and financing infrastructure projects.

Additionally, the Central Bank of Bahrain (CBB) devised the Financial Services Development Strategy 2022-26, which outlines five pivotal priorities: job creation, legislation and policies, financial markets, financial services and financial technology (fintech), as well as the insurance segment. This strategic framework aims to achieve medium-term goals, including raising the sector's contribution to GDP to 20% by 2026 and further expanding it to 25% over the longer term.

**STRUCTURE & OVERSIGHT:** Following the dissolution of the Bahrain Monetary Agency in 2006, the CBB assumed regulatory responsibilities for the banking sector and other financial services. As stipulated in its founding law, particularly Article 4, the CBB possesses the authority to license, supervise and regulate all entities involved in financial services in the kingdom. The CBB also provides banking services to the government, manages gold and foreign exchange reserves, and is responsible for currency issuance.

In 2015 the CBB established a centralised Sharia Supervisory Board (SSB), the first institution of its kind in the GCC region. The SSB introduced a sharia governance framework in 2018, ensuring oversight of compliance in the Islamic banking and insurance segments. Individual Islamic financial institutions also maintain their own sharia compliance boards.

Banks in Bahrain are obligated to maintain a capital adequacy ratio (CAR) of 12.5% of risk-weighted assets and a Tier-1 ratio of 10.5%. These requirements surpass the Basel III standards, which the kingdom has been

adhering to since 2015. In addition to meeting these ratios, locally incorporated banks are mandated by the CBB to report Basel III ratios on leverage and liquidity on a quarterly basis, including the liquidity coverage ratio. Since 2019 these banks are required to report their net stable funding ratio on a regular basis.

**SMALL ENTERPRISES:** Small and medium-sized enterprises (SMEs) contribute nearly 30% of GDP and employ approximately 75% of the private sector workforce. Recognising their importance, the government has implemented various measures to boost the growth and prominence of these businesses.

"Enabling SMEs to have convenient and speedy access to finance is not only a government objective, but also a necessity for the local economy," Dalal Ahmed Qais, Group CEO of Bahrain Development Bank (BDB), told OBG. "Given the extensive prerequisites and rigorous risk analysis employed by traditional banks, it is imperative to adopt alternative avenues. Enhanced collaboration among government and economic stakeholders is essential to improve access to finance and facilitate the growth and prosperity of SMEs."

The BDB plays a vital role as a dedicated financial institution in fostering the advancement and expansion of SMEs. In line with this objective, the medium-term financial services sector strategy has set a goal to progressively increase the proportion of financing allocated to SMEs in the domestic lending portfolio. The aim is to achieve a target of 20% of financing specifically allocated to SMEs by the end of 2026.

In late 2022 the BDB introduced *tijara*, a digital platform designed to streamline the loan application process and provide SMEs with convenient access to funding. The platform also offers payment and salary transfer processing capabilities. *tijara* provides a range of other services to SMEs, including the ability to view account and transaction details, download statements, transfer funds both domestically and internationally, manage beneficiaries and generate account reports.

The government introduced the Economic Recovery Plan centred around securing over \$30bn for investment and financing infrastructure projects.

The medium-term goals of the Financial Services Development Strategy 2022-26 include increasing the sector's contribution to GDP to 20% by 2026 and further expanding it to 25% over the longer term.





In 2021 digital wallet transaction volumes increased by 196.2%, while the corresponding values rose by 111.6%

Mumtalakat, the sovereign wealth fund of Bahrain, is an important institution in the financial services sector and managed approximately \$18.3bn in assets as of 2022.

In February 2023 the Bahrain Association of Banks convened to explore strategies to increase the share of SME financing in a phased manner to reach 20%. During the meeting, the association expressed a willingness to collaborate with Tamkeen, a semi-autonomous agency that supports private sector development, to facilitate lending arrangements by acting as a guarantor partner. This collaboration aims to reduce risk elements associated with lending to SMEs. The association has also expressed support for the CBB's goal of creating new job opportunities in areas such as open banking, digital banking and financial transfers.

Mumtalakat, the sovereign wealth fund of Bahrain, is an important institution within the financial services sector and was managing approximately \$18.3bn in assets as of 2022. Its portfolio includes holdings such as a 60% stake in the McLaren Formula 1 Team, as well as positions in prominent domestic companies like Aluminium Bahrain (Alba) and Bahrain Telecommunications Company. In March 2023 credit ratings agencies Fitch and Standard & Poor's assessed Mumtalakat's credit rating at "B+" with a positive outlook.

**REGULATORY DEVELOPMENTS:** Bahrain's economy is experiencing a robust recovery following the pandemic, but it is not without financial repercussions for the sector. The prolonged economic downturn led to certain challenges for individuals and local businesses, particularly in meeting their loan repayment obligations. To address this issue, legislators proposed in April 2022 to increase the maximum loan repayment period from seven to 15 years. Loan deferments were initiated in March 2020, shortly after the onset of the Covid-19 crisis, and have been subsequently extended four times. The most recent extension of the loan deferral option expired in June 2023. While this adjustment may result in banks recovering their loans at a slower pace, it reduces the risk of widespread default.

The CBB is working on the development of environmental, social and governance (ESG) disclosure

guidelines for banks, and was expected to publish them in 2023. These guidelines will incorporate the insights gathered from the ESG Reporting Survey, distributed to listed companies, insurers, banks and investment firms in early 2022. By integrating ESG criteria into its framework, the CBB aims to enhance the ability of companies and banks to effectively monitor their efficiency, sustainability and risk exposure.

**DIGITAL PAYMENTS:** Bahrain, along with other GCC markets, is actively capitalising on the new opportunities arising in fintech and digital banking. A significant milestone in this endeavour is the release of the first edition of the "Digital Payment Landscape Report" released in 2022. The report highlights the growth observed in digital payments in the kingdom. One of the primary objectives of the ERP is to reduce the volume of currency in circulation by 25% while maintaining a yearly growth rate of 10% in electronic fund transfers.

Bahrain is making significant strides in digital payments, with point-of-sale transaction volumes rising by 49.8% in 2021, according to the report. These transactions also experienced a 34.6% increase in value, reaching \$8.5bn. Digital wallet transaction volumes rose by 196.2%, while the corresponding values rose by 111.6%. Looking ahead, US-based Boston Consulting Group (BCG) projects that digital payment revenue in Bahrain will reach \$485m by 2030. The kingdom aims to transition into a cashless society over the same period.

The increase in non-cash transactions can be attributed, in part, to the pandemic, which prompted consumers to adopt contactless payments due to health concerns and regulatory guidance. However, the groundwork for the implementation of such services is the result of effective and proactive planning by the CBB. In 2020 and 2021 it introduced the Bahrain Open Banking Framework, enabling consumers to share their financial data across various platforms and providers. The framework has played a crucial role in streamlining digital payments and facilitating other transactions.

In 2012 the CBB implemented real-time banking utilising IBANs – an internationally recognised system of account numbering. The initiative yielded significant benefits, including reduced costs and delays associated with both local and cross-border payments. The use of IBANs represents a significant catalyst for digital payments expansion. Additionally, the adoption of the Arabian Gulf System for Financial Automated Quick Payment Transfer (AFAQ) in 2020 has accelerated digital payment expansion. AFAQ, operated by the Gulf Payments Company, serves as a real-time gross settlement service specifically designed for cross-border payments among GCC countries. Although its primary focus is on businesses and investors for cross-border transactions, the CBB's Fawri system also serves consumers by offering a user-friendly peer-to-peer payment solution through a mobile app.

Managed by Benefit, Fawri provides a payment solution for immediate and future-dated transactions to individual or multiple recipients. In 2021 it facilitated 9.6m transactions. Fawri+ allows transfers within 30 seconds. The latter hosted 140m transactions that

Point-of-sale transaction volumes rose by 49.8% in 2021. In terms of value, these transactions experienced an increase of 34.6%, reaching \$8.5bn.

year, equating to an average of 100 transactions per person. Complementing these services, Fawateer, the electronic bill presentment and payment platform, processed 9.1m transactions, both online and offline. These functionalities are integrated into the BenefitPay app, which served as the conduit for 209m transactions in 2021 out of a user base of 861,000 individuals.

Digital transactions are supported by a resilient security framework, encompassing stringent electronic know-your-customer (KYC) protocols. This involves accessing customer information stored by the Information and eGovernment Authority and other relevant government entities. By leveraging a unified digital platform, transactions can be swiftly and securely verified without the need for in-person interactions. As of 2021 the issuance and clearance of cheques has been integrated into the Bahrain Electronic Cheque System.

**FINTECH SANDBOX:** The driving force behind fintech innovation is the dedicated regulatory sandbox established by the CBB in 2017. One key component of this initiative is the fintech sandbox, which provides an enabling environment for companies to pioneer new digital financial services without the burden of existing regulatory obligations. As of September 2022 the sandbox had 20 companies, predominantly from the MENA region, with one representative each from Europe and the Americas. One of the participants in the sandbox is OpenNode, a company that is partnering with the CBB to introduce a Bitcoin-based payment

processing solution. The sandbox framework plays a pivotal role in positioning Bahrain as a top choice for establishing fintech businesses.

**INNOVATION:** The CBB's innovation efforts continue to attract new businesses to the sector. The bank has implemented several regulations for crowdfunding operators, as outlined in the Crowdfunding Platform Operators Module of the CBB's rulebook. These guidelines serve as a framework for governing the operations of crowdfunding platforms, with a primary focus on promoting integrity and trust by avoiding conflicts of interest, conducting due diligence of platform operators via KYC and segregating client money from the platforms to ensure safe operations.

Bahrain is also working towards launching a digital dinar via distributed ledger technology (DLT). In June 2022 the CBB announced the successful completion of a test with JPMorgan Onyx, which enabled the Arab Banking Corporation (Bank ABC) to initiate real-time payments for Alba to benefit its counterparties in the US by leveraging the coin system, which also made it easier and quicker to make US dollar transfers as a compelling use case for DLT payments.

**BANKING STRUCTURE:** The financial services sector is a key pillar of the wider economy, providing employment opportunities to 14,124 people in 2022, two-thirds of whom were Bahrainis and the remainder foreigners. As of March 2023 there were 365 financial institutions, including 86 banks, of which 30 were retail

As of September 2022 Bahrain's financial technology sandbox had 20 companies, mostly from the MENA region, with one representative each from Europe and the Americas.

# SIMPLIFYING YOUR MONEY MATTERS

Empowering your lifestyle through innovation and simplifying banking can be a game-changer. With advanced solutions and user-friendly interfaces, BisB makes your daily banking more accessible, convenient, and efficient.

☎ 1751 5151 🌐 bahrainislamicbank 🌐 www.bisb.com

Licensed as an Islamic Retail Bank by the Central Bank of Bahrain





Islamic banking assets experienced the strongest growth in 2022, rising by 4.4% to \$35.3bn. Retail banks' assets increased by 2.3% to \$101.7bn, while wholesalers saw growth of 3.6% to \$122.4bn.

banks and 56 were wholesale lenders. Taking a closer look, the sector included 17 branches of foreign banks and 13 locally incorporated lenders, as well as seven bank representative offices and one bank society.

According to the CBB's March 2023 "Financial Stability Report", the total assets of the banking sector reached \$224.1bn in December 2022. This represents a 3% increase compared to the previous year. Among the different segments, Islamic banking assets experienced the strongest growth, rising by 4.4% to \$35.3bn. Retail banks' assets increased by 2.3% to \$101.7bn, while wholesale lenders saw growth of 3.6% to \$122.4bn.

Fitch Ratings expects the Islamic banking market share to surpass half of the total domestic banking sector assets in the near to medium term. This projection is attributed to mergers and acquisitions taking place in the industry (see regional analysis), as well as sustained demand for Islamic financial products. Currently, Bahrain holds a 3.3% share of global Islamic banking assets (see analysis).

**MERGERS & ACQUISITIONS:** According to Fitch, the acquisition of Ahli United Bank (AUB), a Bahrain-based conventional bank, by Kuwait Finance House (KFH), Kuwait's largest Islamic lender, which concluded in October 2022, is expected to deliver a substantial boost to the financial sector. KFH expressed its intention to convert AUB and its subsidiaries into fully sharia-compliant banks, absorbing AUB's 13% market share of Bahraini banking sector assets by the end of 2022 to

become the largest bank in the kingdom. AUB reported a record net profit attributable to its equity shareholders of \$203.9m for the fourth quarter of 2022, marking a 30.2% increase compared to the same period of 2021.

In terms of corporate deal-making, Citigroup announced in December 2022 that it had closed the sale of its Bahrain consumer unit to AUB for about \$40m. Other acquisitions completed in 2022 include Al Salam Bank's purchase of Ithmaar Bank's consumer banking business. Bahrain-headquartered GFH Financial Group increased its stake in investment bank GBCORP from 50.4% to 62.9%, before reporting fourth quarter net profit of \$24m, up 0.6% from the previous year. Lastly, Bahrain-listed Al Baraka Banking Group agreed to exit two of its subsidiaries: BTI Bank in Morocco and Itqan Capital in Saudi Arabia.

**PERFORMANCE:** According to Fitch Ratings, the kingdom's Islamic banking market is the seventh largest globally, with total assets valued at \$41.6bn, equivalent to 92.4% of GDP. The ratings agency predicts that the recent decision by the CBB to grant a 30% alpha factor discount in the calculation of risk-weighted assets to Islamic banks will fuel further growth. The discount will enhance the capital ratios of Islamic banks, providing them with greater flexibility to expand their operations.

Bahrain has a wide array of Islamic liquidity-management tools available in the market, including Islamic repurchase agreements, remunerative deposits with the CBB, short-term and long-term government *sukuk*



## Bahrain ranks 1<sup>st</sup> regionally & 2<sup>nd</sup> globally in Real-Time Payment Transactions

"Bahrain is forecast to have the highest level of real-time payments consumer adoption, with **83.3 real-time transactions** per head per month"

Region	2022
Middle East, Africa and South Asia	95.7
Asia Pacific	49.2
Latin America	33.0
Europe	13.2
North America	3.9

"Real time Payment Volume in the Middle East, Africa and South Asia is **95.7 billion**"

### Global Ranking 2022

1	Thailand	23.0
2	Bahrain	19.1
3	South Korea	14.7
4	Brazil	14.2
5	Sweden	9.5

### Global Ranking 2027 (Forecast)

1	Bahrain	83.3
2	Brazil	51.8
3	Thailand	43.6
4	South Korea	21.9
5	Netherlands	21.7



(Islamic bonds), and interbank placements with Islamic and conventional banks. Notably, Bahrain hosts the International Islamic Financial Market, a standard-setting body of the Islamic financial services industry.

**STRENGTH IN NUMBERS:** In 2021 global sukuk issuance expanded by 7.7% to \$188.1bn, with Bahrain, a key market player, issuing both sovereign sukuk and corporate notes through the national oil company, Bapco Energies. Moreover, in April 2023 Bahrain raised \$2bn through sovereign bond issuance, comprising \$1bn in sukuk with a maturity of more than seven years at 6.25%, and \$1bn in conventional bonds with a tenor of 12 years at 7.75%. The issuance drew demand worth \$8.8bn, indicating robust market confidence in Bahrain's fiscal sustainability. Indeed, the kingdom is currently slated to tighten its fiscal deficit from BD494m (\$1.3bn) in 2023 to BD76m (\$201.6m) in 2024, before reaching a balanced budget and embarking on a extended path of debt repayments.

Looking more closely at domestic lenders, credit distributed to the private sector by retail banks was up 4.7% year-on-year to BD10.7bn (\$28.3bn) in December 2022. The deposit base reached BD19bn (\$50.4bn), including growth of 3.5% in domestic deposits, which accounted for 76.9% of the total. Personal loans grew by 1.9% to BD5.7bn (\$15.1bn), and business credit contracted by 7.3% to reach BD5bn (\$13.5bn).

In general, Bahraini banks are benefitting from gradual central bank interest rate hikes, which have tracked US Federal Reserve actions. In May 2023 the central bank increased the key policy interest rate on its one-week deposit facility from 5.75% to 6%. At the same time, the overnight deposit rate was raised from 5.5% to 5.75%, the four-week deposit rate from 6.5% to 6.75%, and the CBB lending rate from 6.75% to 7%.

High oil prices and a general increase in regional economic activity post-pandemic, as well as targeted support from the CBB, have buoyed Bahraini banks' performance. The CAR of the banking sector stood at 19.5% in December 2022, up from 18.7% in 2021, while the non-performing loan (NPL) ratio decreased from 3.2% to 3%. Return on assets (ROA) remained stable at 1.2% in 2022. Moreover, the return on equity (ROE) rose from 7.8% to 8.4%. Liquidity positions also remained strong, with liquid assets as a proportion of total assets standing at 25.3%.

Among conventional banks, the CAR of retail banks increased from 20.6% in 2021 to 21.5% in 2022, while the NPL ratio declined from 3.9% to 3.3%. Retail banks' ROA increased from 1.3% to 1.4%, as ROE rose marginally from 10.9% to 11%. Liquidity positions decreased from 33.6% to 32.7%. Conventional wholesale banks' CAR increased from 17.1% to 17.5% in the same period, and the NPL ratio dropped from 2.8% to 2.3%. Profitability was positive for conventional banks as ROA remained stable at 1.2% and ROE increased from 3.5% to 4.5%. Liquid assets for wholesale banks as a proportion of total assets decreased from 24.7% to 22.9%.

The CAR among Islamic retail banks was marginally higher than conventional counterparts, at 21.1%. Asset quality improved as their non-performing facilities



In April 2023 Bahrain raised \$2bn through sovereign bond issuance

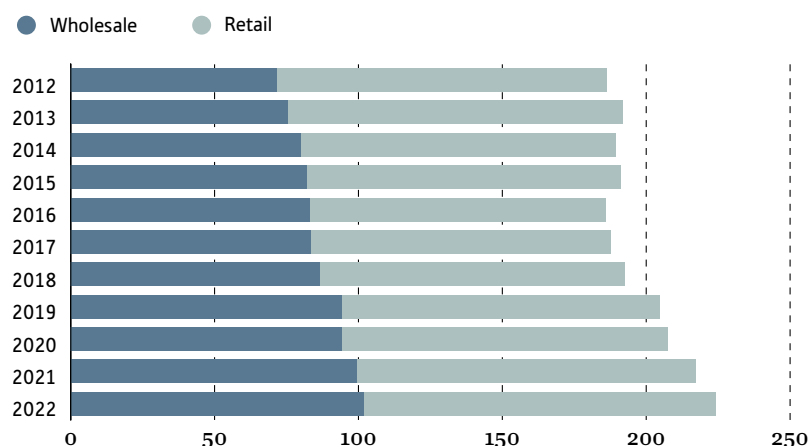
(NPF) ratio decreased from 5% to 4.8% in 2022. ROA for Islamic retail banks increased from 0.6% to 0.9% in 2022 and ROE from 7.3% to 10.6%. Liquid assets available to Islamic retail banks decreased from 19.5% to 17% in 2022. Meanwhile, the CAR of Islamic wholesale banks increased from 15.8% to 16.9%, and the NPF rose from 0.8% to 4.8%. Their profitability improved as ROA increased from 0.7% to 1.1%, and ROE increased from 10% to 10.3% over the same period.

**QUICK TURNAROUND:** The National Bank of Bahrain, the oldest local bank in the kingdom, reported a 26% increase in net profit in 2022, totalling BD68.1m (\$180.6m). Growth was mainly driven by higher income from an expanded portfolio of loans and securities. The bank benefitted from higher market rates and lower provisioning requirements during the fourth quarter.

Gulf International Bank reported an improvement in its financial performance, demonstrating a positive turnaround. The net income attributable to

Credit distributed to the private sector by retail banks was up 4.7% to \$28.3bn in December 2022. The deposit base reached \$50.4bn, including growth of 3.5% in domestic deposits, which accounted for 76.9% of the total.

#### Banking sector asset composition, 2012-22 (\$ bn)



Source: CBB





Direct investment led to the establishment of nine companies in 2022

The Bahrain Economic Development Board recorded \$72.7m in direct investment in financial services during the first three quarters of 2022.

shareholders amounted to \$78.7m, indicating a significant recovery compared to \$37.9m in 2021. The bank experienced a more than 40% increase in net interest income, totalling \$345.8m, through effective balance sheet management, enhanced spreads and the impact of rising interest rates.

Islamic retail bank Ithmaar Bank demonstrated a turnaround by transforming a net loss of BD500,000 (\$1.3m) incurred in 2021 into a net profit of BD3.1m (\$8.2m) in 2022. The bank aims to transition into an exclusively corporate-focused bank in 2024. In parallel, Bank ABC's net profit increased to \$38.8m in 2022, marking a 29.8% improvement on 2021.

**GROWTH HORIZONS:** Credit ratings agency Moody's forecast that the sector's profitability would return to pre-pandemic levels in 2023. A 3.2% expansion in the non-oil sector and increased tourism revenue from Saudi Arabia are expected to drive this recovery. BCG, for its part, predicts a 6.8% compound annual growth

rate (CAGR) in retail banking revenue between 2021 and 2026, reflecting increased consumer trust and behavioural changes during the pandemic. Comparatively, the CAGR between 2016 and 2021 was 3.6%. BCG also said that Bahrain's banking sector can play a decisive role in driving ESG strategies. In line with this, Bapco Energie's refinancing and upgrade of a \$1.6bn *murabaha* (cost-plus financing) facility to \$2.2bn in May 2022, with the inclusion of sustainability-linked criteria, is a milestone. The transaction was billed as the largest sustainability-linked loan facility in the wider region.

The Bahrain Economic Development Board (Bahrain EDB), the country's investment promotion agency, has undertaken roadshows to attract investors. The Bahrain EDB participated in the Singapore FinTech Festival in November 2022. During the first three quarters of 2022 the Bahrain EDB recorded \$72.7m in direct investment in financial services. This investment led to the establishment of nine new companies, including prominent players like Binance, a crypto exchange that processed trades worth nearly \$65bn a day.

**OUTLOOK:** The MENA region is one of the few areas globally where growth capital remains readily accessible. Bahrain is well placed to capitalise on this advantage by strategically deploying funds in the domestic financial services market, aligning with its ongoing sector development plans. Furthermore, the kingdom is in a favourable position to leverage sustained demand for Islamic banking products, presenting a significant opportunity for local banks to expand their operations and assume a more prominent role in the expanding international Islamic banking market.

The CBB has demonstrated strong leadership in the fintech segment, attracting a wave of digital financial services companies. Despite the challenges encountered by volatility in the global fintech and cryptocurrency markets, Bahrain's well-regulated environment effectively mitigates and minimises risks. The kingdom has sustained the trust of sovereign debt markets, and investors are showing support for its progressive approach towards Bahrain Economic Vision 2030.

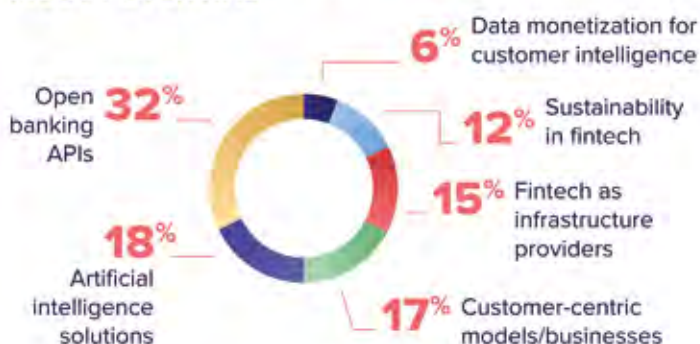
## Bahrain, home to 120+ fintech startups

Bahrain  
FinTech  
Bay

### WHAT DRIVES THE GROWTH OF BAHRAIN'S FINTECH SECTOR



### TECHNOLOGY TRENDS WITH THE MOST POTENTIAL





Usman Ahmed

# Smart credit

Usman Ahmed, Group CEO, National Bank of Bahrain, on setting up a sustainable roadmap and using digital tools to manage risk

**What are the immediate priorities for local banks to accelerate their sustainability strategies?**

**AHMED:** Financial institutions are vital to promoting sustainability in the economy. The integration of environmental, social and governance (ESG) frameworks into business and operational practices is relatively new for banks in Bahrain. That said, it is important that an organisation's highest level of governance sets the agenda in this area to ensure its business strategy is in line with its sustainability goals, such as through oversight by the board of directors. Building a team dedicated to supporting sustainability, while integrating the concept into each division to align business practices with ESG considerations, is also crucial.

Banks could also focus on developing internal ESG capabilities. This should take the country's goals into consideration, such as Bahrain Economic Vision 2030 and COP26 UN Conference on Climate Change commitments. Even after identifying the priorities and long-term goals, banks can still adopt a phased approach with an initial focus on quick wins to build momentum, eventually scaling up successful initiatives to achieve long-term goals.

**By what means can small and medium-sized enterprises (SMEs) be better supported?**

**AHMED:** Local SMEs are facing serious challenges due to interruptions in cash flow cycles. The main reasons for this are the slowdown in government expenditure and the cautious approach to investment from the private sector. Notably, in a high interest rate environment, the cost of investment is extremely high. When larger projects dry up, the SME segment will have fewer opportunities for business, as business flows are created by larger players. SMEs are also still feeling the residual effects of the Covid-19 pandemic.

Banks could be encouraged to support SMEs by entering into ring-fenced cash flow structures. When cash flows from larger entities engaged with SMEs

are part of the transaction, banks' willingness to take the delivery risks with SMEs is higher, helping these businesses gain access to more financing options.

The Labour Fund, a semi-autonomous government entity commonly known as Tamkeen, supports SMEs through financing schemes that involve banks. Such schemes focus on creating new businesses or scaling up existing ones. SMEs are in need of liquidity and working capital support schemes. Banks would be more inclined to enter into short-term or revolving types of funding transactions. The Central Bank of Bahrain is crucial at this point, and the sector would welcome measures to ease the regulatory burden on SME-related asset books. Such temporary actions should boost banks' appetite to fund SMEs with viable business models.

**Where can digital tools be implemented to improve decision-making and risk management?**

**AHMED:** Digital tools allow banks to become more customer-centric by using data-driven insights to inform lending decisions, in addition to current know-your-customer data and financial insights. This may include behavioural data on spending, saving patterns and alternative datasets. Banks can leverage existing data to offer eligible customers loan and credit products proactively, and utilise predictive analytics to develop new dynamic credit-scoring models and frameworks. This will ultimately allow banks to reduce their operational costs, introduce competitive rates and faster turnaround times and expand their lending business.

Ongoing advances in big data and data analytics are creating fresh opportunities for banks to improve the credit decisions that underpin the lending process. Data-rich credit-risk models derive most value where volumes drive the lending landscape, particularly in lending to the retail and SME segments. The digital transformation of the banking industry has helped institutions that embraced such tools increase revenue, reduce loss rates and make significant efficiency gains.



Yaser Alsharifi

# Evolutionary change

Yaser Alsharifi, CEO, Bahrain Islamic Bank (BisB), on growth opportunities for sharia-compliant financial entities

**Where do you see potential opportunities for Bahrain's Islamic banking sector?**

**ALSHARIFI:** Banking remains key to the financial services sector, with significant potential for growth. Although there has been a recent consolidation in the industry, it continues to be a vital driver of economic performance. The sector has been a key focus for the government and the Bahrain Economic Development Board. The regulatory approach and strategy support customers' needs, while maintaining global market standards and regulations. The sector is open to innovation in areas in which market dynamics have changed in recent years, such as financial technology, decentralised finance and open banking frameworks. This benefits both retail and commercial consumers in the country.

**Which areas of the economy offer the greatest growth potential for local Islamic banks?**

**ALSHARIFI:** The financial services sector benefits all participants in the economy, although the logistics and manufacturing sectors are crucial to servicing core industries such as aluminium, downstream petrochemicals, and downstream oil and gas. Lifestyle-related sectors – including real estate and hospitality – are also important economic contributors.

While there is potential for growth in 2023, there are also challenges, such as higher interest rates and inflation. The government's proactive approach during the Covid-19 pandemic helped the economy and aided businesses. The support of our regional neighbours, and an adherence to fiscal discipline and reforms implemented by the government, allow for closer regional integration and greater confidence.

**By what means can local small and medium-sized enterprises be supported in terms of financing?**

**ALSHARIFI:** There has been close coordination and dialogue with Tamkeen, the semi-autonomous government labour fund, to improve programmes that cater

to smaller businesses in Bahrain. Continued investment in digital technology is also crucial, although adopting new systems brings added risks, such as cyberattacks and fraud. As we have seen with ChatGPT being used in university exams, it is possible that fraudsters may also use tech tools to manipulate the financial system.

**In what ways can innovation and digital services support growth in the Islamic banking sector?**

**ALSHARIFI:** Digitalisation efforts in the banking sector, particularly in customer service, are rapidly becoming commoditised, as BisB and other banks have ATMs and online platforms. In the future every bank will have a digital application and various ways of managing accounts, so investing in digital infrastructure is crucial.

However, we need to be guided by what our customers want, and innovation must be at the core of how we approach the industry. For example, banks deal with a sensitive asset – people's money – and have a custodial relationship with customers in a highly regulated industry. This requires a high level of trust and confidence that they will manage people's money securely.

**How do you expect the market share of Bahrain's Islamic banking sector to grow?**

**ALSHARIFI:** The market will continue to expand, and projections indicate that the market share of Islamic banks will grow faster than that of traditional ones. The landscape has shifted, and there are now two viable options on the conventional side, with smaller and larger banks competing for the same market share.

Growth can also be achieved by attracting more foreign investment into segments with significant multiplier effects, such as start-ups. However, serving these entities is a challenge for banks, as these businesses can have high risk and large cash outflows, requiring close monitoring. The current banking models may not be sufficient and we must learn from successful models in other parts of the world to support start-ups.





Bahrain actively promotes open banking among financial institutions

# New horizons

With the rapid expansion of Islamic finance, the role of specialised financial technology players has become increasingly vital

Bahrain is the seventh-largest Islamic finance market globally, with \$41.6bn in total assets at the end of 2022. It has the largest concentration of Islamic financial institutions in the Middle East, comprising 38.3% of domestic banking system assets over the same period.

The Islamic banking segment experienced a 7.6% increase in assets during 2022, surpassing the 2% growth observed among conventional counterparts. According to the financial data company Refinitiv's Islamic Finance Development Indicator (IFDI), the global Islamic finance industry's total assets are projected to increase from \$4trn in 2021 to \$5.9trn by 2026. In parallel, Bahrain witnessed a rise in financial technology (fintech) solutions enabled by a robust financial system and a well-established regulatory framework. The Central Bank of Bahrain (CBB) helped to foster this growth with the launch of a regulatory sandbox in 2017.

**FERTILE ECOSYSTEM:** Bahrain was ranked fourth globally and second in the MENA region for Islamic finance development in 2021 by the IFDI. The kingdom also secured the top spot in Islamic finance regulation. Bahrain FinTech Bay (BFB), launched in 2018, is the largest financial technology centre in the Middle East, and is among the institutions that are helping to drive progress in Islamic finance. At the same time, the Global Islamic & Sustainable FinTech Centre (GISFC), established with the collaboration of local, regional and international stakeholders in 2018, is helping to accelerate the digital transformation in the industry.

Both institutions are facilitating the digital transformation of Islamic banks to ensure the long-term viability of the industry. Their efforts include assisting banks in embracing disruptive digital technologies, attracting international Islamic fintech firms to establish their presence in Bahrain and fostering collaboration with companies capable of developing sharia-compliant versions of conventional financial products. Benefitting from a young and technologically adept population, Bahrain's fintech start-ups and

established financial institutions are well positioned to cater to the increasing demand for agile and innovative Islamic finance solutions and expand their operations to other countries in the region.

Start-ups in Bahrain FinTech Bay are exploring various domains to transform the industry. "Bahrain exports a considerable amount of fintech talent, and the presence of Bahrainis in high managerial positions in other countries contributes to the overall progress of the kingdom. Bahrain has the potential to enhance cooperation with regional markets and capitalise on its strengths to benefit the entire region," Bader Sater, CEO of Bahrain FinTech Bay, told OBG.

**OPEN BANKING:** Since the introduction of the Bahrain Open Banking Framework in 2020, the kingdom has been actively promoting the implementation of open banking among financial institutions by providing operational guidelines, security standards, customer experience guidelines and an overall governance framework to safeguard customer data.

Although there have been challenges such as high product development costs and limited consumer interest, the open banking environment has given rise to successful Islamic fintech start-ups. One example is Tarabut Gateway, a Bahrain-based fintech start-up that specialises in offering open banking services for Islamic banks and financial institutions in the region. The company partnered with Rain, the region's first regulated crypto-asset trading platform, in 2023. This collaboration aims to provide efficient and cost-effective fiat-to-cryptocurrency transactions to end-users.

Similarly, UAE-based start-up Beehive, the first regulated peer-to-peer lending platform in the MENA region operating on Islamic principles, partnered with the kingdom's investment promotion agency, the Bahrain Economic Development Board, in 2019 to launch the country's inaugural debt-based crowdfunding platform, creating an alternative financing avenue for small and medium-sized enterprises (see overview).

Bahrain has the largest concentration of Islamic financial institutions in the Middle East, comprising 38.3% of domestic banking system assets in 2022.

The kingdom ranked fourth globally and second in the MENA region for Islamic finance development in 2021. It also secured the top spot in Islamic finance regulation.



Cryptocurrencies can help limit exposure to macroeconomic pressures

# Crypto rush

Decentralised financing could play an important role in GCC countries' efforts to diversify their economies

The global decentralised finance market is forecast to exceed

**\$232bn**

by 2030

As GCC countries look to harness new forms of financial technology (fintech), expand their services and improve financial inclusion, governments are embracing decentralised finance (DeFi) and working to attract cryptocurrency companies. DeFi – peer-to-peer financial services with no central authority or intermediary involved in trading, lending and investing – is seen by GCC countries as an opportunity to diversify their economies and embrace Web3 technologies, such as blockchain, the internet of things and artificial intelligence. A January 2023 report from economic consultancy Zion Market Research forecasts the global DeFi market to grow at a compound annual growth rate of 42.6% from 2022 to 2030, with its value exceeding \$232bn by 2030.

**REGULATORY PROGRESS:** Developing the DeFi sector will require transparent regulations to attract foreign companies. In April 2023 the Abu Dhabi Global Market's Registration Authority proposed a legislative framework for distributed ledger technology that targeted disclosures, insolvency and governance structures. That same month, the UAE's Securities and Commodities Authority started accepting licensing applications for companies to provide cryptocurrency services after crafting a mandatory licensing regime that mirrored the regulatory framework published by Dubai's Virtual Assets Regulatory Authority in February 2023.

Oman set up a high-level task force in September 2021 to study the economic advantages of cryptocurrencies. In February 2023 its financial markets regulator, the Capital Market Authority, took steps towards legalising and regulating DeFi products by enlisting consultancy firm XReg Consulting Limited and law firm Said Al-Shahry and Partners to advise on developing a regulatory framework for the virtual asset industry.

Bahrain hopes to develop an ecosystem for cryptocurrency services, having implemented crypto-asset regulations for licensing. This allowed for cryptocurrency exchange Binance to officially launch its first platform in the GCC in the kingdom in January 2023.

**EASE OF TRANSACTIONS:** With high interest rates in the US and inflation weakening many fiat currencies, cryptocurrencies and the decentralised exchanges on which they are traded allow users in emerging markets to limit their exposure to macroeconomic pressures and ease transaction flows. DeFi offers significant advantages, as it lowers fees due to the lack of intermediaries, enhances transparency and security with blockchain technology, and creates seamless transactions among accounts and entities with no centralised entity.

Cryptocurrencies as an asset class have seen a significant decline since the second half of 2021, prompting banks and financial institutions to question their sustainability. This was seen most prominently after the collapse of the cryptocurrency exchange FTX in November 2022. Western markets remain skittish, not least after international media reported in May 2023 that Binance had commingled customer funds with company revenue in 2020 and 2021.

The largest growth in cryptocurrency adoption in 2022 was in the MENA region, with \$566bn in crypto transactions recorded from July 2021 to June 2022, up 48% from the same period the previous year. Cryptocurrency transactions were up 40% in Latin America, 36% in North America, 35% in Central and Southern Asia, and 22% or less in other regions, according to a report from Chainalysis. Turkey was the largest cryptocurrency market in MENA with \$192bn in transactions, followed by Egypt, Lebanon, Saudi Arabia and the UAE.

To improve security, several companies have launched stablecoins, which are pegged to a reference asset such as fiat currencies, exchange-traded commodities or other cryptocurrencies like Bitcoin or Ethereum. If Gulf countries can continue to build on their regulatory momentum and attract DeFi, and companies and citizens in emerging markets continue to embrace cryptocurrencies and the DeFi model, there are significant opportunities for Gulf-based exchanges to become global leaders in the emerging technology.

Bahrain hopes to develop an ecosystem for cryptocurrency services, and its crypto-asset regulations paved the way for Binance to launch in the kingdom in January 2023.



# Insurance

National health coverage initiative to be rolled out

Increase in medical and motor claims drive growth

Financial technology developments to boost the sector

International regulatory measures come into effect





As of June 2022 there were 21 local and 10 international providers

# Premium gains

## Upcoming rollout of mandatory health care programme and increased digitalisation set to shake up the domestic market

The Central Bank of Bahrain was the first authority in the region to recognise the *takaful* (Islamic insurance) business in 2005 and issues regular updates for the sharia-compliant segment.

With the countdown to full implementation of the new national health insurance programme (Sehati) well advanced, FY 2023/24 could see a major boost for Bahraini insurers, with opportunities in health for both conventional and *takaful* (Islamic insurance) firms. The private medical segment has already benefitted from enhanced awareness of the scheme, while other non-life lines of business showed growth during FY 2021/22.

Meanwhile, life and life *takaful* continue to be constrained by relatively low awareness. This was made particularly acute by the Covid-19 pandemic and the economic uncertainty that followed, which led to a drop in policy retention rates. However, with the IMF projecting the kingdom's GDP to expand 3% in 2023 to \$44.9bn, sector hopes are high that more Bahrainis and expatriates will return to the life market.

**STRUCTURE & OVERSIGHT:** The Central Bank of Bahrain (CBB) is the top supervisory and regulatory body for the insurance sector, and is the sole issuer of licences for insurers and *takaful* firms in the kingdom. The CBB exercises its functions over the sector via the Insurance Supervision Directorate, which reports to the Executive Director Financial Institutions Supervision.

In addition, insurance and *takaful* firms engage in commercial activities and therefore also require licensing by the Ministry of Industry and Commerce (MoIC). The MoIC is also the jurisdictional authority for International Financial Reporting Standards (IFRS) in Bahrain, which are required to be met by all firms that are publicly traded. January 2023 saw Bahrain's insurers begin to operate under the IFRS 17 and IFRS 9 accounting standards, with the kingdom's insurers conducting dry runs of these frameworks in 2022. The *takaful* equivalents of these, Financial Accounting Standards (FAS) 43 and 30, were also in the process of being introduced in the kingdom as of May 2023.

As of June 2022 there were 21 locally incorporated firms in the sector, along with 10 foreign providers. Local companies consisted of 12 conventional insurers,

five *takaful* providers, two reinsurance companies, one *re-takaful* (Islamic insurance) firm and one captive insurer. The international branches comprised nine conventional insurers and one reinsurer.

The sector is covered by a number of laws and authorise issued by the CBB, starting with Law No. 17 of 1987, the Bahrain Insurance Law, and more recently by Law No. 23 of 2018, known as the National Health Insurance Law (NHIL). In 2019 the CBB also issued rules for insurance aggregators, opening the way for further development of insurance technology.

The CBB was the first authority in the region to recognise the *takaful* business in 2005 and issues regular updates for the sharia-compliant segment. A major revision was introduced in 2015, harmonising local sharia-compliant firms with global, Solvency II standards. Bahrain's *takaful* and *re-takaful* companies also have their own sharia compliance boards.

Another key institution in the sector is the Bahrain Insurance Association (BIA), which has around 50 members, including both local and foreign insurance and reinsurance companies, brokers and other service providers. With a reputation for stability, Bahrain has also been home to the Arab War Risks Insurance Syndicate, the Middle East's main provider of insurance and reinsurance cover for this niche segment since 1980.

**KEY PLAYERS:** The sector is dominated by three insurers, which together accounted for around 90% of gross written premium (GWP) in 2022. Gulf Insurance Group (GIG) Bahrain has long been the leading insurer in terms of GWP, accounting for BD85.4m (\$226.5m) in 2020, or 51% of the sector's total. In 2021 the company recorded BD92.7m (\$245.9m) in premium, a figure that rose to BD104.3m (\$276.7m) in 2022. With CBB figures showing total premium for the sector in September 2022 at BD204.9m (\$543.5m), this would give the company a similar, 50% market share in 2022 as in 2020.

The second largest insurer is Bahrain National Holding (BNH), which had a 22% share of GWP in 2020. BNH

In 2022 the top-three insurers accounted for around

90%

of gross written premium in Bahrain



has a number of subsidiaries, including Bahrain National Insurance (BNI), which issues general insurance policies; Bahrain National Life Assurance; and iAssist Middle East, which provides vehicle assistance services. Its associate, United Insurance Company, issues motor policies – including coverage for vehicles using the King Fahad Causeway to Saudi Arabia – while BNH also has health and medical interests in Health 360, the Al Kindi Hospital and the Al Bayrooni Dialysis Centre.

In 2020 BNH had BD36.7m (\$97.3m) in GWP, a figure that reached BD39.9m (\$105.8m) in 2021 and BD42m (\$111.4m) in 2022, at which point it was a roughly 20% market share. Third largest in terms of GWP is Solidarity Bahrain – the local subsidiary of Solidarity Group Holding, the kingdom's largest, stand-alone takaful provider. Solidarity Bahrain had an 18% market share in 2020, with the company's figures showing gross written contributions at BD30.2m (\$80.1m) that year, rising to BD31.6m (\$83.8m) in 2021. In 2022 that figure climbed to BD46.2m (\$122.5m), or around 22% of the total.

Other key insurance players include Arab Insurance Group and GIG Takaful International. In May 2023 GIG Takaful International announced that it was the first takaful player in the Gulf region to adopt FAS 43 and 30. Foreign insurers active in Bahrain include France-based AXA, Switzerland-based Zurich Insurance Group, New India Assurance, Saudi National Insurance Company and US-based Cigna Healthcare.

The kingdom is also home to a variety of captive insurers and captive insurance managers. Bahrain has a dedicated, captive-specific section in the CBB's regulatory framework, with this segment of the market seeing a recent uptick across GCC jurisdictions where such dedicated arrangements exist. An example of this is Bahrain-based Braxtone Insurance Management, which manages Saudi Arabia-based Alturki Holding's Masheed Captive Insurance Company.

**LINES OF BUSINESS:** According to the most recent figures from the CBB, medical was the largest line of business in the first nine months of 2022, responsible for BD61.2m (\$162.3m) in GWP, up from BD58.2m (\$154.4m) for the same period in 2021. Second was motor, with BD55m (\$145.9m) in GWP – up from BD52.8m (\$140.1m) for the same period the year before. Life, meanwhile, accounted for a total of BD32.2m (\$85.4m) of GWP over the same period.

Other key non-life lines include fire, property and liability, which recorded BD29.6m (\$78.5m) in the first nine months of 2022. Property insurance remains optional, however, with a high number of uninsured properties. "It is imperative for insurance providers to expand their services to include segments such as property, marine and engineering insurance services. Property insurance presents significant growth potential as a substantial proportion of properties in Bahrain currently lack coverage," Eman Salem Mojali, CEO of BNI, told OBG.

In the first nine months of 2022 medical took the largest share of GWP at 29.9%. Motor was next at 26.9%, followed by life (15.7%), fire property and liability (14.4%), engineering (3.3%), miscellaneous financial loss (2.6%), marine and aviation (2.5%), and other (4.8%). Out



Cryptocurrency regulation and open banking are among the kingdom's various financial technology offerings

of the BD204.9m (\$543.5m) total GWP recorded up to September 2022, BD114.1m (\$302.7m) was written by conventional local companies and BD58.1m (\$154.1m) by takaful companies, while foreign firms accounted for BD32.7m (\$86.7m). Given a domestic sector total of BD172.2m (\$456.8m), the local industry broke down to 66.3% conventional and 33.7% takaful.

**PERFORMANCE:** Bahrain's GDP contracted by 4.9% in 2020 as a result of the global economic slowdown caused by the pandemic. This was followed by a return to positive growth of 2.2% in 2021. Increases in oil prices of around 50% were a factor in this recovery in 2021, with prices continuing to rise in 2022. At the same time, 2022 also saw non-oil growth in Bahrain reach 6.2%, according to the Ministry of Finance. This delivered overall GDP growth of 4.9% for 2022.

This recovery was also evident in the insurance sector, where the top three players recorded significant growth. For GIG Bahrain, profit attributable to shareholders was BD4.8m (\$12.7m) – a company record, and up 14% from the 2021 level of BD4.2m (\$11.1m). GIG Takaful International also recorded 8% profit growth, to contribute BD1m (\$2.7m) to overall group profit. GWP increased 12% from BD92.7m (\$245.9m) in 2021 to reach BD104.3m (\$276.7m) in 2022 crossing the BD100m (\$265.3m) mark for the first time.

Similarly, BNH saw its net profit rise 4.9% from BD6.7m (\$17.8m) in 2021 to BD7m (\$18.6m) in 2022, as GWP went from BD39.9m (\$105.8m) to BD42m (\$111.4m). Solidarity Bahrain, meanwhile, reported its net profit up from BD3.3m (\$8.8m) in 2021 to BD4.6m (\$12.2m) in 2022, as gross contributions rose from BD31.6m (\$83.8m) to BD46.2m (\$122.5m).

For the top insurers, investment income saw significant growth in 2022. BNH, for example, saw an increase of 16%, to BD3.9m (\$10.3m). At the same time, medical and motor claims rose between 2021 and 2022, largely as a consequence of the pandemic. Underwriting profits either fell or remained relatively flat – GIG Bahrain,

Bahrain is home to a variety of captive insurers and insurance managers, with the captive market seeing a recent uptick across GCC jurisdictions with such dedicated arrangements.

In the first nine months of 2022 medical took the largest share of total premium at 29.9%, followed by motor (26.9%), life (15.7%), and fire property and liability (14.4%).



The national health coverage scheme will begin implementation in 2023

Overall, gross claims were up 2% year-on-year in September 2022, with engineering seeing a 349% increase, motor rising by 21% and medical by 6%.

for example, saw underwriting profit fall from BD4.5m (\$11.9m) in 2021 to BD3.8m (\$10.1m) in 2022, while BNH's underwriting profit fell slightly, by around 0.6%.

Overall, gross claims were up 2% year-on-year in September 2022. Engineering claims were up 349%, motor claims by 21%, medical claims by 6%. Retention ratios dropped in life, from 87% to 80% over the same period, while other lines showed greater stability. Fire, property and liability increased slightly, from 13% to 15%, as did motor, from 96% to 97%. Loss ratios generally increased, from 56% to 66% in life, 5% to 37% in fire, property and liability, and 52% to 61% in motor.

Meanwhile, motor saw an increase in the number of policies issued – from just over 1m conventional and 142,954 takaful policies issued by Bahraini insurers in the year to September 2021, to 3m conventional and 146,662 takaful in the same period of 2022, as Bahrainis began to travel again following pandemic-related lockdowns and other mobility restrictions. A decline

in car sales, due both to the pandemic and then the introduction of value-added tax on January 1, 2022, slowed further growth, however, as did global supply chain issues. One concern among motor insurers is that declining sales means an ageing vehicle fleet, which may be reflected by a future growth in claims.

Conventional insurance policies of all kinds issued by Bahraini firms rose from 1.1m in the first nine months of 2021 to 3.1m in the same period of 2022. The respective numbers for Bahraini takaful policies were 181,350 and 191,126. This demonstrates the major role motor has as a line for takaful firms. Foreign insurers, meanwhile, saw the number of policies issued rise from 55,274 to 67,660. For these overseas-based entities, motor, engineering and life were the largest lines.

**MERGERS:** With the market continuing to be highly competitive, more mergers and acquisitions may also now be on the horizon. In March 2023 BNH announced that it was looking at the takaful market in particular, with plans to acquire one or more of Bahrain's smaller Islamic insurers. This would also help diversify BNH's business lines. At the same time, there has been a new entrant into the brokerage business. The UK's Howden Group received its licence from the CBB in April 2023, with Howden Bahrain now set to provide brokerage and risk advisory services across a range of lines of business.

The year 2022 also saw progress in the Bahrainisation of the insurance sector. In June 2022 the CBB issued a new directive requiring insurance and takaful companies to establish an internal actuarial unit, with a Bahraini national appointed in preparation for them qualifying in the role by 2029. As of mid-2023 the Bahrainisation rate for insurance and re-insurance activities was 50%, regardless of the size of the enterprise or whether it was a local company or a branch of a foreign-headquartered entity.

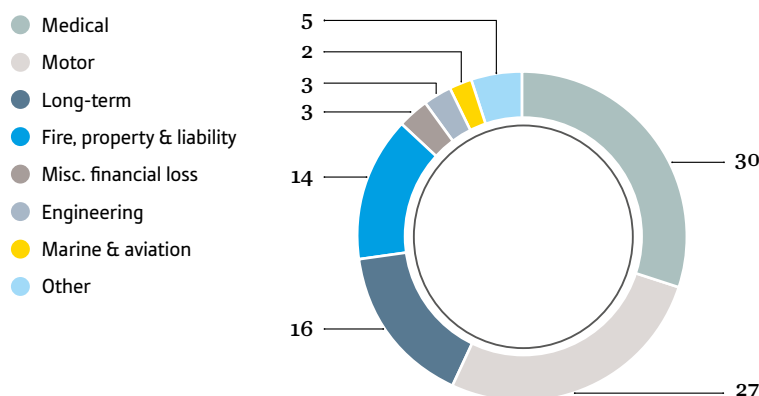
Additionally, in November 2022 the CBB announced environmental, social and governance (ESG) disclosure guidelines for the financial sector, with reference to insurers and banks. These are expected to be issued in 2023 and follow an ESG reporting survey by the CBB earlier in 2022. Listed insurers have Bahrain Bourse's 2020 ESG Reporting Guidelines available to them, with both codes aiming to ensure transparency in ESG reporting, according to international best practices.

**HEALTH COVERAGE:** The NHIL set forward a scheme for mandatory health coverage in Bahrain, with an initial target of January 2019 for completion. Pandemic-related disruptions delayed its implementation, but the scheme is set to be rolled out in the 2023-24 period.

Indeed, in April 2023 the Ministry of Health announced that the scheme – known as Sehati – would be implemented for foreigners by the end of the year, while Bahraini citizens would be brought under it during 2024. A careful assessment phase is set to follow each stage of implementation, with a trial period without accounting or payment being run through 2023 by selected private and government health facilities. Sehati cards are also due to be rolled out in 2023.

The key body for the implementation of the new scheme will be the government-owned Supreme

#### Gross premium, September 2022 (%)



Source: CBB



Council of Health (SCH). In the first phase of the scheme, which applies to expatriates only, employers will be required to purchase health insurance for their foreign employees and their families from designated, licensed insurance providers. The SCH said that two packages will be available for expatriates, one mandatory and the other optional, with the first package to be provided by private companies and the Social Health Insurance Fund Authority (SHIFA), while the second package will be private provision only. Visitors will also be required to purchase coverage, with a mandatory package from SHIFA on offer to them in public facilities.

Phase two of the scheme will include Bahraini citizens, who currently receive free health care from SHIFA without limit – although they may also purchase private health insurance. Three packages will be available under the new scheme: the first, free and mandatory, will be government-funded and available at all SHIFA facilities; the second is an optional extra package, which can be provided by either SHIFA or private health facilities, at a government-subsidised rate; and third, a private package available in private and SHIFA facilities but wholly funded by the employer or beneficiary.

**TECHNOLOGY:** Financial technology (fintech) has been a key segment in recent years, with cryptocurrency regulation, open banking, robo advisory services and the region's first onshore regulatory sandbox among the kingdom's offerings. In addition, Bahrain FinTech Bay was the region's first fintech facility to launch in 2017, and is fully CBB regulated, with the CBB also launching the virtual innovation platform FinHub 973 in 2020.

Most fintech business in Bahrain is payments, transfers and remittances, and open and digital banking, with insurers offering basic online services to customers. More advanced insurance technology is also present, with Braxtone – the Bahraini representative of AIG – launching its motor claims recovery platform TASWEYA through the CBB regulatory sandbox in 2020.

Future opportunities could lie in facilitating embedded products, particularly in collaboration with telecoms firms. This includes services such as combining



Local insurers saw \$456.8m in premium in the first nine months of 2022

mobile phone theft insurance – both physical and cybersecurity – into a mobile phone contract, or home content insurance into a broadband connection.

**OUTLOOK:** With the kingdom in recovery, the insurance sector is expected to benefit from increased investment across the economy. At the same time, the mandatory health coverage scheme should be a boost for insurers selling licensed products for one of the available packages. Meanwhile, increased digitalisation should increase efficiency and help to cut costs. Tighter regulation will likely mean that smaller providers will face challenges, so the coming years could see more consolidation. It will be important to address long-standing issues in terms of awareness and education, and in life in particular, help the kingdom's insurers and takaful entities break into a wider market. The new, mandatory health scheme may assist in this, as Bahrainis become obliged to look at a variety of policy offerings and become more engaged with the sector.

Most financial technology business in Bahrain relates to payments, transfers and remittances, and open and digital banking. Future opportunities could lie in embedded products, particularly in collaboration with telecoms firms.

## Meeting your ever-changing insurance needs

+973 8000 8288 +973 3933 8288 bnisocial www.bnidirect.com

Insurance Company Licensed by the Central Bank of Bahrain

bni





Abdulla Sultan

## Premium progress

Abdulla Sultan, CEO, Bahrain Kuwait Insurance Company (GIG Bahrain), on the potential of new business lines and technology

**How do you assess the main priorities for the sector as relates to the Financial Services Development Strategy 2022-26?**

**SULTAN:** Digitalisation is essential to remaining competitive in today's fast-paced environment. Industry leaders are aware of the importance of digitalisation and are working towards bringing companies together to promote online channels. The shift from traditional ways of conducting business to digital transactions is evident, and the Covid-19 pandemic accelerated this process. While banking has been leading the digital revolution, the insurance industry has been making strides towards digitalisation.

Although the relatively small size of the local market compared to others in the region poses a challenge, higher levels of capitalisation will help the industry. The Central Bank is looking into the possibility of increasing or fine-tuning the minimum capitalisation requirements, which would allow local insurance companies to boost their competitiveness.

Consolidation through mergers and acquisitions is another priority for the insurance industry. This trend has been ongoing since 2015 and is a viable option for companies looking to expand, either locally or regionally. Through consolidation, companies can reduce costs and increase efficiency, which can ultimately lead to increased profitability. By embracing these strategies, the industry can keep up with other markets, and contribute to the country's economic growth and diversification efforts.

**What opportunities exist for the diversification of products and services in the local market?**

**SULTAN:** The insurance industry in Bahrain has experienced robust growth in recent years, with the general and medical insurance lines accounting for 84% of gross premium in the first half of 2022. This presents an opportunity for the industry to contribute further to the national economy. The

sector is currently dependent on reinsurance for net premiums, and as such it is crucial for companies to diversify in order to retain more premium and reduce their heavy reliance on reinsurance. Additionally, exploring new ventures such as insurance technology will help to add more value to consumers and companies, and drive innovation within the industry.

By leveraging technology, insurance companies such as GIG Bahrain can improve their service offerings, reduce costs and enhance the customer experience, all of which bolster competitiveness. Players in the sector also have the opportunity to explore new business lines presented by government initiatives. For example, the government plans to privatise the national medical scheme and shift coverage to insurance companies, a move that will enable local businesses to grow and create employment.

**By what means can consumer awareness be enhanced to support sustained growth?**

**SULTAN:** Inclusion and diversity are integral parts of the industry's growth strategies. For example, technology is key to providing seamless online services to younger people, underscoring why investing in technology ensures sustained growth. The facilitation of online transactions should ultimately raise awareness among younger generations on how insurance products and services benefit them.

It is important to note that there is often a lag before developments in other regions reach the GCC. This delay applies to changes in interest rates and inflation, and it also affects how the insurance sector reaches different segments of the population. As regional industry players, we must keep an eye on key developments in more mature and consolidated markets outside our region. However, it is also important to recognise that people in the GCC are unique. Therefore, we must also understand people's needs and create a specific growth strategy accordingly.



A new reporting standard is expected to boost capital in the sector

# Change ahead

## Emerging markets implement changes in line with updates to international accounting standards

Insurance companies worldwide have been preparing for the most significant change in global accounting standards in almost two decades. On January 1, 2023 the International Financial Reporting Standard (IFRS) 17 came into effect. Replacing the previous standard, IFRS 4, which was issued in 2004, IFRS 17 aims to standardise insurance accounting globally through a uniform approach in order to improve comparability and increase transparency. This is expected to help those in the industry better understand individual insurers' financial positions, performance and risk exposure.

The updated standard marks the first time a single IFRS accounting model applies to all types of insurance contracts. In addition, it seeks to align insurance accounting as much as possible with the general IFRS accounting of other industries. Given that a lack of transparency and consistency in financial reports is seen as a major deterrent by global investors, implementation of the new standard is expected to facilitate an increase in capital and finance in the insurance industry. IFRS 17 was developed by the International Accounting Standards Board, an independent body of the IFRS Foundation. As of July 2022, 146 jurisdictions required IFRS for all or most domestic, publicly accountable entities.

**IMPLEMENTATION CHALLENGES:** While seen as a positive step towards aligning international accounting practices and improving transparency, the introduction of the standard poses potential challenges for insurers in emerging markets.

The transition to IFRS 17 will require many insurance firms to alter their reporting practices. In addition to changes to financial statement presentation, industry analysts expect the new standard to accompany considerable data and IT upgrades, as it requires greater depth and quality of data. These requirements present numerous challenges for emerging markets, as insurers seek to balance

financial and human resource demands with the myriad benefits of adoption.

**EMERGING MARKETS:** As IFRS 17 went into effect at the start of 2023, the level of readiness among insurers varied by region, country and company. In a May 2022 report assessing the readiness of MENA countries, US credit ratings agency AM Best stated that despite few companies in the region being fully prepared for implementation, the more mature financial markets demonstrated a greater level of preparedness, particularly with regards to large, market-leading insurers.

Saudi Arabia has been particularly proactive on this front, with sector authorities requiring insurers to comply with a series of preparation and implementation milestones. For example, in December 2018 the Saudi Central Bank launched a four-phase plan for the insurance sector to transition to IFRS 17. In countries with less regulatory oversight and engagement with IFRS 17, the level of preparedness has been less consistent, and the transition has been largely market-driven and led by large insurers, according to the AM Best report.

The equivalent to IFRS 17 in the *takaful* (Islamic insurance) market is Financial Accounting Standard (FAS) 43, issued by the Accounting and Auditing Organization for Islamic Financial Institutions. In May 2023 Bahrain's GIG Takaful International announced that it had become the first takaful company in the region to implement FAS 43. Other conventional insurers across the kingdom began implementing IFRS 17 in 2023 after conducting dry runs of the updated standard the previous year.

The IFRS Foundation Trustees created the Emerging Economies Group in 2011 to assist with the adoption and application of IFRS in emerging markets. The group meets quarterly to discuss how members might incrementally implement the standard considering possible resource and financial constraints.

An updated financial reporting standard came into effect on January 1, 2023 that aims to standardise insurance accounting globally in order to improve comparability and increase transparency.

As of July 2022, 146 jurisdictions around the world required the new standard for all or most domestic, publicly accountable entities.





# Capital Markets

Efforts to diversify products offered on the bourse

Voluntary disclosure rules could attract investment

Frequency of listings expected to increase in future

Partnership agreements enable more cross listings





Bahrain's markets are being revitalised following the Covid-19 pandemic

## Investment horizon

Trading in listed companies looks set to grow as the country makes financial services a long-term economic priority

Bahrain Bourse, a self-regulated, multi-asset marketplace operator and shareholding company, conducts trading via nine licensed members through an automated system.

Bahrain's capital markets are being revitalised as the kingdom and the broader Middle East emerge from the Covid-19 pandemic-induced downturn. New regulations, partnerships with neighbouring countries and a national plan to boost the economy are all set to help drive growth in capital markets.

**STRUCTURE & OVERSIGHT:** The Central Bank of Bahrain (CBB) is the single regulator of securities trading in the kingdom, and its Capital Markets Supervision Directorate (CMSD) is responsible for supervising and regulating capital markets. The CBB rulebook includes a separate section that covers the activities undertaken on Bahrain Bourse (BHB).

The CMSD abides by global standards, including those of the International Organisation of Securities Commissions (IOSCO), and it is a signatory to the IOSCO multilateral memorandum of understanding concerning consultation, cooperation and the exchange of information. In July 2021 BHB adopted the Global Industry Classification Standard (GICS) for listed companies to be in line with international best practices and provide greater transparency.

Established in 2010 to replace the Bahrain Stock Exchange that initially launched in 1987, BHB is a self-regulated, multi-asset marketplace operator and shareholding company. Trading on the bourse is conducted via nine licensed members through an automated trading system. The bourse has two indices, the Bahrain All Share Index (BHBX) and the Bahrain Islamic Index. The larger BHBX is divided into seven sectors, in alignment with the GICS: communications services, with three companies listed as of May 2023; consumer discretionary, with five companies listed; consumer staples, with four companies listed; financials, with 21 companies listed; industrials, with three companies listed; materials, with one company listed; and real estate, with two companies and one real estate investment trust (REIT) listed. In addition, two non-Bahraini companies – Bank Muscat and Kuwait

Finance House (KFH) – are listed, as is Bahrain-based asset manager SICO as a closed company.

Bahrain Clear, a fully owned subsidiary of BHB, is the exchange's clearing, settlement and central securities depository system, using automated solutions to ensure trading is quick and efficient. It also maintains delivery versus payment on a T+2 basis, meaning that payments are settled by brokers no later than two business days after the execution of a trade. Bahrain Clear was admitted as a full member of the Arab Federation of Capital Markets (AFCM) in April 2023 after having met all of the membership criteria. More recently, in June of that year it was re-elected as the president of the Africa and Middle East Depositories Association and elected as vice-chair of the World Forum of Central Depositories.

Efforts to diversify products on the bourse include the 2015 listing of the Middle East's first tradeable *sukuk* (Islamic bond); the 2016 launch of the Treasury bills market; and the 2017 listing of the first – and as of May 2023 only – REIT, Eskan Bank Realty Income Trust.

BHB continues to tighten its regulatory regime. In January 2023 a framework for penalising issuers that violate listing rules came into effect. Penalties for non-compliance vary from the suspension of trading to fines ranging from BD500 (\$1330) to BD10,000 (\$26,500) for each violation, or up to BD100,000 (\$265,000) for cross-listed companies that have more than 30% of their share capital traded outside their primary market. A new violations committee established by the bourse will review cases and determine penalties, while a new disciplinary board will be responsible for hearing related appeals.

**INTERNATIONAL RECOGNITION:** BHB assumed the presidency of the AFCM in 2022, with an eye to enhance regional market connectivity as a crucial source of financing for regional economic and social development plans in the Middle East. BHB hosted the federation's annual conference virtually in March

In January 2023 a framework for penalising issuers that violate Bahrain Bourse's listing rules took effect, with penalties ranging from suspending trading to as much as \$265,000 in fines for cross-listed companies.



2022, which focused on topics including environmental, social and governance (ESG) practices, green financing, regulatory technology, the monetisation of market data and the digitalisation of capital markets.

BHB is opening up its services to new investors by hosting digital trading offerings. In April 2023 Al Salam Bank upgraded its sharia-compliant digital investment platform, Al Salam Invest, by launching Bahrain Trade, which enables retail clients to trade securities listed on BHB through the bank's mobile app. The app provides information in both Arabic and English.

In November 2023 BHB is set to host the 2023 Middle East Investor Relations Association Annual Conference and Awards, the largest investor relations event in the broader MENA region. The event is expected to help expand BHB's role in attracting investment, as well as highlight the importance of transparency and corporate governance.

**PRIORITIES & PLANS:** BHB is a major component of the financial services sector, which is a priority of Bahrain Economic Vision 2030, the kingdom's long-term socio-economic development plan. In October 2021 Bahrain launched the Economic Recovery Plan (ERP) to boost growth and improve its fiscal balance. The plan is based around launching strategic projects, simplifying business procedures and creating jobs.

Part of the ERP is the Financial Sector Services Development Strategy 2022-26, which aims to keep the share of financial services in the kingdom's GDP in the range of 20% up to the end of 2026, and increase to 25% afterwards. The strategy also aims to create 3000 job training opportunities per year through the end of 2024, which should support the development of capital markets. A July 2022 Boston Consulting Group report forecast that Bahrain's private financial wealth – cash, deposits, bonds, equities, investment funds, life insurance and pensions, but not real assets – would grow by around 4% every year to nearly \$99bn by 2026.

Various aspects of the financial services sector are aligning with the national plan, raising the chances of success. For example, the Bahrain Chamber of Commerce and Industry is advocating for a new law to help attract foreign capital and promote technological advances in key sectors. Another example is the Golden Licence scheme launched in April 2023 to provide incentives and streamline services for local and foreign companies overseeing projects that are expected to create more than 500 jobs or have an investment value greater than \$50m.

The ERP is supported by the Financial Services Sector Development Strategy 2022-26, the goals of which include an increase of 20% in the participation of individuals and institutions in public debt primary issuance, and the listing of five companies on the Bahrain Investment Market (BIM). It also includes broader objectives, such as encouraging initial public offerings (IPOs) on BHB's main board; upgrading the equity market classification on MSCI & FTSE to Emerging Markets status; coordinating more closely with other GCC exchanges for cross-listings; establishing regional and international links between clearance, settlement



Bahrain could see private financial wealth grow by 4% annually starting from 2022 and reach \$99bn by 2026

and central depository systems; further automating investor services; and creating a direct trading system for government securities on the secondary market.

**BIM:** The BIM is Bahrain's equity market for newer companies seeking growth capital, offering issuers relaxed disclosure requirements and fewer admissions requirements, as well as fast-track access for international investors to Bahrain's most dynamic companies.

Launched in March 2017, the BIM – envisaged to help drive innovation in strategic sectors under Vision 2030, including ICT, logistics, manufacturing, tourism and real estate, among others – initially had limited success in meeting its objective of bridging the funding gap for companies with high growth potential that had yet to meet the criteria for an IPO. For example, Sprinkle Holdings, a financial technology (fintech) firm that was the first company to list on the BIM, had to contend with a constrained investment environment due to the pandemic, leading to it delisting from the BIM in October 2022. However, recent reforms have breathed new life into the market.

Companies do not need any share capital, which refers to all funds raised in exchange for shares, to be listed on the BIM. However, companies must have a minimum paid-up capital – meaning the amount of money received from shareholders in exchange for stock – of BD250,000 (\$663,100) or its equivalent in other currencies to be listed. Although BIM registration fees are BD1650 (\$4380), sponsor fees run to BD2200 (\$5840) per year, undermining the market's core objective of funnelling growth capital to companies operating on tight margins.

Recognising this challenge, in April 2023 BHB revised its rules for the BIM, removing a provision that required companies to appoint a sponsor to manage their listing and allowing them to apply directly through the bourse. This is expected to lower the cost of listing on the BIM and streamline oversight. The move made an immediate impact, with one company

The Golden Licence scheme provides incentives and streamlines services for foreign and local businesses overseeing projects that are expected to create more than 500 jobs or have an investment value greater than \$50m.

The Bahrain Investment Market is for newer companies seeking growth capital, offering relaxed disclosure requirements and fewer admissions requirements.



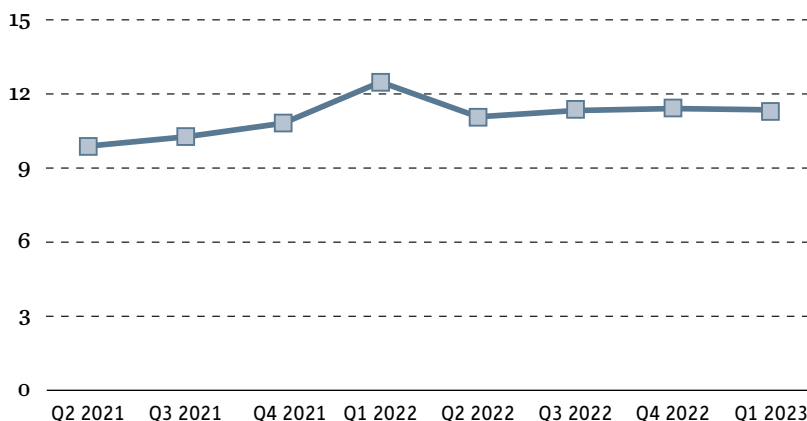
The Bahrain All Share Index recorded annual growth in 2021 and 2022

Bahrain Bourse hopes its improved environmental, social and governance framework will attract some of the estimated \$33.9trn in international capital flows expected to be invested in such initiatives by 2026.

being listed on the BIM in April 2023. More companies are expected to follow suit, as the economic outlook for the kingdom continues to look favourable.

**TRADING ACTIVITY:** The BHBX recorded solid annual growth in 2022, up almost 5.5% and closing at over 1895 points, marking its second consecutive year of gains after ending 2021 at more than 1797 points. Market capitalisation was BD11.4bn (\$30.2bn), up from BD10.8bn (\$28.6bn) at the end of 2021. In March 2022 the benchmark index reached a 14-year high of 2122.51 points, although its performance moderated as the year progressed. The Bahrain Islamic Index, which tracks sharia-compliant equities, was down 11.8% for the year, closing 2022 at just over 663 points after finishing 2021 at nearly 752 points. Notably, financial services companies comprised almost three-quarters of the total volume of shares traded in 2022. Bahraini investors accounted for about two-thirds of the total value of shares traded that year, with overseas investors accounting for the remainder.

#### Market capitalisation, 2021-23 (BD bn)



Source: BHB

The market's overall trading value declined by 13.2% to BD170m (\$450m) in 2022, while the overall volume fell by 47.3% from over 1bn shares in 2021 to 540m shares in 2022. This was followed by a notable increase on the BHBX in the first quarter of 2023, as the value of shares traded reached BD65m (\$172.4m) and their volume reached 247.2m, compared to BD30.7m (\$81.4m) and 102.4m, respectively, in the first quarter of 2022. The split between Bahraini and non-Bahraini investors participating in the market was nearly even during the quarter. As of the end of April 2023 the BHBX was at just over 1904 points, while the Bahrain Islamic Index was at over 682 points.

**ESG RULES:** In October 2022 consultancy PwC predicted that institutional investment in ESG would increase by 84% globally to \$33.9trn by 2026, up from \$18.4trn in 2021. This expansion would give ESG a share of more than one-fifth of global institutional investment. Stock exchanges in the Gulf, including BHB, hope to attract significant proportions of these capital flows by improving disclosure frameworks.

In January 2023 the GCC Exchanges Committee, which comprises five national exchanges plus the bourses from Abu Dhabi and Dubai, launched a set of voluntary disclosure metrics featuring 29 standards. They are aligned with the World Federation of Exchanges and the Sustainable Stock Exchanges Initiative, covering categories such as greenhouse gas emissions, energy and water usage, gender pay, employee turnover, data privacy and ethics.

While the standards are voluntary, they are expected to allow institutional investors and exchange-traded funds to assess which Bahrain-listed companies qualify for ESG investment and allocate their portfolios accordingly. This development builds on the progress made by BHB to enhance ESG adoption and reporting, including the launch of its own voluntary reporting guidelines for listed companies in June 2020, which were then updated in December 2022.

**PARTNERSHIPS:** Following the signing of a cross-border cooperation agreement in November 2021, BHB and the Abu Dhabi Securities Exchange launched Tabadul, the first digital exchange hub in the region, in July 2022. Based on a mutual market access model, Tabadul is a form of capital market connection that permits investment across participating bourses, allowing investors to trade directly on both exchanges through licensed brokers. The Muscat Stock Exchange joined Tabadul in January 2023, further enhancing the cross-tradeable pool of liquidity in the region. Tabadul is indicative of a regional focus on deepening the liquidity pools available in each individual market, an effort that could boost cross-listed investment.

Between 2016 and August 2022 GCC stock exchanges witnessed 90 IPOs, the largest number of new IPOs globally for that period, raising a total of nearly \$56bn, according to the Kuwait Financial Centre. This illustrates the GCC's positive trajectory, driven by a combination of relatively high energy prices, a commitment to reforms aligning local capital markets with global regulatory standards, and a spirit of



cooperation spawning new exchange connections akin to those linking Shanghai, Hong Kong and Singapore.

**IPOS & PLANNED LISTINGS:** In October 2022 KFH shares began trading on BHB. “The cross-listing will enhance liquidity in the market, and contribute to the positive activity of both markets, allowing access to more potential investors and more capital-raising opportunities given that shares are being traded in more than one market worldwide,” Hamad Abdulmohsen Al Marzouq, chairman of KFH, told local media at the time of the cross-listing. KFH was the only listing BHB attracted in 2022, but there is significant optimism around the potential for new companies to debut in 2023, particularly since the GCC saw 48 IPOs in total in 2022, raising nearly \$23bn in the process.

Sheikh Khalifa bin Ebrahim Al Khalifa, CEO of BHB, said at the AFCM virtual conference in March 2022 that Bahrain aimed to list five government-owned companies that year. Although the listings had yet to take place as of mid-2023, the statement is a clear indication of the direction the kingdom wishes to go, opening up previously closed sectors to broader public ownership and transparency. One sector to watch is energy, which is undergoing a wide-ranging restructuring process that could lead to the privatisation of non-core assets (see Energy & Utilities chapter).

**DEBT MARKETS:** Bahrain has struggled to balance its public finances in the wake of a slump in oil prices in 2014 and the pandemic, which limited the effect of a \$10bn regional fiscal support package pledged to Bahrain in October 2018 by its neighbours in the Gulf.

Despite high global oil and gas prices in 2022, Bahrain posted a fiscal shortfall, albeit a reduced one. Trade credit insurance company Allianz Trade forecasts that a moderate fiscal deficit will persist in the medium term and notes that Mumtalakat is a relatively small sovereign wealth fund, with about \$18bn in assets under management. This limits the kingdom's ability to use its investment returns to pay down public debt, which was nearly 118% of GDP in 2022.

As of November 2021 Mumtalakat had a long-term issuer default rating and senior unsecured credit rating of “B+” with a stable outlook, according to Fitch Ratings, which puts the fund's rating on par with the country's sovereign rating. In support of its largely positive ratings, Fitch notes that Aluminium Bahrain, of which Mumtalakat owns 69.4%, has become one of the largest and most advanced aluminium smelters in the world, and that Mumtalakat's key portfolio companies together employ about 12,000 workers.

In April 2023 Bahrain attracted over \$7.8bn in combined orders for sovereign sukuk and conventional bonds, prompting the CBB to tighten its guidance to around 6.5% for the seven-year sukuk and 7.75%-7.875% for the 12-year notes. The successful sale represented the first time Bahrain had tapped public debt markets since 2021, following a reduction in the kingdom's credit risk. Standard & Poor's Global Ratings in November 2022 raised the outlook on Bahrain's sovereign debt to positive in light of continued efforts to reduce the budget deficit and high oil prices, as



One economic sector that could see listings in the future is energy, as non-core assets may be privatised

hydrocarbons account for about three-quarters of government revenue. In February 2023 some legislators introduced a bill to prevent public debt increasing beyond a notional 60% of GDP and enact a stipulation that the CBB provides more transparency about the holders of government development bonds (GDBs).

BHB allows both Bahraini and international investors to trade GDBs – which the government uses to secure project financing – on the secondary market. For example, in July 2022 the CBB issued a five-year, BD200m (\$531m) GDB with an annual fixed return of 6.2%. At the close of 2022 BHB had 18 listed bonds and sukuk, as well as 34 Treasury bills.

As for corporate debt, in May 2023 Bapco Energies, Bahrain's national oil and gas company, returned to international capital markets with a 10-year *murabaha* (cost-plus financing) trust certificate that is set to mature in May 2033, as well as offered a tender for cash on \$750m in notes that are set to mature in 2024.

**OUTLOOK:** Although Bahrain's capital markets have yet to enjoy the same wave of listings seen on neighbouring exchanges, the bourse has taken steps to update regulations and boost investor confidence. How quickly the kingdom can meet its target of catalysing \$30bn in strategic infrastructure projects will be key to galvanising investor interest in local companies, as they tap into the opportunities that major capital expenditure creates for both those already on the bourse and potential new IPO applicants.

Bahrain's banks are emerging from the pandemic in good health, and investors are likely to be attracted by possible higher returns as interest rate spreads expand due to the global push to cap inflation by implementing rate hikes. Interested parties should keep a close eye on whether Bahrain can translate its thriving fintech scene – illustrated by some 20 companies currently operating in its regulatory sandbox – into new listings on the BIM. Tabadul is also a new addition to the region's capital market offerings.

There is optimism around the potential for new companies to debut on Bahrain Bourse in 2023, particularly since the GCC saw 48 initial public offerings in 2022.

Investors can trade Bahrain's government development bonds – which the kingdom uses to secure project financing – on the secondary market.





Sheikh Khalifa bin Ebrahim Al Khalifa

## Market strength

Sheikh Khalifa bin Ebrahim Al Khalifa, CEO, Bahrain Bourse (BHB), on regional cooperation to promote investment and strengthening local financial awareness

**What are the main priorities when it comes to enhancing liquidity in the local capital markets?**

**SHEIKH KHALIFA:** In a bid to grow the region's capital markets, in July 2022 the Tabadul Hub was created by BHB, the Abu Dhabi Securities Exchange and the Muscat Stock Exchange and launched. Our exchanges share the aim of creating a broader investor base and providing more options to satisfy appetite in the region. Tabadul also provides investors with access to investment opportunities across the three exchanges using a single account or identifier.

As the region witnesses growth in initial public offering (IPO) activity, the interconnectedness of Tabadul means that a single IPO on a particular market can be accessed through most of the other exchanges. The platform will not only have an impact on trading volume within a specific market, but will also increase the number of investors interested in participating in regional IPOs. With the region at the centre of global IPO interest, the goal is to ensure that opportunities are spread across the various markets and that Tabadul sets the stage for integration in the coming years.

At present, Tabadul Hub consists of three connected exchanges, with more interest being generated from other markets within the broader MENA. Connecting all of the exchanges in the region would represent a fundamental shift that would not necessarily be easily accepted by some capital markets authorities. In this sense, Tabadul plans to advocate investor passporting and further facilitate investor onboarding.

**In what ways does a country's emerging market status translate into passive inflow?**

**SHEIKH KHALIFA:** International indices providers use specific criteria to determine a country's classification including size and liquidity measurements, and market accessibility factors. Beyond technical frameworks and revised regulations, a classification upgrade can have a ripple effect across the economy and improve a

country's business attractiveness. The biggest material effect of an index upgrade is the amount of funds a country's capital markets can attract, mainly reflected by the country's weight within global indices.

**How do you assess Bahrain's progress in efforts to improve financial literacy in the general population?**

**SHEIKH KHALIFA:** BHB is developing educational programmes to improve knowledge and financial literacy in order to enable effective decision-making. The programmes focus on individuals of all ages, with the Smart Investor programme targeting children in elementary schools, and the TradeQuest programme focusing on students in secondary schools and universities.

Through collaboration with the Bahrain Institute of Banking and Finance, BHB offers free and professional-level courses. It also endorses a capital markets apprenticeship programme that offers on-the-job training aimed at Bahraini graduates seeking practical experience within the capital markets. The programme stems directly from BHB's belief in the importance of fostering investment awareness and instilling financial literacy across various age groups.

**To what extent do environment, social and governance (ESG) principles align with investor interests?**

**SHEIKH KHALIFA:** The ESG agenda is becoming increasingly important and relevant, particularly with recent changes by the International Financial Reporting Standards and the endorsement of the International Sustainability Standards Board. BHB has been working with listed companies to adapt ESG measures locally, while also looking to work with other exchanges in the GCC to unify disclosure guidelines. Having regionally endorsed ESG standards will encourage businesses, listed or otherwise, to adapt sustainable practices. BHB will continue to review ESG requirements to ensure that organisations are disclosing and reporting effectively and the interests of investors are fully safeguarded.

The growing number of successful listings has attracted investor interest

# On the up

## The macroeconomic climate is set to boost public offerings

The GCC saw a rise in initial public offerings (IPOs) in 2022 despite volatility in secondary markets, surpassing the previous year's record high. The total number of IPOs in the region increased from 20 in 2021 to 48 in 2022, marking a 140% rise, and proceeds from GCC issuers increased by 211% from \$7.5bn to almost \$23bn over the same period.

The growing number of successful IPOs in the region has resulted in greater interest from investors. Following an uptick in activity in the UAE and Saudi Arabia, in 2022 the two Gulf countries ranked third and sixth, respectively, in terms of full-year IPO proceeds in global markets. Much of the activity observed that year was the result of various government initiatives, such as Saudi Vision 2030 and the UAE's national blueprint, We the UAE 2031.

**SUCCESS AMID TURBULENCE:** IPOs remained buoyant in the GCC throughout 2022 despite some volatility in secondary markets, such as the MSCI GCC Countries Combined Index. The index saw a modest increase of 1.2% in the first half of 2022, followed by a significant decrease of 7.5% in the second half of the year. The index's performance was affected by oil prices, which rose by 55.1% in the first half of 2022 only to drop by 30.9% in the second half of the year. The resilience was largely due to the confidence shown by regional issuers in the business fundamentals of their companies and their effective communication with the market, which helped to generate a high level of investor appetite. Additionally, the strong performance of certain sectors in the region – such as technology and renewable energy – contributed to the durability in the face of challenging global conditions.

The GCC has yet to experience the IPO downturn that has affected many markets around the world. Global financial volatility has resulted in a drop in IPO activity outside the region, which has helped GCC companies sell equity at high valuations. In 2022

capital markets around the globe struggled due to various factors, including the impact of the Covid-19 pandemic, inflationary pressures, geopolitical tensions and policy decisions by central banks to tighten monetary policy. As a result, the frequency of equity issuances declined. Some countries even saw a halt in issuances, making 2022 a difficult year for IPOs. Compared to 2021, global IPO proceeds fell by over 70%, with IPO earnings in US markets down by 90%, and markets in the UK and Europe seeing a significant downturn. In 2022 IPOs generated \$173bn in proceeds through 1154 IPOs, compared to \$618bn via 2682 offerings in 2021.

**REGIONAL GROWTH:** GCC countries are a prime target for investors seeking to profit from high oil prices and other factors. Kuwait, Qatar, Saudi Arabia and the UAE collectively accounted for over 7% of the total MSCI Emerging Markets Index as of December 2022, a marked improvement on the GCC-wide share of 1.2% in 2017, according to a report from financial services firm EFG Hermes. The region's weight is expected to experience significant growth in the coming years due to its efforts to invest heavily in infrastructure, promote economic diversification and open up to foreign investment.

Kuwait Finance House was the only listing that Bahrain Bourse (BHB) witnessed in 2022, but there is optimism around the potential for new companies to debut on the exchange in 2023, particularly due to the wave of IPOs that other markets in the GCC witnessed during the previous year. Comments made by Sheikh Khalifa bin Ebrahim Al Khalifa, CEO of BHB, at the end of the Arab Federation of Capital Markets' annual conference in March 2022, are indicative of the kingdom's overall confidence; he stated that Bahrain expected to see five listings that year. One sector to watch is the energy sector, which is undergoing a wide-ranging restructuring that could lead to non-core assets being privatised.

Proceeds from GCC issuers rose by

# 211%

in 2022

Bahrain Bourse is optimistic about potential new companies debuting in 2023, particularly due to the wave of initial public offerings that markets in the GCC saw in 2022.



The investment pipeline in the GCC is likely to be driven by efforts to privatise government-owned assets

After trading volumes dropped by nearly half in 2022, Bahrain Bourse saw a rebound in the first quarter of 2023, with volumes surpassing 247m compared to a little more than 102m in the first quarter of 2022.

In March 2023 it was reported that Bahrain-based alternative assets manager Investcorp Holdings was considering listing an investment vehicle on the Abu Dhabi Securities Exchange. Initially listed on BHB for nearly four decades, the holding company delisted from the exchange in 2021 due to low trading volumes. Volumes on BHB saw a significant decline in 2022, falling by nearly half from more than 1bn shares in 2021 to 540m shares the following year. However, the beginning of 2023 saw these volumes begin to rebound, surpassing 247m in the first quarter of 2023 compared to a little more than 102m in the corresponding period in 2022.

In 2022 Saudi Arabia maintained its position as the leader in IPO issuance among countries in the GCC region, with 34 out of 48 IPOs in the region debuting on either the Saudi Exchange or Nomu – Parallel Market, an alternative market with less strict listing requirements. This demonstrated the fact that, despite global headwinds, investors were still being drawn to the country's market.

The UAE was top in terms of IPO earnings, receiving nearly 59.7% of issuance proceeds, or around \$14bn, from its 11 issuances in 2022. The UAE was home to the two largest IPOs in the region that year, with the Dubai Electricity and Water Authority (DEWA) raising \$6.1bn from its listing on the Dubai Financial Market in April and polyolefins manufacturer Borouge raising \$2bn on the Abu Dhabi Securities Exchange in May, highlighting the attractiveness of such offerings. In addition, the joint Abu Dhabi-Riyadh listing of Americana, a MENA food franchisee, raised \$1.8bn in late 2022. The company had previously been listed on Boursa Kuwait but was privatised in 2017 for \$3.5bn. The organisation's new owners valued the company at \$6.2bn. The IPO was the first dual listing on the Saudi and Abu Dhabi exchanges, and it highlighted the progress that GCC markets have made, including in

terms of inter-exchange cooperation. This progress showed that the GCC has the potential to become a major player in international capital markets.

**SUCCESSFUL LISTINGS:** Dubai's IPO pipeline was notably robust in 2022. The March 2022 listing of DEWA was the largest IPO in the GCC that year, raising \$6.1bn at a time when global investors were looking for profitable opportunities amid general uncertainty. The offering size increased substantially, with 8.5bn shares sold at Dh2.48 (\$6.45) each, up from an initial 3.3bn shares. As of early 2023 DEWA was the largest company by market capitalisation on the Dubai exchange. DEWA drew the interest of investors due to its consistent cash flow and potential for dividends. These factors were also evident in other major Dubai listings in 2022, when Salik, Empower and TECOM Group – all of which are majority government-owned entities – raised a collective \$2.2bn between them.

Several important consumer-focused organisations were also listed in 2022. For example, Jeddah-based Nahdi Medical Company raised \$1.4bn from an IPO in March 2022. In October 2022 health care operator Burjeel Holdings listed on the Abu Dhabi market, raising \$300m in the process. Taaleem, an educational company based in Dubai, raised \$205m in a November 2022 listing on the emirate's exchange, highlighting the wider UAE's economic diversity. These listings demonstrate that smaller organisations that operate using innovative business models are increasingly sharing space in capital markets with larger, government-related companies.

**PROSPECTS:** Despite the potential risks posed by interest rate hikes, geopolitics, and the volatility in secondary stock markets and oil prices, 2022 saw strong IPO activity, and this trend could continue into 2023. As of May 2023 the GCC IPO pipeline looked promising, with an estimated 20 to 40 companies involved in both announced and possible IPO issuance. In the first quarter of 2023 alone companies raised \$3.5bn through IPOs, and the region continues to attract strong interest from international investors driven by high oil prices.

The pipeline is likely to be strengthened in the coming years by efforts to privatise government-owned assets as part of the GCC's broader economic diversification and private sector development plans. For example, Oman is aiming to privatise more than 30 government-owned firms over 2021-25. The Oman Investment Authority, the sultanate's sovereign wealth fund, plans to exit eight investments, raising \$1.3bn in the process.

The GCC is experiencing a favourable climate for IPO issuance, and all indications point to this trend continuing in the near future. As of February 2023 GCC markets were trading at a premium to their emerging market peers. The MSCI GCC Countries Combined Index's price-to-earnings ratio was 13.77 in 2023, compared to the MSCI Emerging Market Index's ratio of 11.96, underscoring the confidence that investors have shown in the region.

The Oman Investment Authority, the sultanate's sovereign wealth fund, plans to exit eight investments in 2023, raising \$1.3bn in the process.



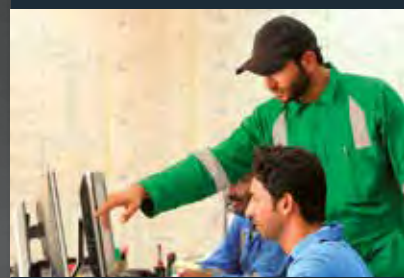
# Energy & Utilities

Offshore exploration and production under way

Solar power installations boost renewables share

Ongoing efforts to transition away from hydrocarbons

New projects help to meet green hydrogen targets





Promising hydrocarbons discoveries underscore the sector's potential

# Enhancing efficiencies

The kingdom seeks to increase renewable energy production and intensify sustainability efforts

Bahrain's utilities segment is driving demand for new infrastructure and investment due in part to renewable energy and efficiency strategies.

Bahrain, known as the birthplace of the Arabian Peninsula's oil industry, is navigating the challenges and opportunities of the energy transition. While focusing on renewables production, energy efficiency and sustainability, the kingdom is also leveraging its remaining hydrocarbons resources. The country has made promising hydrocarbons discoveries that indicate the potential for further expansion in the sector. The industry is receiving a boost from downstream developments, including the modernisation of the Sitra refinery, located south of the capital Manama.

Bahrain's utilities segment is driving demand for new infrastructure and investment due in part to renewable energy and efficiency strategies. The government is restructuring its oil and gas holding company, Bapco Energies. This endeavour entails the potential spin-off of significant assets in transport, logistics and infrastructure in the coming years. **OVERSIGHT:** The Ministry of Oil and Environment (MoOE) fulfils the role of the oil and gas sector's primary regulatory and oversight body. In September 2021 the MoOE's remit was expanded when it absorbed the National Oil and Gas Authority (NOGA), which had previously been the sector's key regulation, oversight and industry development body. NOGA also provided the overarching structure for a wide portfolio of the oil and gas entities operating in the kingdom.

As part of the restructuring, NOGA's functions were divided among the MoOE, which assumes full control over the budgetary rights and obligations; the Higher Committee for Energy and Natural Resources, which acts as the supervisory body and establishes strategic objectives; and nogaholding, which oversaw all subsidiaries and operated companies previously under NOGA. In May 2023 nogaholding rebranded to Bapco Energies to emphasise its commitment to sustainable energy solutions and diversification.

**STRUCTURE:** Within its portfolio, Bapco Energies oversees several entities such as the Bahrain

Petroleum Company (Bapco), the Bahrain Natural Gas Company (Banagas), the Bahrain Aviation Fuelling Company (BAFCO), the Bahrain National Gas Expansion Company (Tawseah), the Bahrain Lube Base Oil Company (BLBOC), Bahrain Liquefied Natural Gas (BLNG), Bahrain Gasoline Blending (BGB), the BAC Jet Fuel (BJFCO), the Gulf Petrochemicals Industries Company (GPIC), the Arab Shipbuilding and Repair Yard Bahrain (ASRY) and Tatweer Petroleum, which is responsible for upstream operations. Bapco Energies has a 100% stake in Bapco, Tawseah and Tatweer. Additionally, it owns a 75% stake in Banagas, with Chevron and Kuwait's Boubyan Bank holding shares. Bapco Energies also has stakes of 60% in BAFCO and 50% in BJFCO. GPIC follows a three-way equal share ownership structure between Bapco Energies, Saudi Arabia's SABIC and Kuwait's Petrochemical Industries Company.

Bapco Energies holds a 72.5% stake in BBLOC, with the remaining 27.5% shares held by Bapco. Bapco Energies owns 30% of BLNG, with the remaining shares divided among Canada's energy transport company Teekay (30%), Kuwait's Gulf Investment Corporation (24%) and South Korea's Samsung C&T (16%). BGB's ownership structure consists of Bapco (42.5%), Bapco Energies (42.5%) and the UK's Greenenergy (15%). ASRY is a collaborative venture among seven Arab countries, with Bahrain possessing the largest share, at nearly 37%. The UAE, Saudi Arabia, Kuwait, Iraq, Libya and Qatar hold minority positions in the project.

Bapco operates a refinery on Sitra Island, which plays a crucial role in the country's energy sector. The refinery has the capacity to process a significant amount of crude oil, with approximately one-sixth of its production capacity dedicated to domestically sourced crude oil. The remaining inputs for the refinery are supplied from Saudi Arabia's Abqaiq plant through a 115-km pipeline. The refinery's primary focus is on export, with approximately 95% of its output directed to both domestic and international markets. Liquefied petroleum gas, naphtha,

The Ministry of Oil and Environment acts as the primary regulatory and oversight body, and provides the overarching structure for a wide portfolio of oil and gas entities in the kingdom.

gasoline, kerosene, aviation fuel, fuel oil, asphalt and low-sulfur diesel are among the products exported.

Other government entities that play a key role in the sector include: the Ministry of Labour, which regulates health and safety for employees in the industry sector; the Ministry of Industry and Commerce, which issues licences for all industrial operations in the kingdom, including the oil and gas sector; and the Supreme Council for the Environment (SCE), which works on developing environmental best practices across all industries operating in the kingdom. While Bahrain is not a member of the Organisation of the Petroleum Exporting Countries (OPEC), it holds membership within the OPEC+ group, signifying its importance in collaborative efforts with oil-producing countries.

**EXPANSION:** Sitra Island has been the primary site for the Bapco Modernisation Programme (BMP) which is slated for completion in the second half of 2023. This initiative aims to enhance the refinery's capacity from 270,000 barrels per day (bpd) to 400,000 bpd, with a nameplate capacity of 380,000 bpd. In December 2019 Bapco undertook a restructuring by establishing Bapco Tazweed and separating its petrol station operations. Initially comprising 16 service stations, the company expanded its network by adding three more stations within a year. By 2020 Bapco Tazweed had captured a 36% share of the domestic market.

In terms of gas processing, Banagas and Tawseah operate facilities that underwent an expansion in 2019. The jointly operated Bahrain Gas Plant boasts a nameplate capacity of 350m standard cu feet per day. Additionally, Bahrain LNG oversees a terminal that has a capacity of 800m standard cu feet per day, which includes a 173,000-cu-metre floating storage unit, a nitrogen production facility with an output of 1100 tonnes per day and on-jetty re-gasification capabilities. BGB operates a facility with a capacity of 850,000 tonnes per year. Moreover, BAC supplies jet fuel to Bahrain International Airport from its aviation fuel farm, which has a capacity of 30,000 cu metres. This facility, which was completed in April 2021, enhances the airport's fuel supply capabilities.

**OIL & GAS RESERVES:** Bahrain holds a significant historical position in the petroleum industry, as the kingdom was the first location in the Arabian Peninsula to commence crude oil production in 1932. This milestone took place at the Bahrain Field, also known as the Awali field, situated at the centre of the kingdom's main island. Tatweer Petroleum currently operates the field, which encompasses 16 oil reservoirs and four non-associated dry-gas reservoirs. The latter are located in the Khuff and pre-Khuff formations, at depths exceeding 9000 feet, while the former are found at more shallow depths, starting with tarry oil at Aruma, which is approximately 1000 feet deep.

The offshore Abu Safah oil field is the largest operational hydrocarbons reservoir in the kingdom. It spans Bahrain's and Saudi Arabia's maritime zones, containing an estimated 6.2bn barrels of oil. Saudi Aramco manages the field and ensures that revenue derived from it is distributed between the two countries. The



The oil sector's nominal GDP witnessed a growth of 33.7% in 2022, primarily driven by rising oil prices

oil extracted from the Abu Safah field is transported to Sitra through the Abqaiq pipeline, facilitating processing and further downstream operations.

A new shale oilfield Khaleej Al Bahrain was discovered in 2018. According to the MoOE, the field could contain up to 80bn barrels of oil and 20trn cu feet of gas. In 2022 Bapco Energies confirmed additional gas discoveries in the underlying layers of the Bahrain Field. The reserves are estimated to contain approximately 10-20trn cu feet of deep gas (see analysis).

As of 2022 Bahrain had approximately 124.6m barrels of proven oil reserves, according to the US International Trade Administration. These reserves, excluding the recently announced discoveries, form the foundation of Bahrain's hydrocarbons resources. According to data recorded by the Central Bank of Bahrain from January 2023, the sector experienced a substantial boost in exports in 2022, increasing from \$9.8bn in 2021 to \$15.1bn. These figures highlight the significant economic contribution of the oil and gas industry to Bahrain, demonstrating its role as a key driver of export revenue and overall economic growth.

According to the Ministry of Finance and National Economy, the oil sector's nominal GDP witnessed a growth of 33.7% in 2022, primarily driven by rising oil prices. Notably, Brent crude experienced an average price increase from \$71 per barrel in 2021 to approximately \$100 per barrel in 2022.

**UTILITIES STRUCTURE & OVERSIGHT:** The Ministry of Electricity and Water Affairs (MEWA) serves as the primary government entity responsible for the power and water segments. Acting as the kingdom's only off-taker, the Electricity and Water Authority (EWA) is entrusted with the role of ensuring a sustainable, reliable and high-quality supply of power and water. Given the limited availability of natural water resources, Bahrain relies heavily on desalination as the primary method for water production. The extraction of groundwater is strictly regulated, with permissions granted solely

The Khaleej Al Bahrain offshore oil field, discovered in 2018, could contain up to 80bn barrels of oil and 20trn cu feet of natural gas, according to the Ministry of Oil and Environment.

In 2022 Bahrain had

**124.6m**  
barrels of oil reserves



Utility plants in the country typically operate as combined facilities, generating both electricity and desalinated water. The predominant feedstock utilised in these facilities is natural gas, with Bahrain leveraging its reserves to meet this requirement.

for strategic reserve purposes since the enactment of a decree in 2016. Utility plants in the country typically operate as combined facilities, generating both electricity and desalinated water. The predominant feedstock utilised in these facilities is natural gas, with Bahrain leveraging its own reserves to meet this requirement.

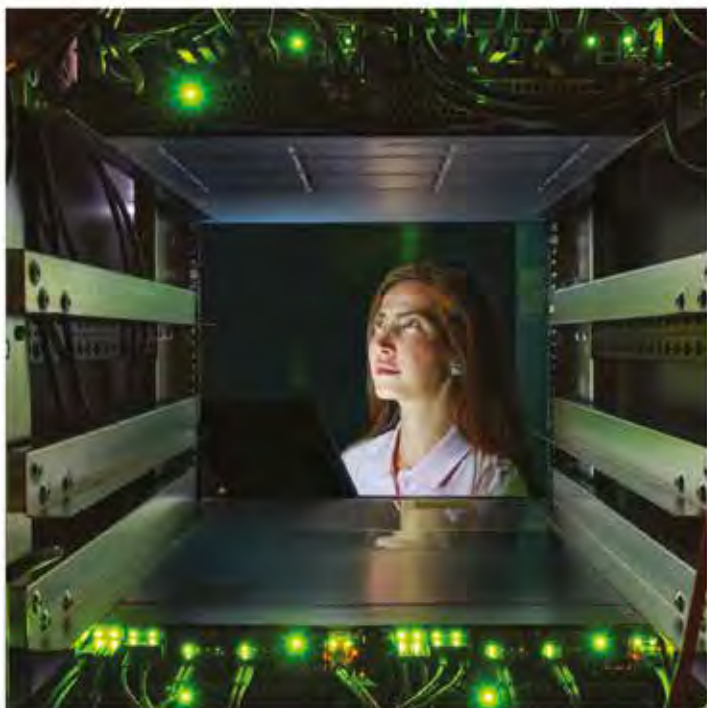
EWA's Electricity Transmission Directorate (ETD) is responsible for the maintenance and operation of the power grid. In addition to its core duties, the ETD also focuses on optimising power production from the government-owned Riffa Power Station. In its role, ETD coordinates the integration of power generated by independent water and power producers (IWPPs) in the kingdom. IWPPs typically operate under long-term power purchase agreements spanning 20-25 years. Furthermore, ETD oversees the management of power supply from regional interconnectors.

Similarly, Water Transmission Directorate (WTD) operates and maintains the kingdom's water transmission network while also monitoring output from IWPPs to ensure that they are acting in compliance with established quality standards. Moreover, the WTD oversees the operations of the government-owned Ras Abu Jarjur, which is a reverse osmosis (RO) water desalination plant that produces a daily output of 16m gallons of water using groundwater sources. The WTD sources water from two other government-owned entities, the Mobile RO Company and Hawar Station and four private water suppliers: Hidd Power Company,

Al Dur Power and Water Company, Haya Power and Desalination Company and Aluminium Bahrain (Alba).

**POWER STATIONS:** Alongside the Riffa Power Station, as of 2021 the kingdom operated five other IWPPs and independent power producers (IPPs): Al Dur, Al Dur 2, Al Ezzel, Al Hidd and Sitra. Al Dur and Al Dur 2 are located in southern Bahrain, with Al Dur commissioned in 2012 and Al Dur 2 in 2021. The former has a capacity of 1234 MW and produces 49m gallons of water. Al Dur 2 has a capacity of 1500 MW and produces 50m gallons of water, utilising combined cycle gas turbine (CCGT) technology for power generation and seawater RO for water production. France's ENGIE holds a 45% stake in Al Dur and Al Ezzel and a 30% stake in Al Hidd. The other significant investor in Al Dur and Al Ezzel is GIC. Al Dur 2 is managed by Saudi Arabia's ACWA Power, with minority stakeholders including Japan's Mitsui & Co and Bahrain's Almoayyed Contracting Group. EWA received bids for a third phase expansion of Al Dur in September 2022 for a facility with a capacity of 1500-1800 MW and 50m gallons of water of seawater via RO.

Al Ezzel, the first IPP undertaken by the kingdom in 2007, has a capacity of 950 MW and utilises CCGT technology. Al Hidd is a dual-fuel gas turbine plant with a capacity of 272 MW, offering the flexibility to switch to fuel oil in case of gas shortages. Engie, Malaysia's power company Malakoff Corporation Berhad and Japan's investment firm Sumitomo are stakeholders in Al Hidd. The plant also has a water



## Create tomorrow's energy technologies today.

Ensuring the sustainability, security, and equity of energy access means we must think big. We need global solutions that can be scaled and adopted quickly. SLB's know-how and technology are helping to overcome industry's greatest challenges while transforming energy. Together we create amazing technology that unlocks access to energy for the benefit of all.

Find out more at  
[slb.com](https://slb.com)



production capacity of 30m gallons of water, employing a multi-stage flash process. Sitra, however, was decommissioned in February 2021 after 40 years of service, and EWA announced an auction for the power station site in February 2023.

**PLANS & PROJECTS:** The SCE plays a crucial role in developing, monitoring and implementing the environmental sustainability strategy. This task has gained importance because of the country's increasing focus on the energy transition, sustainability and emissions reduction. "Carbon neutrality and sustainability are significant drivers of economic development in the country," Carlos Alcazar, executive managing director of Hidd Power Company, told OBG.

Two key strategic programmes in this regard are the kingdom's National Renewable Energy Action Plan (NREAP) and the National Energy Efficiency Action Plan (NEEAP). These plans, formulated by the Sustainable Energy Unit (SEU), were officially approved by the government in January 2017. The SEU, which was established in 2014, collaborates with various government agencies and ministries, including the MEWA, as well as the UN Development Programme.

The NREAP and the NEEAP align with the objectives stated in Bahrain's Economic Vision 2030, the kingdom's long-term strategic development plan. These energy plans also reflect the country's commitments under various international agreements, including the Paris Agreement, the UN Sustainable Development Goals, Arab Renewable Energy Strategy 2010-30 and the COP26 UN Conference on Climate Change held in Glasgow in November 2021. The kingdom has pledged that it would achieve net-zero emissions by 2060.

The NREAP has set ambitious targets for renewable energy integration into the electricity segment. By 2025 the plan aims for renewable energy to contribute 5% of the peak electricity capacity, with a further goal of 10% by 2035. The primary focus lies on solar power, while wind and biogas from waste are also slated to increase their shares in the energy mix. These targets represent a major shift in the kingdom's total energy supply. According to the International Renewable Energy Agency, in 2019 total energy supply comprised 91% gas and 9% oil, with renewable energy accounting for less than 0.05% – 327 terajoules out of a total of 668,223 terajoules. The targets set by the NREAP for renewable energy integration mark a significant transformation in the energy landscape.

**PROGRESS:** Despite the challenges posed by the Covid-19 pandemic, Bahrain has made notable progress in advancing its renewable energy goals. Through a combination of large-scale and distributed solar projects, the kingdom has made significant strides towards achieving the 2025 target outlined within the NREAP (see analysis). Bahrain – and Bapco Energies in particular – is exploring the implementation of carbon capture, utilisation and storage (CCUS) technologies to reduce the kingdom's carbon footprint.

The NEEAP encompasses 22 initiatives that aim to promote energy efficiency across various sectors. The key objective of the plan is to reduce average final



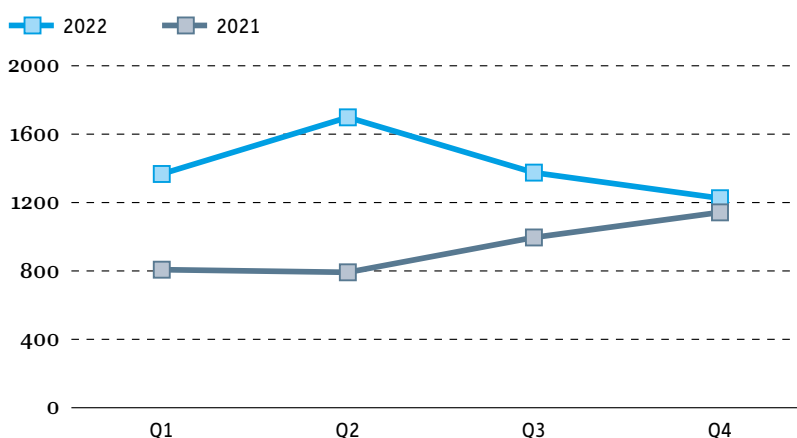
Bahrain is exploring carbon capture, utilisation and storage technologies

energy consumption by 6% by 2025. This amounts to approximately 5800 GWh of energy savings, resulting in annual production cost reduction of BD82m (\$217.5m) and elimination of 3.4m tonnes of greenhouse gas emissions. The plan adopts a sectoral approach, with a particular emphasis on improving energy efficiency in the building and construction sector. Under the NEEAP, directives are in place for residential and commercial buildings, as well as government facilities, to undertake green building initiatives. Measures such as district cooling, refurbished street lighting, minimum performance standards and labelling campaigns all are integral components of the plan.

"The drive towards energy efficiency is impacting government policies in Bahrain, although more needs to be done to raise awareness of such initiatives," Ian Roos, CEO of Pavilion Renewables, told OBG. "Similarly, the local business community would benefit from having greater financial support and incentives to invest in

The National Renewable Energy Action Plan aims to reduce average energy consumption by 6% by 2025, amounting to approximately 5800 GWh of energy savings.

Oil exports, 2021-22 (BD m)



Source: CBB





The Khaleej Al Bahrain field has been undergoing extensive technical evaluation since its discovery in 2018

Bahrain's National Energy Strategy, set to launch in the second half of 2023, will focus on optimising the energy mix, implementing decarbonisation plans and advancing renewable energy development.

improving insulation systems, utilising more sustainable construction materials and adopting advanced technology and equipment.”

Substantial progress has been achieved. The Sustainable Energy Authority (SEA), which replaced the SEU in 2019, reported in March 2021 that 70% of the 2025 targets had already been achieved. All government lighting had been changed to LED, and a water resources council had been established.

**STRUCTURAL CHANGES:** As of May 2023 Bahrain was carrying out a comprehensive restructuring of the energy sector, including the dissolution of NOGA. As part of the restructuring, the operating companies were transferred to Bapco Energies in 2021.

“Bapco Energies is currently undergoing a transformation from an oil and gas holding company to an integrated energy company, with the focus being on the entirety of the sector's value chain,” Mohamed AlShehab, vice president of corporate finance and investor relations at Bapco Energies, told OBG.

The strategic initiatives undertaken by Bapco Energies are in line with Bahrain's National Energy Strategy, which is scheduled to launch in the second half of 2023. The scheme, which was developed in collaboration with Boston Consulting Group, focuses on optimising the country's energy mix, implementing decarbonisation plans and advancing renewable energy development. The goal is to reach Bahrain's net-zero target by 2060, ensuring sustainable and resilient energy.

In addition to the plan, Bapco Energies is developing a new operating strategy. The objective of this strategy is to optimise operational efficiencies, reduce costs and increase value creation. The company intends to make changes in its portfolio by divesting certain assets, and streamlining functions within the group and its operating companies. These actions aim to focus on core functions within the organisation.

**UPSTREAM PERFORMANCE:** In recent years, the Bahrain Field has seen a series of notable advancements,

ranging from production-enhancing initiatives to the discovery of new deep gas reserves. Subsequently, an exploration campaign, debottlenecking efforts and enhanced oil recovery programmes were launched following the establishment of Tatweer Petroleum in 2009. The most recent phase is the Bahrain Field Oil and Gas Development and Expansion Programme, which is scheduled to continue until 2024. The programme halted and reversed the declining production of the field. Tatweer Petroleum drilled 1510 new wells during the 2010-21 period. The company produced 43,200 bpd of oil and condensate, along with 1.7bn cu feet per day of non-associated gas from the Bahrain Field in 2020, according to Bapco Energies's 2021 annual report.

In 2021 Tatweer Petroleum announced that it planned to drill 900 new oil wells within the next five years. In August of that year Bapco Energies announced the securing of an additional \$200m for the Bahrain Field Oil and Gas Expansion and Development Programme. This funding came as an extension to a previous \$1.4bn Islamic financing facility. Furthermore, in May 2022 the facility was further expanded by an additional \$600m, resulting in a substantial financial reserve to fuel future operations in the field.

In November 2022 the authorities announced the discovery of two additional gas deposits in the Al Jawf and Al Joubah layers. These deposits are situated beneath the Al Onaiza and Al Khuf reservoirs, which are already being utilised for gas extraction. While the exact size of these deposits remained unknown as of May 2023, estimates suggest a range of 20-30trn cu feet. Further exploration efforts are under way to assess additional layers beneath Al Jawf (see analysis).

Abu Safah remains a profitable crude oil source, and Saudi Aramco has continued its expansion and development of the field. According to the Saudi energy giant, Bahrain's share of oil output from the field averaged 150,000 bpd in 2021, while the entire field produced approximately 300,000 bpd. In October 2022 an engineering, procurement and construction tender was issued for the next phase of the field's expansion. This tender includes the construction of an electric distribution platform, two production deck modules and work on the Berri oil field along Saudi Arabia's eastern coast.

The Khaleej Al Bahrain field has been undergoing extensive technical evaluation since it was discovered in 2018. At that time, Bapco Energies and Bapco engaged US-based oil field service company Halliburton to drill two appraisal wells in the field, which presented technical challenges and potential development costs. The previous decade witnessed limited activity due to low oil prices. However, increases in oil prices since 2021 have led to renewed interest in such projects. Given the challenging technical nature of the offshore shale oil field, it may be necessary to establish new fiscal incentives to enhance its appeal to international investors. There is a possibility that there will be further updates in this regard, as officials within the Bahraini government have indicated their intention to develop a modified fiscal regime for the partners that have been involved in the development of the oil field.

In November 2022 the authorities announced the discovery of two additional gas deposits in the Al Jawf and Al Joubah layers. These deposits are situated beneath the Al Onaiza and Al Khuf reservoirs.



**DOWNSTREAM PERFORMANCE:** The BMP, valued at \$7bn, has continued its progress despite delays caused by the pandemic. The MoOE reported that as of May 2022 the program was 80-85% complete. The refinery, expected to be fully operational by late 2023, is capable of processing the targeted 400,000 bpd. The revised focus of the upgrade is on middle distillates, encompassing products like diesel and jet fuel. The shift aims to align with market demand and optimise output. The refinery will be able to handle heavier crudes, a crucial aspect for addressing shale oil output, especially if the Khaleej Al Bahrain field becomes operational. The BMP is expected to increase efficiency at the refinery by some 40%, according to Bapco Energies officials.

**UTILITIES PERFORMANCE:** According to the figures that were released by the EWA for 2021, the total electricity generated by the power stations reached 18,582 GWh that year, indicating a 5.5% increase compared to the 2020 total of 17,620 GWh. EWA contributed 400 GWh, while IPPs and IWPPs generated 18,047 GWh. An additional 135 GWh was imported through the Alba and GCC interconnectors. The minimum load in 2020 increased by 2.6% to 881 MWs and the maximum load grew by 2.4%, reaching 3751 MWs. In February 2021 the Sitra Power and Water Station, which had been in operation for 40 years, was closed, and the site was subsequently put up for auction.

In 2021 the average water production increased by 1.1% to reach 168.8m gallons of water, with all water

being sourced through desalination. Groundwater usage was completely phased out, marking a shift compared to 12.4% in 2011. Among the water suppliers, Hidd Power was the leading provider, supplying 29.5bn imperial gallons in 2021 and holding a 47.9% market share, followed by Al Dur independent water and power plant with 16.9bn imperial gallons.

**OUTLOOK:** With the kingdom's progressive energy transition plans gaining momentum, and the ongoing restructuring of Bapco Energies, a significant transformation of the sector is under way. Notably, Bapco Energies's evolution into a vertically integrated energy company is expected to result in enhanced operational efficiencies and the expanded involvement of external investors and partners in critical services such as transport, warehousing, logistics and administration. Moreover, the company is likely to actively seek prospects overseas, investing in start-ups and research and development initiatives, while collaborating with established entities that have specialised expertise.

Investment in alternative energy sources is also set to expand. Bahrain is monitoring advancements by market pioneers in the hydrogen industry, taking a prudent approach before making significant commitments in this potentially transformative segment. Furthermore, the kingdom remains committed to prioritising projects that enhance operational efficiencies, emphasising the significance of the BMP and the development of upstream fields as integral components of its strategy.

The average daily water production reached 168.8m imperial gallons in 2021, reflecting a growth of 1.1% compared to the previous year. All water supplied was sourced through the process of desalination.

## TO PROVIDE & ENLIGHTEN

Bahrain's First Independent Water and Power Project  
929 MW Power & 90 MIGD Water

# HPC



Proud to be a part of the Kingdom's  
Growth & Prosperity

Since 2006

Hidd Power Company BSC (C) | Road 13, Block 115, Hidd Town  
[www.hpc.com.bh](http://www.hpc.com.bh)

Our Shareholders

**MALAKOFF**

**ENGIE**

Sumitomo Corporation



Productivity is being enhanced through horizontal drilling techniques

## New discoveries

### The kingdom makes efforts to capitalise on its potential for energy exploration and development

In November 2022 two natural gas reservoirs were discovered in the unconventional Al Jawf and Al Joubah layers, underneath the Al Onaiza and Al Khuf reservoirs.

In November 2022 Bapco Energies, Bahrain's oil and gas holding company, announced a significant hydrocarbons discovery, marking the first major find in the kingdom since the unveiling of the Khaleej Al Bahrain field in 2018. The discovery consists of two natural gas reservoirs located in the unconventional Al Jawf and Al Joubah layers, underneath the Al Onaiza and Al Khuf reservoirs. The last two reservoirs are in production and form part of the Bahrain Field, a well-established onshore oil field also known as the Awali Field, named after the municipality at its northern end. The field has been producing oil since 1932 and holds historical significance as the first oil-producing facility on the Arabian Peninsula.

**RELATIVE COMPLEXITIES:** The Bahrain Field has a rich history of oil and gas production, primarily derived from the Jurassic and Cretaceous reservoirs situated closer to the surface, such as Al Khuf and Al Onaiza. However, exploration and production companies have been directing their attention to deeper layers since the 1980s. During this period, several potential deep-gas deposits were identified, although the economic viability of their development was limited by low global prices. Consequently, these discoveries remained primarily of geological interest.

In recent years the economic landscape has become more favourable, prompting a shift in focus towards the development of these deeper reserves. Bahrain, recognising the depletion of its conventional reserves, has intensified its efforts to bring new oil and gas capacity online. As a result, the exploration of deeper layers gained prominence as it holds considerable potential for additional hydrocarbons resources within the region.

Tatweer Petroleum, the operator of the Bahrain Field, conducted a thorough examination of the formations underlying Al Khuf and Al Onaiza, resulting in the announcement of the new discoveries in November 2022. To assess the scale of the reservoirs,

Tatweer partnered with Ryder Scott, a US-based petroleum consulting firm. While the exact size of the reservoirs has not been disclosed, in January 2023, Bapco Energies, the company that owns Tatweer, found it sufficient enough to merit further study.

Moving forwards, Bapco Energies has revealed plans for further drilling operations in 2023 and 2024, targeting the exploration of the Al Taweel and Al Sara layers situated beneath Al Jawf. Additionally, efforts will be made to enhance productivity and increase production through horizontal drilling techniques in the Al Joubah reservoir. This indicates that despite the complexities involved in extracting resources from these deep onshore reservoirs, progress in their development may outpace the offshore Khaleej Al Bahrain shale oil discoveries made in 2018. The offshore discoveries were reported to hold substantial reserves, including 80bn barrels of shale oil and 20trn cu feet of gas, figures that far surpass current reserves. (see overview).

**UPGRADES:** In 2021 Tatweer initiated the drilling of evaluation wells in the field and initially planned to commence operational wells by the end of 2022. However, the commercial development of the field's shale reserves is anticipated to take place later, with Bapco Energies suggesting a potential timeline of 2025. Shale deposits typically yield heavy oil, which requires specialised refining capabilities not currently available at Bahrain's Sitra refinery. The refinery is undergoing a substantial upgrade, expected to be finalised by 2024, to expand its capacity and enhance its ability to process heavier grades of oil.

Regarding the Al Jawf and Al Joubah discoveries, Bapco Energies has indicated that a strategy will be determined by the end of the first half of 2023, suggesting a plan for their development and utilisation. The efforts to develop these discoveries align with the infrastructure improvements to facilitate production and refining from the shale reserves.

Offshore discoveries in the Al Jawf and Al Joubah are estimated at 80bn barrels of shale oil and 20trn cu feet of gas, figures that far surpass the country's current reserves.





Global horizontal irradiance averages around 2120 KWh per sq metre

# Going solar

## Bahrain takes significant steps to boost renewable energy by embracing solar power installations

Bahrain's approach to achieving a net-zero and sustainable energy future involves harnessing solar, wind and waste resources. The country is prioritising solar energy, and the kingdom has devised innovative plans to leverage solar power for green energy production, including the implementation of floating solar farms, widespread deployment of rooftop solar panels and the establishment of power plants on landfill sites. Energy sector leaders are optimistic that Bahrain will achieve its net-zero commitment by 2060, positioning the kingdom as a frontrunner in sustainable energy.

**PLANS & PROJECTS:** The National Renewable Energy Action Plan (NREAP), implemented in January 2017, has set clear goals for the renewables segment. It aims to achieve a renewable energy share of 5% in peak electricity capacity by 2025 and 10% by 2035. The plan was developed by the Sustainable Energy Unit, established by the government in 2014 to collaborate on energy strategies. The NREAP also emphasises Bahrain's competitive advantages in solar energy.

According to the NREAP, global horizontal irradiance averages around 2120 KWh per sq metre and the average daily sunshine duration is 9.2 hours. Solar energy offers the advantage of flexible and scalable decentralised deployment, making it suitable for when land use competition is high. Implementing solar power has the added benefit of reducing reliance on valuable natural gas resources for electricity generation, allowing for their allocation towards high-value exports.

To achieve the objectives outlined in the NREAP, a target of 200 MW of solar power capacity has been set for 2025, which accounts for approximately 78% of the projected renewable energy capacity. By 2035, as wind and biogas sources become operational, the solar power share is expected to decrease to around 56%. The plan envisions a combination of distributed generation and large-scale solar plants to achieve the targeted solar capacity. The targets set in the NREAP signify a substantial increase from the country's 2020

renewable energy capacity. According to estimates by the International Renewable Energy Agency, Bahrain's photovoltaic (PV) capacity was around 10 MW at that time. Large-scale plants offer one way to rapidly scale up renewable energy deployment. One notable project is the Askar landfill site in southern governorate.

**TENDERS:** In September 2022 the Electricity and Water Authority (EWA) initiated the tendering process for remedial work on the Askar landfill site. Once the necessary rehabilitation is complete, a 100 MW solar PV plant will be constructed. On the distribution side, Bahrain has adopted a net metering system, allowing businesses and individuals to install solar systems and supply excess electricity to the EWA grid. This encourages wider adoption of solar energy by incentivising individuals and organisations to invest in solar power generation.

In February 2023 the Southern Municipal Council proposed that solar PV panels should be made mandatory for new buildings. These buildings would then be connected to the grid through net metering systems. Building on these efforts, the government introduced a scheme to install PV panels on all suitable public constructions. By mid-2021 around 24 ministries were actively engaged in this initiative, including the Ministry of Education which installed panels on school buildings.

In January 2023 EWA considered proposals for a build, own, operate and maintain tender for 72 MW of rooftop solar panels. The capacity was planned to be installed on the rooftops of several prominent locations, including the Bahrain International Circuit, the University of Bahrain, The Bahrain Tourism and Exhibitions Authority, and the Al Dana Amphitheatre. Additionally, in March 2023 Aluminium Bahrain, the largest aluminium smelter globally outside China, secured a BD1.6m (\$4.3m) loan to finance a 6 MW rooftop solar PV project. This project aims to install solar panels on a total area of 37,000 sq metres. Other initiatives included the installation of solar panels at The Avenues mall and the Bahrain Mall.

The National Renewable Energy Action Plan aims to achieve a renewable energy share of 5% in peak electricity capacity by 2025 and 10% by 2035.

In March 2023 the local aluminium producer secured a \$4.3m loan to finance a 6 MW rooftop solar photovoltaic project that aims to install solar panels on a total area of 37,000 sq metres.





Mark Thomas

# Powering the next generation

Mark Thomas, Group CEO, Bapco Energies, on building an ecosystem for innovative and sustainable energy solutions

**In what ways will the formulation of the National Energy Strategy reposition Bahrain's market?**

**THOMAS:** The National Energy Strategy is a government initiative that is being developed with short- and long-term approaches to the kingdom's power supply. One of the primary goals is to diversify the energy supply, since Bahrain is dependent on domestic natural gas. As natural resources are finite, it is important to find replacements. The first element of the strategy is to look at alternative sources of energy that will ensure economic growth. The second element focuses on managing the demand for energy, mitigating waste and implementing regulations for future developments that utilise district cooling to increase efficiency. The third element of the strategy aims to transition towards more sustainable and lower-carbon sources of energy.

The primary objective is to ensure the long-term viability of the country's energy supply, however, the details of the strategy are still being discussed. While oil and gas exploration, as well as development will remain a priority, there will be significant investment in renewable energy sources. As developments in this context become a reality, Bahrain seeks to boost efficiency in the use of energy across all sectors, thus contributing to a sustainable future for the kingdom.

**How can the country's appeal in terms of renewable energy investment be further enhanced?**

**THOMAS:** There are discussions at the government level regarding regulations and legislation designed to attract investment in renewables. The business environment is conducive to investment, with no corporate tax, and the ability to repatriate profit and dividends freely. Although Bahrain has a favourable climate for solar power due to the number of sunny days per year, its geographic size limits the amount of renewable energy that can be generated from that specific source of power. Therefore, we need

to consider regional cooperation with neighbouring countries to establish joint projects that can be connected to the kingdom and the wider GCC grid. Such initiatives are under consideration and are steadily advancing in the right direction.

**Where do you identify gaps in Bahrain's innovation ecosystem for energy and utilities, and how could these opportunities be addressed?**

**THOMAS:** Bahrain has prominent companies involved in the sector, such as the Electricity and Water Authority (EWA), and the independent power producers that are integrated into the EWA grid, among others. Some of our partners are also leading international companies, providing technical expertise to the country.

The quality of education and curriculum universities in Bahrain offer is comparable to that of any other country in the world. There is an opportunity for collaboration between the public and private sectors to bring together existing talents and access to funding to promote innovation in the energy sector.

Looking ahead, Bapco Energies aims to enhance the ecosystem for innovation in the kingdom by bringing together academia, commercial research and development, government funding, private finance and venture capitalists, among other resources, to develop large-scale applications. Such an innovation ecosystem would boost Bahrain's capabilities. We will be thoroughly exploring this opportunity through close collaboration with the relevant government agencies and external stakeholders.

Start-ups with innovative ideas and technologies that potentially aid in the energy transition could benefit from having the right environment and the chance to scale their projects. We can provide opportunities for immediate application and limited financing. Additionally, we are exploring the possibility of venture funding for small and medium-sized enterprises that need commercial support and business mentoring.



Hydrogen is a cleaner fuel that can be generated from hydrocarbons

# Decarbonisation solutions

## The Gulf looks to carbon capture and hydrogen to drive the transition to clean energy production and net-zero emissions

As hydrocarbons producers reap sustained revenue from high global prices, national oil companies (NOCs) in the Gulf are accelerating investment in carbon capture, utilisation and storage (CCUS); hydrogen; and cleaner sources of energy to make their activities less carbon-intensive and support the energy transition.

Gulf NOCs' low-cost production advantages and massive hydrocarbons resources mean that CCUS can reduce emissions for the coming decades as the world continues to rely on oil and gas amid the energy transition. Moreover, with the cheapest solar energy in the world, an abundance of wind energy and ample land on which to build green energy generation projects, Gulf NOCs could establish an early-mover advantage in green hydrogen production and export, potentially bringing in \$200bn in revenue by 2050, according to a report published in June 2021 by consultancy Roland Berger and Dii Desert Energy, a public-private network focused on the energy transition.

**CARBON CAPTURE:** CCUS allows hydrocarbons companies to remove carbon from production processes, which can either be stored, redeployed in enhanced oil recovery techniques or transformed into other consumer goods. The segment is gaining momentum as user end-markets demand cleaner energy sources and carbon-trading markets. New CCUS projects announced globally increased from 18 in 2019 to 61 in 2022, with 196 projects in the pipeline as of September 2022. However, these initiatives fall short of affecting global climate goals. An August 2022 analysis by the International Energy Agency found that 1.7bn tonnes per annum (tpa) of CCUS capacity is needed by 2030 to reach net-zero emissions goals by 2050.

Since many of these ventures are being undertaken by Gulf NOCs, they present a test case for the global uptake of CCUS technology. According to Mitsubishi Heavy Industries, which is involved in numerous power generation projects in the region, the Middle East could generate 50m tpa by 2030 – forecasts for the global

total in 2030 vary from 80m to 89m tpa. According to the Global CCS Institute, Qatar, the UAE and Saudi Arabia captured 3.7m tpa of carbon in 2022, or 10% of the global total, and the think tank estimated that the GCC could reach 60m tpa by 2035.

In a boost to the uptake of CCUS, in September 2021 Saudi Arabia launched a platform for MENA nations to trade carbon offsets and credits. These ambitions aside, there is concern from international stakeholders about the overreliance on CCUS to meet its net-zero plans due to the need for major technological advancements in this area and because CCUS potentially provides cover for the continued production of oil rather than encouraging the shift to clean energy sources.

**HYDROGEN:** Gulf NOCs are also investing in hydrogen, a cleaner fuel and energy source that can be generated from hydrocarbons or green energy resources and used locally or exported. Like CCUS, hydrogen has gained significant momentum in recent years. Saudi Arabia already has functioning hydrogen projects as well as ambitious plans for expansion. In March 2022 it started construction on the \$5bn wind- and solar-powered hydrogen plant at its NEOM mega-project, which will be the largest hydrogen plant in the world upon completion, producing 650 tonnes per day. In October 2021 Saudi Arabia announced its aim to become the world's largest hydrogen producer and is targeting 2.9m tpa by 2030 and 4m tpa by 2035. Other Gulf countries, such as the UAE, Kuwait and Oman, are developing national hydrogen strategies, though Qatar does not plan to produce hydrogen itself, as its gas will be used to power electrolyzers abroad. In May 2022 Abu Dhabi National Oil Company (ADNOC) announced a new energy partnership with UK oil and gas major BP to develop hydrogen facilities in both the UAE and the UK. ADNOC is set to acquire a stake in BP's H2Teesside hydrogen project, while the former will invest in ADNOC's green hydrogen plant at Abu Dhabi's Masdar. ADNOC is also looking at developing a green hydrogen supply chain with Japan.

Gulf oil companies could establish an early-mover advantage in the export and production of green hydrogen, potentially bringing in \$200bn in revenue by 2050.

New carbon capture, utilisation and storage projects announced globally increased from 18 in 2019 to 61 in 2022, with 196 projects in the pipeline as of September 2022.



US shale production is set to rise by 41,000 barrels per day in June 2023

# Positioning for growth

## Emerging market producers strive to secure greater market shares amid an evolving industry landscape

Among emerging markets, Saudi Arabia made the largest contribution to EU's crude oil supply by increasing its direct seaborne exports to the region by 126%, from 4.6m tonnes in 2021 to 10.3m tonnes in 2022.

As a response to Russia's ongoing war in Ukraine, the EU has imposed bans on Russian oil and oil-product exports, set to be enforced in 2023. These bans present an opportunity for emerging market producers to secure larger shares in an evolving market. In February 2023 the EU implemented bans on Russian oil products like diesel, following previous bans on Russian seaborne crude oil exports that started in December of the previous year.

**MEETING EUROPEAN DEMAND:** The EU has had little difficulty in sourcing crude oil since it announced the ban in May 2022, as the market had time to prepare for the December implementation. The largest incremental increase in crude imports in 2022 came from Norway's Sverdrup field, which added 340,000 barrels per day (bpd) of medium sour grade that is similar to the sour Urals crude that was banned.

Another large increase came from the US, which saw its export volumes increase by 52.2% in the January-September 2022 period and nearly 1.7m bpd in December, the highest level in over two years. US shale production is also set to rise by 41,000 bpd to 9.3m bpd in June 2023, according to the International Energy Agency (IEA). US domestic demand declined in 2022 freeing up supply for export.

Among emerging markets, Saudi Arabia made the largest contribution by increasing its direct seaborne exports to EU by 126%, from 4.6m tonnes in 2021 to 10.3m tonnes in 2022. The growth can be attributed to the country's diesel-rich, low-sulphur crude that meets the EU's demand and grade requirements for both crude oil and oil products. Saudi Arabia has long been the largest exporter of seaborne crude oil. Its outgoing seaborne exports rose by 17.2% in 2022 to 362.8m tonnes, with total exports from the Gulf that year growing 12.7% to 879.3m tonnes, accounting for 42.9% of global seaborne crude oil trade. However, Europe only accounted for 10.7% of total Saudi exports. The bulk of Saudi cargoes that

year went to Asia – with the country notching export increases of 35% to members of the Association of South-East Asian Nations, 19.2% to India, 17% to South Korea, 14.2% to Japan.

In 2022 Russia's seaborne exports increased 10.3% to 218.5m tonnes. The country shipped record volumes to countries such as China, India and Turkey at discounted prices. Seaborne exports from the US, meanwhile, rose by 22.3% to 164.3m tonnes.

**LATIN AMERICA'S POTENTIAL:** Brazil and Guyana are also expanding exports to Europe and – along with Canada, Norway and the US – are expected to reach record production levels in 2023 and expand global oil supply by 1.2m bpd, according to the IEA. Of these emerging markets, Brazil was redirecting flows from China and India, to the Americas and Europe as of 2022. The country has plans for four new offshore production units to come online in latter part of 2023, adding 480,000 bpd of new capacity.

By the end of 2022 Brazil's annual exports of ethanol to Europe reached 600m litres, eclipsing its previous export record of 477m litres in 2010, as European demand for the biofuel grew amid high natural gas prices and EU's commitment to expedite its energy transition while reducing dependence on Russian hydrocarbons. Considering Brazil's plans to scale up and export green hydrogen to Europe, these new export relationships in oil and ethanol can lay a foundation for clean energy ambitions in the future.

The Latin American country of Guyana continues to increase oil production, freeing up volumes for Europe. The country grew its oil exports by 164% to 265,693 bpd in 2022, up from 100,645 bpd in 2021, with Europe receiving 49% of these outbound cargoes. Guyana's long-term prospects are bullish, with Norway-based consultancy Rystad Energy predicting the country is likely to increase its production from 360,000 bpd in 2022 to 1.7m bpd in 2035. Its proximity to Europe offers demand security for the future.

By the end of 2022 Brazil's annual exports of ethanol to Europe reached 600m litres, eclipsing its previous export record of 477m litres in 2010.



# Tourism

Development of forward-looking legislation under way

Upgrading infrastructure to cater to growing demand

Securing foreign direct investment for key projects

Efforts to promote Bahrain as a top destination



# somerset

AL FATEH BAHRAIN

Somerset Al Fateh Bahrain is located in the Juffair residential area, minutes away from the Bahrain International Airport, Central Business District, Diplomatic Area, Bahrain Financial Harbour and premier shopping destinations.

Within its iconic 16-storey twin tower architecture, Somerset Al Fateh offers 118 contemporary one, two and three-bedroom residences, including four penthouses. Meticulously designed for the international traveller and family on business travel, vacation or relocation, each residence features a spacious living and dining area, fully-equipped kitchen, private jacuzzi, modern amenities and complimentary wireless broadband internet.

For relaxation, residents can choose to work out in the fully-equipped gymnasium, spend quality time with their children in the indoor children's playroom or swim in either of the two outdoor swimming pools.

Somerset Al Fateh is one of a premier collection of The Ascott Limited's hotel apartments in over 160 cities in the Americas, Asia Pacific, Europe, the Middle East and Africa. A member of CapitaLand, it is the global leader in branded serviced apartments, bringing you more than 30 years' experience in supporting travellers who work and live away from home. Because life is about living.

## Somerset Al Fateh Bahrain

PO Box 75771 Juffair, Kingdom of Bahrain  
T: (973) 1781 1889 F: (973) 1781 1886  
E: enquiry.bahrain@the-ascott.com  
GDS chain code: AZ



Balanced Global Living





The Ministry of Tourism is responsible for promoting tourism attractions

# Unique proposition

Island developments, new projects and diversification efforts promise to transform the tourism landscape

Bahrain is implementing a long-term strategy to transform its tourism sector into a major engine of growth under Bahrain Economic Vision 2030, the kingdom's blueprint for economic diversification. The country is seeking to leverage its location at a continental crossroads and its unique position as the region's sole island nation to bolster the sector. The kingdom identified tourism development as key element of the Economic Recovery Plan launched in 2021 to guide its recovery from the economic slowdown brought on by the Covid-19 pandemic.

With a causeway providing easy access to Saudi Arabia, Bahrain has long been a short-term travel destination for visitors from its closest neighbour. In order to boost the number of tourists, as well as increase daily spending and overall time spent in the country, Bahrain is making targeted efforts to diversify and promote its tourism offerings – both to better serve visitors from the Gulf, and to attract and engage tourists from further afield.

**STRUCTURE & OVERSIGHT:** Tourism is governed by various government entities, including the Ministry of Tourism (MoT), which was established as a specialised ministerial body in June 2022. The Bahrain Tourism and Exhibitions Authority (BTEA), for its part, was established in 2015 under the Ministry of Industry and Commerce, then known as the Ministry of Industry, Commerce and Tourism.

The MoT plays a strategic role in promoting and showcasing tourism attractions. Its primary responsibilities include promoting and supervising the Tourism Strategy 2022-26, facilitating consultation with private sector stakeholders, coordinating representation of the kingdom's tourism sector at international forums and events, providing investment opportunities to potential investors, engaging in the negotiation and execution of bilateral and joint memoranda, and establishing ties with countries and tourism organisations across the world.

The BTEA is also responsible for a wide range of portfolios linked to tourism. This includes contributing to pertinent legislative work, spearheading waterfront development initiatives, constructing and maintaining conference and exhibition facilities, organising conventions and trade shows, as well as attracting and licensing local and international events to be hosted in the country. Within the Bahraini tourism market, the Association of Bahrain Tour and Travel Agents functions as a civil institution, representing the owners of private tourist establishments in the country. Additionally, the government-owned national carrier, Gulf Air, serves as a major partner in the industry.

To streamline and enhance sector administration, King Hamad bin Isa Al Khalifa issued Royal Decree No. 45 of 2022 in August 2022. The decree assigned responsibility for implementing the provisions of the primary legislation regulating tourism in Bahrain, Royal Decree No. 15 of 1986, to the MoT. Recognising the need for reform, a committee comprising members of the Bahrain Economic Development Board (Bahrain EDB), the BTEA, and the Bahrain Chamber of Commerce and Industry was formed in October 2022. The committee's primary objective is to develop a growth-oriented framework for updated and progressive legislation, catering to the evolving needs of the tourism sector.

**GROWTH & DEVELOPMENT:** Bahrain made substantial progress upgrading its tourism industry prior to and during the pandemic through beachfront and luxury hotel developments, the revitalisation of historical sites and cultural heritage, the expansion of conference-hosting capacity – notably through the newly operational Exhibition World Bahrain, the largest space of its kind in the region – and its hosting of regular large-scale events, such as the Formula 1 Gulf Air Bahrain Grand Prix. As several major tourism projects come on-line, the country is

Bahrain is making targeted efforts to diversify and promote its tourism offerings – both to better serve visitors from the Gulf, and to attract and engage tourists from further afield.

Tourism is governed by various government entities, including the Ministry of Tourism, which was established as a specialised ministerial body in June 2022.





Meetings, incentives, conferences and exhibitions are a key component of the tourism development strategy

The kingdom aims to achieve inbound tourism expenditure of \$5.3bn per year and increase tourism's contribution to GDP to 11.4% by 2026.

implementing a revamped tourism strategy for 2022-26, aimed at generating and maintaining growth momentum in the post-pandemic era, with the MoT responsible for the implementation of this plan.

The gradual easing of international travel restrictions in 2022 sparked an upward trend in inbound tourism flows. Demonstrating strong resilience, inbound tourism that year reached 90% of pre-pandemic levels observed in 2019.

**POLICY ORIENTATION:** The Tourism Strategy 2022-26 is structured around four related objectives: positioning the country as an international tourism centre, boosting the contribution of tourism to GDP, increasing and diversifying the number of target markets, and expanding the kingdom's tourism offerings. These objectives will be achieved by facilitating the entry of travellers, diversifying and developing tourist attractions, enhancing and improving accommodations, and elevating the global promotion of Bahrain's offerings in collaboration with the private sector and Gulf Air.

The MoT is strategically prioritising key areas to bolster the tourism sector. These areas include architectural and seaside aesthetics, business tourism, sport tourism, leisure tourism, medical tourism and cultural tourism, with a particular emphasis on archaeology, history and media.

In order to establish itself as a prominent international tourism centre and expand its source markets, the country is pursuing partnerships with travel operators in eight target markets, including the US, Israel, India, China and various European countries. A key aspect of the source market diversification strategy involves creating synergies with tourism developments in neighbouring Saudi Arabia and the wider GCC. Bahrain intends to position itself as a featured destination in travel packages, fostering cooperation with neighbouring countries and entities to strengthen tourism coordination as well as

integration. The country is keen on reinforcing ties with neighbouring countries and entities, including the Arab Tourism Organisation.

Bahrain has met several of the targets set under the Tourism Strategy 2022-26. These include elevating the average daily expenditure of visitors to BD75 (\$199) and extending the average duration of their stay to 3.5 days. Going forwards, the kingdom aims to raise the annual number of tourists to 14.1m, achieve inbound tourism expenditure of BD2bn (\$5.3bn) per year and increase the contribution of tourism to GDP to 11.4% by 2026. Such objectives demonstrate Bahrain's commitment to advancing its tourism industry and generating substantial economic growth in the process.

**RECOVERY:** Despite the challenging effects of the pandemic, the tourism industry made a significant recovery by the end of 2021, displaying a faster rate of growth than the economy as a whole. Despite the restrictions on international travel, such as the closure of the King Fahd Causeway connecting Bahrain to Saudi Arabia until May 2021, the sector was able to approach pre-pandemic levels.

In 2019 travel and tourism accounted for 13.4% of Bahrain's economy, contributing \$4.9bn. However, in 2020 the tourism sector saw a decline, with its contribution dropping to \$2.3bn, equivalent to 6.6% of GDP. According to the World Travel & Tourism Council's 2022 report, there was a recovery in 2021, with the figures reaching \$2.9bn, or 8.2% of GDP. By way of comparison, Bahrain's overall economy experienced a growth rate of approximately 2.7% in 2021, according to the IMF.

In 2021 the sector experienced a rebound in employment and overall growth. It was responsible for 82,000 jobs, representing 13.3% of total employment, indicating a 6.2% increase from 2020. In comparison, in 2019 the industry created 95,400 jobs, equivalent to 15.1% of overall employment.

The results of a BTEA and Information and eGovernment Authority survey put tourism revenue from the third quarter of 2022 at BD456m (\$1.2bn), a 74% year-on-year (y-o-y) increase. Furthermore, in February 2023 the MoT announced that tourism revenue for 2022 was more than BD1.5bn (\$4bn), which is 50% higher than the agency's targeted BD1bn (\$2.7bn) for the year.

**ARRIVALS & SPENDING:** The arrival statistics for 2022 indicate a sustained recovery across key segments. Inbound annual tourism flows reached 9.9m that year, representing a 175% increase compared to the 3.6m tourists recorded in 2020. The visitor count in 2022 almost reached the pre-pandemic level of 11m visitors, surpassing the estimated global pandemic recovery rate of 65% projected by the UN World Tourism Organisation. In 2022, as the total number of annual visitors approached pre-pandemic levels, the average length of stay per tourist also exhibited growth, standing at 3.5 nights, a 3% increase from the figures recorded in 2019. This aligns with the target set by the MoT for 2026.

In 2021 travel and tourism contributed

**8.2%**

to GDP

In 2022 the total number of overnight stays by tourists demonstrated resilience, reaching a level on a par with 2019, with 13m stays. The average daily expenditure per visitor surpassed pre-pandemic levels, exceeding the target set for 2026 by the MoT, which was BD75 (\$199). Average daily expenditure rose from BD75 (\$199) in 2021 to BD76 (\$202) in 2022, compared to BD71 (\$188) in 2019. Total inbound tourism expenditure experienced significant growth in 2022, more than doubling from BD700m (\$1.9m) to BD1.5bn (\$4bn) and surpassing the overall tourism spending observed in 2019.

**SOURCE MARKETS:** In 2022 GCC countries were the dominant source markets of inbound visitors, accounting for 99% of visitors based on their country of residence. Notably, Saudi Arabia alone contributed 88% of visitors to the country. The top-five source markets by nationality were Saudi Arabia (7m), India (736,500), Kuwait (300,300), Pakistan (257,600) and Egypt (236,807), collectively accounting for 85.5% of total inbound visitors. While less significant contributors in nominal terms, the five countries with the highest increases in arrivals in Bahrain were Israel (3047%), Qatar (1019%), Russia (492%), Turkey (307%) and Kuwait (302%).

The King Fahd Causeway continued to serve as the predominant mode of transport for inbound visitors, constituting 90% of total arrivals in 2022. However, the rate of growth in arrivals by sea (348%) outpaced those by causeway (178%) and air (149%), albeit remaining marginal in absolute terms, at 32,617 by sea compared to 8.9m arrivals by causeway and 978,659 by air. The sharp increase in sea arrivals was consistent with the resumption of cruise ships in the fourth quarter of 2022, a key point of recovery from the pandemic. Cruise ships delivered 11,000 tourists in just three days in December 2022, indicating significant growth in this segment.

**INVESTMENT:** Bahrain secured foreign direct investment (FDI) in 11 tourism projects from 2017 to 2021, according to a 2022 report by fDi Intelligence,



Bahrain aims to raise the annual number of tourists to 14.1m by 2026

a division of the *Financial Times*. This placed the country among the top five in the Middle East and Africa in terms of tourism FDI. In 2020 Bahrain took the top spot in the region for tourism FDI in terms of value. The country attracted \$492m, which represented around 30% of the total \$1.6bn invested in the Middle East and Africa that year. Much of this financing came from large real estate firms such as Eagle Hills, an Abu Dhabi-based developer which has taken on projects on the reclaimed land of Diyar Al Muharraq, and Emaar Properties, a Dubai-based hotel and luxury residence firm.

The country also ranked first in the region for the number of jobs generated by the tourism sector in 2020. According to the Bahrain EDB, over the first three quarters of 2022 the sector attracted \$291m in direct investment through eight companies. These investments together are expected to generate more than 1090 jobs within the span of three years.

In 2022 the number of tourist overnight stays was on a par with 2019, at 13m, while the average daily expenditure per visitor exceeded pre-Covid-19 pandemic levels, surpassing the 2026 target of \$199.



MAGICAL MOMENTS AND  
BREATHTAKING  
SUNSET VIEWS AWAIT YOU  
AT SOFITELE BAHRAIN'S  
NEW VILLA EXPERIENCE

SOFITELE  
HOTELS & RESORTS

سوفيتل الزلاق البحريني للبحر والاسماك  
BAHRAIN ZALLAQ THALASSA SEA & SPA

## Live the French way

Hotel Sofitel Bahrain Zallaq Thalassa Sea & Spa  
105 Zallaq Highway, Building 2015, Block 1055, Zallaq  
Book your stay at [sofitel.com/6722](https://sofitel.com/6722) | +973 17 63 63 63

[f](https://www.facebook.com/sofitelbahrain) [i](https://www.instagram.com/sofitelbahrain) [t](https://www.tiktok.com/@sofitelbahrain) @sofitelbahrain





Inbound tourism expenditure more than doubled in 2022 to \$4bn

The introduction of a new terminal at Bahrain International Airport has quadrupled the airport's capacity, allowing for an annual passenger throughput of up to 14m.

**CAPACITY BUILDING:** Bahrain capitalised on the pandemic-induced slowdown to enhance its tourism infrastructure, leveraging projects under the aegis of a \$10bn Bahrain EDB initiative aimed at preparing for a post-Covid-19 upsurge in travel. As a result of these efforts, the country is witnessing the completion of various significant projects, including airport expansion, augmented event-hosting capacity and the development of beachfront hotels. Collectively, these initiatives are expected to invigorate the country's tourism offerings.

A notable achievement in recent times is the commissioning of a new terminal at Bahrain International Airport (BIA) in June 2022. This was part of the \$1.1bn airport modernisation project that was initiated in 2016 and inaugurated in 2021. With the introduction of the new terminal, the airport's capacity has quadrupled, allowing for an annual passenger throughput of up to 14m. The additional facilities include 5500 parking spaces, 104 arrival

counters, 24 self-check-in kiosks, 44 immigration counters, 22 e-gates and 24 departure gates. The new terminal features 3300 sq metres of duty-free space, 21 cafes and restaurants, and a new hotel and spa. Following the terminal's opening, BIA was named the World's Best New Airport at the Skytrax 2022 World Airport Awards held at the Passenger Terminal Expo in Paris, France.

Another substantive addition to the country's tourism offering came with the fourth quarter 2022 completion of its \$221m exposition and convention centre, Exhibition World Bahrain (see analysis). Owned by the BTEA and operated by the international venue management company ASM Global, Exhibition World Bahrain was inaugurated in November 2022, less than three years after work began in January 2020. The event space is located in Sakhir, in close proximity to the Bahrain International Circuit, home of the Formula 1 Gulf Air Bahrain Grand Prix and the Al Dana Amphitheatre, which has a seating capacity of 10,000. The new venue is designed to cater to a variety of events, including global music concerts, comedy shows, festivals and corporate events.

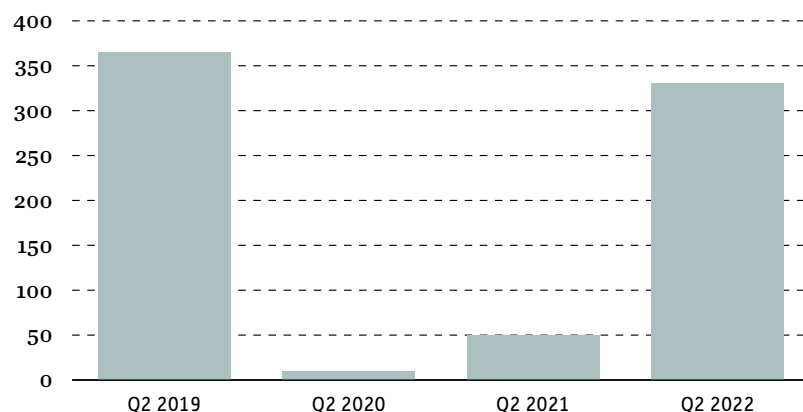
**NEW DEVELOPMENTS:** Bahrain's hospitality industry experienced substantial growth in 2022, with multiple hotel openings and significant progress made on ongoing projects. In November 2022 Jumeirah Gulf of Bahrain Resort and Spa became the latest addition to the luxury hotel and residence brand based in Dubai. Covering 712,000 sq metres, the resort is located on the largely untapped south-western coast of Bahrain's main island and offers 196 rooms and suites, along with an 11-bedroom summer house located on the beach.

Another milestone for the Bahrain luxury hotel segment was the opening in August 2022 of Hilton Bahrain, a five-star, 45-storey hotel which is Hilton's second in the country, following the Hilton Garden Inn Bahrain Bay. The hotel is near the revamped airport and includes six restaurants and lounges, a wellness centre and recreational facilities.

Diyar Al Muharra, the land-reclamation development located at the north-eastern tip of Bahrain, saw a series of new developments come on-line in 2022. Notably, Vida Beach Resort Marassi Al Bahrain opened its doors in January 2022 on the south-eastern coast, offering guests access to a private beach and proximity to Galleria Shopping Mall, a 200,000-sq-metre development by Eagle Hills Diyar slated to open in 2023. The Vida property, consisting of 157 rooms and 141 serviced residences, shares its neighbourhood with another hotel that opened in November 2022 – the Address Beach Resort Bahrain. This complex includes a 154-room luxury apartment building and a 117-room hotel. These properties are the first hotels to open in the Dubai-based company's portfolio in the country.

With its strategic location and modern amenities, Diyar Al Muharra is becoming a sought-after destination for both leisure and business travellers.

#### Inbound tourism receipts, 2019-22 (BD m)



Source: BCCI



THE DIPLOMAT

Radisson BLU

HOTEL • RESIDENCE • SPA

DISCOVER

Stylish spaces  
Attention to detail  
Unforgettable experiences

BLU

Call for more information  
+973 1753 1666

FEEL THE DIFFERENCE

[radissonhotels.com/blu](http://radissonhotels.com/blu)



The hotel occupancy rate increased by 6.6 percentage points in 2022

The number of available hotel rooms increased from 15,886 in 2020 to 16,375 in 2021, reflecting a growth rate of 3.1%. Additionally, the number of available beds rose by 3.9%, from 24,018 to 24,945.

**INTERNATIONAL COLLABORATIONS:** The Bahrain Bay development, encompassing 600 metres of coastline, has achieved significant milestones in recent times. In June 2022 the BTEA announced the leasing of two plots at Bahrain Bay to luxury hotel brands Wyndham and Solymar. In addition to hotels, the development will feature tourist amenities, including a 200-metre public beach, restaurants, cafes, and recreational facilities such as green spaces, gardens and playgrounds.

Meanwhile, work on the Qalali Coast Waterfront Project, spanning 2 km on Muharraq Island, commenced in July 2021. An open tender for the project was launched in November of the same year. The Bahrain Real Estate Investment Company (Edamah), the real estate arm of the sovereign wealth fund, has taken on a significant role in developing tourist infrastructure, notably through the Bilaj Al Jazayer tourist city, a \$330m project that is planned to

include 1.2 km of public beaches and walkways, along with recreational, residential and tourism facilities, and South City, which will be developed over five phases and comprise a five-star hotel, theme park and outlet mall.

In a bid to build a local human resource base and cater to the expanding tourism sector, the BTEA has established a strategic partnership with Vatel, a hospitality management education company based in France. Through this collaboration, Vatel Bahrain was established to offer an internationally recognised four-year bachelor's degree in hotel management. The school was inaugurated in October 2018, and the first batch of graduates completed their studies in February 2023. This initiative aims to develop a competent workforce that is equipped to serve the growing industry.

**HOTELS:** Hotels and restaurants recorded the highest levels of growth among non-oil sectors during the first three quarters of 2022. The reopening of the King Fahd Causeway in May 2021 and the gradual resumption of air and sea travel facilitated expansion, resulting in an increase of 14.7% y-o-y in real terms, according to a quarterly report from the Ministry of Finance and National Economy.

Despite the expansion of hotel capacity through new developments, the recovery in tourist flows has allowed for a net rise in hotel room occupancy rates. According to the MoT, the number of available hotel rooms increased from 15,886 in 2020 to 16,375 in 2021, reflecting a growth rate of 3.1%. Additionally, the number of available beds rose by 3.9%, from 24,018 to 24,945. Nonetheless, the hotel occupancy rate surged from 23% to 37%, and the average length of stay increased from 2.3 nights to 2.9 nights over the same period.

The hotel occupancy rate increased by 6.6 percentage points in 2022. That same year the average daily rate, or revenue generated from rooms sold over the number of rooms sold, increased to \$172.5, representing a 21.1% change from 2021 and a 7.5%



## Your urban retreat at the heart of Bahrain

Ideally located in the heart of Manama, The Westin City Centre Bahrain is the first-ever Westin Hotel to grace the island. Thoughtfully devised with a host of novel and innovative facilities that include the city's first Heavenly® Spa, guests are afforded the opportunity to sample the unique Westin feel-good promise when staying for business or leisure.

Call +973 1717 1000 or visit [www.westincitycentrebahrain.com](http://www.westincitycentrebahrain.com) for more information.

**THE WESTIN**  
CITY CENTRE BAHRAIN



rise from 2019. Hotel revenue per available room, which takes into account both the average revenue per room sold and the proportion of available rooms occupied, increased to \$86.2 in 2022, reflecting a 39.6% change from 2021 but 13.7% short of the corresponding figure from 2019.

There is evidence of continued momentum into late 2022. A survey by the BTEA and the Information and eGovernment Authority indicated a 38% increase in the number of tourism nights booked in the third quarter of 2022 compared to the corresponding period of the previous year.

In light of the number of new hotel openings in the five-star market segment, real estate services firm CBRE Research forecast that the sector is likely to see its progress on key performance indicators (KPIs) moderate in the near future as capacity outpaces occupancy. However, four-star hotels, particularly those in proximity to retail and leisure facilities, are predicted to outperform the market.

**MARKETING:** Bahrain has identified enhancing its image as a unique destination as crucial for attracting visitors from untapped markets and is working to establish synergies with the GCC, particularly Saudi Arabia. Additionally, Bahrain is seeking to strengthen its ties with more distant areas. In March 2023, during ITB Berlin, the world's largest travel and trade fair, tour operator Visit Bahrain signed deals with several European travel and tourism organisations. The goal is to bring 28,000 European tourists to Bahrain between September 2023 and March 2024, with direct support from the MoT. "These agreements are part of a broader strategy implemented by Visit Bahrain to attract tourists from around the world, specifically Europe," Ali Amralla, CEO of Visit Bahrain, told regional media in March 2023.

Visit Bahrain launched a campaign in January 2023 to attract 4500 German visitors to Bahrain throughout the year; by the time ITB Berlin was held 1800 German visitors had already come to Bahrain in groups through the programme, according to Visit Bahrain. Furthermore, the BTEA is helping to expand Bahrain's tourism reach. During World Tourism Day 2022, organised by the UN World Tourism Organisation in Indonesia, the MoT announced that the BTEA had forged partnerships with 76 regional and international tour operators.

Bahrain has identified meetings, incentives, conferences and exhibitions (MICE) tourism as a pivotal and integral component of its overall tourism development strategy. Recognising the substantial potential of MICE tourism, Bahrain is actively working to foster an environment that is conducive to hosting a wide array of successful and impactful business gatherings, conferences, exhibitions and incentive programmes. This is reflected in the country's recent expansion of offerings, which included the opening of Exhibition World Bahrain. The new venue has an exhibition space of 95,000 sq metres spread over 10 halls, and features a grand hall with a seating capacity of 4000 and 94 meeting rooms, among



Bahrain is working to enhance its image as a unique destination to attract visitors from untapped markets

other amenities. It also houses a wide selection of restaurants, cafes and retail spaces.

In its first month of operation, Exhibition World Bahrain hosted three major events concurrently: Cityscape Bahrain 2022, Jewellery Arabia 2022 and Scent Arabia 2022. The country has since hosted other high-profile events, such as the Arab International Cybersecurity Summit.

India is a particular target for Bahrain's MICE ambitions and has long been recognised as one of the most important source markets for the kingdom. To help expand its footprint in the market and attract new visitors, in September 2022 the BTEA organised a multi-day, cross-country roadshow in the subcontinent, with stops in Mumbai, Chennai, Bangalore and New Delhi. MICE and weddings are among the most important segments for Indian travellers to the kingdom. The two countries are linked by direct flights operated by Indigo, as well as Gulf Air, which connects Bahrain to nine Indian cities.

**OUTLOOK:** Overall, the tourism growth outlook in Bahrain is promising in the medium to long term. Despite the challenges posed by the Covid-19 pandemic, the country has shown a strong commitment to diversifying and promoting its tourism offerings. Bahrain has allocated substantial financial and administrative resources to these efforts to develop the sector. Ongoing investment in new developments and promotional activities is yielding results, as evidenced by the progress made in 2022.

While there may be a temporary lag in KPIs in the coming years as capacity building outpaces immediate demand, visitor numbers can be increased in the medium and long run by leveraging the country's attractive features. By implementing new projects and initiatives, the kingdom can generate heightened interest among travellers and create positive spillover effects on the wider economy. This will contribute to the overall development of Bahrain.

Hotel revenue per available room, which takes into account both the average revenue per room sold and the proportion of available rooms occupied, increased to \$86.2 in 2022, reflecting a 39.6% change from 2021.





The tourism strategy aims to attract 14.1m tourists annually by 2026

## Promising signs

### Bahrain is strengthening its capacity to welcome international visitors and positioning itself as a destination for events

By 2022 tourism had recovered by 90% compared to pre-Covid-19 pandemic levels, outpacing the international recovery rate, which was estimated by the UN World Tourism Organisation at 65%.

Despite being one of the smallest countries in Asia, Bahrain distinguishes itself by combining its strategic location and vibrant cultural heritage with progressive infrastructure and facilities for the meetings, incentives, conferences and exhibitions (MICE) segment. The tourism strategy serves as a cornerstone for the four-year Economic Recovery Plan (ERP), which aims to mitigate the adverse impacts of the Covid-19 pandemic and drive a comprehensive and sustainable recovery.

In line with the ERP, Bahrain introduced a series of sector-specific initiatives for 2022-26, including a robust tourism plan. The strategy aims to attract 14.1m tourists annually and elevate the industry's contribution to GDP to 11.4% by 2026. Surpassing the 2022 target of 8.3m visitors by 19%, the kingdom received a total of 9.9m visitors that year. This figure exceeds the previous year's arrivals, which stood at 3.7m.

**EXPANSION:** The tourism industry saw improvements in most key indicators in 2022, including generating BD1.5bn (\$4bn) in revenue, surpassing the BD1bn (\$2.7bn) target by 50%. Tourists spent an average of BD76 (\$202) per day, which exceeded the target expenditure of BD69 (\$183) by 10%, while the average length of stay was 3.5 days, surpassing the target of 3.3 days and reflecting an increase of more than 6%. Bahrain's tourism recovered by 90% compared to pre-pandemic levels, outpacing the international recovery rate, which was estimated by the UN World Tourism Organisation at 65%. Within this recovery, the MICE segment stands out as a key pillar of growth and holds potential to boost non-oil revenue, improve tourism performance, generate jobs, raise the standard of tourism infrastructure and foster opportunities.

**INFRASTRUCTURE STRENGTHS:** During the first three quarters of 2022 the tourism sector attracted \$291m in direct investment out of a total of \$921m from 66 companies. These investments came from eight companies entering or expanding their presence in Bahrain, and are expected to create more than 1090

jobs over three years, aligning with the diversification goals of Bahrain Economic Vision 2030.

Through the development of key supporting gateway infrastructure, including the \$1.1bn airport modernisation project, which added a terminal that increased annual passenger-handling capacity of Bahrain International Airport (BIA) by 14m in 2022, and the completed renovation of the Awal Private Terminal at BIA that same year, the kingdom has bolstered its capacity to receive international visitors and host events, exhibitions and trade shows.

Working under the slogan "Bahrain. Ours. Yours.", the Bahrain Tourism and Exhibitions Authority (BTEA) has taken charge of developing and promoting the kingdom as a trade and business centre and integrating international marketing efforts. Over the years Bahrain has capitalised on major annual international gatherings and events, including Formula 1 (F1) Gulf Air Bahrain Grand Prix and the International Institute for Strategic Studies' Manama Dialogue, to expand its leisure and hospitality infrastructure, while boosting its regional standing as a host nation. In 2021 travel and tourism contributed approximately \$3bn to GDP, or 8.2%. Of this amount, 28% was generated by business and 72% by leisure tourism, signalling the potential of business tourism as the kingdom scales up MICE infrastructure and in-person events stage a comeback after the pandemic-related lockdowns.

In order to achieve its aim of developing the MICE industry, Bahrain made a significant addition to its events infrastructure portfolio with the inauguration of Exhibition World Bahrain in November 2022. With over 95,000 sq metres of trade show and conference space across 10 exhibition halls, 94 meeting rooms, 25 retail outlets and a 4000-seat grand hall, Exhibition World Bahrain, managed by Australia's ASM Global, is one of the largest convention centres in the Middle East. The BTEA, which owns the facility, plans to leverage ASM Global's network of more than 350 venues

During the first three quarters of 2022 the tourism sector attracted \$291m in direct investment out of a total of \$921m from 66 companies.

around the world to create event experiences and raise the kingdom's profile as a major global destination for international meetings and conventions.

Immediately following its opening, Exhibition World Bahrain hosted three simultaneous events that attracted more than 100,000 visitors over five days: the 30th edition of Jewellery Arabia, a regional jewellery and watch show; the inaugural edition of Scent Arabia, Bahrain's first luxury fragrance event; and Cityscape Bahrain 2022, a regional real estate summit and exhibition. The events marked the beginning of a calendar that is fully booked through the end of 2023.

**SOURCE MARKETS:** Although tourism growth in Bahrain has historically been fuelled by intraregional tourists, which, according to the GCC Statistical Centre, comprised 95.6% of international tourist arrivals in 2019, the kingdom has pivoted its strategy to broaden its potential source markets. In December 2021 Bahrain launched the second pillar of its tourism strategy, centred on capturing 19 key markets across Asia, Europe and the Middle East, expanding on its previous focus on GCC countries, Russia and India. These new markets, selected on the basis of tourism traffic and existing direct flights, include China, Singapore, Thailand, the Philippines and Malaysia.

In the first quarter of 2022 the kingdom signed agreements with 75 tour operators across 19 priority markets and has launched awareness campaigns in each. Bahrain has also been working to strengthen its tourism ties with India, the world's second-most-populous country and a key source market. In 2022 the BTEA conducted its first four-city roadshow in the cities of Mumbai, Chennai, Bangalore and New Delhi to promote its leisure, MICE and weddings segments. After launching the Island Wedding incentive programme in April 2017, the kingdom attracted 17 large Indian weddings, receiving around 6000 guests and adding \$22m to the economy by the end of 2019.

**COMPETITIVE EDGE:** Moving forwards, one of the main challenges for Bahrain's MICE growth is competition from other destinations in the region, in particular

the UAE, which has invested heavily in infrastructure. Prior to the pandemic total business travel spending in the GCC grew at a compound annual growth rate (CAGR) of 16.1% between 2016 and 2019, outperforming total leisure spending, which grew at a CAGR of 13.6%. As the GCC rebounded from the pandemic, total business spending recovered by 51.2% in 2021. Activity was largely concentrated in the UAE, which accounted for 42% of business tourism spending in the region that year.

Although the GCC region was hit by the 2014 oil slump and its property markets faced oversupply, new hotel room capacity has grown at a steady rate across all member countries. Between 2016 and 2021 hotel supply in the region grew by more than 146,337 rooms, or a CAGR of 4.6%, to reach 832,024 rooms. Expansion was spearheaded by the UAE, Saudi Arabia, Qatar and Oman, all of which outpaced the global average.

Bahrain added approximately 6280 hotel rooms between 2016 and 2021, while its occupancy rate was estimated at 42.4% in 2021, a significant increase from 28.1% in 2020 but lower than the pre-pandemic rate of 56.2% in 2019. Similarly, Bahrain reached an average daily rate of \$173 and a revenue per available room of \$86 in 2022, which grew by 21.1% and 39.6%, respectively, compared to 2021.

Future prospects look positive as the Bahrain International Circuit secured a place in the F1 calendar until 2036, bolstering opportunities for the hospitality sector. During the Grand Prix week, hotels run at 100% capacity, and the event alone generates up to \$81m in accommodation revenue.

As Bahrain looks to accelerate sustainable economic diversification, its MICE strategy is being implemented with renewed vigour with the help of synergies with key stakeholders. In addition to the development of new hotels and conference facilities, and improvements in the transport network, the kingdom's flag carrier, Gulf Air, has played a key role, synchronising its network with key source markets and actively promoting Bahrain as a top MICE destination.

Bahrain added around 6280 hotel rooms between 2016 and 2021, while its occupancy rate was estimated at 42.4% in 2021, a significant increase from 28.1% in 2020.



## YOUR HOME AWAY FROM HOME

Book your stay at InterContinental Regency Bahrain hotel today and experience the ultimate luxury in hospitality.



Scan QR code  
for bookings





Fatima Jaafar Al Sairafi

## Growth mindset

Fatima Jaafar Al Sairafi, Minister of Tourism, on how tourism objectives can be achieved through public-private collaboration

**Where do you identify the main priorities of the 2022-26 tourism strategy?**

**AL SAIRAFI:** The new tourism strategy forms part of the national Economic Recovery Plan following the Covid-19 pandemic. The strategy was developed by the government as a roadmap to enhance a sector that has significant potential to diversify revenue streams and contribute to the national economy.

The latest tourism strategy is an expansion of the 2016-19 strategy, which helped to increase the sector's contribution to GDP from 4.6% to more than 6%. The strategy focuses on aesthetic improvement while also targeting the strategic segments of business, sport, leisure, medical and cultural tourism. Its main objectives are to increase the number of tourists visiting the kingdom to 14.1m by 2026; boost the average daily spending by visitors to BD74.80 (\$198); raise the average amount of time spent in the country to 3.5 days; and grow the sector's contribution to GDP to 11.4% by 2026.

To achieve these goals, the ministry is engaged in efforts to facilitate entry, diversify and develop attractions, enhance accommodations, and improve marketing and promotion. This final element will be achieved in partnership with private sector partners and the national carrier, Gulf Air.

**What steps can be taken to ensure small and medium-sized enterprises (SMEs) benefit from international events in Bahrain?**

**AL SAIRAFI:** Local SMEs can benefit significantly from international events held in the country. For example, destination management companies cater to the thousands of tourists that come to Bahrain for events by creating excursions and itineraries, while other companies provide transport and tour services. The national tourism strategy can only be successful if the ministry and the private sector collaborate on its implementation. To illustrate this

point, plans developed in partnership with the private sector have fuelled the 30% recovery achieved by the hospitality industry in 2022.

**To what extent will greater collaboration among tourism stakeholders enhance Bahrain's attractiveness as a tourist destination?**

**AL SAIRAFI:** Companies need to be empowered and supported in order to succeed and contribute to the sector's growth. The Ministry of Tourism is working hand in hand with stakeholders across all projects, whether collaborating with government stakeholders to build key infrastructure projects – as was the case for the newly launched Exhibition World Bahrain – or tapping into new markets by working with the national carrier and tour operators.

Collaboration with other countries in the region is also important. As such, we are holding meetings, signing memoranda of understanding, exchanging ideas and drawing up joint tourism programmes with our neighbours. The November 2022 meeting between the GCC ministers of tourism saw discussions about the Gulf Tourism Strategy, the Capital of Gulf Tourism, the GCC tourism guide and the GCC tourism platform, as well as an array of other topics.

**How do you view the role of tourism in generating new investment opportunities?**

**AL SAIRAFI:** The growth of tourism also means growth in spending and investment capacity in the market. This is directly linked to Bahrain's business-friendly status. Our objective to increase tourism's contribution to GDP underscores the significant investment opportunities in the sector.

The ministry's ongoing efforts to position Bahrain as a global tourism destination has also piqued the interest of investors. Thanks to these developments, investors from the Middle East and East Asia are expected to enter the market in the coming years.





Regional authorities aim to improve the quality of tourism services

# Cross-border connections

## Gulf countries develop strategic partnerships to promote the region as a leading international travel destination

In 2022 the Middle East witnessed the sharpest relative increase in international arrivals of any region in the world, solidifying its rebound from the disruption of the Covid-19 pandemic and further raising its profile as an increasingly attractive destination for inbound tourism. According to the UN World Tourism Organisation (UNWTO), in 2022 international arrivals in the Middle East recovered to 83% of the levels prior to the onset of Covid-19 pandemic, outperforming all other regions.

**ROAD TO RECOVERY:** Dubai in particular saw a significant increase in international visitors in 2022, with 14.4m tourists visiting the emirate. That figure represented a 97% jump from the previous year's 7.3m visitors, surpassing global and regional recovery levels. At 86% of pre-pandemic arrival levels that year, Dubai has become emblematic of the tourism growth trajectory in the Gulf. The surge was due in part to sustained investment in tourism infrastructure, its hosting of Expo 2020 – held in 2021/22 – the emirate's handling of the pandemic and effective overseas marketing efforts.

Tourism in GCC countries has gained significant momentum on the international stage as the region transforms itself into a competitive leisure and entertainment destination. This trend is catalysed by international events like the 2022 FIFA World Cup, which drew 2.5m visitors to the region, particularly benefitting Qatar, the UAE and Saudi Arabia.

Gulf countries are also working together to boost cross-border cooperation in the travel, tourism and hospitality segments, to create unique but complementary offerings that suit emerging consumer preferences and market trends. All six GCC member countries coordinate their investment and marketing strategies according to a mutually agreed tourism development agenda. These plans include existing and upcoming luxury hotels and resorts, heritage sites, and retail and entertainment offerings.

**REGIONAL AGREEMENTS:** As the result of collaboration between federal and local authorities, national airlines and private institutions, a tourism strategy has been devised to market regional offerings, develop new platforms and raise the quality of service. The Gulf Tourism Strategy was adopted at the end of the sixth meeting of GCC ministers of tourism in November 2022 in Al Ula governorate in Saudi Arabia. It is a joint initiative among members of the bloc that outlines a roadmap for developing the tourism sector in the region. The strategy, which was endorsed at the 43rd session of the Supreme Council of the GCC in December 2022 in Riyadh, highlights key objectives, including the diversification of existing offerings, the promotion of sustainable tourism practices and improvements in the quality of services. By working together, GCC countries hope to leverage collective strengths and package a more compelling value proposition to tourists, while exchanging best practices, sharing resources and developing joint initiatives.

Several factors position Gulf countries as competitive providers of integrated tourism services. According to the 2023 Numbeo Safety Index, which measures the level of crime in a country, Qatar was the safest country in the world, followed by the UAE, while Oman and Bahrain ranked fifth and 10th, respectively. This high level of security has helped the GCC develop a reputation as a haven for tourists concerned about their personal safety in the post-pandemic environment, as well as a secure place for tourism investment. Similarly, geographic proximity not only makes the region easily accessible for key source markets in Europe, Asia and Africa, but also reduces the travel time and expense associated with long-haul flights.

Robust air connectivity, led by two of the world's busiest airports in Dubai and Doha, is further strengthened by growing national flag carrier

In 2022 international arrivals in the Middle East recovered to 83% of the levels prior to the onset of Covid-19 pandemic, outperforming all other regions.

According to the 2023 Numbeo Safety Index, Qatar was the safest country in the world, followed by the UAE, while Oman and Bahrain ranked 5th and 10th, respectively.



Oman hosted the Global Travel Week Middle East 2022 trade show, showcasing itself as a tourist destination

According to the World Travel & Tourism Council's "2019 Economic Impact Report", travel and tourism revenue in the GCC amounted to \$245bn that year, or around 8.6% of regional GDP.

networks. According to a January 2023 report published by the Gulf Center for Studies and Research, known by its English acronym CSRGulf, the UAE and Qatar have the most extensive national air fleets in the region, with 257 and 200 aircraft, respectively, while Saudi Arabia has 144.

The Gulf Tourism Strategy recognises the importance of collaboration among GCC countries to capitalise on their competitive advantages, create a cohesive regional tourism vision and ensure the benefits are spread evenly across member countries. In tandem with national tourism strategies, the GCC seeks to secure collective commitment among its members to develop and support a common vision that defines and delivers clear outcomes, including job creation and higher levels of contribution to GDP, to facilitate diversification.

**GOING DIGITAL:** As GCC governments implement a methodical approach to tourism, they have become increasingly aware of the crucial role that digital experiences play in every stage of a traveller's journey. The pandemic further highlighted the importance of digital technologies in enabling seamless and safer travel. In line with the GCC strategy, the Gulf Tourism Platform was proposed in November 2022 as a digital gateway that provides tourists with a one-stop shop for planning and booking their trips to the region. This platform will use digital technologies such as artificial intelligence and big data analytics to offer a range of services, including booking accommodations, flights and tours, as well as providing practical tips and information on tourist attractions and activities, all of which aim to facilitate and enhance visitors' travel experiences.

In a similar vein, the Gulf Tourism Capital programme was introduced in November 2020, during the fifth annual meeting of the ministers of tourism, to highlight, promote and attract investment in new projects and emerging tourism sites. The inaugural

Gulf Tourism Capital title went to Ras Al Khaimah in the UAE in 2021, in recognition of its popularity as an adventure destination and its effective response to the pandemic. In 2020 it became the first destination in the Middle East to obtain a Safe Travel seal from the World Travel & Tourism Council (WTTC). The Gulf Tourism Capital programme and nomination guide was reaffirmed at the sixth meeting of GCC ministers of tourism in November 2022.

**INDIVIDUAL STRENGTHS:** According to the UNWTO, more than 900m tourists traveled internationally in 2022, indicating that the tourism sector is on track to reach 65% of the pre-pandemic total. In the first nine months of the year, Saudi Arabia emerged as the top tourist destination in the GCC, receiving 18m visitors. The UAE welcomed 14.8m people, while other top tourist recipients in the Gulf from January to September 2022 included Bahrain (4.3m visitors), Qatar (2.9m visitors) and Oman (2.3m visitors).

In recent years the sector has been playing an increasingly large role in Gulf countries due to investment in key areas. In 2021 Qatar ranked highest in the region in terms of tourism revenue, with the sector contributing 10.3% of GDP. Bahrain came in second, with an 8.2% share, followed by Saudi Arabia (6.5%) and the UAE (6.4%). The smallest tourism-related GDP contributions in 2021 were in Kuwait and Oman, at 4.3% and 3.5%, respectively.

Travel and tourism revenue in the GCC amounted to \$245bn that year, or around 8.6% of regional GDP, According to the WTTC's "2019 Economic Impact Report". Out of total tourism revenue, 83% of spending was for leisure travel while business travel comprised 17%. Some 63% came from international tourism expenditure versus 37% from domestic tourism. Over the years the region's tourism performance had improved at a steady rate, with an estimated 4.1% compound annual growth rate during the 2015-19 period.

To unlock their full potential, each GCC country has rolled out a national tourism strategy aiming to attract investment and boost arrival figures. Launched in 2019, Saudi Arabia's National Tourism Strategy is an integral part of its broader Saudi Vision 2030 reform agenda and looks to increase the number of domestic and international tourists to 100m a year by 2030, create 1.6m jobs and bolster the sector's contribution to GDP to 10% by 2030, up from 4% as of end-2022. Although a late entrant to the industry – it started offering foreign tourist visas in 2019 – the Kingdom is investing an estimated \$133bn in transport projects to improve connectivity. Meanwhile, the Public Investment Fund, Saudi Arabia's \$600bn sovereign wealth fund and diversification engine, is spearheading a number of mega-projects, including the \$500bn, futuristic mega-city NEOM and the development of luxury resorts along the Red Sea.

Although already a top destination for travellers in the GCC, the UAE has sought to future-proof its tourism sector with the launch of the UAE Tourism

In line with the Gulf Tourism Strategy, the Gulf Tourism Platform was proposed in November 2022 to provide tourists with a one-stop shop for planning and booking trips to the region.



Strategy 2031. The strategy is part of Projects of the 50, a 50-year programme to secure the country's competitiveness in the high-value industries of the future. With Dubai targeting 25m visitors annually by the year 2025 and Abu Dhabi 30m by 2030, the strategy seeks to raise the tourism sector's contribution to GDP to \$122.6bn, generating an average annual increase of \$7.4bn; attracting up to \$27.2bn in tourism investment; and welcoming 40m hotel guests across the country by 2031. The UAE also launched 25 projects that look to strengthen its national tourism ecosystem by developing specialised tourism projects, building tourism capabilities and increasing investment in all related sectors.

**BUILDING AWARENESS:** Oman's tourism strategy focuses on luxury, nature and adventure offerings, with the aim of welcoming 11.7m overseas visitors annually by 2040, up from 2.9m in 2022.

By hosting the Global Travel Week Middle East in March 2022, the sultanate's Ministry of Heritage and Tourism sought to promote Oman as a niche tourist destination – with an emphasis on luxury products and adventure offerings – to key source markets, particularly in Europe and India. Seeking cross-border partnerships, the Oman Tourism Development Company announced a deal with Dubai's Diamond Developers in March 2022 for the development of the first phase of the Yiti Integrated Tourism Development, a large-scale sustainable project.

Similarly, Bahrain is rolling out its Tourism Strategy 2022-26, which looks to attract 14.1m tourists per year, increase average daily visitor expenditure to \$198 and raise tourists' average stay to 3.5 days by the end of this period, tourism revenue hit \$4bn and arrivals reached 9.9m in 2022 – 17% above the target of 8.3m for the year.

Building on the \$220bn invested in a large portfolio of hotels and entertainment infrastructure to host the 2022 FIFA World Cup in November and December of that year, Qatar launched a global multimedia promotional campaign targeting 17 source markets to raise awareness about its attractions.

Qatar has set an target of increasing tourism's contribution to GDP to 10% by 2030 and attracting 6m visitors annually. To this end, Qatar launched a two-year World Class Chefs project, hosting chefs from around the world to nurture the local culinary scene and explore investment opportunities.

Albeit a smaller player, Kuwait's Touristic Enterprises Company, the government-owned agency tasked with tourism development, announced redevelopment plans for 11 projects in 2021, ranging from waterfront marinas to recreational parks, following a capital increase approval of KD250m (\$822.8m) by the Kuwait Investment Authority. These activities are anticipated to drive more tourism to the region, create more employment opportunities in the sector and boost the country's economy.

Bahrain is rolling out its Tourism Strategy 2022-26, which looks to attract 14.1m tourists per year, increase average daily visitor expenditure to \$198 and raise tourists' average stay to 3.5 days by the end of this period.



## WONDERFUL HOTEL IN THE HEART OF MANAMA, BAHRAIN

The Domain Hotel and Spa is a towering luxurious boutique style hotel with a magnificent cityscape and sea view. Experience an elegant blend of classic design fused with modern décor. With a stylish, differing selection of suites and rooms, a comprehensive spa and fitness centre, steakhouse restaurant and lounges, this is a cool urban retreat for the discerning guest.

STAY WORK PLAY

16 000 000  
www.thedomainhotels.com





As many as 330m people globally travel for religious reasons every year

## Seek the faith

Faith-based tourism is set to become a key segment for a number of markets worldwide

Global revenue from faith-based tourism is expected to total \$15.1bn in 2023 and reach \$41bn by 2033, spurring investment in logistics infrastructure, preservation and wider recreational offerings.

As many as 330m people travel for religious reasons each year, according to a UN World Tourism Organisation estimate from December 2014, forming a significant market for countries with attractions of spiritual or sacred value. These trips include pilgrimages, as well as sightseeing trips to important historical and religious sites throughout the year. Additionally, a 2018 report by IGI Global stated that it is assumed that some 25% of travellers are interested in this form of tourism.

Global revenue from faith-based tourism is projected to total \$15.1bn in 2023, according to market analysis firm Future Market Insights, and this could reach \$41bn by 2033. In addition to supporting job creation and local economies, religious tourism is helping spur investment in logistics infrastructure, preservation and wider recreational offerings.

**BOOSTING CONNECTIVITY:** In areas that already experience sizeable inflows of religious tourists, new strategies and infrastructure projects are helping to prevent over-tourism while enabling growth. In India, which boasts important sites for a number of faiths, religious tourism flows have reached record highs. In August 2022 travel operator Thomas Cook reported it had seen a growth of 15% in such tours compared to pre-Covid-19 pandemic levels. Pilgrims include both domestic and foreign tourists, as well as those from the country's large diaspora.

International arrivals to Saudi Arabia are driven by participants in the Hajj and Umrah pilgrimages. The Kingdom hosted 17.5m international tourists in 2019, 2.5m of which gathered in Makkah for the annual Hajj pilgrimage. Although arrival numbers fell during the pandemic, as the Kingdom limited the number of pilgrims to 1000 in 2020 and saw fewer than 60,000 in 2021, they have since started to recover, with 926,000 people participating in 2022. A goal of Saudi Arabia's Vision 2030 economic blueprint is to host 30m religious tourists in 2030, part of wider

efforts to attract 100m domestic and international tourists annually by that same year. Bahrain's Labour Law entitles Bahraini Muslim employees a one-time full paid leave of 21 days to perform the pilgrimage, while non-Bahraini Muslim employees who have worked for an employer for five consecutive years are entitled to a one-time, 14-day paid leave.

To improve the visitor experience and mitigate the undesirable effects of over-tourism, Saudi Arabia is undertaking a number of construction projects, such as the \$31bn redevelopment of King Abdulaziz International Airport to triple its passenger capacity. Slated for completion in 2031, the expansion plans include a dedicated Hajj and Umrah terminal.

The Kingdom is working to promote the Umrah pilgrimage – which can be performed throughout the year – in an effort to mitigate overcrowding and other key issues. Saudi Arabia's General Authority for Statistics reported that 24.7m people participated in the Umrah pilgrimage in 2022. Visitors to the Kingdom with a tourist visa through the country's e-visa programme are allowed to perform the Umrah.

**MENA INITIATIVES:** Other countries in MENA are restoring and preserving sites with historical and spiritual importance, which could help boost international arrivals. Egypt's Ministry of Tourism and Antiquities announced in July 2022 that it would renovate the town of Al Wadi in the Sinai Peninsula that is home to the fortified monastery of Deir El Wadi.

These developments are part of a wider tourism initiative being undertaken by Egypt known as the Great Transfiguration Project, the aim of which is to develop sites in the Sinai Peninsula to attract spiritual and recreational tourism to the area. First announced in 2020, plans include the further development of the area around St. Catherine's Monastery to improve tourism offerings, as well as the development of an airport. Meanwhile, Jordan's Ministry of Tourism and Antiquities has begun work

Bahraini Muslims are entitled to a 21-day paid leave once to complete the Hajj, while non-Bahraini Muslims are entitled to a one-time, 14-day paid leave if they have worked for an employer for five consecutive years.

on the first phase of a tourism trail that will stretch from Mount Nebo in the west of the country to the Jordan Valley, passing through various sites of spiritual significance for Christians.

**REGIONAL RESILIENCE:** Faith-based tourism is a key driver of sector growth, with religious attractions responsible for a large portion of arrivals in certain markets, especially during pilgrimages and festivals. The Indian state of Gujarat, for example, saw tourist inflows reach 55m in 2018, although this figure dropped to 24.5m in 2021 due to the pandemic. India is also home to the Kumbh Mela, an important religious festival in Hinduism that is considered one of the largest religious gatherings globally, as it attracted 200m visitors to Uttar Pradesh State in 2019, with some 50m participating during the celebration's most auspicious day.

Some states in Mexico are targeting religious tourism as a potential strategic growth segment. For example, the state of Jalisco is home to the Cathedral Basilica of San Juan de los Lagos, which attracts more than 7m visitors each year, with the end of the pilgrimage at the beginning of February accounting for an estimated 2m visitors alone. Festivities surrounding days celebrating patron saints are key drivers of tourism revenue for hotels, restaurants and other local services in Mexico.

According to the estimates provided by Mexico's Ministry of Tourism, 40m people a year participate in pilgrimages on a national scale, generating around \$1.1bn in revenue. In Brazil, various states have established itineraries to drive visits to religious sites, such as the churches of Ouro Preto in Minas Gerais, classified as a UNESCO World Heritage site. The country hosts more than 200 religious events each year, including the procession of Círio de Nazaré in the city of Belém, Pará State, which was attended by 2.5m people in 2022. In 2019 religious tourism generated an estimated \$15bn.

**TECHNOLOGICAL TRANSFORMATION:** Mirroring the acceleration of digitalisation during the



Technology is helping both support and influence religious tourism

pandemic, technology is beginning to both support and influence the development of religious tourism.

Backed by TBO.com, a global travel distribution technology platform, Saudi Arabia-based Zamzam.com is an online travel agency platform dedicated to religious travel. The company specialises in Umrah travel services, including a range of offerings such as visas, flights and sightseeing packages.

In September 2022 Saudi Arabia's Ministry of Hajj and Umrah launched Nusuk Hajj, an official digital platform to facilitate the planning of visits to Makkah and Medina for religious purposes, in line with the Vision 2030 Pilgrim Experience Programme. In early 2023 Saudi national telecommunications provider stc installed 92 broadcast towers in the Holy Mosque in Makkah – as well as seven communication towers over 1.5m sq metres – as part of efforts to boost the digital infrastructure in the city and provide greater connectivity to pilgrims.

Faith-based tourism is a key driver of sector growth, with religious attractions responsible for a large portion of arrivals in certain markets, especially during pilgrimages and festivals.



SANABIS, Flat 202, Building 743, Road 831, Block 408  
Phone: (+973) 32 122 163  
Email: info@kashtatours.com





In September 2022 Middle East arrivals surpassed 2019 levels by 3%

# Unlocking opportunities

Emerging markets leverage advanced technology to ensure sustainable growth of the tourism sector

Travel demand recovery is projected to create

# 126m

jobs by 2023

As emerging markets develop new attractions and tap into new visitor source markets, they are leveraging technology and sustainable development in line with emissions targets. According to the World Travel & Tourism Council (WTTC), travel demand is expected to generate 126m employment opportunities worldwide by 2032, with more than 60% of these jobs in the Asia-Pacific region. The lifting of travel restrictions in China and Japan announced at the end of 2022 will likely fuel an increase in activity in the region. South-east Asia in particular is set to benefit from an uptick in demand from China, which was the world's largest outbound tourism market in 2019.

**SUPPORT POLICIES:** As international tourism rebounds following the easing of travel restrictions, some governments are pushing reforms to create more equitable tourism sectors post-pandemic. In St Lucia, for example, where tourism accounts for some 65% of GDP, lawmakers plan to launch the Community Tourism Agency, with a mandate to increase local participation in the sector.

Such policies often aim to support micro-, small and medium-sized enterprises (MSMEs) – which make up an estimated 80% of the sector globally, according to the WTTC – while also providing more authentic experiences for new visitors.

In Thailand, the Ministry of Labour has rolled out measures to support students working part-time in the hospitality industry and provide tourism-related training for the unemployed, hoping to address a labour shortage as the country prepares to welcome 25m visitors in 2023. Prior to the pandemic, tourism activities, both domestic and foreign, accounted for 18% of the country's GDP.

Africa's tourism sector, meanwhile, is expected to grow at an average annual rate of 6.8% between 2022 and 2032, more than twice the 3.3% growth rate for the continent, according to WTTC data, creating a projected 14m new jobs in that period. Private sector

actors are heavily involved in efforts to develop the tourism industry. Purple Elephant Ventures, a Kenya-based venture studio, was founded in 2020 with the goal of building four start-ups per year. It aims to focus on firms working at the intersection of technology, climate and tourism. During the pandemic the studio launched a software-as-a-service product that allowed hospitality providers to take direct online bookings, and it raised \$1m in a pre-seed funding round in late 2022.

**TARGETING DIVERSIFICATION:** Tourism is an important plank in economic diversification efforts in the Middle East, and a number of high-profile projects are seeking to boost arrivals in the region.

Saudi Arabia has centred its goals for the sector around its Saudi Vision 2030, with an ambitious target to attract 100m domestic and foreign tourists by



Western patients are seeking more affordable care in emerging markets

Support policies often aim to help micro-, small and medium-sized enterprises – which make up an estimated 80% of the sector globally – while also providing more authentic experiences.



2030. In January 2023 the Kingdom's Public Investment Fund designated Diriyah as its fifth giga-project. Encompassing the Turaif district, a UNESCO World Heritage site, the project is intended to educate visitors on the history of the country.

In Egypt, tourism revenue is set to rise by 20% to a record \$13.6bn in 2023, according to projections from data and research firm Fitch Solutions. The Ministry of Tourism and Antiquities aims to attract 30m tourists by 2028, and the government launched a new strategy for the sector in March 2023. Beyond conventional tourism initiatives, Egypt is pushing the use of metaverse technology to promote the medical tourism segment. According to Ahmed El Sobky, chairman of the General Authority for Health Care, the use of 3D virtual-reality software will allow prospective patients to remotely tour health care centres in governorates such as Luxor and Port Said.

The global rise in medical tourism can be attributed to Western patients seeking more affordable health care options in emerging markets like India, Turkey, Thailand, and Malaysia. This demand in turn has been propelling investment in medical equipment that utilises the potential of artificial intelligence and robotics. Additionally, wellness tourism is emerging as a prominent trend. Despite a decline during the pandemic, projections from the Global Wellness Initiative indicate an annual growth rate of 20.9% for wellness tourism for the period from 2020 to 2025.

**REGENERATIVE TOURISM PROJECTS:** Achieving net-zero emissions has become a tourism sector priority, as the industry accounted for 8% of global emissions in 2019. In January 2023 the UN World Tourism Organisation and the Development Bank of Latin America announced a partnership to fund tourism projects in Latin America and the Caribbean. The initiative is focused on attracting foreign direct investment to support projects focused on climate change and reducing the sector's emissions.

In addition to mitigating climate change, conservation efforts often align with tourism outcomes, as more emerging markets highlight their diverse natural heritage as part of their offering. In mid-2022 a team of UK scientists made significant progress by using machine learning to develop an algorithm capable of using sound to assess the health of coral reefs. The technology has been deployed on a small scale in Indonesia. The country is also home to the Mars Coral Reef Restoration project, which is using hexagonal "reef stars" to kick-start coral growth across more than 40,000 sq metres of seabed.

Such endeavours represent a significant step forward as countries look for ways to diversify their economies and tap into the potential of the tourism industry. By focusing on the regeneration of local ecosystems and creating competitive tourist destinations, major projects around the world are driving economic growth and generating employment.

After contracting significantly during the pandemic, wellness tourism is projected to grow by 20.9% annually in the 2020-25 period.



*a relaxing getaway*  
**FOR A FAMILY STAYCATION**

Jaw Resort & Spa has been creating exceptional experiences in Bahrain for guests around the globe, ever since its inauguration during the peak of covid-19 Pandemic to astonishingly high demand due to its unique concept of seclusion and vibes of Maldives. Jaw Resort & Spa is a family resort that has been generating buzz on social media for its luxurious villas, breathtaking seafront surroundings and exceptional experiences.

Akbar Ali, the Property General Manager shares his insights on how he was able to propel this successful brand in the midst of the Pandemic, while the global tourism industry was on a standstill, making Jaw Resort & Spa an iconic spot in Bahrain in such short period of time.

The Pandemic had completely redefined the hospitality industry worldwide. Family vacationing overseas came with its own hurdles and limitations. In the present scenario, Jaw Resort & Spa offers the perfect balance of being away from the hustle-bustle in an unfrequented location of Bahrain. Guests can enjoy complete seclusion in private resort villas, each with its own private swimming pool, and a wide capacious stretch of white sandy beach, beachfront waterpark and Kids Club. All of this, at affordable prices, has made Jaw Resort stand out in the current market ever since it opened its doors in August 2020.



Building 2129, Road 94, Block 960, Jau, Kingdom of Bahrain  
For Reservations: +973 77 97 97 97 | @jawresortbahrain  
[www.jawresort.com](http://www.jawresort.com)



تأجير بأسعار معقولة  
تناسب ميزانيتك

خدمة ٢٤/٧

AFFORDABLE RENTAL RATES  
THAT SUIT YOUR BUDGET

24/7 SERVICE

CAR RENTALS

CHAUFFEUR  
SERVICE

BUS  
TRANSPORT



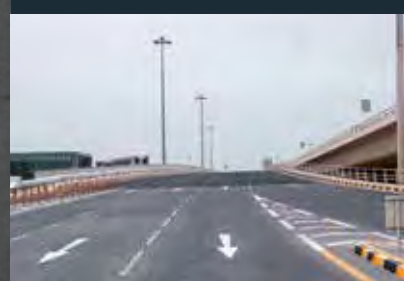
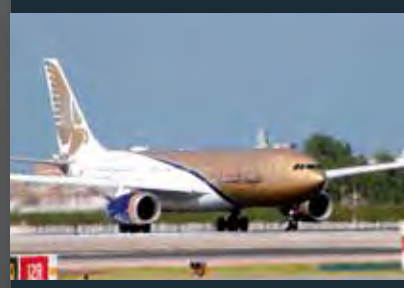
# Transport

Logistics activities central to diversification plans

Infrastructure aligned with land-reclamation projects

New international road and rail links in development

Expanded airport terminal supports tourism aims







Building regional linkages is a key part of Bahrain's transport strategy

## At the crossroads

Plans for new road and rail connections support the kingdom's aim to become an international logistics centre

Plans to expand the kingdom's landmass by around 60% are set to increase the importance of transport and logistics infrastructure.

With Bahrain's 780-sq-km landmass stretching across 33 islands, efficient transport connectivity between the country's four main islands – Bahrain Island, Al Muharraq Island, Sitra Island and Umm Al Nasan Island – is integral to economic development. National strategy has focused on establishing Bahrain as an international tourism destination and logistics centre. That drive has resulted in significant government investment in general and commercial transport infrastructure, with a new port, a high-capacity causeway connecting Bahrain with Saudi Arabia and a new airport all launched over the last 15 years. The positive socio-economic impact of those projects has encouraged additional enhancements, with stronger multi-modal linkages with the broader Gulf region a central goal of the next wave of strategic developments.

Since the return to normal economic activity following the Covid-19 pandemic, government authorities have launched new strategies to both harness pent up demand, create new linkages and address inefficiencies exposed by supply chain constraints. The transport sector is a key contributor to GDP and job creation, and plans to expand the kingdom's landmass by around 60% mean its contribution to both of those metrics is likely to increase significantly over the medium and long term.

**STRUCTURE & OVERSIGHT:** The Ministry of Transportation and Telecommunications (MoTT) is responsible for the regulation and oversight of both the transport and ICT sector. The ministry's transport-related duties are carried out by segment-specific departments, including Civil Aviation Affairs, Land Transport Affairs, and Ports and Maritime Affairs. Logistics and tourism are among the high-potential activities being harnessed to drive economic diversification under the banner of Bahrain Economic Vision 2030, the government's overarching socio-economic development blueprint,

while enhancing public transport offerings and facilities is a core component of efforts to tackle challenges such as traffic congestion. In addition to transport-specific authorities, the Ministry of Works (MoW) is an important entity in infrastructure planning and development, with a remit to act as the construction arm of the government.

**KEY PRIORITIES:** Meanwhile, global maritime terminal operator APM Terminals manages activity at Khalifa Bin Salman Port (KBSP), Bahrain's only commercial port, which is situated in the Al Hidd industrial area around 13 km south-east of Bahrain International Airport (BIA) and 17.5 km east of the capital, Manama. APM Terminals is in the process of formulating its multi-year strategy in collaboration with the Bahrain Economic Development Board – which works with the public and private sectors to promote investment – and the Bahrain Chamber of Commerce and Industry. In line with the goals of Bahrain Economic Vision 2030, APM Terminals is working to promote employment opportunities within the logistics sector. The company is also undertaking initiatives with Bahrain Polytechnic to provide training programmes and internships.

Aviation activities are being prioritised in the kingdom's development strategies. Bahrain Airport Company, a wholly owned subsidiary of Gulf Air Group Holding, oversees BIA, which has undergone significant infrastructure upgrades in recent years. Bahrain Airport Services, for its part, is responsible for oversight and implementation of aviation services. The kingdom's aviation authorities received a raft of awards in 2021 and 2022 relating to service provision and quality of facilities (see analysis).

Bolstering regional linkages is another key aspect of transport development. In August 2022 the ministers of transport of Bahrain and Saudi Arabia met to discuss strengthening economic ties through deeper integration of the two nations' transport and

Logistics and tourism are among the high-priority activities being harnessed to drive economic diversification under the banner of Bahrain Economic Vision 2030.

logistics activities. Currently, the two countries are connected by the King Fahd Causeway. Plans for a new road linkage, the King Hamad Causeway, were under way as of early 2023.

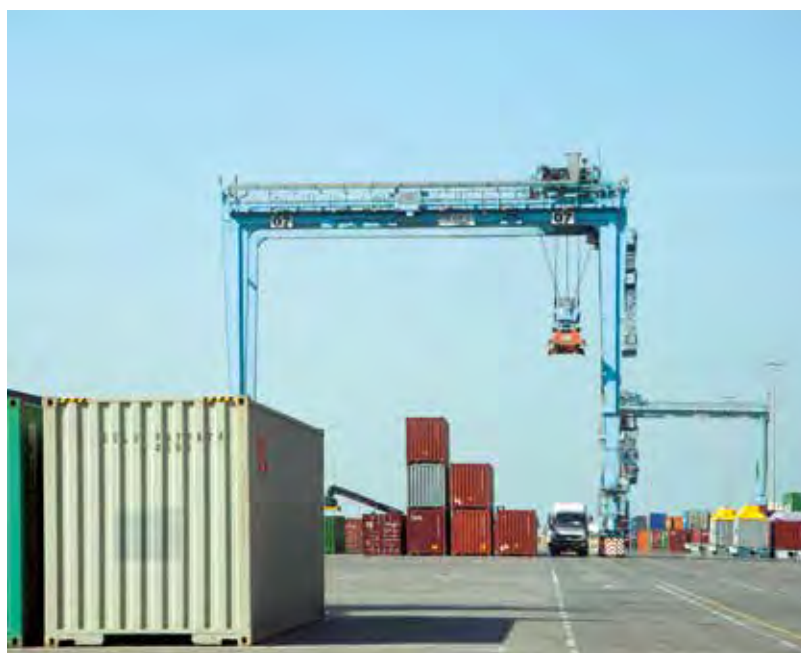
**STRATEGY & DEVELOPMENT:** Logistics and tourism activities are central to government plans to propel economic expansion and diversification. In October 2021 the government released its Economic Recovery Plan (ERP) in a bid to guide the kingdom's economy towards achieving Bahrain Economic Vision 2030 goals following the unprecedented economic stresses brought about by the pandemic and resulting shocks. The Logistics Services Sector Strategy 2022-26 and the Tourism Sector Strategy 2022-26 were released shortly after the ERP to provide focused roadmaps and milestones for the development of sectors deemed to be of high potential and strategic importance (see Tourism chapter).

Under the guidance of the Logistics Services Sector Strategy 2022-26, the MoTT aims to raise logistics activities' contribution to GDP from 6.4% in 2021 to 10%; increase annual airfreight to 1m tonnes; boost maritime-container handling volumes to 1m twenty-foot equivalent units (TEUs) per year; and expand the kingdom's aviation network to more than 70 international destinations by 2030. Ongoing review of laws and regulations and modernisation of logistics infrastructure are other key strategic priorities as the MoTT works to improve its range of services and attract increased investment.

The Bahrain Sea-to-Air Logistics Hub opened in December 2021 and is a core component of the Logistics Services Sector Strategy 2022-26, providing a modern, multi-modal logistics park that connects KBSP with BIA. The increased efficiency offered by digitalised internal procedures and integrated Customs processes has enabled two-hour bonded lead times and a 40% cost reduction for containers travelling between KBSP and BIA.

Meanwhile, the Bahrain Real Estate Investment Company (Edamah) – the real estate arm of Mumtalakat, the kingdom's sovereign wealth fund – broke ground on its 87,382-sq-metre Sitra Logistics Park in October 2022. Trident Warehouse has signed a 10-year lease worth approximately \$7m on a 8000-sq-metre facility in the park, which is designed to precipitate the growth of the logistics sector and attract international investment. Multiple other logistics parks were in operation throughout Bahrain as of April 2023 (see Industry chapter).

Digitisation is a core component of the government's development plans. APM Terminals has announced its intention to digitise its services to improve efficiency for customers. Meanwhile, the MoTT is moving more of its own operations online. As of early 2023 a number of services, such as digital aeronautical information, weather bulletins, permit applications, flight schedules, overflying and landing permission services, vessel registration, route planning, and delivery and order status services, among others, were available online to stakeholders.



The kingdom's logistics strategy is aligned with the government's drive to boost exports of national origin

**PERFORMANCE & SIZE:** The Ministry of Finance and National Economy (MFNE) provides key metrics tracking transport sector development alongside that of the communications segment. The effects of the pandemic on transport activities were clearly visible in the quarterly GDP breakdowns provided in the MFNE's economic reports. In the first quarter of 2021 the transport and communications sector underwent a year-on-year (y-o-y) contraction of 26.8%, reflecting the fact that pandemic-related restrictions on transport activities were not imposed until March 2020. In the second, third and fourth quarters of 2021 transport and communications activities grew by 36%, 25.8% and 11%, respectively.

Expansion continued into 2022, averaging 15.5% in the first two quarters before moderating to 8% for the third quarter. In times of normal economic activity, the transport and communications sector traditionally contributes between 6.5% and 7% to GDP. The aforementioned logistics strategy has clear synergies with the government's drive to boost the export of locally manufactured goods, and for the first three quarters of 2022 the manufacturing segment averaged approximately 6% y-o-y expansion.

As of the first quarter of 2021 there were 3668 companies active in the transport and logistics space, according to Tamkeen, a semi-autonomous public agency focused on strengthening the private sector. Of these, 3613, or 98%, were classified as micro- or small enterprises. The total transport and logistics workforce numbered 30,564, equal to approximately 6% of the national labour market. In addition, Bahraini nationals accounted for 25% of the sector's workforce, making transport and logistics the ninth-largest employer of local workers from a total of 18 sectors.

**INVESTMENT & MAJOR PROJECTS:** One of the five pillars of the ERP is the Strategic Projects Plan (SPP), through which the government plans

By 2030 the government aims to increase the contribution of logistics to GDP to

**10%**

A new global sea-to-air logistics centre that opened in December 2021 is a core component of sector development plans and connects Khalifa Bin Salman Port to Bahrain International Airport.

Bahrain International Airport operates out of a new terminal constructed in 2021, with capacity to handle 14m passengers per year as well as modern security and passenger processing systems.

to commit around \$30bn to upgrading Bahrain's general infrastructure. In order to generate the significant private investment required to bring the SPP to fruition, most of the initiative's constituent projects are being offered as public-private partnerships (PPPs). Indeed, a new PPP guide was launched in 2022 in order to better regulate their implementation and offer increased protection to potential private partners (see Economy chapter). Transport facilities are a core focus of the SPP, with a number of major developments in the pipeline.

Opened in 1986, the King Fahd Causeway has stimulated trade and tourism between Bahrain and Saudi Arabia, with its traffic volumes expanding by around 6% annually between 2012 and 2022. Operating at capacity as of early 2023, the causeway sees roughly 11.5m vehicles cross per year, which has created impetus for the construction of a second such link. The 25-km King Hamad Causeway, set to cost an estimated \$3.5bn, will be carried out as a PPP and will feature four lanes and a central railway line intended to serve as the Bahrain-Saudi Arabia linkage of the long-awaited GCC Railway network. Financial studies for the causeway were completed in 2021, and in late January 2023 it was announced that selected contractors had submitted feedback forms to the causeway authority.

The SPP also includes multiple large-scale integrated developments such as the South City and Bilaj Al Jazayer tourist cities, which will require multi-modal transport facilities and extensive road networks. The most ambitious SPP development is a plan to build five new cities via land-reclamation projects. Once executed, the plan will expand Bahrain's landmass by up to 60%, which will in turn necessitate comprehensive passenger transport and logistics infrastructure to cater to the residential and industrial developments that the new island cities are designed to house. These areas are integral to the government's aim to establish the kingdom as a regional tourism and logistics centre, with a proposed new airport also a feature of its plans.

**AVIATION:** Currently, BIA is the kingdom's only commercial aviation centre. It has undergone significant upgrades in recent years, with a new terminal opening in 2021 to assume all operations previously carried out by the old one. It has a handling capacity of 14m passengers per year and boasts modern security and passenger-processing systems. BIA's total passenger throughput in 2019 reached 9.7m passengers, meaning that the old terminal was operating well beyond its official annual capacity of 4m. The pandemic saw global passenger numbers drop dramatically in 2020, but in 2021 BIA received a total throughput of around 3m, with that figure increasing by 127% to 6.9m by the end of 2022. Of that number, 978,659 were tourists visiting Bahrain – marking an increase of 149% from 2021 – while the balance were transit passengers.

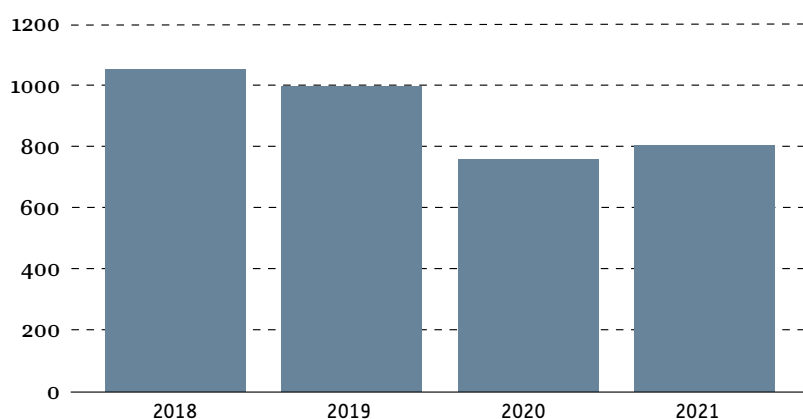
In spite of the curtailment of movement brought about by the pandemic, total air freight handled by BIA in 2020 rose by 3.2% to 300,205 tonnes. As of April 2023, the MoTT had yet to publish the relevant statistics for 2021, but in January 2022 total air cargo processed at BIA was 28,213 tonnes, and January 2023 brought a y-o-y increase of 2% for a total of 28,840 tonnes, including 10,323 tonnes for import, 5460 tonnes for export and 13,057 tonnes for trans-shipment. The aforementioned growth was driven by trans-shipment volumes, which increased by 9% between January 2022 and January 2023. Export and import volumes, meanwhile, declined by 6% and 1%, respectively.

**MARITIME:** KBSP, which launched operations in 2009, is the engine of Bahrain's logistics activities. The port has the capacity to hold 54,000 TEUs and a total annual throughput capacity of 1m TEUs. The number of TEUs processed at KBSP rose from 379,817 in 2016 to 464,010 in 2020. General cargo volumes, meanwhile, increased from 778,874 tonnes in 2016 to 1.6m tonnes in 2020.

In spite of the gradual easing of pandemic-related transport restrictions and supply chain disruptions, total TEUs and general cargo handled at KBSP declined to 404,904 and 1.2m tonnes, respectively, in 2021. That trend continued into 2022, with the number of TEUs processed by the port dipping by 5.3% to 383,435 and general cargo tonnage falling to 787,514 tonnes – a contraction of 34.4%. However, in 2022 roll-on/roll-off cargo increased by 14.5% from 28,710 to 32,862. "We are expanding beyond Bahraini imports and exports, and initial feedback from the market is encouraging," Richard Smith, chief commercial officer at APM Terminals Bahrain, told OBG. "Given that we operate the kingdom's only commercial port, activity at KBSP accurately reflects the container market as a whole, and the range of non-oil exports is still rather limited."

Maritime tourism is receiving additional focus from Bahrain's tourism authorities as the government attempts to maximise revenue streams facilitated by its transport infrastructure. In 2021 a total of 7279 international visitors arrived by sea.

Transport & logistics gross value added, 2018-21 (BD m)



Source: Tamkeen



An increase of 348% saw that figure reach 32,617 in 2022. While the gradual post-pandemic return to normalcy was influential in that respect, such a pronounced increase suggests maritime tourism initiatives are having a positive effect.

**ROADS & BRIDGES:** As of April 2021 Bahrain had 4242 km of paved roads, 700 km of which were added over the prior five years. Road construction activity was relatively subdued in 2022, with awarded contracts amounting to around \$26m – a significant drop from \$131m in 2021. However, due to the comprehensive nature of the government's individual development projects, activity is expected to increase in the coming years. Indeed, advanced road infrastructure is essential to the success of the government's drive to establish Bahrain as an international logistics centre.

In addition to the King Hamad Causeway project, other big-ticket road developments have seen significant movement. One of those is the Northern Link Road, an SPP development that will stretch 22.5 km along the northern coast of Bahrain Island. The Northern Link Road was designed to stimulate investment in the north of the country and provide high-capacity transport connectivity between strategic projects and housing developments – illustrating how the government's approach to integrated development maximises the impact of its infrastructure projects. In August 2022 the MoW announced that five local and international consultancy firms had submitted proposals ranging from BD1.5m (\$3.9m) to BD3.4m (\$9m) to carry out the feasibility study for the project.

In addition, following the March 2022 completion of the second phase of the Busaiteen Link Road project, tendering for the third phase was opened to selected Bahraini and Saudi contractors in March 2023. Once complete, the road will connect with the Northern Link Road. The MoW is responsible for project oversight, and the third phase includes the development of 10.7 km of carriageway and upgrades to surrounding infrastructure.

In March 2021 the government announced that it was considering plans for a causeway to connect the Hawar Islands development with the mainland, and in March 2022 government officials called for plans for a \$4bn causeway connecting Bahrain and Qatar to be revisited after they were shelved in 2010. Given the kingdom's limited landmass and growing population, traffic congestion is a key concern, particularly in the capital, Manama. Many of the major road projects under way or in the pipeline are intended to tackle the problem.

**RAIL:** The development of a metro project aligns with the government's bid to address traffic congestion. In February 2023 it was announced that Delhi Metro Rail Corporation (DMRC) had been awarded the tender for the first phase of the project's construction. The DMRC will carry out project development, budgeting and contractual procedures, and has signed a memorandum of understanding with



Advanced road infrastructure is crucial to the kingdom's aim of becoming an international logistics centre

India's state-owned manufacturer BEML – formerly Bharat Earth Movers – for the supply of rolling stock. The fully automated metro system will incorporate 109 km of track in its entirety. The first phase will stretch approximately 29 km between Seef and BIA, which are situated on Bahrain Island and Al Muharraq Island, respectively.

Work is also progressing on the long-awaited \$250bn GCC Railway network, with the UAE having built track up to its border with Saudi Arabia as of late 2022, while initial studies for the Saudi-Qatar connection began earlier that year. The track is set to run from Dammam in Saudi Arabia into Bahrain via the King Hamad Causeway. The railway will then connect with KBSP, BIA, Amwaj Islands and Qatar via the aforementioned Bahrain-Qatar causeway. In December 2021 the GCC Supreme Council approved the establishment of the GCC Railways Authority to oversee the implementation of the project. The new authority began operations in June 2022.

**OUTLOOK:** Transport-related activities and infrastructure developments have been significant factors in economic progress in recent decades. The increased focus on attracting private investment and the new PPP guide should see that trend continue as the government presses ahead with its economic diversification plans and the SPP.

With the success of transport-related strategies dependent on progress across other sectors, logistics operators in particular will hope to see significant advances in the government's drive to boost production of goods for export. At the same time, efforts to expand the country's tourism offerings should yield positive cross-sector impacts, while the knock-on effects from the increasing ability of GCC countries to attract major international sporting events should result in broader recognition of the bloc's cultural heritage, as well as its advanced tourism, transport, logistics and aviation infrastructure.

Big-ticket road developments include the King Hamad Causeway, the Northern Link Road designed to drive investment in the north of the country, and the Busaiteen Link Road.



Mohamed bin Thamer Al Kaabi

# Building capabilities

Mohamed bin Thamer Al Kaabi, Minister of Transportation and Telecommunications, on enhancing logistics infrastructure

**Which priorities is Bahrain focusing on to improve its transport and logistics sector?**

**AL KAABI:** Bahrain's strategy for the logistics services sector is set to play a critical role in Bahrain Economic Vision 2030. Under the plan, the kingdom aims to leverage its strategic location and logistics capabilities to position it among the top-20 global destinations for logistics services by 2030. The Ministry of Transportation and Telecommunications (MoTT) has a key role in achieving this goal by focusing on developing infrastructure, promoting logistics services and developing human capital to support the sector's growth.

As for ports, the Bahrain Logistics Zone aims to attract foreign direct investment by leveraging its proximity to the Khalifa Bin Salman Port. To further develop the country's logistics infrastructure, the MoTT is working on a new causeway between Bahrain and Saudi Arabia, which will boost the logistics sector.

**In what ways can the private sector contribute to the broader transport industry in Bahrain?**

**AL KAABI:** The private sector can increase its contribution by investing in infrastructure, technology and innovation; implementing new transport services; and providing training and professional development opportunities. This would improve operational efficiency, competitiveness and service quality.

Potential development areas include the construction of a new airport, an option that is currently being studied by the MoTT; the development of new port infrastructure solely designed for bulk material or cruise terminals; and a metro system to be built on a design-build-finance-operate-transfer basis, under which the private developer would provide the expertise and financing to build the metro and run it for the next 30 years. This would be the first model of its kind for operating a metro system in the GCC. The proposed plan for the new causeway between Bahrain and Saudi Arabia is also considering private sector participation.

**How can technology assist in enhancing smart transport systems and services?**

**AL KAABI:** We are looking to improve digitalisation through e-platforms to simplify licensing, booking and tracking procedures, as well as to automate certain operations. The new passenger terminal at Bahrain International Airport (BIA) that opened in June 2022 features the latest baggage-handling technology and an advanced communications system that utilises cloud-based unified communications, video cloud, the internet of things (IoT) and big data platforms.

In the ports segment, there is significant potential for the further deployment of technology. Smart transport networks, along with mobility systems and services, can help improve efficiency, safety and sustainability at ports. For example, IoT can be used to analyse data in real time, and optimise and automate port operations. By implementing smart transport technologies, Bahrain can enhance its overall operations and position itself more competitively in the region.

**What is Bahrain's long-term vision to enhance mobility across the kingdom, and what might catalyse its economic growth and social development?**

**AL KAABI:** A sustainable, fully integrated transport system is expected to result in enhanced logistics, greater productivity, increased trade and commerce, and a more attractive investment climate, serving not only Bahrain, but also the wider region. One of the goals of the new passenger terminal at BIA is to enable business and tourism, while also playing a significant role in a logistics and cargo ecosystem that serves players operating within the local private sector.

We are also working on creating subsystems that will help enhance mobility around the kingdom. These subsystems include the new feeder bus system around metro stations, dedicated bicycle tracks and new modes of transport such as e-scooters, which are already in operation at various locations across the country.



Raising annual air freight capacity to 1m tonnes is a key sector goal

# Clear horizons

## Increased passenger and cargo aviation capacity aligns with key tourism and logistics objectives

The expansion of the logistics and tourism industries is central to the government's economic development strategy, and both sectors have received sizeable investment in recent years. A significant milestone for both sectors was the 2021 opening of a new terminal at Bahrain International Airport (BIA) – operated by Bahrain Airport Company (BAC) – which at 210,000 sq metres has four times the physical footprint of the old airport, the capacity to process 14m passengers per year and a significant amount of space for commercial operations.

The government aims to attract 14.1m visitors per year to the country and boost tourism's contribution to GDP from approximately 7% in 2021 to 11.4% by 2026. Alongside these goals, officials are cognisant of the fact that the quality of experience offered by an airport can influence lasting impressions of a country for both tourists and businesses – a fact made more pertinent by the events of the Covid-19 pandemic and subsequent increased demand for efficient and hygienic transport facilities.

**NEW INFRASTRUCTURE:** BIA's new terminal features a fuel farm, providing airlines with modern refuelling infrastructure and increasing the efficiency of both freight and passenger services. Additionally, following the Bahrain International Air Show in November 2022, BAC announced that it had signed contracts with a cumulative value of \$167m for the upgrade of physical and digital infrastructure at BIA. National airline Gulf Air will construct a new hangar, while international ICT firm SITA will install advanced biometrics and security technologies to expedite passenger processing.

Since the launch of the new terminal BIA has been awarded a number of international aviation industry accolades. In 2022 it was named the world's best new airport at the World Airport Awards organised by international aviation standards body Skytrax, and in both 2021 and 2022 it was awarded a five-star

rating by Skytrax. BIA was also recognised at the Airport Accessibility Awards 2022 for its level of service for passengers with reduced mobility.

The post-pandemic reopening of international borders, alongside Bahrain's strategic focus on establishing itself as a globally competitive aviation transit and tourism centre, saw a resurgence in passenger numbers. Total passenger throughput at BIA increased by 127.5% in 2022, reaching 6.9m, 29% lower than the 2019 total of 9.6m. Meanwhile, aircraft traffic movement rose by approximately 61% from 51,000 in 2021 to 82,000 in 2022. BIA's growing reputation as an internationally competitive aviation centre, coupled with the announcement that a range of big-ticket tourism infrastructure projects will begin operation in 2024, signal that the kingdom is set to make further advances in aviation in the coming years (see Tourism chapter).

Gulf Air accounts for 60% of passenger traffic at BIA. The airline has moved to expand its network of global destinations since the opening of the new terminal. Indeed, such expansion is a key feature of the government's tourism strategy. In 2022 the carrier announced that it would begin servicing Nice, in France, and Manchester, in the UK. The latter affords the airport access to a market of over 28,000 residents who travel to Bahrain each year, and a further 2m people from across northern England who use Manchester Airport to reach other destinations in Asia serviced by BIA and Gulf Air.

**LOGISTICS CAPACITY:** Raising annual airfreight capacity to 1m tonnes is a core goal of the government's plan to increase the contribution to GDP of logistics activities from 6.4% in 2021 to 10% by 2030. German multinational logistics company DHL has operated out of BIA since 1976 and now has a fleet of 15 aircraft at the airport. Bahrain is one of DHL's four global centres, and in November 2022 the company signed an agreement with BAC that will see

At 210,000 sq metres, the new terminal at Bahrain International Airport has the capacity to process 14m passengers per year and significant space for commercial operations.

Total passenger throughput at Bahrain International Airport increased by

**127.5%**  
in 2022





The concept of the airport city re-envisioned the airport as the nucleus of a commercial and tourism complex

The Express Cargo Village is intended to support air cargo operations to enable growth in e-commerce, featuring dedicated Customs infrastructure, a logistics zone, warehouses and office space.

it expand its operations at BIA. Moving forwards, the pair aim to collaborate more closely in harnessing Bahrain's business environment and DHL's globally competitive position in the logistics space to achieve both corporate and national goals.

BAC's 25,000-sq-metre Express Cargo Village project was opened to bidding in 2018, with French engineering company Egis securing design and construction supervision rights in November of that year. Cebarco Bahrain was selected as the main contractor for the construction of warehouses, aircraft aprons and the project's other features. The project broke ground in June 2022. Individual cargo operators will each have a designated zone within the village, with global logistics specialist FedEx signing an agreement with BAC to base itself in the new facility. FedEx will occupy a 9000-sq-metre zone, constituted of a 5000-sq-metre warehouse and 4000 sq metres of open space. BAC stated in 2022 that it expects FedEx to assume occupancy in the Express Cargo Village in the third quarter of 2023.

The Express Cargo Village is composed of three zones: one for express cargo handling, which is intended to enable growth in areas such as e-commerce; a bonded logistics zone complete with dedicated Customs infrastructure and 19 separate warehouses totalling over 9800 sq metres; and an administrative zone. Office space will be spread across the three zones. The development is designed to facilitate increased efficiency through implementation of advanced technologies and align BIA cargo-handling procedures with those of the world's top airports. It is also intended to attract private investment and facilitate job creation.

The modern facilities at BIA are being harnessed as part of the Bahrain Sea-to-Air Logistics Hub (see overview). The airport lies 27.5 km east of the King Fahd Causeway, which connects Bahrain with Saudi Arabia, the GCC's largest consumer market, which

is also prioritising the tourism industry as part of its economic diversification agenda.

**EXPANDING SERVICES:** In early 2022 BAC announced intentions to broaden its business and commercial activities beyond traditional aviation services, with plans to convert a section of the old BIA building into a private aviation terminal in alignment with the country's overall aim to establish itself as an international business and convention destination. Awal Private Terminal, as it is to be named, will feature infrastructure such as meetings and office space, private parking and a duty-free outlet.

While the resurgence in tourism numbers and expansion of serviced routes and logistics capacities are vital to the success of the government's sector-specific development strategies, the pandemic subjected the aviation industry and broader transport sector to unprecedented economic shocks. The prolonged curtailment of all but essential transport of goods and people and the sealing of international borders saw the revenue of airports, airlines and other aviation-related enterprises undergo pronounced contraction, resulting in widespread suspension of employment contracts and subsequent loss of earnings for the industry's workforce.

Those events have forced the aviation industry to reevaluate its approach. Emphasis is now being placed on diversification of revenue streams in an attempt to reduce bottom-line dependence on traditional aviation services, with economic and environmental sustainability and pre-emptive crisis mitigation measures central to future plans.

**INNOVATIVE MODELS:** In recent years the concept of the airport city has emerged, in which the airport serves as the nucleus of a larger, more expansive commercial operation. Both air- and land-side office space, conference centres, hospitality and retail activities are seeing increased investment from airports as they expand beyond the idea of a transit facility and attempt to remodel themselves as business and leisure destinations and attractions.

An existing example of an airport city is Singapore Changi Airport's Jewel development. Jewel is a \$1.25bn, 136,000-sq-metre commercial attraction that opened in 2019. Designed to reflect the character of its host city, Jewel offers interactive technological experiences and high-end retail, entertainment and hospitality establishments to both airport passengers and non-passengers. Changi Airport's total revenue grew by 3% to SG\$3.1bn (\$2.3bn) in 2019/20. The opening of Jewel, which attracted 50m visitors in its first six months of operation, is credited with helping to drive that increase.

Singapore Changi Airport, as one of the world's largest aviation centres, operates on a different scale than BIA. However, its success in stimulating alternative revenue streams and integrating the airport into its broader surroundings suggests that the model could be applied elsewhere, particularly by countries such as Bahrain with modern airport infrastructure and a conducive business environment.

As part of the drive to promote the kingdom as an international business destination, the old terminal at Bahrain International Airport will be converted into a private aviation terminal.



Mohamed Yousif Al Binfalah

# Flying high

Mohamed Yousif Al Binfalah, CEO, Bahrain Airport Company, on the improvements being made in the aviation industry

**In what ways can the kingdom further increase its competitiveness and international presence in the global aviation sector?**

**AL BINFALAH:** There was a gradual recovery in international travel and passenger flows in 2022. Around 6.9m passengers travelled through Bahrain International Airport (BIA) in 2022, compared to 3m in 2021, making it a positive recovery year. With no major restrictions on international travel in place, 2023 presents an opportunity to focus on other strategic initiatives in the sector. For example, UK-based air transport ratings agency Skytrax's consistent recognition of BIA as one of the world's best airports in its annual awards is evidence of the efforts being made to build an advanced terminal and improve the customer experience.

In terms of Bahrain's regional and international competitiveness, the focus has been on air connectivity and route development. Efforts are being made to implement strategic policies, reassess the current route development strategy, work collaboratively with sector partners and participate in industry events in order to position Bahrain as a tourist destination and attract new airlines. BIA's selection to host the Routes World annual forum in 2024 offers an opportunity to interact with industry experts, airports and airlines.

**How can local and international industry stakeholders further collaborate to facilitate growth in the aviation sector?**

**AL BINFALAH:** After two years of negative growth, the industry is gradually recovering. Economic forecasts are pointing to a positive financial performance for the sector in 2023. In order to avoid possible disruptions and future challenges, it is essential to harmonise procedures and leverage digital solutions to enhance service efficiency. While countries are making their own efforts, universally

accepted protocols have yet to be established. For example, there is no single solution recognised globally for exchanging health data and documentation between passengers and authorities.

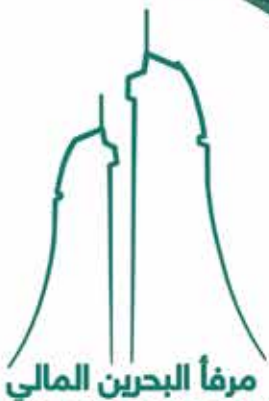
Nonetheless, Bahrain is committed to playing its part to improve the international aviation sector. One notable step is its hosting of the International Civil Aviation Organisation's programme Collaborative Arrangement for the Prevention and Management of Public Health Events in Civil Aviation in February 2023, which aims to facilitate knowledge sharing among industry experts, create better awareness and highlight success stories.

**What have local aviation players done to implement sustainability in their operations?**

**AL BINFALAH:** BIA is committed to promoting sustainable aviation practices and reducing the environmental impact of air travel. This commitment is based on country's aim to reach net-zero by 2060, as well as the long-term carbon goals set by Airports Council International (ACI) for 2050. It is imperative to take action to address climate change, and we are continuously exploring new ways to reduce our carbon footprint, improve energy efficiency and promote eco-friendly initiatives.

To achieve these objectives, we have implemented initiatives to reduce the environmental impact of aviation and promote sustainable practices. For example, the company introduced a range of energy-saving measures at BIA, including the installation of energy-efficient lighting and the use of renewable energy sources such as solar. Additionally, a comprehensive waste management programme, which includes recycling and the use of eco-friendly materials, was created. Indeed, BIA has met all the requirements for a level-four emissions accreditation under ACI's carbon accreditation, reflecting progress in implementing sustainable practices.

# A Home For All Businesses



مرفأ البحرين المالي  
BAHRAIN FINANCIAL HARBOUR

1710 2600  
@bfharbour



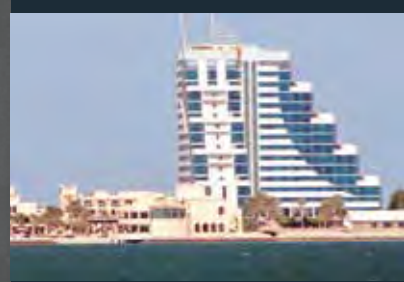
# Construction & Real Estate

Foreign companies allowed full ownership of property

Significant infrastructure projects under way

Caps lifted on mortgage programme to attract buyers

Regulatory changes give authorities greater oversight





The growing population has increased demand for residential properties

# Laying foundations

New developments and regulatory changes are expected to boost infrastructure and real estate projects

Construction and real estate accounted for a combined

# 12.5%

of GDP in 2022

Bahrain's construction and real estate sectors contributed a combined 12.5% to GDP in 2022, with the two recording growth of 1.4% and 5.5% for the year, respectively. They are engines for job creation, as the country's economic diversification agenda includes major infrastructure projects. The development of high-value sectors has resulted in significant construction activity, with new and existing businesses establishing and expanding factories and facilities.

Bahrain's economy makes it an attractive investment destination in the GCC, and its growing population means that there is a need for a greater volume and more diverse range of residential properties. Indeed, the real estate sector saw a revival in 2022 and the beginning of 2023 reflected by rising residential rents. A number of new affordable homes have hit the market in recent years, and the government continues to work with the banking sector to launch new mortgage products to help Bahrainis in the low-to middle-income brackets buy homes.

**STRUCTURE & OVERSIGHT:** As part of Royal Decree 25/2022 issued in June 2022, the Ministry of Works, Municipalities Affairs and Urban Planning – the construction arm of the government – was divided into three separate entities: the Ministry of Works (MoW), the Ministry of Municipalities Affairs and Agriculture (MMAA), and the Ministry of Housing and Urban Planning (MHUP). The MoW is responsible for planning, designing and supervising the construction of public infrastructure, such as buildings, roads and drainage networks, while the MMAA is responsible for regulating and overseeing urban and rural development, as well as providing related services. The MHUP was formed by merging the Ministry of Housing and the Urban Planning and Development Authority (UPDA) as part of the June 2022 decree.

While the MHUP and UPDA report to a single minister, the latter maintains its own services through its website. The three ministries work together to

regulate and oversee construction activities in Bahrain. Broader cross-ministerial collaboration is also required for projects related to specific sectors.

The authorities also play a key role in the country's real estate sector. The Real Estate Regulatory Authority (RERA) is responsible for formulating and implementing policies for the sector and regulating the activities of all real estate entities and professionals.

The digitisation of government services is a core component of Bahrain Economic Vision 2030. To that end, in October 2018 the kingdom launched Benayat, a portal dedicated to managing the allotment of building permits. All processes related to such permit applications, payments and issuances are now carried out through Benayat, and the portal is designed to streamline business procedures and improve efficiency. Fees depend on the areas in which a developer wishes to build, the type of permit required and other criteria.

**LEGAL & REGULATORY CHANGES:** Bahrain has been dedicated to improving the regulatory environment with the aim of bolstering the country's standing as an investment destination in the MENA region. Multiple laws covering issues such as property registration, rent, stalled developments, the collection of development costs, and foreign ownership of property and land have come into force over the past two decades. One notable example is Law No. 13 passed in June 2013, which named the Survey and Land Bureau Registration (SLBR) as the primary authority for conducting property surveys.

Bahrain allows for the 100% foreign ownership of property for companies operating in most economic sectors. Foreign ownership of residential properties is permitted for specific parcels of land allocated by the government. Meanwhile, the 10-year Golden Residency Visa was launched in February 2022, allowing retirees with a minimum monthly income of BD4000 (\$10600), owners of property with a value of at least

Benayat, a portal for building permits, is an example of the digitisation efforts that are a core component of Bahrain Economic Vision 2030.

BD200,000 (531,000) and other individuals meeting certain criteria to remain in the kingdom indefinitely.

In June 2022 a new guide on public-private partnerships (PPPs) came into force, unifying and upgrading articles from a range of other laws that had previously been used to regulate PPPs (see Economy chapter). The new guide aims to facilitate large-scale private investment in major infrastructure projects. Other notable regulatory changes include Law No. 20 published in May 2022, which amends Article 5 of Legislative Decree No. 13 of 1977 on the Constructional Organisation of Buildings. The change raises building safety standards following a number of structural collapses in recent years. New measures on planning, project lifecycles and proof of required financing have been put in place. Rules regarding soil testing and suitability have also been tightened, and soil must now be shown to be suitable for a specific type of construction before building permits can be obtained.

**PERFORMANCE & SIZE:** While a steady growth of 3% was recorded in the first quarter of 2022 in the construction sector, its expansion slowed in the second quarter to 2.6% before dipping to 0% in the third quarter and 0.1% in the fourth quarter, putting the 2022 average at 1.4%. Bahrain's overall economy witnessed robust growth during the corresponding period, with non-oil GDP growth reaching 6.2% in 2022 compared to 3.3% during the previous year. The construction sector accounted for 7.2% of national GDP in 2022. According to analytics firm GlobalData, Bahrain's construction market reached a value of \$8.5bn in 2022, with an average annual growth rate of 4% expected from 2024 to 2027 due to developments in the government's priority sectors, including financial services, ICT, logistics, manufacturing and tourism.

After reporting a growth of 3.3% in 2021, real estate and business activities expanded by 5.5% in 2022, with growth peaking at 6.8% in the third quarter of the year before falling to 6% in the fourth quarter.

Gross value added by the construction sector expanded by 24% over the decade leading up to 2021, reaching BD944m (\$2.5bn). Data from the SLBR showed that the value of real estate transactions rose from \$1.9bn in 2020 to \$2.8bn in 2021, and then to \$2.9bn in 2022. The number of transactions – 21,444 in total – was up 29% compared to 2020, and the figure increased slightly to 21,603 in 2022. In the first quarter of 2023, 6336 real estate transactions worth BD253m (\$671m) had been recorded by the SLBR.

**STRATEGIC PROJECTS:** Following the economic stagnation caused by the Covid-19 pandemic, in November 2021 Bahrain's government announced the \$30bn Strategic Projects Plan (SPP), which incorporates 22 major construction projects across key sectors such as telecoms, tourism, education, manufacturing and health. Among the most ambitious of these is five new cities to be built on reclaimed land off the kingdom's coastline. The cities will expand Bahrain's total land mass by around 60% and feature comprehensive transport and logistics infrastructure. Portions of the new land are to be allocated to industrial development



The government has implemented new measures overseeing planning, project lifecycles and proof of financing

as the government continues to bolster and diversify its production base. "The announcement of five new sustainable cities serves as a clear indicator of Bahrain's growth potential in the construction and real estate sector, helping the country attract a greater number of tourists and investors," Sheikh Mohammed bin Khalifa Al Khalifa, CEO of RERA, told OBG. "These new developments are expected to have a transformative effect on the economy and society. Developing this infrastructure will necessitate significant investment, resource allocation and collaboration."

Another key construction project – the development of a US-Bahrain trade zone that will eventually cover more than 1m sq metres – broke ground in February 2022. The goal of the project, which is being overseen by the Ministry of Industry, Commerce and Tourism, is to enhance economic cooperation between the two countries and make Bahrain a regional centre for distribution, logistics and manufacturing for American companies operating in the region. Meanwhile, the pre-qualification tender for the Bahrain Metro project was issued and closed in May of that year. Once built, the fully automated, driverless metro system will connect the country's population centres, covering an estimated 109 km, with the first phase consisting of the construction of a 28.6-km elevated corridor with two lines. Plans to construct a new four-lane causeway to improve road connectivity and enhance the transportation of goods and people between Bahrain and Saudi Arabia have also seen significant activity (see Transport chapter).

**EXPENDITURES & CONTRACTS:** In 2011 and 2018 Bahrain received financial support packages from its GCC neighbours, each totalling \$10bn. By the fourth quarter of 2022 the total cumulative value of projects tendered by the GCC Development Fund reached a value of \$6.1bn. A cumulative \$200m in contracts had been awarded in the first quarter of 2022; \$100m in the second quarter; \$9m in the third quarter; and \$5m

Bahrain's construction market reached a value of \$8.5bn in 2022, with an average annual growth rate of 4% expected from 2024 to 2027 due to developments in the country's priority sectors.

As part of the Strategic Projects Plan announced in November 2021, Bahrain plans to build five new cities on reclaimed land that will add an estimated 60% to its total area.





Many infrastructure projects funded in 2022 were road developments

Bahrain is home to the second-largest aluminium smelter in the world and the largest outside of China, with an annual production capacity of more than 1.5m tonnes as of mid-2023.

in the fourth quarter. The specific projects funded by those contracts cover various infrastructure-related sectors and areas, with funds in the third and fourth quarters of 2022 going towards projects such as a long-stay care centre in Muharraq; water and electricity substations for the Al Ramli housing project; a social care complex in Hamad Town; and water transmission stations in the Southern Governorate and East Hidd. Many of the projects were road developments, such as the widening of the Janabiya Motorway, the development of the Madinat Salmat Road and phase one of the Bahrain Southern Road. In December 2022 the Electricity and Water Authority began to receive bids for a 20-year contract to develop a 72-MW, grid-linked solar project on a build-own-operate-maintain basis as part of the kingdom's efforts to achieve its goal of reaching net-zero carbon emissions by 2060.

**BUILDING MATERIALS:** Bahrain's primary locally manufactured building material is aluminium, which has a variety of uses in construction projects, such

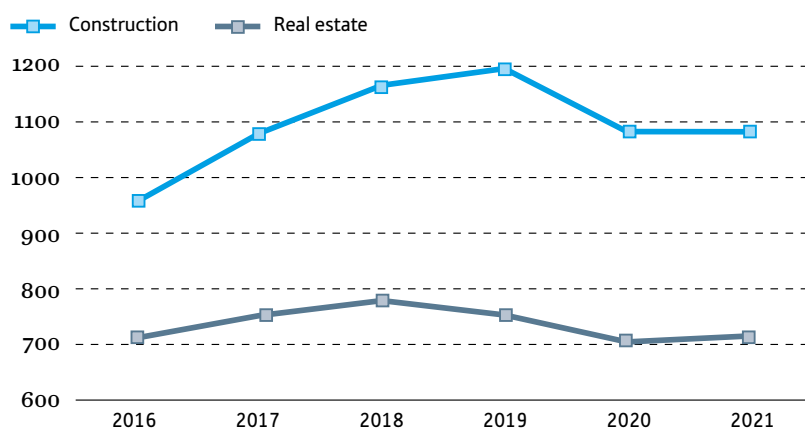
as in window and door frames, tubing for ventilation systems, roofs and solar panels. Aluminium Bahrain, in which Mumtalakat is the majority owner, operates the second-largest smelter in the world and the largest outside China. Its recently expanded production capacity – at over 1.5m tonnes per year as of mid-2023 – feeds local and global downstream markets. Gulf Aluminium Rolling Company produces a host of products relevant to construction, including aluminium sheets, coils and tread plates. Meanwhile, Midal Cables produces aluminium rods and wires, overhead line conductors, aluminium-clad steel and multiple extruded products. Bahrain Mechanical Construction Company, an integrated construction firm and construction metals fabricator, produces aluminium doors, windows, partitions and curtain walls, along with a range of structural steel products.

Steel is another key locally produced material in Bahrain. Foulath Holding, established in June 2008, owns Bahrain Steel, which specialises in iron-ore pellets and is the only major merchant pelletising producer in the Middle East. United Steel Company (SULB) and United Stainless-Steel Company (USCO) are both subsidiaries of Foulath Holding. SULB, a joint venture with Japanese industrial conglomerate Yamato Kogyo Company, is a fully integrated producer of medium and heavy structural steel sections. USCO, whose stainless-steel re-roller started commercial operations in the fourth quarter of 2008, can produce 100,000 tonnes of cold rolled stainless per year.

**TOURISM:** The government's drive for economic diversification has a strong focus on expanding high-value tourism inflows, prompting the announcement of various construction projects related to the sector. Bahrain Real Estate Investment Company (Edamah), a government-owned real estate investment entity, launched a number of major projects to that effect, including Bilaj Al Jazayer and South City. The former, which is expected to require \$330m in funding and offer financiers a 10% return on their investment, took a significant step forward in the first quarter of 2022, when the Higher Committee for Urban Planning approved the tourism city's general masterplan. The development is set to include an array of hospitality and leisure facilities, including a 3-km beach, and retail and residential components. Indeed, a number of international resort and hotel brands, including Avani and Tivoli, are scheduled to open in the city in 2024. The first phase of South City, which is being developed by Bareeq Al Retaj, includes the construction of a theme park, a five-star hotel and an outlet mall, among other attractions.

Looking ahead, the construction sector may see opportunities to prioritise the use of eco-friendly materials and energy-efficient technologies in the building design and construction for properties in the tourism and leisure industry, in line with customer demand. This could include incorporating renewable energy sources, implementing efficient insulation and lighting systems, and utilising recycled or locally sourced materials. "As the world becomes increasingly

#### Value added, 2016-21 (BD m)



Source: iGA

conscious of sustainability, consumers are redefining their values and priorities and placing a greater emphasis on the origins and longevity of products. As such, companies must adapt to meet the demands of a more socially aware customer base," Theo Swart, CEO of Al Zain Jewellery, told OBG.

In June 2022 Bahrain's Southern Municipal Council approved a proposal to build an underwater city off the Hawar Islands, a nature reserve under consideration for World Heritage status by UNESCO. Dive Bahrain, the world's largest underwater theme park, initially opened in 2019 before closing to undergo a BD2.5m (\$6.6m) refit that is expected to finish in 2023.

**LUXURY HOLDINGS:** The Diyar Al Muharraq project is a large, high-end integrated residential development encompassing commercial, recreational, health care, education and religious facilities. It is being built on 10 sq km of reclaimed land divided into seven islands. In April 2022 the project developer, also named Diyar Al Muharraq, completed the primary road infrastructure on the southern island, while in June of that year the company confirmed that the chief contractor for the development's constituent Al Naseem housing project, Ahmed Omer Group, began work on the second phase of construction, with completion slated for the fourth quarter of 2023. Al Naseem is part of the southern island development and will contain 110 luxury villas ranging from 305-384 sq metres. As a fully integrated community, the project is expected to draw significant investment to its various initiatives.

Elsewhere, in January 2023 ground was broken on the luxury 108,000-sq-metre Onyx SkyView project in the Bahrain Bay district. The mixed-use development is being carried out by Kooheji Development and Kooheji Contractors, and it will comprise 435 residential units, 40 offices and seven retail units spread over 53 floors. Ten of those floors are reserved for office space, while the residential units will be composed of studios; and one-, two- and 3.5-bedroom apartments.

**AFFORDABLE HOUSING:** Bahrain's shortage of affordable housing units has hovered around the 40,000 units in recent years. To address this need, multiple high-volume affordable housing projects are included in the SPP, and in January 2023 the MHUP announced the opening of bidding for the development of 771 residential units. The constituent components of the project are a development in Salman Town comprising 131 houses and 360 apartments, and a 280-unit development in Khalifa Town.

These represent the initial phase of the government's land rights development programme, through which the government – with the MHUP as the implementing entity – aims to build 19,000 affordable residential units by 2032 in collaboration with private partners, with total investment expected to reach BD1bn (\$2.7bn). In December 2022 the government announced that it started to distribute over 6100 residential units throughout the kingdom.

**MORTGAGES:** The number of beneficiaries of the Mazaya mortgage financing programme nearly doubled to 3271 in 2021 from 1691 in 2020. Its popularity



The government has announced new mortgage schemes to increase home ownership levels in the kingdom

owes to its favourable conditions, with customers able to borrow 100% of a home's value up to BD120,000 (\$318,000), with repayment periods of up to 25 years. Building on Mazaya's success, in August 2022 the government announced a new scheme, Tas'heel, to improve on a number of Mazaya's conditions in a bid to get more citizens onto the homeownership ladder, with a number of large-scale social housing developments nearing or reaching completion.

The Tas'heel programme raises the cap for subsidised financing from BD60,000 (\$159,200) to BD70,000 (\$186,000) and increases the amount of minimum financing from BD19,000 (\$50,400) to BD40,000 (\$106,100), as well as imposes no maximum property value and fixes loan repayment periods at 30 years. Applicants on the waiting list under the Mazaya programme are eligible to switch to Tas'heel if it better suits their needs.

**RESIDENTIAL PRICES:** Property agency Savills reported in its snapshot of the Bahraini real estate market for the fourth quarter of 2022 that villa developments had remained the preferred choice of asset throughout 2022. The growth in the capital value of apartments slowed during the year, ending 2022 at an average of BD763 (\$2020) per sq metre. Villa developments saw their prices up by 2% y-o-y in the fourth quarter of 2022 compared to the corresponding period in 2021, with the average value of a villa in Bahrain at BD600 (\$1600) per sq metre in the third quarter of 2022. The average rental price for villas in the fourth quarter of 2022 was BD1139 (\$3020) per month, up 4.5% y-o-y due to a 20% y-o-y increase in rental values for low-end villas, which Savills considered to be the result of low-end compounds filling to full capacity, leading to a shortage in supply.

Knight Frank's report on the Bahraini real estate market for the first half of 2022 shows average rents in Saar to have been BD950 (\$2520) for three-bedroom villas and BD1200 (\$3190) for four-bedroom

Bahrain's shortage of affordable housing units has hovered around 40,000 units in recent years, and multiple high-volume affordable housing projects are included in the Strategic Projects Plan.

Villa developments have seen the highest levels of purchasing activity, and the average value of a villa was \$1600 per sq metre as of the third quarter of 2022.



Apartments are surpassing villas in popularity due to their lower prices both in terms of purchasing and upkeep

villas. Villa rental costs in the Amwaj Islands for the same period were BD1100 (\$2920) and BD1400 (\$3710) per month for three- and four-bedroom developments, respectively. Knight Frank's figure for the average villa rental price across Bahrain in the first half of 2022 was BD1170 (\$3100) per month.

Average rental prices in Juffair for one-, two- and three-bedroom apartments were BD350 (\$930), BD450 (\$1200) and BD525 (\$1400) per month, respectively, while rental prices in Reef were BD500 (\$1330), BD650 (\$1720) and BD1000 (\$2650) per month for the aforementioned sizes. Knight Frank's estimated average apartment rental price in Bahrain during the first half of 2022 was BD565 (\$1500).

Areas such as Saar, Hamala and Jasra saw the most demand for villas, with the higher number of foreign residents cited as a factor following the launch of the 10-year Golden Residency Visa and the post-pandemic normalisation of international travel. New developments with easy access to amenities and infrastructure were the primary driver of demand. Reef was Bahrain's most expensive residential community as of the first half of 2022 due to its central location in the kingdom's capital, Manama.

Apartment rentals remained stable as of the third quarter of 2022, with attractive prices in the middle of the market leading to a rise in vacancies in low-end properties. According to Knight Frank, this trend is expected to continue as apartments are surpassing villas in popularity in Bahrain due to their lower prices, both in terms of purchasing and upkeep. The average price for an apartment had reached BD810 (\$2150) per sq meter by the end of the first half of 2022.

**COMMERCIAL PROPERTY PRICES:** The average office rental price during the first half of 2022 was BD63 (\$167.1) per sq metre, per year. Office space in the Diplomatic Area in Manama's business district averaged BD44 (\$116.7) per sq metre, per year, whereas office rental prices were highest in Seef

and the Financial Harbour at BD66 (\$175.1) and BD72 (\$191) per square metre, per year, respectively.

Rental prices for industrial spaces were generally uniform throughout the country, with units belonging to the Bahrain Investment Wharf in Al Hidd, and warehousing space in Salmabad, Sitra and Tubli commanding rents of BD36 (\$95.5) per sq metre, per year. Rental rates for industrial spaces in Ras Zuwayed averaged BD32 (\$84.9) per sq metre, per year, with the overall average for Bahrain at BD35 (\$92.8) per sq metre, per year. The range of rental costs for retail spaces was broader, with the average cost per sq metre, per year at BD138 (\$366) in Seef. In Diyar Al Muharra and Bahrain Bay, these rates were BD170 (\$450.9) and BD221 (\$586.2), respectively. The average rental cost for retail space in Bahrain during the first half of 2022 was BD180 (\$477.5) per sq metre, per year.

**OUTLOOK:** The momentum gathered by Bahrain's construction and real estate markets since 2021 looks likely to continue over the medium and long term, given the pipeline of public infrastructure and private construction projects. The sharpened focus on PPPs is likely to be a key driver of growth, particularly in relation to affordable housing developments.

Meanwhile, Bahrain's supportive business environment, coupled with the launch of the 10-year Golden Residency Visa, should see demand increase for mid-to-high-end villas and apartments. In light of a rise in flexible work dynamics that are making companies rethink office requirements, suppliers may need to introduce innovative pricing models to ensure that they retain and attract tenants moving forward.

The potential economic benefits of the country's planned infrastructure developments under the SPP, such as the Bahrain Metro, the five planned cities and new tourism zones, are significant. If Bahrain remains on its current trajectory, the construction and real estate sectors should continue to be prominent contributors to both GDP and job creation in the kingdom.



The launch of a new residency visa could see demand for property rise

Recent momentum gathered by the construction and real estate markets looks likely to continue over the medium and long term, given the pipeline of public infrastructure and private development projects.





Ahmed Alammadi

# Building the market

Ahmed Alammadi, CEO, Diyar Al Muharraq, on creating the conditions to attract investment in real estate

## Which factors are driving the recent growth in Bahrain's residential property market?

**ALAMMADI:** Bahrain's real estate sector benefits from its competitive advantages and supply, leading to substantial demand. The sector has demonstrated consistent growth, with a steady increase in the number of real estate transactions observed each year. Notably, in the fourth quarter of 2022 there was year-on-year growth of 0.7%.

Given its size and limited space, it is important that Bahrain maximises the potential of its available land. The National Real Estate Plan 2021-24 (NREP) from the Real Estate Regulatory Authority highlights the importance of creating smart, environmentally friendly cities that foster social sustainability. The sector's growth has been steady and linear, supported by both domestic and international interest. While the majority of buyers are locals, there are also opportunities for foreigners to invest – not only in Bahrain, but also in regional markets, especially considering recent projects in Saudi Arabia and the UAE. Attractive features such as waterfront properties, as well as the increasing demand for affordable and middle-class housing, create a diverse market with steady growth potential.

## What types of risk does the real estate sector face in the short to medium term?

**ALAMMADI:** Risk is an inherent aspect of investing in any sector, including real estate. However, risks can be managed by assessing the supply and demand for different properties, being responsive to changes in the demand for them, finding creative solutions to construction and payment options, and strategically designing properties that meet the evolving needs of end users.

Developers are shifting their focus in accordance with changes in market preference. There is still appetite for larger properties such as villas,

single-family homes and warehouses because of the Covid-19 pandemic. The pandemic changed the behaviour of end users, who now prioritise having their own backyard, home office and study areas for children. In order to meet these changing requirements, developers should focus on building properties that provide these features.

A hike in benchmark interest rates in step with the US Federal Reserve poses a potential risk, but creative construction, payment and real estate options can help lessen this likelihood.

## How can the sector support the economy and help deliver Bahrain Economic Vision 2030?

**ALAMMADI:** We have seen a significant rise in the non-oil sector's contribution to GDP, including from real estate and tourism. This is in line with Bahrain Economic Vision 2030, as real estate companies play a role in contributing to non-oil GDP and the overall economy. Moreover, the NREP adds value for local and foreign developers, as well as investors and end users. These regulations provide a sense of security and ease for all parties involved.

## In what ways does Bahrain's residential real estate segment offer distinct opportunities for international investors interested in the GCC?

**ALAMMADI:** Everyone has easy access to government representatives, including developers, vendors, customers and investors. Developers and investors, in particular, benefit from the government regulations that have been set in place, while the highly skilled workforce helps ensure the success of the investment. Moreover, the community is eager to assist visitors from the moment they arrive at the airport; this is exemplified by the enthusiasm that surrounds the Formula 1 race that has been held in Bahrain annually since 2004. Taken together, these elements create a favourable investment climate.



Bahrain considers real estate a catalyst for non-oil economic growth

## Self regulation

Efforts are being made to provide greater oversight in the real estate sector and amend laws to strengthen ownership rights

The primary objective of the Real Estate Regulatory Authority is to protect buyers and end-users, while minimising the risks of stalled developments.

Having entered the Covid-19 pandemic with a relatively high level of economic diversification, the resulting drops in business and tourism activity pushed Bahrain's vacancy rates up, which in turn put pressure on building owners. Despite the oversupply seen in the kingdom's residential and commercial spaces, a government-led response and legislative reforms successfully accelerated the economic rebound that followed the pandemic-related downturn in 2020.

**NEW AUTHORITY:** Since the Real Estate Regulatory Authority (RERA) commenced operations in March 2018, the kingdom has acknowledged the importance of real estate as a catalyst for non-oil growth. RERA's primary objective since its inception has been to protect buyers and end-users, for example by requiring a licence for off-plan developments. To further boost Bahrain's real estate market, in March 2021 the authorities launched the National Real Estate Plan 2021-24, a strategy to enhance the industry's value chain, implement international best practices, support developers and promote the sector globally. Together with favourable technology-focused legislation, a 10-year Golden Residency Visa programme and 100% foreign ownership, the plan seeks to modernise Bahrain's real estate industry while raising its international profile.

Spearheaded by RERA, the plan has five pillars, 17 work priorities and 21 initiatives to be executed over the four-year period. These are centred on developing a sustainable real estate investment ecosystem; encouraging smart and environmentally friendly projects; and fast-tracking investment by streamlining government procedures. To fulfil its targets, in August 2022 Bahrain launched the Government Land Investment Platform, which showcases government land available for investment. This followed the July 2021 launch of the National Real Estate Databank project, a joint undertaking between RERA and the Information and eGovernment Authority to provide investors and developers with data on performance and trends in the

local real estate market. The government is not only pursuing the modernisation of its own procedures to improve efficiency, but also to attract international companies specialising in real estate technology. The aim is to make the sector more transparent and offer more investment opportunities, as well as introduce provisions to encourage licensees to use modern technology. Similarly, RERA has forged a partnership with Bahrain FinTech Bay to boost the kingdom's property technology capabilities, and leverage blockchain and artificial intelligence in equity and debt crowdfunding platforms. This should further cement Bahrain's position as a centre for real estate information technology. **REGULATORY EFFORTS:** Bahrain's ongoing legal evolution reached another milestone with Decree Law 41 in November 2022, which changed provisions to enhance RERA's regulatory muscle and better define the role of developers in managing joint property common areas. The amendments increased the fines applied by RERA, and strengthened its ability to undertake a transparent review and adjustment of annual subscriptions.

Similarly, in a major departure from Law No. 27 of 2017 – which Decree Law 41 addresses – developers can manage and maintain common areas in major projects, a role previously reserved for owner associations. These amendments seek to balance the interests of owners and developers by instilling a high level of consumer confidence for soon-to-be-owners and empowering developers to protect their brand equity.

Another key reform for strengthening ownership rights and minimising disputes has been allowing judges to deal with properties themselves in inheritance disagreements, not just the plots of land on which they sit. These changes to the 1994 Land Division Law, issued via royal decree in November 2022, empower real estate planning authorities, as judges need a written assessment from the relevant authorities to issue a verdict. Ultimately, this seeks to ensure fairer outcomes for litigants and better practices in urban development.

The National Real Estate Plan 2021-24 is a comprehensive national strategy to enhance the industry's value chain, implement international best practices, support developers and promote the sector globally.



Mohamed Abdulghaffar Al Kooheji

# Building for the future

Mohamed Abdulghaffar Al Kooheji, CEO, Kooheji Contractors, on boosting development and implementing sustainable practices

**Which sectors are likely to drive demand for large-scale infrastructure and construction projects in the coming years?**

**AL KOOHEJI:** The government's push for privatisation in sectors such as health care and real estate can lead to growth opportunities. In this sense, the Ministry of Housing's focus on real estate development will be a crucial driver of growth. Greater private sector participation in tourism can play a significant role in developing the construction and real estate sectors. There are also many untapped opportunities in the tourism industry, with a high level of interest from neighbouring countries – particularly Saudi Arabia – in developing five-star resorts, waterfront attractions and sport facilities. The value proposition of Bahrain's tourism sector is quite competitive compared to neighbouring countries.

New initiatives to position the private sector as a driver of economic growth have helped align it with the government's vision for the economy. Bahrain's status as a small island nation makes it a friendly and accessible environment, allowing for direct engagement with decision-makers at the ministerial level to solve problems. The synchronisation of the private and public sectors into the government's long-term plans is crucial. Promising developments in tourism and housing can create significant positive growth in the construction and real estate sectors.

**What mechanisms can help to minimise the impact of increasing costs, and how might inflation affect the sector's future performance?**

**AL KOOHEJI:** The cost of materials used for construction, such as steel, increased considerably between 2020 and 2022, presenting a substantial challenge for the construction industry. However, there is optimism that these issues can be addressed. We have started to see a decline in the cost of raw materials and shipping, making the local market more

attractive for long-term investors and developers seeking sustainable returns.

In this context, local construction firms need to take precautionary measures and find supply chain alternatives in other markets that are less affected by the prices of materials and energy costs.

**How do you assess the steps taken by local companies to adapt to global sustainability practices?**

**AL KOOHEJI:** In the construction industry, contractors are primarily responsible for executing a project in line with the specifications and design provided. Contractors, therefore, have limited influence on sustainability as it depends on the client's preferences and third-party entities, such as engineering or design companies. However, there are opportunities to enhance efficiency within the construction industry by boosting labour productivity, utilising construction technology, and employing innovative systems and tools to reduce costs.

Local developers are committed to integrating sustainability into their business operations and buildings, benefitting end users through lower energy and consumption costs. We are already implementing various measures to enhance sustainability, such as utilising and recycling grey water. Water-treatment technology has become more cost-effective in recent years, making it cheaper for companies to implement.

We have also replaced intensive lighting with more efficient LED lights that help to save energy. Moreover, we are incorporating chillers on our sites instead of conventional air-conditioning systems. Although chillers are slightly more expensive, they have a payback period of five years as their use leads to savings of 30-35% in electricity bills. Additionally, we are implementing smart home technologies, including sensors to detect movement and adjust the temperature. We also use inverter systems for refrigerators and other appliances to save energy.





# **COVERING BAHRAIN SINCE 2005**

**GROWTH, EXPORT AND EXPANSION  
OPPORTUNITIES FOR BUSINESS**

[oxfordbusinessgroup.com](http://oxfordbusinessgroup.com)



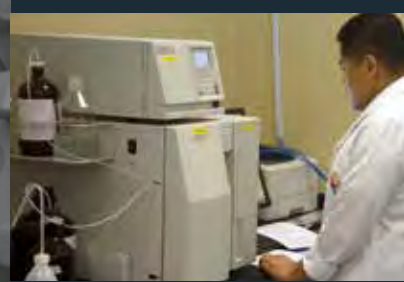
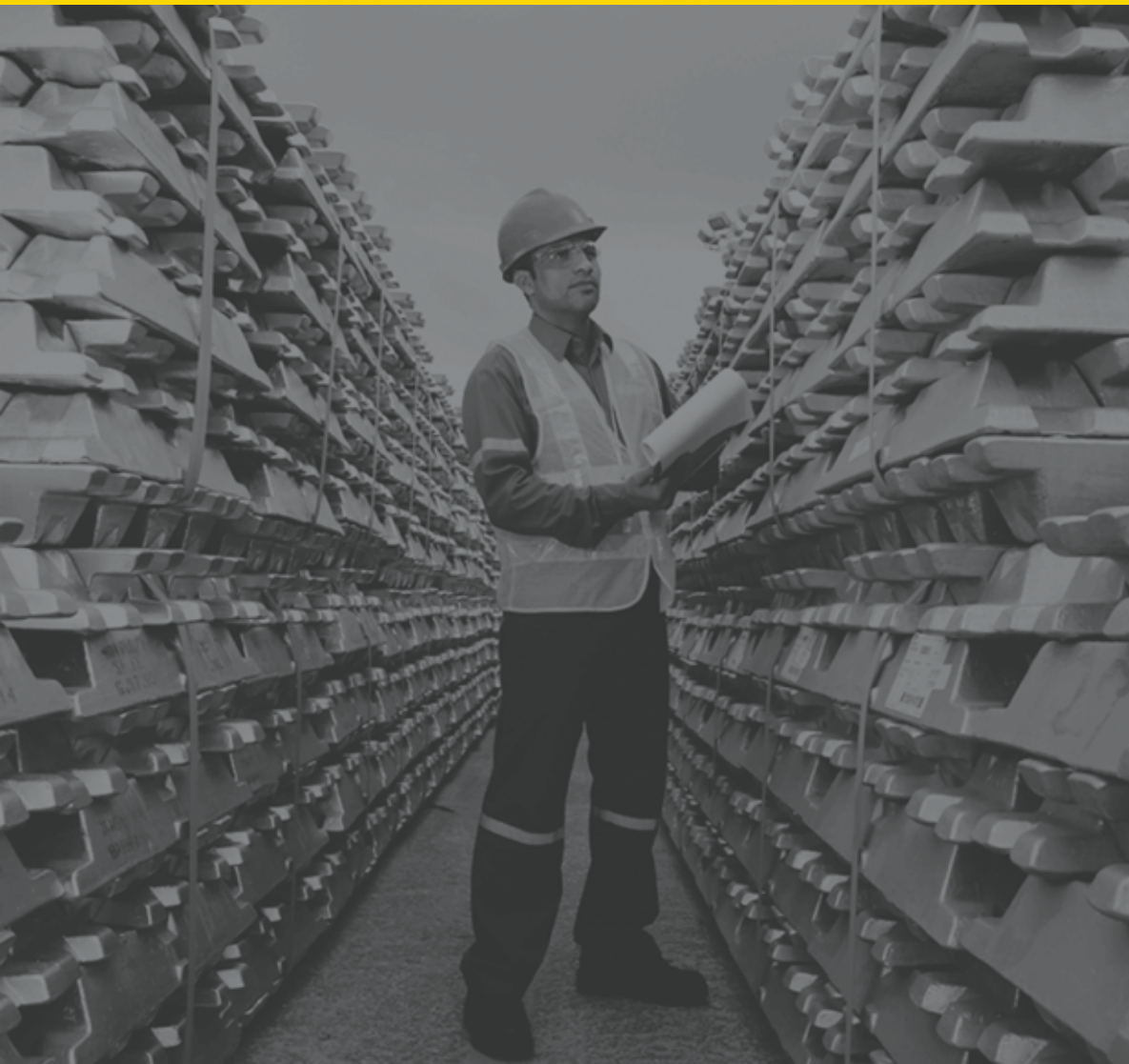
# Industry

Free trade zones attract foreign and local investment

International firms seek to expand their operations

Industrial zones benefit from free trade agreements

Development of downstream segments under way





Aluminium manufacturing is the country's largest industrial segment

## Building blocks

Industrial zones, free trade agreements and efforts to improve the investment climate lay the groundwork for a period of growth

The manufacturing segment is guided by various government bodies and publicly owned conglomerates, with the Ministry of Industry and Commerce serving as the key regulator.

Bahrain's manufacturing industry is a key contributor to non-oil GDP and is one of the priority sectors targeted by the government to drive economic diversification. Aluminium manufacturing, led by the majority government-owned enterprise Aluminium Bahrain (Alba), is the country's largest industrial segment. The kingdom's globally competitive capabilities and output will be further leveraged through downstream infrastructure expansion. The government has identified increased investment and activity in manufacturing segment as a critical component of its plans to establish the country as a competitive logistics centre. This will also enable the kingdom to supply its major ongoing infrastructure development programmes with locally produced materials.

Bahrain's focus on manufacturing, together with its favourable business environment and relatively efficient administrative procedures, has made the country a regional centre for an increasing number of multinational manufacturing companies. Utilising the presence of such entities to enhance the domestic talent pool and strengthen value chains for local producers is another important objective. Looking ahead, broadening the country's base of small and medium-sized enterprises (SMEs) and increasing the value attached to the Made in Bahrain trademark remain key priorities for stakeholders.

**STRUCTURE & OVERSIGHT:** The manufacturing segment is guided by various government bodies and publicly-owned conglomerates, with the Ministry of Industry and Commerce (MoIC) serving as the primary regulator. The Industrial Sector Strategy 2022-26 aligns with Bahrain Economic Vision 2030, which aims to reduce the country's dependence on hydrocarbons revenue by diversifying the economy. To achieve this goal, the MoIC is focused on developing relevant infrastructure, digitising procedures, streamlining administrative processes and eliminating bureaucratic barriers to investment. These

efforts are part of the broader Economic Recovery Plan launched in 2022 in the aftermath of the Covid-19 pandemic, to boost economic diversification, as well as enhance its international competitiveness.

The MoIC actively collaborates with various public and private entities as part of the Team Bahrain initiative to foster economic growth, including the Bahrain Economic Development Board (EDB), the kingdom's investment promotion agency; Tamkeen, the semi-autonomous government labour fund; Export Bahrain, the government's dedicated support arm for companies selling overseas; the SME Development Board; and financial institutions. The Bahrain Chamber of Commerce and Industry serves as a bridge between the public and private sectors. With the support and assistance of such entities, the government is working to address the challenges being faced by the private sector.

"Too much of the Bahrain and GCC private sectors are not export-oriented, and the prevailing market fragmentation with a preponderance of small businesses in some sectors has put pressure on margins as businesses compete on price," Jarmo Kotilaine, chief strategy and data analytics officer at Tamkeen, told OBG. "One of the keys to unleashing productivity is harnessing technology more systemically and enabling companies previously focused on the domestic market to expand beyond Bahrain."

In July 2022 Bahrain joined the Industrial Partnership for Sustainable Industrial Development, which includes the UAE, Egypt and Jordan. The partnership facilitates science and technology sharing, industrial partnerships and multilateral trade among participating countries. In February 2023 the partnership's higher committee shortlisted 12 major industrial projects worth a combined \$3.4bn, which is expected to further boost economic growth.

**REGULATION:** Significant laws for manufacturing entities operating in Bahrain include Legislative

In July 2022 Bahrain joined the Industrial Partnership for Sustainable Industrial Development. It has shortlisted 12 major industrial projects worth a combined \$3.4bn.



Decree No. 28 of 1999 on the establishment and organisation of industrial zones, which underwent significant amendments in both 2015 and 2018. This law, consisting of 36 articles, covers issues such as the establishment and organisation of industrial zones, construction regulations within these areas and penalties for offenses related to their operation.

Another important regulation is Law No. 81 of 2006 approving the Unified Industrial System Law of Cooperation Council for the Arab States of the Gulf. The primary purpose of this law is to promote industrial and economic cooperation among GCC countries, establish regional synergies in critical areas such as industrial strategy and policy formulation, facilitate access to shared inputs, encourage development and transfer of technology, create employment and training opportunities, and develop environmental standards.

**GOVERNMENT-OWNED ENTERPRISES:** As is the case across the GCC, the government holds significant interests in the country's heavy and light industrial activities. Several firms specialising in petrochemicals and fertilisers production, including Bahrain National Gas Company and Gulf Petrochemical Industries Company (GPIC), are among the portfolio companies under Bapco Energies. Meanwhile, the kingdom's sovereign wealth fund, Mumtalakat, holds controlling or significant stakes in Alba, Middle Eastern gas supplier Gulf Cryo and leading European metal producer Aleastur, among other major manufacturers from a range of product lines.

Hydrocarbons remain the primary single source of revenue for Bahrain, with aluminium being its strongest non-oil industry. Bapco Energies-owned Bahrain Petroleum Company (Bapco) and Alba play key roles in the kingdom's economic development plans. Both companies are currently undertaking significant expansion works to enhance downstream production, create new value chains, generate more revenue and provide additional job opportunities.

**INDUSTRIAL ZONES:** Bahrain has seven industrial zones – Salman Industrial City, and the Mina Salman, Ma'aneer, Sitra, Al Mazara, Al Lhaasay and Haffera industrial parks – which attract significant local and international investment. These zones, strategically located along Bahrain's coastline, are served by the kingdom's advanced logistics infrastructure, including the King Fahd Causeway, which provides efficient road access to Saudi Arabia, the GCC's largest consumer market. All of Bahrain's industrial zones were established between 1960 and 1984, and they are home to major manufacturers such as Bapco, Alba and Bahrain Steel, among others.

The Bahrain International Investment Park (BIIP) is another noteworthy initiative launched in 2005. The free zone aims to attract both foreign and domestic investment to emerging sectors like food and beverages, fast-moving consumer goods and pharmaceuticals. To enhance Bahrain's export profile, the government is actively identifying entities that have the ability to bring value to the country's economy.



The Bahrain International Investment Park, launched in 2005, aims to attract investment in emerging sectors

Bahrain's logistics strategy seeks to significantly increase both air and maritime freight capacities (see Transport chapter). As part of the plan, the multi-modal logistics centre Bahrain Sea-to-Air Logistics Hub began operations in December 2021, shortening transit and Customs processing times between Khalifa Bin Salman Port and Bahrain International Airport. More recently, Bahrain began construction on the US Trade Zone in February 2022. This, along with the March 2022 signing of agreements between the US and Bahrain relating to industry, logistics and space sciences, signals a strengthening of the trade and diplomatic ties between the two countries. The 22 free trade agreements (FTAs) stand to benefit all operators in Bahrain's industrial zones.

**SIZE & PERFORMANCE:** The manufacturing segment experienced fluctuations in GDP growth in 2021 due to the economic disruptions caused by the pandemic. However, the sector posted 1.8% year-on-year (y-o-y) expansion during the fourth quarter of 2021. In the first quarter of 2022 the sector witnessed 5.3% y-o-y growth, followed by further expansion of 7.6% and 5% in the second and third quarters, respectively. The sector has consistently been the third-highest contributor to GDP, trailing behind the oil and gas and financial services sectors. Throughout the first three quarters of 2022 the sector accounted for 14.2%, 13.9% and 14.2% of GDP, respectively.

The value of exports increased by approximately 22% in 2022 from \$12.4bn to \$15.1bn, according to preliminary figures from the Information and eGovernment Authority. This growth was primarily driven by an increase in the value of products of Bahraini origin, which rose from \$10.6bn to \$13.2bn. Although the overall export value remained consistent in December 2022 and January 2023, at \$1.1bn, the value of exports of Bahraini origin declined slightly from \$988m to \$948m during that same period.

Bahrain has seven industrial zones: Salman Industrial City, and the Mina Salman, Ma'aneer, Sitra, Al Mazara, Al Lhaasay and Haffera industrial parks.

The value of exports increased by nearly

**22%**

in 2022

In 2021 manufacturing emerged as the second-highest recipient of foreign direct investment stock, following financial and insurance activities.

**INVESTMENT:** Incentives for investing in Bahrain include its advanced logistics, digital and financial infrastructure, competitive energy and utilities prices, 100% foreign company ownership across most types of businesses, unrestricted capital repatriation, currency exchange and transfer of dividends, no corporate or personal income tax – except for oil companies – and duty-free access to the GCC market.

In 2021 foreign direct investment (FDI) in non-oil sectors corresponded closely to the GDP contributions of each sector. Manufacturing emerged as the second-highest recipient of FDI stock, following financial and insurance activities. According to the Ministry of Finance and National Economy's annual FDI roundup for the fourth quarter of 2021, the manufacturing segment experienced a 19% y-o-y increase in FDI stock, reaching a total of BH1.9bn (\$5bn), which represented the highest proportional increase across all categories.

In October 2022 the Bahrain EDB announced that it had facilitated around \$290m worth of foreign investment in manufacturing and logistics industries during the first three quarters of that year. This included expansions by global corporations such as FedEx, BASF and Racing Force Group. Several new players also entered the market, including Bahrain Sugar Refinery, packaging solutions firm Hoover CS and iCool, a refrigerant producer from China.

iCool launched its production facility in Bahrain in May 2022. The company estimates that it will create around 150 jobs and generate an annual revenue of \$31m in the first three years of operation. Its products will supply the Bahraini market, while a proportion will also be exported to Middle Eastern, the US and European markets. The company selected Bahrain as its regional base due to its favourable business environment and the access to global markets provided by the country's 22 FTAs.

The government's Industrial Sector Strategy 2022-26 aims to position Bahrain as a manufacturing centre for vehicles, leveraging the country's strategic location. In line with this, in February 2023 Marson

Group, a Bahraini project development company, announced plans to establish the kingdom's first electric vehicle manufacturing plant, in partnership with Gauss Auto, a US-based manufacturer. The new company, Gauss Auto Bahrain, will be located in Salman Industrial City and will produce various types of electric vehicles for local and international markets.

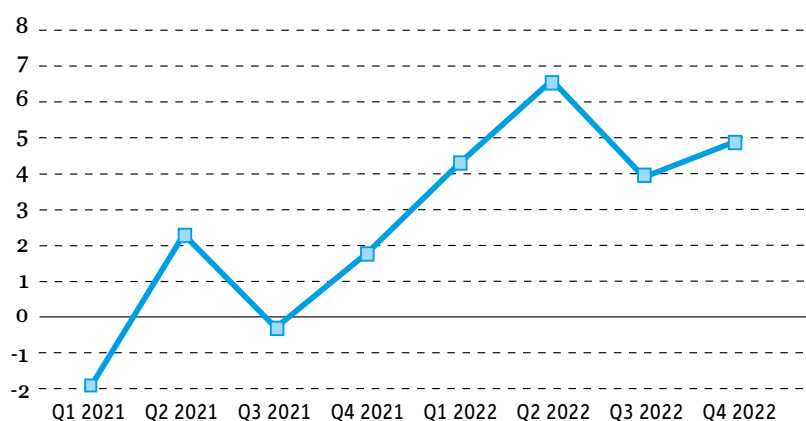
**ALUMINIUM:** As the world's sixth-largest aluminium producer, Bahrain benefits from a variety of business incentives and FTAs. Alba, the dominant player in the segment, achieved a new production record in 2022, increasing its output by 38,889 tonnes, or 2.5%, and surpassing the record set the previous year. This improvement is attributed to recently completed expansion works, which made Alba the largest single-site smelter outside of China. The company is undergoing further upgrades, with a consortium that includes Mitsubishi Power and SEPCOIII awarded the contract to undertake the Alba Power Station 5 Block 4 expansion works. The project will increase the capacity of the combined-cycle plant from 1800 MW to 2481 MW, with commercial commissioning set for the fourth quarter of 2024. In addition, Alba has begun commissioning its forced cooling network project on potlines four and five, which will increase production by 17,000 tonnes a year.

The MoIC partnered with Alba to establish the Aluminium Downstream Park, which aims to utilise Alba's new production capacity to encourage investment in value-added aluminium production and develop new value chains. In June 2022 Alba's leadership met with German government officials to discuss potential investment in the park.

Key downstream aluminium players in Bahrain include Aleastur, Bahrain Aluminium Extrusion Company, Bahrain Mechanical Construction Company, Gulf Aluminium Rolling Company and Midal Cables, which provide aluminium alloys, cables, sheet, foil, coil, architectural system products, coatings and fabrications to local and international markets. As aluminium production is emissions-intensive, Alba and other downstream aluminium producers are taking steps to address the sustainability of their operations. "A sustainable and decarbonised world is one of intersections – between the environment and societies, technology and innovation, collaboration and action. And at Alba, our vision goes beyond the aluminium we produce or the manufacturing processes we rely on. Our ambition today, being the largest smelter in the world outside China, is to deliver what is best to all our stakeholders: our people, communities, customers and, most importantly, to Bahrain," Ali Al Baqali, CEO of Alba, told OBG.

**IRON ORE:** Bahrain Steel, a wholly owned subsidiary of the investment group Foulath Holding, plays a significant role in the national economy, contributing approximately 4% to GDP and accounting for 25% of export trade by value. The company specialises in the production of iron ore pellets, which are the primary ingredient required for steel production, and procures the majority of its raw materials from Brazil.

Manufacturing real GDP growth, 2021-22 (% change y-o-y)



Source: MoFNE

Bahrain Steel's annual production has experienced significant growth, increasing from 8m tonnes in 2019 to 12m tonnes in 2021. This growth can be attributed to the company's strategic partnership reinforcement, which included a 20-year pellet feed agreement with Anglo American, a global mining company. In anticipation of the increased production, Bahrain Steel expanded its storage capacity in 2021 by entering into a land lease agreement with the Industrial Areas Directorate for a 369,000-sq-metre plot adjacent to its stockyard in Al Hidd. This expansion more than doubled the company's storage space.

**PETROCHEMICALS:** Petrochemicals is another segment with potential. GPIC, a joint venture between Saudi Arabia's government-owned petrochemicals company SABIC and Kuwait's Petrochemical Industries Company, is the kingdom's sole petrochemicals producer. The firm plans to make significant upgrades to its urea and ammonia plants, in addition to its production of methanol. GPIC's Sitra-based plant caters to several value chains, including construction chemicals, water treatment chemicals, polymers and plastic additives, paints and coatings additives, and oilfield chemicals. The company is seeking partnerships and joint ventures to expand its business across these and other lines, signalling opportunities for investors. In 2022 GPIC exported 1.1m tonnes of ammonia, urea and methanol, resulting in a record profit of \$303m. The majority of these exports were directed to Asian markets.

The Bapco Modernisation Programme, slated to conclude in 2024, aims to increase refining capacity, expand its range of product offerings and improve energy efficiency. Under the programme, the refinery's capacity is expected to increase from 267,000 barrels per day (bpd) to 380,000 bpd, providing feedstock for GPIC's planned production expansion. Furthermore, Bapco's final facility expansion phase will enable it to initiate its own petrochemicals production. The plant has been designed to be regionally competitive and will employ naphtha as its feedstock. With marketing and technical studies for the project complete, Bapco has begun seeking investors and technology providers.

**FOOD PRODUCTION & PROCESSING:** Food and beverage manufacturing was identified as a key growth area in Bahrain Economic Vision 2030. This has led to the expansion of operations for major international brands such as the US snacks company Mondelez International and Danish company Arla Foods. Other notable players in the food-processing industry include Saudi Dairy and Foodstuff Company, US-based Fine Foods, Bahrain's Trafco Group and Jannaty Bahrain Food Industries.

The pandemic prompted many countries to review their food security strategies. In January 2023 the Bahrain Agricultural Foods Storage and Security Factory was launched in the Bahrain Business Incubator Centre in Al Hidd. The factory is designed to process and package local grains, strengthening supply chains for producers. A significant portion of output is intended



Food and beverage manufacturing has been identified as a key growth area in Bahrain Economic Vision 2030

for export, and its diverse capabilities are expected to attract investment in local food production and processing industries, bolstering food security.

"The government is working to enhance national food security by investing in the expansion of the country's storage capacity and infrastructure. Although priorities may vary depending on the cost of food and imports, the focus on ensuring domestic food security remains strong," Henry Craig, CEO of the Bahrain Flour Mills Company, told OBG.

In 2022 the Bahrain EDB facilitated an investment in the sugar industry by Bahrain Sugar Refinery. The company purchased a new 107-sq-metre factory in Al Hidd for \$21.2m. The facility, set to begin operations in the first quarter of 2023, is expected to create approximately 200 jobs and produce 600,000 tonnes of refined sugar, 7600 tonnes of molasses and 10,000 tonnes of yeast annually.

**OUTLOOK:** Looking ahead, Bahrain has numerous opportunities to bolster its non-oil sector. The country's strategic location, business-friendly policies and highly skilled workforce make it an attractive destination for investors. Although some smaller companies may be hindered by outdated business models, a rising tide of entrepreneurs, start-ups and SMEs has the potential to invigorate the manufacturing segment. To achieve this, it is crucial for relevant entities to strategically integrate emerging players into the economy.

Bahrain's reputation as a conducive environment for investment is expected to grow, despite rising competition from neighbouring GCC countries, particularly Saudi Arabia. This should continue to draw the attention of prominent international manufacturers looking to establish operations in the GCC and MENA, boosting FDI in the country. At the same time, several leading manufacturing conglomerates in Bahrain are undertaking ambitious expansion plans to ramp up production as well as to diversify operations.

In January 2023 the Bahrain Agricultural Foods Storage and Security Factory was launched in the Bahrain Business Incubator Centre in Al Hidd, and aims to strengthen supply chains.





Total trade volume between Bahrain and the US rose to \$2.8bn in 2022

# Empowering business

Strengthening ties with trading partners and establishing free zones to help increase the kingdom's regional and global influence

The strategic location of the US Trade Zone in proximity to Khalifa Bin Salman Port, Bahrain International Airport and the King Fahd Causeway presents a significant advantage for businesses.

In February 2022 Bahrain commenced construction on the US Trade Zone (USTZ), following a memorandum of understanding signed in January 2021 between the US Department of Commerce and Bahrain's Ministry of Industry and Commerce. Located in Salman Industrial City, it is expected to become operational by 2024. The project has received \$40m as an initial investment, which will eventually be expanded to \$200m. The USTZ will cover a total area of 1.1m sq metres.

By establishing clusters in the USTZ, US companies can leverage the Customs duty exemptions offered on imported raw materials, manufacturing, spare parts and construction machinery. They can also benefit from the support of various Bahraini government agencies that facilitate the growth of start-ups. The strategic location of the USTZ in proximity to Khalifa Bin Salman Port, Bahrain International Airport and the King Fahd Causeway presents a significant advantage for businesses, as it reduces logistics costs for exports to the GCC and beyond. The multi-modal Bahrain Sea-to-Air Logistics Hub is expected to further enhance the efficiency of container transit between the airport and the port, reducing turnaround times to as little as two hours. In light of these advantages, the USTZ holds immense potential as a manufacturing and trade gateway for US companies operating in the GCC and surrounding regions, as well as those looking to enter these markets.

**ECONOMIC BENEFITS:** The USTZ plays an important role in the kingdom's Covid-19 Economic Recovery Plan, as well as the medium-term Industrial Sector Strategy 2022-26 launched in December 2022. The latter seeks to raise the industrial sector's GDP share to 14.5% by 2026. The figure stood at 13.9% in the second quarter of 2022. Additionally, the strategy seeks to boost the sector's contribution to overall exports to 80.1% by 2026. The establishment of the USTZ could incentivise US companies to contribute to the achievement of these targets, while also creating new opportunities for domestic businesses. By facilitating new

logistics and supply chain possibilities, the USTZ has the potential to promote economic growth in Bahrain. Additionally, the construction and operation of the USTZ is expected to generate employment opportunities for 5000 to 6000 individuals.

Designated a major non-NATO ally by the US in 2002, Bahrain and the US are economic partners under a free trade agreement (FTA) signed in 2006. Since then, the total volume of bilateral trade has risen from \$400m to \$2.8bn in 2022. Under the FTA, US farmers have bolstered their agricultural exports to Bahrain. Notably, the kingdom has demonstrated an openness to foreign participation in the services sector, which has paved for US financial service providers to enter the market, as well as companies in the telecommunications, audio-visual, express delivery and distribution, among others.

**TRADE STRATEGY:** The efficacy of the USTZ and the FTA in spearheading Bahrain's efforts to diversify trading partners remains to be seen. Despite the US being a significant trading partner of the GCC economies in aggregate, exporting goods worth over \$36.2bn to the region in 2021, China emerged as the largest exporter to the region that year, India, whose exports to the region totalled \$87.4bn, also outperformed the US. As such, while the US remains a key strategic partner for the kingdom, other countries also have an important role to play in helping Bahrain cement itself as a centre for manufacturing and trade in the GCC.

The USTZ in Bahrain is a promising initiative that could bring numerous benefits to both the US and Bahrain, as well as the wider GCC region. With Customs duty exemptions, logistical advantages and government support, the USTZ could become a centre of economic activity that can attract US companies to contribute to Bahrain's economic recovery and long-term development plans. As the kingdom continues to explore ways to deepen economic ties with its trading partners, it is possible that similar concepts to the USTZ could be explored, offering new opportunities for growth.

The construction and operation of the US Trade Zone is expected to generate employment opportunities for 5000-6000 individuals.



Abdulla bin Adel Fakhro

# Driving development

Abdulla bin Adel Fakhro, Minister of Industry and Commerce, on increasing exports and boosting digitalisation

**Where do you identify the main priorities to effectively help the country meet the goals of the Industrial Sector Strategy 2022-26?**

**FAKHRO:** The key priority is to facilitate the adoption of the Fourth Industrial Revolution while actively encouraging investment in technology infrastructure and improving transport and logistics networks. The industrial strategy emphasises the revitalisation of the market by encouraging local procurement, fostering industrial integration and collaboration, and expanding the industrial land area.

The plan includes having an industrial incubator and research and development centre. Other priorities encompass the adoption of renewable energy sources, significant investment in industrial training and research studies, and targeting multiple sectors for growth opportunities. These industries include downstream aluminium and petrochemicals, as well as blue and green hydrogen segments. Moreover, we are looking at growth prospects in food, pharmaceuticals and micro-electronics manufacturing.

**What more can be done to promote local products internationally, and increase the contribution of the sector to 80% of overall exports by 2026?**

**FAKHRO:** Bahrain aims to play a leading role in international trade by offering a launch pad for global exports. To achieve this, the country has implemented comprehensive strategies aimed at fostering an advanced, innovative and sustainable industrial sector. A key component of these efforts is the improvement of the regional import and export supply chain management system by using the solutions provided by Export Bahrain. By leveraging the Made in Bahrain trademark on core products and services, the kingdom aims to bolster the global competitiveness of local brands. In line with these goals, various initiatives have been launched to empower domestic companies, enabling them to

capitalise on opportunities in international markets and significantly contribute to national exports.

**To what extent might the US Trade Zone (USTZ) act as a catalyst for industrial activity in Bahrain?**

**FAKHRO:** Manufacturing is considered one of the highest contributors to the economy and will continue to grow in importance in the coming decade. The segment not only generates employment opportunities for citizens but also facilitates knowledge and technology transfer while fostering robust international trade relations. Acknowledging its significance, Bahrain introduced the Industrial Sector Strategy 2022-26 as a vital component of its Economic Recovery Plan following the aftermath of the Covid-19 pandemic. To further strengthen its ties with the US and ensure continued growth, Bahrain has initiated the development of the first phase of the USTZ. This plan will be executed in stages, covering an estimated area of approximately 110,000 sq metres.

**In what ways can technology and digitalisation further increase the country's attractiveness as an international investment destination?**

**FAKHRO:** One of the key systems to facilitate the investors' journey in Bahrain is the Ministry of Industry and Commerce's online platform Sijilat. This platform has transformed business operations by enabling investors to electronically apply for, modify and renew their commercial registrations, providing transparency and clarity in licensing and registration procedures with government agencies.

Sijilat offers a range of services to support investors. These include the annual registration of existing and new factories and providing exemptions from Customs duties for industry inputs, including machinery, equipment and raw materials. The Government is investing in upgrades, including the use of AI and many new innovative features to strengthen the platform.



Sameer Abdulla Nass

## Room to grow

Sameer Abdulla Nass, Chairman, Bahrain Chamber of Commerce and Industry (BCCI), on diversification and reform

**What opportunities exist to develop the financial ecosystem for entrepreneurship and small and medium-sized enterprises (SME) creation?**

**NASS:** The most pressing challenge for entrepreneurs and SMEs is related to their ability to secure financing. Understandably, many banking institutions have strong prerequisites and risk-aversion mechanisms that limit their participation in SME financing. In order to facilitate SME access to credit, the BCCI recommends the establishment of a local credit ratings agency. This will boost confidence and address financing obstacles for SMEs.

On another note, there is ample room to enhance the domestic venture capital environment. Local economic stakeholders must work together to make this a reality and raise awareness in the SME community of the possibilities this offers for their financing needs. The Ministry of Industry and Commerce has created a specific department to address SME issues, as well as supporting incubators and start-up accelerators to boost the creation of private businesses in the kingdom.

**In what ways can the private sector contribute to expanding business activity in non-oil sectors?**

**NASS:** The private sector and the government are working together to identify ways to restructure the economy and lay the foundations for continued sustainable growth in the years to come. Other countries in the region, particularly Saudi Arabia, are also diversifying their economies, and there is little doubt that GCC countries are becoming increasingly internationally competitive. Bahrain therefore needs to undergo a strategic restructuring of its economy, focusing on sustainable growth while complementing other economic developments in the region.

In this context, Bahrain must continue reducing its dependence on hydrocarbons, and identify sectors that can add value to the economy and create jobs for the local population. One key sector is tourism, including medical and education tourism. We are seeing

shortages of medical beds in the GCC, providing an opportunity for the local medical sector to attract patients from the region and abroad. Medical tourism has ample potential, provided the country creates laws and regulations that support investment and growth.

The private sector plays an essential role in diversification efforts, and because approximately 80% of local businesses are SMEs, the regulatory framework is catered to their needs. The government is privatising many public services and providing opportunities for local businesses to handle overall operations, which ultimately will improve efficiency and productivity. The government, in turn, is limiting its role to regulating and overseeing development to ensure standards of quality are maintained. This process is already under way, but there is still much room to continue developing the local economy in this manner.

**How can labour market reform strengthen the business environment and boost private sector growth?**

**NASS:** Advancements are being made to create a national certification body, with the purpose of having every local trade or service specialist, in every sector of the economy, properly trained, certified, tested and licensed. It is currently in a pilot phase, and we are confident that this kind of approach will encourage trainees to develop their skills and create more opportunities to advance their careers. At the same time, a national certification body will help increase efficiency, productivity and overall quality of service.

This is a long-term programme, and we might not see the benefits of it immediately. However, it will advance the professionalism of the entire labour market.

On a separate note, the kingdom is also making notable strides in boosting gender diversity throughout the local business community. The young and highly educated female population is ready to contribute at a much higher level than it currently does to the sustainable economic advancement of the country.





Many countries are looking to hydrogen to power their steel industries

# Green solutions

## The MENA region is poised to lead global steel decarbonisation

As global industry seeks to reduce or eliminate its carbon footprint, a number of MENA countries are investing in green steel production to capture market share and help meet emissions targets. Industry generates 20% of global greenhouse gas emissions annually, with the steel manufacturing segment accounting for the largest share, at 7%, due in part to a reliance on coal to heat smelting furnaces. According to a September 2022 report from the Institute for Energy Economics and Financial Analysis, the MENA region is well positioned to lead global steel decarbonisation due to its use of lower-emissions smelting processes and planned developments in green hydrogen production – an attractive energy source for green steel.

**PREPARED FOR CHANGE:** Steel is 98% composed of iron, which is traditionally smelted in furnaces heated with coal at 1400°C to remove impurities. This process is responsible for some 90% of the greenhouse gases created by its production, according to a September 2022 report from climate alliance Mission Possible Partnership. The international steel industry will require \$47bn in annual investment between 2023 and 2053 to meet demand growth, with an additional \$8bn-11bn of investment needed to transition to net-zero processes.

In MENA, steel is made primarily through the direct reduced (DR) iron process, which uses natural gas-powered electric arc furnaces, and results in a smaller carbon footprint than traditional smelting furnaces. Despite accounting for 3% of the world's crude steel in 2021, the region produced roughly 46% of global DR iron. Due to a steady supply of natural gas and DR-grade iron pellets, and the presence of some of the world's largest ore-pelletising facilities, MENA countries are primed to increase the output of low-emissions steel.

**EXPANDING CAPACITY:** The global steel industry generates more than \$870bn in revenue each year, creating opportunities for economies willing to invest in green energy technologies. With hydrogen central to the region's energy transition, many countries are looking to

this energy source to power their green steel industries (see Energy & Utilities chapter). Oman Jindal Shaded Iron and Steel is investing \$3bn in a green steel plant located in the Duqm Special Economic Zone. Powered by green hydrogen, the plant is expected to produce 5m tonnes of steel annually upon completion in 2026. The company is targeting exports to the automotive, consumer durables and wind power segments in the EU, Japan and other GCC countries.

In October 2022 Brazil's Vale, a metal and mining company, signed three memoranda of understanding with entities in the GCC for feasibility studies to establish industrial complexes capable of producing low-carbon-footprint products in the steel segment. The complexes will be located in the Ras Al Khair Industrial City in Saudi Arabia, Khalifa Industrial Zone Abu Dhabi, UAE and Duqm Special Economic Zone in Oman.

**UPCOMING PROJECTS:** In January 2023 Prince Abdulaziz bin Salman Al Saud, Saudi Arabia's minister of energy, announced plans to invest \$266bn by 2030 to support the Kingdom's clean energy targets. Some of the funds could go towards green hydrogen to power heavy industries such as steel production. As of 2021 Saudi Arabia was the world's 21st-largest steel-producing country, manufacturing some 8.7m tonnes annually.

Green energy developments in the UAE are partly targeted to meet the emissions requirements of the European Green Deal, a roadmap approved in 2020 to decarbonise the EU's economy. Furthermore, European markets could turn to UAE steel when a ban on Russian steel, implemented in response to its February 2022 invasion of Ukraine, takes effect in September 2023. Emirates Steel Arkan, in particular, has begun incorporating green hydrogen into its manufacturing processes. The company has achieved a lower carbon footprint than the world's leading steel producers in China and India due to the use of natural gas to power electric arc furnaces, which have a carbon intensity 75% lower than traditional coal-powered blast furnaces.

Industry generates 20% of global greenhouse gas emissions annually, with the steel manufacturing segment accounting for the largest share, at 7%.

The international steel industry will require \$47bn in annual investment between 2023 and 2053 to meet demand growth, with an additional \$8bn-11bn of investment needed to transition to net-zero processes.

# Realising greater value through iconic developments and destinations.

To maximise the return of your investment, our strategists, creatives and implementation specialists work relentlessly to develop the compelling brand that will attract people to buy, visit or stay.

Email us: [Contact@brash.agency](mailto:Contact@brash.agency)

Site: [Brash.agency](http://Brash.agency)

TSOGO SUN

1 MAYFAIR  
LONDON

AMAALA

KURI KHALIFA

CHELSEA BARRACKS  
LONDON SW1

万达集团  
WANDA GROUP

BW  
BEVERLY WEST  
2000 WILSON

DOWNTOWN  
LAS VEGAS

EMAAR

نخيل  
NAKHEEL



THE  
DUBAI MALL

MSHEIREB  
DOWNTOWN Doha

vanke



Brand strategy  
Brand architecture  
Naming  
Logo & creative  
Design system  
Digital design & development  
Photography, film, CGI, VR  
Print & literature  
Environments & signage  
Comms strategy & journey  
Internal engagement

BRASH



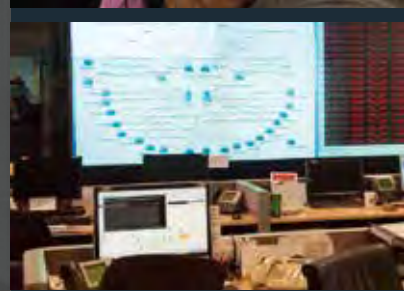
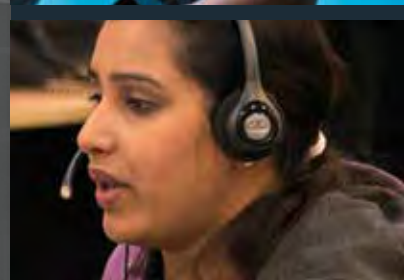
# ICT

Low costs and digital talent attract international firms

Widespread coverage makes for a competitive market

Inclusivity and regulation support start-up growth

New licence targets cross-sector digital innovation







ICT is seen as a priority sector for enhancing diversification and growth

# Innovative landscape

Advanced digital infrastructure and a supportive business environment cement the sector's role in actualising growth

The Telecommunications, ICT and Digital Economy Sector Strategy 2022-26 targets training 20,000 Bahrainis in cybersecurity and increasing the number of start-ups by 20% by the end of the plan's term.

ICT sector development forms a central element of Bahrain's economic growth and innovation plans, enabling the development of multiple sectors and enhancing public service provision. Owing to a favourable business environment, advanced digital infrastructure and a deep talent pool, the kingdom has emerged as an attractive proposition for international ICT companies seeking a base in the region. The local sector is now pursuing a medium-term strategy designed to propel it into the next phase of development.

**OVERSIGHT & STRATEGY:** The Ministry of Transportation and Telecommunications (MoTT) leads sector development, while its Telecommunications Directorate drives sector-specific policy formulation and implementation. The Telecommunications Regulatory Authority (TRA) is the chief regulator under the Telecommunications Law of 2002, which underpins a vibrant and liberalised mobile telecoms market. Meanwhile, the Information & eGovernment Authority (iGA) is the primary source of ICT and e-government-related policies, standards and guidelines for government entities.

In response to the Covid-19 pandemic, the Bahrain Economic Recovery Plan (ERP) listed ICT as a priority sector for enhancing growth, diversification and resilience. The Telecommunications, ICT and Digital Economy Sector Strategy 2022-26 was one of six sectoral roadmaps released to support the realisation of the ERP. Launched in January 2022, the medium-term plan seeks to position Bahrain as a regional centre of digital innovation underpinned by advanced digital infrastructure and investment from global technology companies. Key objectives include enhancing cybersecurity resilience and advancing the digitalisation of government services, including through the use of artificial intelligence (AI). The strategy targets increasing national employment in ICT by 35% by the end of 2023, training 20,000 citizens in cybersecurity, achieving blanket broadband coverage and increasing the number of start-ups by 20% by the end of the plan's term.

**PERFORMANCE:** According to the Ministry of Finance and National Economy, the transport and communications sectors combined contributed 6.8% to real GDP in 2022, and experienced growth of 4.5% that year. Growth drivers included Bahrain's cost-efficiency advantage over its GCC peers, according to a report released by global consultancy KPMG in August 2022. The firm estimated that Bahrain was 28% more cost-effective than the GCC average in terms of direct ICT operations costs due to cheaper manpower, rental space and internet, not to mention its pool of digital talent. Telecoms, line rental, IT infrastructure and utilities were also considered. Indirect costs such as education, residential utilities and domestic help were the lowest in the GCC, at 24% below the regional average.

Bahrain's ICT market is expected to grow from \$4.3bn in 2021 to \$6.3bn in 2026, representing a compound annual growth rate (CAGR) of 8.1%, according to data analytics firm GlobalData. The retail market is the largest vertical, constituting almost one-quarter of total market spending. The retail market value is expected to grow at a CAGR of 8.2% through to 2026, led by vertical-specific and packaged applications, followed by software as a service offerings.

The Bahrain Economic Development Board (Bahrain EDB) reported that the kingdom attracted \$98m of foreign direct investment from 14 companies in the ICT sector in the first three quarters of 2022, with this investment expected to translate into 770 jobs.

**TELECOMS:** The domestic telecoms market is forecast to expand at a CAGR of 3.3% through to 2027, supported by an average revenue per user with carrier billing of \$28.80. The fifth National Telecommunications Plan (NTP), which ran from 2020-23, aimed to improve fibre optic and 5G infrastructure and coverage. The sixth NTP was in development as of June 2023.

The competitive landscape of the telecoms market features three main players: Bahrain Telecommunications Company (Batelco), the kingdom's legacy telecoms

Direct operation costs for businesses in the kingdom were

# 28%

lower than the GCC average in 2022

operator, Zain Bahrain, the local subsidiary of Kuwaiti firm Zain; and stc Bahrain, the local subsidiary of Saudi Arabia-headquartered stc Group. Batelco maintained a narrow lead in terms of market share in mobile subscriptions, according to TRA figures, holding 38% of the overall market in the fourth quarter of 2022, compared to 35% for stc Bahrain and 27% for Zain Bahrain. While the pre-paid market was split evenly across the three main players, Zain Bahrain held a 19% share of the post-paid market in the fourth quarter of 2022, compared to 41% for Batelco and 40% for stc.

Batelco saw a net profit of BD16.3m (\$43.2m) in the third quarter of 2022, up 4% year-on-year. Revenue rose to BD100.6m (\$266.8m) in the third quarter of 2022 from BD98.2m (\$260.5m) in the same quarter of 2021 alongside improvements across fixed broadband, adjacent services and wholesale revenue. December 2022 saw the launch of Beyon, billed as Bahrain's largest ICT enterprise, to serve as a parent company for Batelco and four new publicly owned digital firms: Beyon Money, Beyon Solutions, Beyon Cyber and Beyon Connect.

Zain Bahrain booked full-year 2022 revenue of BD67.4m (\$178.8m), up 4% from 2021, helping to lift annual net profit by 2.6% to BD5.7m (\$15.2m). While stc Bahrain's results are packaged up as part of the parent company's earnings from all subsidiaries, it has spent about \$2bn on digital infrastructure since entering the market in 2010, including on self-service terminals and a cybersecurity training academy.

As of the fourth quarter of 2022 TRA data indicated that mobile penetration in the kingdom reached 137% across 2.1m subscribers. Meanwhile, fixed-line telephone subscriptions continued their prolonged decline, with 217,171 subscriptions at the end of 2022, representing a 13.9% penetration rate – compared to 227,133, or a 15% penetration rate, at the end of 2021.

**5G & NETWORK UPGRADES:** Bahrain was among the first countries in the region to embark on commercial 5G rollouts, beginning in 2019 with stc Bahrain, operating under its former brand name VIVA, partnering with Chinese firm Huawei. As of 2022 stc Bahrain had achieved 5G coverage of roughly 50%, focusing on the area in and around Manama in the north of the kingdom. In December 2022 stc Bahrain successfully demonstrated 5G Voice over New Radio (VoNR). Moreover, the company is investing to launch 5.5G services within the kingdom by the end of 2025.

Both Batelco and stc Bahrain are working on cloud-native 5G core offerings, with the latter having launched an initial service in May 2022, enabling enhanced mobile broadband, ultra-reliable low-latency communications and massive machine-type communication services. In April 2022 a memorandum of understanding between Batelco and Sweden's Ericsson was signed to facilitate the development of 5G smart city applications, VoNR and real-time convergent charging. Batelco's coverage currently lags behind stc Bahrain's and is concentrated around Manama.

Zain Bahrain has also teamed up with Ericsson, and in 2022 implemented 5G time division duplex carrier aggregation on a commercial device to use on mid-band



In 2019 Bahrain became one of the first countries in the MENA region to begin commercial 5G rollouts

frequency, opening the door to faster data rates. The two companies are working to introduce 5G low-band and mid-band carrier aggregation. Zain Bahrain is deploying network upgrades that incorporate the latest generation massive multiple-input/multiple-out radios, which help reduce network energy consumption by about 15%. In April 2023 it expanded its network to provide stable 4G and 5G services to businesses and residences in seven new areas: Dumistan, Al Hidd, Seef, Salmabad, Al Hajiyat in Riffa, Al Lawzi and Qalali.

**INTERNET:** Broadband coverage is near universal, and is set to be so at the end of the sixth NTP, which runs through 2026. BNet, the wholesale fibre-optic broadband service provider that separated from Batelco in 2020, plans to connect all Bahrain's businesses, including public radio-communication stations, submarine cable landing stations, data centres and other network nodes – as well as 95% of households – in 2023. About 83% of households were connected to fibre-optic broadband as of April 2023, amid an effort to lay 6000km of fibre-optic cable nationwide.

In a boon for consumers, in April 2023 the TRA approved BNet's reference offer, or the prices it intends to charge for broadband access, which amounts to doubling the speed of fibre entry packages at the same price as the previous package. The offer included price reductions up to 27%, allowing internet service providers to offer consumers new broadband services.

At the end of 2022 mobile broadband subscriptions in the kingdom totalled 2.3m, representing a 148.5% penetration rate, while fixed broadband subscriptions totalled 173,101 for a household penetration rate of 67%, according to the TRA. Widespread broadband access underpinned the 2017 Cloud First Policy, which allowed 32 public and private organisations to migrate to the cloud in 2021. This has helped cut government expenses by 82% and transaction wait times by 76%. Early adoption of cloud services also helped Bahrain weather the pandemic, allowing employees to work

Mobile penetration reached

**137%**

as of the fourth quarter of 2022

The 2017 Cloud First Policy enabled 32 organisations to migrate to the cloud in 2021, decreasing transaction wait times by 76% and cutting government costs by 82%.



A new data centre aims to add to the kingdom's digital infrastructure

The high number of start-ups in the kingdom can be attributed to a conducive business environment, as well as 100% foreign ownership, zero taxes and regulatory support.

remotely and health authorities to monitor Covid-19 cases via the BeAware Bahrain app.

"Initiatives like the Cloud-First Policy have yielded tangible results," Rashid Al-Snan, CEO of Etisalat, told OBG. "Government institutions have embraced cloud services. While the private sector keenly observes growth prospects in the digital economy, the government remains the primary catalyst, having responded with tenders tailored to the private sector, and small and medium-sized enterprises (SMEs) to foster their participation in the digital economy."

Near-universal broadband access has sparked intense competition, with Zain Bahrain offering users who switch to its service six months of free fibre broadband rental in 2022, providing download speeds of 1 Gbps and upload connections of 500 Mbps. Batelco, meanwhile, is targeting SMEs by partnering with the Bahrain SME Society (BSMES) to provide members with special rates for mobile and broadband packages and devices. The BSMES operates four start-up incubators: Medical

Gulf, Pro-Sky, Bahrain Gate and Alwani. Elsewhere, the Bahrain Technology Companies Society is working with Tamkeen, the government agency responsible for private sector and labour development, to promote SME adoption of digital technologies.

**TECHNOLOGICAL DEVELOPMENT:** Bahrain has embarked on a plan to establish a large-scale technology park, with stc Bahrain pairing up with MoTT to lease 55,000 sq metres of land in Al Qurain. The park aligns with the three national guiding initiatives in the sector, namely Bahrain Economic Vision 2030, the NTP, and the Telecommunications, ICT and Digital Economy Sector Strategy 2022-26. The new data centre will add to the kingdom's advanced data and cloud infrastructure, which includes three cloud availability zones launched by international cloud computing platform Amazon Web Services (AWS) in 2019. As one of the most advanced data centres within an integrated digital complex in the Middle East, it will enable Bahrain to become a digital infrastructure pioneer in the region.

Meanwhile, stc Bahrain is supporting cybersecurity development in the kingdom. At the 2022 Arab International Cybersecurity Summit, co-hosted by the National Cyber Security Centre, stc Bahrain demonstrated data and application security, end point security, network security, and web and email security, and hosted a live hackathon to raise awareness of digital vulnerabilities.

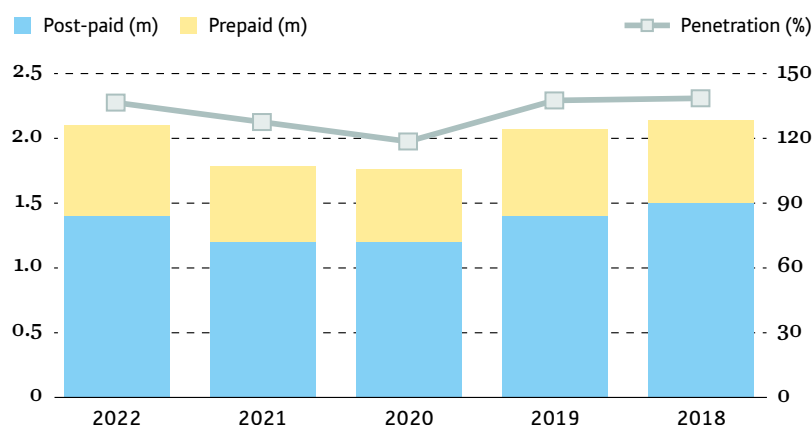
**START-UPS:** Bahrain has one of the fastest start-up ecosystem growth rates in the region, boasting a 46.2% CAGR in the number of new companies from 2020-23, according to the Bahrain EDB. This growth is tied to a range of benefits for founders, including 100% foreign ownership, zero taxes and targeted regulatory support. Moreover, almost 60% of the workforce is under 30, translating into a tech-savvy pool of native talent.

Start-up enterprises benefit from wide-ranging government support under various ICT promotion schemes. Under the ERP, for example, Tamkeen is rolling out new initiatives to upskill digital talent, including a partnership with the Bahrain EDB and US Citibank to develop a global technology centre that will create 1000 coding jobs by 2031 – a significant boost to digital talent supply in the banking sector. As of January 2023 the facility comprised 110 Bahraini employees.

Funding for start-ups is available from a range of sources, including the Bahrain EDB, which launched the \$100m venture capital fund Al Waha in 2018. Other avenues for financing include a new incubator launched by Tamkeen in partnership with Riyadat Mall; Tenmou, a technology-focused angel investor ecosystem; and 500 Global, a global venture capital firm with \$2.7bn in assets under management. Other supporting entities include the Ministry of Industry and Commerce (MoIC) and the UN Industrial Development Organisation.

Entrepreneurial activity revolves around 28 licensed incubators and accelerators, which focus on specific high-potential areas such as financial technology (fin-tech). For example, Bahrain FinTech Bay (BFB) spearheads the development of digital financial services, including cryptocurrency-based platforms. BFB hosts 120 local and regional partners, including governmental

### Mobile subscriptions and penetration, 2018-22



Source: TRA



bodies, financial institutions, corporations, consultancy firms, universities, associations, venture capitalists and start-ups. Build for Bahrain, a BFB initiative to promote health and business solutions, is backed by the US State Department's Middle East Partnership Initiative.

One notable result of this ecosystem is Rain, the first licensed crypto-asset service provider in the Middle East, which received a license from the Central Bank of Bahrain (CBB) in 2019. The CBB's regulatory sandbox provides a regulation-free environment for start-ups to test new solutions before scaling, serving as a site for innovation in the fintech space. Other notable accelerators include Level Z, Flat6Labs, Brinc and Brilliant Lab. Batelco, Microsoft and Zain Bahrain are key supporting companies. In November 2022 Zain Bahrain signed a strategic partnership with Tamkeen to train Bahrainis in the CODE2030 employment programme, with courses in data analytics, robotic process automation, fintech, cybersecurity, user interface design, user experience design, AI and machine learning.

One high-potential segment is gaming, where revenue in the mobile market was estimated to grow from \$12.3m in 2022 to \$21.3m by 2027. UAE-based marketing agency Power League Gaming co-sponsored a number of e-sports events in the kingdom. Top studios include Regnum Studios and The Stories Studio, the latter of which is female founded.

Bahrain's start-up ecosystem has made progress in terms of gender inclusivity in the region and globally, with the highest share of female founders in the world. Some 18% of homegrown start-ups were founded by women, compared to 15% in London and 16% in Silicon Valley, according to a 2022 report by the Bahrain EDB and regional business intelligence firm MEED.

Bahrain ranks first globally in Meta's Inclusive Internet Index sub-indices, including national female e-inclusion policies; female digital skills training and science, technology, engineering and maths (STEM) education; and open data policies and privacy regulations. Women accounted for 42% of students enrolled in STEM-related academic degrees in 2022, ensuring a strong pipeline of new female talent for the kingdom's ICT sector.

**E-GOVERNMENT:** Digital government is another policy priority, and the Telecommunications, ICT and Digital Economy Sector Strategy 2022-26 targets an additional 200 automated government services, with an eye to elevating the kingdom's position in the UN's e-participation and e-government indices. In 2022 the UN ranked Bahrain 54th out of 193 countries in its e-Government Development Index, and 89th for e-participation, down from 38th and 51st, respectively, in 2020.

Chaired by Sheikh Rashid bin Abdulla Al Khalifa, the minister of interior, the Ministerial Committee for ICT is guiding the enhancement of government ICT services alongside the iGA. The committee is charged with rebuilding public services with digital delivery at their core, incorporating an assisted digital approach to widen inclusivity through government service centres.

Notably, Bahrain operates a national portal that hosts multiple e-services, such as passport and visa issuance, utility bills payments, licence renewals and many others.



Gaming is a high-potential segment, with the kingdom hosting a number of studios and e-sports events

In January 2023 the iGA said that the government had cut the cost of providing services nearly in half the year before as a result of its digital transformation. It said that citizens had access to some 600 e-government services, with 50 new channels launched in 2022, paving the way for 3.7m annual digital transactions. Some 450 e-services were accessible via the national portal, with a further 125 on mobile and 10 through e-kiosks as of early 2023. Taken together, the channels served more than 18m visits in 2022, up 22% from the previous year.

Digital government services include an open data portal and the MoC's Sijilat portal, which enables businesses to apply for and renew commercial registrations via an online platform. The iGA and the National Bureau for Revenue operate an online national tax system hosted on AWS, a regional first that provides tax-related services, including value-added tax (VAT), payer registration, filing, payments, refunds, audit and risk assessment, as well as ancillary services such as VAT queries and public awareness campaigns. Other programmes focus on the Sehati national health insurance scheme, and platforms to host and integrate digital government. Benayat, Bahrain's digital building permit approval system – which enables engineering offices to apply for permits, check applications, obtain consultations and pay fees – has cut the average approval wait time to two and a half working days since launching in 2018.

**OUTLOOK:** Forecasts for ICT sector growth are positive, with good reason. The focus on digital government will continue to drive investment in ancillary products and services, and national economic plans prioritise ICT growth as part of sustainable development efforts. As 5G rollout continues to gather momentum, investors can expect a proliferation of related new services, including those linked to smart city development and improved business networking tools. In addition, the thriving start-up scene will likely be central in the provision of these services as Bahrain continues to act as a regional leader for innovation in ICT and fintech.

In 2022 some  
**18%**  
of homegrown start-ups  
were founded by women

Digital government initiatives include an open data portal, a platform for the renewal of commercial licences, a online national tax system and a platform for the Sehati national health insurance scheme.



A light-touch regulatory environment aims to support digital innovation

# Encouraging experimentation

A new licence aims to provide a regulatory environment conducive to innovation and next-generation technology

A total of five mobile network operators and satellite service providers had received Innovation Licences as of March 2023, allowing them to test different radio technologies without having to pay frequency license fees.

As part of ongoing efforts to stimulate growth in the digital economy, the Telecommunications Regulatory Authority (TRA) launched a new Innovation Licence in October 2022, encouraging companies to experiment with next-generation services using wireless technologies. By eliminating lengthy regulatory approval processes, companies can test and deploy new technologies more quickly, fostering greater innovation.

**REGULATORY SANDBOX:** As of March 2023 the TRA had issued five Innovation Licences to mobile network operators and satellite service providers, allowing them to test different radio technologies without having to pay frequency licence fees. The regulatory sandbox provided to TRA Innovation Licence holders enables them to obtain quick access to radio spectrum for wireless testing. The licence was conceived along similar lines to the regulatory sandbox that the Central Bank of Bahrain introduced in 2017 to promote digital innovation in the financial services sector. The sandbox enabled financial technology (fintech) start-ups to test innovative products and services in a safe environment, without being subject to the usual regulatory requirements. Its success encouraged the TRA to introduce the new licence, with hopes that it will have a similar impact on the telecommunications sector.

"While there are signs that the start-up ecosystem is developing, regulation will continue to drive innovation across different industries," Bader Sater, CEO of Bahrain FinTech Bay, told OBG. "Regulations have the potential to serve as a catalyst for innovation, offering start-ups a platform to address industry challenges and devise innovative solutions. An example of this impact can be seen in the financial services sector wherein regulations pertaining to crypto-assets fostered the establishment of a thriving, well-regulated crypto-asset market in Bahrain," he added.

While the Innovation Licence is a significant development for the telecommunications industry, it is also part of a wider trend of governments creating regulatory

sandboxes to foster innovation in their economies. For example, the UK introduced a fintech regulatory sandbox in 2016, and has since expanded the concept to include areas such as energy, health care and transport. Meanwhile, in 2021 Colombia became the first country to launch a telecommunications sandbox.

The Innovation Licence aligns with the Telecommunications, ICT and Digital Economy Sector Strategy 2022-26, which prioritises enhancing broadband services, supporting 5G deployment and developing the internet of things ecosystem, among others. Additionally, the licence is intended to drive innovation in other emerging technologies such as Wi-Fi 6; blockchain; augmented, virtual and extended realities; and millimetre wave and digital twin technologies, helping Bahrain become a regional leader in digital innovation.

**PROSPECTS & BENEFITS:** The Innovation Licence allows telecoms operators to launch new services and technologies quickly, which is expected to encourage more experimentation and innovation in the domestic market. The licence should also serve to enable sectors such as health care, agriculture and transport to benefit from wireless technologies.

For example, the health care sector could employ wireless technologies in the form of remote patient monitoring systems and telemedicine services. The use of wireless technologies in agriculture could help farmers monitor crop health, optimise irrigation and reduce water consumption. In transport, wireless technologies could be used to improve traffic management systems and reduce congestion.

The Innovation Licence is expected to have multiple benefits for local industries. The regulatory framework could help to attract new foreign investment, which will also enable the country to gain valuable insight into the workings of new products and services by engaging closely with global players. Moreover, the licence is expected to contribute to job creation and economic growth by expanding opportunities in the ICT sector.

The government hopes to drive innovation in 5G networks, the internet of things, blockchain and a number of other emerging technologies to support Bahrain's aspirations to be a leader in digital innovation.



Philip Marnick

# Strong signals

Philip Marnick, General Director, Telecommunications Regulatory Authority (TRA), on enabling innovation

**How could regulatory changes boost the country's attractiveness as an ICT investment destination?**

**MARNICK:** Bahrain is making significant strides towards achieving the objectives outlined in its fifth National Telecommunications Plan, the blueprint for the country's communications sector. Bahrain aims to become a frontrunner in innovation and investment, fostering the growth of ideas and the development of solutions for both businesses and individuals.

To realize this vision, Bahrain has implemented a regulatory framework that actively promotes innovation, investment and a competitive market. With its advanced market and business-friendly environment, Bahrain stands out as an ideal destination for companies to test and refine cutting-edge technologies.

The kingdom's plans to become one of the world's most well-connected nations, boasting advanced infrastructure and a platform for innovation and experimentation. This makes Bahrain an excellent choice for developing and hosting ICT services.

**In what ways are fast-paced digital developments shaping future labour market needs in Bahrain?**

**MARNICK:** Bahrain has a highly skilled workforce. We have been working with Tamkeen's Skills Bahrain initiative to help ensure we have the capabilities we need for the future. The new initiative seeks to provide the resources and tools required to support career guidance and workforce development for professions in high demand in the current and evolving labour market. It works to facilitate a smooth transition from education to employment. To assist in this effort, the TRA is reviewing what ICT skills are required for the future.

We have been working with academia to bring people together to solve problems collectively rather than individually. One example is the initiative to create Arabic versions of domain names and encourage their use. Some companies' systems are designed to reject non-English alphabet domain names and e-mail

addresses, so we are working with international companies to ensure inclusion. Our overall approach is to understand problems and work with relevant bodies and universities to address them, while encouraging people to engage and participate in the process.

**To what extent are improvements needed to address cybersecurity risks and increase data protection in a digitalised economy?**

**MARNICK:** The National Cyber Security Centre (NCSC) has overall responsibility for cybersecurity, while the TRA is responsible for security in the telecommunications sector. The two entities have worked collaboratively to ensure that we have protections and procedures in place for any issues that may arise. In our increasingly online society it is crucial that we keep both systems and people safe. Accordingly, we have run workshops and scenario planning exercises with industry players to prepare for possible cyberthreats. We have also run educational campaigns about online safety through TV ads, training sessions and university programmes, raising awareness about cybersecurity risks and the importance of network protection.

Although 5G has enabled businesses to provide services and improve their operations, it does not mean an absence of cyberthreats. The biggest change is happening in the digitalisation of industry and the use of wireless technologies, as what people are often referring to when they mention 5G is businesses using wireless technology. This digitalisation is already happening in factories and other industries, and we have enabled this transition by assisting companies in their digital transformation and sharing lessons learned across sectors, helping them learn from one another.

However, as smaller companies may not have the same level of protection as larger firms, we are addressing this by tailoring solutions for the former. Our collaboration with the NCSC is key in this context to set standards and provide products for small businesses.





Mikkel Vinter

## Digital safety

Mikkel Vinter, CEO, Beyon, on promoting collaboration between the public and private sectors to spur innovation

**Where do you identify the main investment opportunities in the ICT sector?**

**VINTER:** Investment opportunities are centred around two main segments: telecommunications and digital technologies. Regarding the telecommunications space, we are investing in networks – 5G in particular – and rolling out fibre to more homes and businesses across Bahrain. We are also investing in international connectivity, with a focus on attracting international players and tech companies by providing first-class facilities such as data centres. Our goal is to ensure that Bahrain has a strong, international ICT ecosystem and is an attractive location for businesses in the sector.

On the digital side, we see opportunities in cybersecurity as there is a growing need for protection against cyberattacks for individuals, enterprises and governments. Our acquisition of DTS Solution, a Dubai-based security company, will be the first of several investments in this segment.

Other opportunities include providing business-to-business solutions, particularly in cybersecurity and ICT product development. Indeed, we see many opportunities for investment in the enterprise space. An economic slowdown that is prevalent in other parts of the world has been comparatively moderate in Bahrain and the wider Gulf region, where customer demand is continuing to grow.

**What is your assessment of Bahrain's ICT competitiveness in relation to the wider region?**

**VINTER:** Bahrain's competitiveness in the MENA region can be reflected in its advanced ICT infrastructure and talent pool, with many local graduates in technology and engineering. In this aspect, universities provide a platform for competitiveness, particularly in the broader ICT sector. Collaboration between academia and the business community has helped to capitalise on these strengths. In addition to

local talent, skilled expatriates are attracted to Bahrain's lifestyle, safety and connectivity, among other factors that contribute to the kingdom's capacity to compete on the global stage.

**How are partnerships between the public and private sectors evolving to accelerate developments in the local ICT ecosystem?**

**VINTER:** Collaboration between the public and private sectors is reflected in the composition of company boards, which often include representatives from both. Private investment is encouraged, while players active in the sector maintain ties with the public sector. This has proven to be an effective way to stimulate investment and innovation. The size of the country also plays a role, as decision-making can be more streamlined and efficient in a smaller country like Bahrain, giving it a competitive advantage.

**To what extent is it necessary to safeguard against cybersecurity risks and increase data protection in a digitised economy?**

**VINTER:** Cyberattacks are increasingly common, making it crucial for firms to integrate robust protection and monitoring systems. Being proactive and partnering with cybersecurity experts can help businesses safeguard against threats and respond effectively. Investing in cybersecurity is key to avoid incidents, which can be more expensive than the upfront security costs in the long run.

Awareness is spreading across the sector as companies realise that it is essential for organisations with a digital presence to have a solid plan in place and work with the right cybersecurity organisations. While the cost of establishing safeguards can be high, they are necessary. The sector is growing at a rapid pace, and it is crucial to work with trusted partners and invest in protection in order to safeguard against the increasing frequency of security threats.



The GCC encourages political and technical cybersecurity cooperation

# Digital fortress

## Confronting the next generation of cyberthreats in the GCC

With global geopolitical instability elevating the threat of cyberattacks against businesses and government agencies alike, the GCC is rapidly developing more robust and comprehensive cybersecurity strategies to respond to the evolving nature of such threats.

Since experiencing their first major cyberattacks in the early 2010s, the six members of the GCC have looked at ways to bolster their cybersecurity by increasing their resilience and upgrading capacity. However, Russia's invasion of Ukraine in early 2022 – which saw an increase in the number and sophistication of global attacks – has prompted more urgent action.

The Portulans Institute's Network Readiness Index 2022, which ranks countries using metrics related to digital transformation, ranked Saudi Arabia second globally on cybersecurity, behind only the US. The UAE, for its part, placed eighth, while Oman was ranked 28th, Qatar 34th, Bahrain 68th and Kuwait 73rd. While this suggests that the GCC is in a relatively strong position, the average cost of cyberattacks in the region – \$6.9m per incident – is higher than the global average of \$4.2m, according to Mohamed Al Kuwaiti, managing director of the National Data Centre under the UAE's Supreme Council for National Security.

Given the size and scope of the challenge, the GCC has embraced political and technical cooperation. In October 2022 the GCC Ministerial Committee for Cybersecurity held its first meeting in Riyadh at the GCC Secretariat General headquarters, with the heads of cybersecurity from all six countries in attendance. The meeting covered matters of mutual interest and ended with plans to implement joint cybersecurity exercises to bolster the exchange of information and expertise, and to develop the sector across the region.

**THREATS TO DIGITAL ECONOMIES:** The changing nature of cyberthreats is prompting a holistic reassessment of strategies and approaches to cybersecurity. GCC countries have long-term plans to diversify away from extractive industries towards technology and

innovation, and have already invested in a raft of technological advancements in artificial intelligence, data and cloud computing. This not only underscores the need for more robust cybersecurity, but also requires a more holistic approach to protecting data.

"As data is increasingly distributed in wide networks, clients are only as secure as their vendors; as a result, cybersecurity should put the focus on the integrity of the network, which requires both cybersecurity firms and regulators to establish mechanisms that allow for the protection of data among clients, vendors and partners," Mirza Asrar Baig, CEO and founder of CTM360, a Bahraini digital risk-protection firm, told OBG.

**LOCAL CAPACITY BUILDING:** Ambitions to strengthen cybersecurity in the GCC will require training initiatives to build local human capacity. "One of the key challenges in recruiting IT specialists in the region is finding those eager to build new solutions from the ground up, and who understand that regional talent can deliver innovation, rather than replicating models applied elsewhere," Baig told OBG.

In August 2022 Saudi Arabia's National Cybersecurity Authority launched the CyberIC programme to develop national capabilities and localise technology development in cybersecurity. The programme is slated to increase the number of cybersecurity start-ups by assisting more than 60 companies. Earlier that year Saudi Arabia established Wamda, an initiative to foster the leadership skills of female cybersecurity specialists.

Meanwhile, Dubai Cyber Innovation Park held its second Cybersecurity Bootcamp in February 2023 to train a specialised and qualified cybersecurity workforce from a pool of new graduates and those looking to build a career in the field. That same month Tamkeen, Bahrain's semi-autonomous public agency charged with developing the private sector, graduated the first cohort from its eight-month Cybersecurity Training Programme conducted in partnership with SANS Institute, a cybersecurity training and education provider.

Although global rankings suggest that the GCC is in a relatively strong position, the average cost of cyberattacks in the region – \$6.9m per incident – is higher than the global average of \$4.2m.

Tamkeen, Bahrain's semi-autonomous public agency charged with developing the private sector, graduated the first cohort from its eight-month Cybersecurity Training Programme in early 2023.

# برنامج بيرلتز للغات أسهل و أوضح

Understand Things Clearly  
with Berlitz Language Programs



## THE BERLITZ METHOD:

- ✓ Your Needs Come First
- ✓ Talk and Think in your Target Language from the Very Beginning
- ✓ Very High Percentage of Speaking Time
- ✓ Targeted Teaching
- ✓ Intuitive Grammar
- ✓ Appropriate Learning

For more information contact us on:

☎ (+973)1782 7847

✉ [berlitz@berlitz-bahrain.com](mailto:berlitz@berlitz-bahrain.com)

fb [berlitz.bh](https://www.facebook.com/berlitz.bh)

📺 [berlitzbah](https://www.youtube.com/berlitzbah)

**Berlitz**<sup>®</sup>

Helping the World Communicate

[www.berlitz-bahrain.com](http://www.berlitz-bahrain.com)



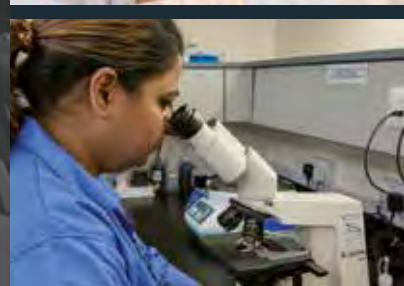
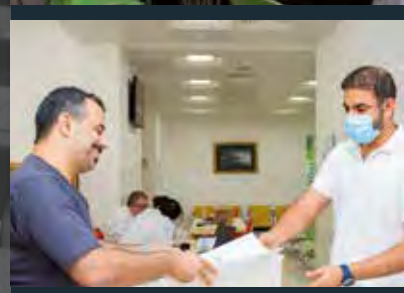
# Health & Education

Public and private initiatives to improve digital literacy

Number of academic institutions to grow by 2030

Efforts to standardise medical licences across the GCC

Implementation of national health insurance initiative





Education spending for the 2021-22 national budget reached \$879.8m

## Future targets

Initiatives look to increase local participation in schooling as insurance scheme set to reduce outbound medical tourism

With the National Higher Education Strategy 2014-24 guiding the kingdom's policy framework, Bahrain is expanding its public education infrastructure.

Bahrain was the first Gulf country to establish government-sponsored education in 1919 and it continues to invest in strengthening its education system. With Bahrain Economic Vision 2030 – the country's economic diversification blueprint – and the National Higher Education Strategy 2014-24 guiding the kingdom's schooling strategy, Bahrain is expanding its public education infrastructure, and backing technical and vocational education and training (TVET) programmes to upskill its workforce for the future.

In the health care space, Bahrain has a long life expectancy and its disease burden is mostly related to non-communicable diseases (NCDs), a trend common among wealthier countries. With continued investment in both public and private health care, the kingdom continues to improve its health service delivery.

**EDUCATION OVERSIGHT:** The Ministry of Education (MoE) is responsible for providing oversight to the education sector, with Mohammed Mubarak Juma serving as minister since November 2022. There are directorates for each level and type of learning, ranging from kindergarten and primary, and extending to vocational and continuous education. Basic schooling is both compulsory and free for students aged six to 14, and is segregated by gender.

The Higher Education Council (HEC) was formed in 2005 and coordinates the kingdom's tertiary education policy. The Education and Training Quality Authority (BQA) sets performance standards and carries out reviews of educational institutions.

**EDUCATION POLICY & BUDGET:** Education strategy is guided by Bahrain Economic Vision 2030. Its education-focused policies centre around teacher training and recruitment, the preparation of Bahrainis for employment in emerging industries, the regular review of the performance of educational institutions, and the development of the kingdom's higher education and research institutions. In addition, the ministry, along with Bahrain Teachers College (BTC), is pursuing

a Bahrainisation strategy for educators in government schools to replace expatriate teachers with qualified Bahrainis. The BTC hopes to be able to meet 80% of the MoE's teacher needs by 2030.

Bahrain's tertiary education policy is guided by the National Higher Education Strategy 2014-24. Its primary goals include mandating college entrance and workforce readiness exams; developing more flexible options in the academic calendar to spur competitiveness; increasing enrolment of foreign students; and encouraging students to pursue science, technology, engineering and maths degrees.

Another development in the education sector was the July 2022 update of the National Strategy for the Rights of Persons with Disabilities for the years 2022-26, led by the Ministry of Labour. The plan will fund civil rehabilitation centres and life skills programmes for people with autism. As of April 2022 Bahrain had integrated 134 students with autism into government schools, up from 11 in 2010.

According to the most recent official figures, education spending earmarked for 2022 in FY 2021/22 increased by around 1% to BD331.7m (\$879.8m), including both recurrent and project expenditures. While the value was relatively consistent from the previous budget, it represented 9.3% of total spending, making it one of the largest recipients by sector.

**STUDENT BODY:** In the 2018/19 academic year there were 115,125 students enrolled at the primary level – 72,074 in government schools and 43,051 in private schools – of which 49.1% were female and 50.9% were male, according to the most recent statistics from the MoE. At the intermediate level, the breakdown was 37,048 in government schools and 15,263 in private schools, for a total of 52,311 students, with female students comprising 49.4% and male students 50.6% of the total. Meanwhile, of the 39,076 students at general secondary schools, 27,697 were enrolled in government schools and 11,379 at private schools,

The National Strategy for the Rights of Persons with Disabilities was updated in July 2022. As of April of that year Bahrain had integrated 134 students with autism into government schools, up from 11 in 2010.

with 56% of the total female students. Technical and vocational secondary students, for their part, numbered 6814 – all in government institutions – with approximately 90% of learners male. These gender breakdowns have remained consistent from previous findings, with roughly the same male-to-female ratios across all types of educational institutions in 2014/15, the last time such statistics were released.

**EDUCATION PERFORMANCE:** In 2022, 97.3% students in secondary schools passed their final exams. For intermediate students that percentage was 98.3%, while 87.9% of students enrolled in vocational and technical schools passed their final exams.

Stronger performance on international standardised exams such as the Trends in International Mathematics and Science Study (TIMSS), and the Programme for International Student Assessment and Progress in International Reading Literacy Study (PIRLS) is explicitly cited in the Bahrain Economic Vision 2030 educational goals. On such exams, Bahrain tends to be one of the leaders in the region. In 2019, the year of the most recent TIMSS test – which is administered every four years – Bahrain ranked a close second in the GCC for fourth-grade mathematics, with a score of 480, above the regional average of 437 for that year. In the 2021 PIRLS, Bahraini students scored an average of 458, marking an increase of 12 points from the previous result in 2016. This result placed Bahrain third among GCC countries, after Qatar and the UAE. However, the score was 42 points lower than the global average.

Bahrain has a high literacy rate, at around 97.5% of those aged 15 and above as of 2018, according to the most recent data from the World Bank. This figure is a substantial improvement from roughly 70% at the beginning of the 1980s and higher than the global average of 86% at the time. According to the latest UNESCO data, in 2019 Bahrain had an out-of-school rate of 2.3% for primary school students and 12.7% for those enrolled in upper secondary school, significantly lower than the Middle East average of 10% and 24.8%, respectively. The same year the proportion of students at the end of primary education achieving at least a minimum proficiency level in mathematics was 54.2%, compared to a Middle East average of 28.6%.

**EDUCATION INFRASTRUCTURE:** In the 2018/19 academic year 210 government schools were operational, comprising 111 primary schools, 22 elementary or middle schools, 38 preparatory schools, 30 high schools or other tracks, six vocational and technical training institutions, and three religious institutes, according to the most recent data from the MoE. That year there were 14,103 teachers and administrative staff employed across all public schools. Of the private institutions operating in Bahrain in the 2018/19 academic year, there were 71 nurseries, 130 kindergartens and 70 other facilities. That year there were 8283 teachers and administrative staff employed at private institutions.

The number of government schools is set to expand substantially over the coming years. In November 2022 the MoE announced that it would invest BD118.3m (\$313.8m) to construct 18 new schools and 24



In the 2018/19 academic year girls accounted for 56% of the 39,076 students at general secondary schools

academic buildings by 2030. Of these, two schools and nine academic buildings will be built in the Capital Governorate, along with five schools and seven academic buildings in the Muharraq Governorate, three schools and four academic buildings in the Southern Governorate, as well as eight schools and four academic buildings in the Northern Governorate.

The Bahrain Real Estate Investment Company (Edamah), a unit of the kingdom's sovereign wealth fund Mumtalakat, completed phase one of construction of a comprehensive education park, Amanat Edu Safe Park, in June 2022. The 16,000-sq-metre facility will partner with education institutions to offer extracurricular activities in liberal arts, technology and robotics, as well as special needs educational programmes. The park features green spaces with jogging tracks, walkways and outdoor scientific installations, and its expansive facilities will be available to lease for lectures, workshops, training programmes, and theatre and art productions. Parents will also be able to earn certificates in vocational skills programmes supported by the Training and Wage Support Scheme while their children are engaged in activities. The scheme is operated by Tamkeen, the semi-autonomous state agency charged with developing the private sector.

**LEARNING ECOSYSTEM:** The government is responsible for providing early childhood education starting from three years of age. For students from the ages of six to 12, parents can choose between enrolling their children in a general primary school or a religious one. For ages 12 to 15, students are enrolled in either religious or general preparatory education.

At age 15, students have the option of enrolling in three years of religious or general secondary education or two to three years of technical and vocational training. At this point students are able to either choose to enter the workforce, pursue tertiary education or enrol in a one-year diploma. As an alternative, they can enrol in a two-year post-secondary training programme.

**97.3%**  
of secondary school  
students passed their  
exams in 2022

The government announced in November 2022 that it would invest \$313.8m to construct 18 schools and 24 academic buildings by 2030.





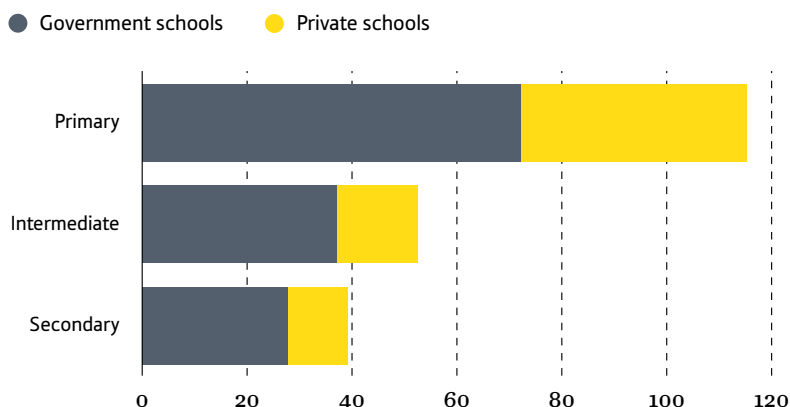
There were 210 public schools operating in the 2018/19 academic year

Schools targeting the international community offer a variety of languages of instruction and curricula, including the national curricula of Australia, India, the UK and the US.

Private schools in Bahrain fall into three categories: those catered towards Bahraini nationals, expatriate students, or a specific segment of the foreign community. Among schools in the international community, there are a variety of languages of instruction and curricula offered, including the national curricula of Australia, India, the UK and the US, as well as the International Baccalaureate (IB).

St Christopher's School, established in 1961, is one of the most well-known institutions offering the UK curriculum in the kingdom, along with the British School of Bahrain, which was acquired by the London-based Inspire Education Group in 2018. IB is taught at Ibn Khuldoon National School and Modern Knowledge Schools, among others. The Multinational School Bahrain implements the Australian curriculum, while the AMA International School and the Bahrain Bayan School both apply the US curriculum. In addition, US military personnel are able to enrol their children in the Department of Defence Education Activity school.

#### Number of students by level & type of school, 2018/19 (000)



Source: MoE

India's national curriculum is taught in English at the Bahrain Indian School as well as The Asian School.

BQA reviews of government and private schools revealed that while the private sector has fewer schools that are rated "inadequate," the public sector has more "outstanding" schools. Among government schools reviewed by the BQA in 2020, 49% received an "inadequate" rating, 18% received a "satisfactory" rating, 18% received a "good" rating and 13% received an "outstanding" rating. Among all private schools reviewed by the BQA between 2019 and 2023, 31% received an "inadequate" rating, 47% received a "satisfactory" rating, 13% received a "good" rating and 9% received an "outstanding" rating.

**POST-SECONDARY:** As of early 2023 three public universities, 15 private universities and one university governed by the GCC – Arabian Gulf University – were accredited by the HEC. The country's public higher education institutions are the University of Bahrain, Bahrain Polytechnic and Bahrain Training Institute. Private universities include the American University of Bahrain, Euro University of Bahrain, Applied Science University and the University of Technology Bahrain.

Across Bahrain's universities there are 40 bachelor's business degree programmes with multiple specialisations, with Ahlia University and Applied Science University offering master's of business administration programmes. In the 2023 QS university rankings for the Arab region, Applied Science University was ranked in the top 20 universities at 19th. Several foreign universities that offer degrees in Bahrain include the British University of Bahrain, Applied Science University, the Royal College of Surgeons in Ireland – Medical University of Bahrain, which opened its doors in 2004 and now has 1300 active students, and Gulf University.

In line with its 2021-25 strategy to upskill the Bahraini workforce, the Tamkeen labour fund signed a series of TVET training agreements in 2022 to help meet these goals. In May of that year Tamkeen launched a partnership with the US-based SANS Institute to provide cybersecurity training for 200 Bahraini graduates over two years, and in February 2023 Tamkeen announced the beginning of phase two of the programme. The year 2022 also saw Tamkeen sign agreements with telecommunications company Zain Bahrain, the General Assembly technology training academy, the Bahrain Institute of Banking and Finance, and Bahrain Polytechnic to train Bahrainis in ICT skills such as user interface design, user experience design, artificial intelligence and data science.

**LEARNING TECHNOLOGY:** Bahrain worked with the US-based non-profit organisation International Society for Technology in Education before the transition to online learning during the Covid-19 pandemic to train teaching staff to use education technology (edtech) to improve learning outcomes. Edtech, which is projected to be a \$500bn industry globally by 2027, is a crucial element in the National Higher Education Strategy 2014-24, overseen by HEC. The strategy calls for public-private partnerships in edtech, the provision of e-learning channels to prepare prospective university

students for entrance exams and the implementation of edtech training for all higher education teachers.

In November 2022 Bahraini company TechoSmart for IT Services announced a partnership with UAE-based electronic educational services company Mo3lim. Both organisations have expressed hope that the partnership will support the kingdom's educational system within the broader framework of digital transformation and Bahrain Economic Vision 2030.

**HEALTH OVERSIGHT:** The Supreme Council of Health (SCH) sets national strategy and direction for the sector, and the National Health Regulatory Authority (NHRA) regulates private players. Meanwhile, the Ministry of Health (MoH) – with Dr Jalila bint Al Sayyed Jawad Hassan serving as minister – provides free health care to all Bahraini nationals. The MoH operates a network of hospitals, clinics and speciality health centres.

**HEALTH POLICY & BUDGET:** Bahrain's health strategy is guided by the National Health Plan (NHP) 2016-25. The most recent iteration of the plan, which covers 2021-25, regulates the sector in order to ensure safety and efficacy in both public and private providers. In addition to planning the 2023-24 rollout of the National Social Health Insurance Programme, also known as Sehati, the NHP 2016-25 established the Health Information and Knowledge Management Centre to gather, process and evaluate medical data.

Bahrain Economic Vision 2030 and the Economic Recovery Plan – implemented in October 2021 – also contain provisions pertaining to health. In the recovery plan, health initiatives are included in the \$30bn in investment earmarked across 22 strategic projects. Bahrain Economic Vision 2030's health goals include providing quick, easy and equitable access to quality health care, along with developing, attracting and retaining talent; and fostering a high-performance ethic among all employees in the sector.

Recent policy initiatives include negotiations to standardise medical professional licensing procedures with other GCC countries. A committee composed of health regulators of all GCC countries assigned by the Secretariat General of the GCC Health Council met in Bahrain in October 2022 to discuss unifying such procedures. The goal of the talks was to enable medical professionals to move between facilities in different GCC countries, while retaining their titles and having their qualifications recognised in a new country.

The budget for FY 2021/22 allocated BD297.9m (\$790.2m) in health expenditure for the 2022 calendar year, down slightly from BD298.3m (\$791.2m) in 2021. The NHRA received BD2.5m (\$6.6m) in funding, while the SCH was allocated BD1.2m (\$3.2m) and the remaining BD200,000 (\$531,000) was earmarked for spending to cover emergency cases and treatment for Bahrainis abroad. For project-specific expenditure, the sector is slated to receive BD5.8m (\$15.4m) in 2022 – BD1.8m (\$4.8m) for the SCH and BD4m (\$10.6m) for the MoH.

**INDICATORS & DISEASE BURDEN:** The UN Human Development Report 2021/22 revealed that Bahrain had a life expectancy of 78.8 years at birth – 80 for women and 77.8 for men. The global average life



As of March 2023 there were 10 government hospitals and 27 primary health centres operating in Bahrain

expectancy was 71.4 years at birth in 2021, and the average life expectancy among countries with very high human development indices was 78.5.

According to figures from the World Health Organisation, Bahrain had 8.4 doctors per 10,000 people as of 2016. In terms of total health professionals across the kingdom, in January 2022 Faeqa bint Saeed Al Saleh, then-minister of health, told Parliament that 4998 medical professionals were employed in MoH facilities. To highlight progress in the country's Bahrainisation goals for the health sector, of the total, 3599 were Bahraini nationals and 1399 were expatriates. The total figure included 2945 nurses, 602 physicians, 385 consultant physicians, 276 pharmacists and 70 dentists.

Hospital capacity in Bahrain has expanded in recent years. The kingdom had 1.7 hospital beds per 1000 people as of 2017, 82.9% of which were in public hospitals. Capacity is expected to increase, as Kims Bahrain Healthcare (KBH) announced in March 2022 that work was ongoing for a new private 110-bed facility next to the Kims Health Hospital in Umm Al Hassam. In partnership with Clinea, a French health care firm, KBH will offer rehabilitative care for trauma patients and for those who have undergone major surgeries.

Bahrain has a high incidence of NCDs, such as cardiovascular disease and diabetes. Diseases of the circulatory system were the leading cause of death in Bahrain in 2019, comprising 46.6% of total deaths that year, according to the most recent statistics from the MoH. Neoplasms, both benign and malignant tumours, were the second-largest cause of death, at 15.7%, followed by external causes (7%) and respiratory system diseases (6.1%). Bahrain has a low incidence of infectious and parasitic diseases due to its vaccine rate, which ranges from 96% to 100% depending on the vaccine.

**INSURANCE:** After three years of pandemic-related delays, Sehati, a social health insurance programme, is set to be launched for foreigners in 2023 and for Bahrainis in 2024. Sehati is the result of Law No. 23,

A committee composed of GCC health regulators met in October 2022 to discuss procedures to unify licensing, which would allow medical professionals to move between different facilities in the region.

As of January 2022 there were 4998 medical professionals employed in public health facilities, with 2945 nurses, 602 physicians, 385 consultant physicians, 276 pharmacists and 70 dentists.





The introduction of 24-hour health centres has reduced the number of cases referred to government facilities

Under the new Sehati insurance scheme, mandatory coverage is required to cover services including primary health care, laboratory and radiology, physiotherapy, nursing, medication, long-term stays and nursing.

known as the Health Insurance Law, which was passed in May 2018, and made health insurance coverage mandatory for all nationals, expatriates and visitors.

The launch of Sehati is expected to have a significant impact on private providers. The new insurance scheme is expected to increase competition between public and private facilities, and could potentially lead Bahrainis to shift much of their care to private health care providers. The Sehati system makes it more simple for nationals to gain access to private facilities by opting to pay a premium on their health insurance. Notably, the government covers 40% of the cost for those who opt to receive care in private facilities.

The insurance scheme is also expected to make health care options more streamlined for foreign workers, through a partnership between the SCH and insurance provider Aon Bahrain. Before the Sehati initiative, most expatriates registered for the basic cover system under the MoH for BD72 (\$191) per year.

Mandatory coverage is required to cover primary health care, laboratory and radiology, rehabilitation, mental health, physiotherapy, nursing, medication, long-term stays and ambulance services. Optional coverage includes non-medical surgeries, dental care, private nursing and alternative medicine.

The scheme has three packages for Bahrainis: one that is free and mandatory, funded by the Social Health Insurance Fund Authority (SHIFA); a second that is subsidised by the government and provided by private facilities; and a third with the expense shared by the individual and employer. Expatriates are able to choose between the mandatory plan covered under both private organisations and SHIFA, and an optional plan with private companies only. Expatriates' health insurance will be funded by their employer, and visitors are required to buy a mandatory package that gives them access to all government facilities under SHIFA.

Bahrainis can also receive service free of charge at government health facilities and have the option to

pay a premium for access to private care. SHIFA covers the cost of treatment for citizens at public hospitals.

**TECHNOLOGY & INNOVATION:** Along with the new insurance scheme, the health authorities rolled out the Sehati card in July 2022. The chip-enabled cards contain patients' medical history, test results, diagnoses and prescription details. This information is encrypted and only able to be read by medical professionals. The system allows patients to transfer medical information between public and private facilities and care providers. The cards were implemented under the umbrella of the Choose your Doctor scheme, which aims to facilitate smoother health care decisions and increase competition between medical providers. By easing the transfer of patients' records and enabling patients to access all health services, the Sehati card system reduces barriers to switching between providers.

Developments in health technology can also be seen in partnerships with Israeli medical institutions – made possible by the 2020 Abraham Accords establishing relations between the two countries. In May 2022 Israeli firm KSM Research and Innovation partnered with Bahraini public hospitals to create a joint medical innovation ecosystem following a visit by the Israeli health minister in March of that year. The partnership seeks to foster the co-development of medical technology (medtech), and the institutions will collaborate on clinical research in women's health, Covid-19, and trauma and emergency medicine. Israel's Sheba Medical Centre is also partnering with American Mission Hospital to implement digital medicine.

Additionally, in January 2023 Canadian medical provider Asep Medical entered into a joint partnership with local investment consulting firm Seaspring to pursue regulatory approval and commercialisation of the provider's sepsis diagnosis technology in the kingdom. That same month also saw the launch of Saleem Telemedicine – a subsidiary of Caresocius, a software organisation that connects individuals with



There were 800 private health firms operating in the country in 2021

As of 2021 Bahrain was home to 21 private hospitals with a total of 542 beds, 96 private clinics, 301 private medical centres and 136 dental facilities.



health care providers, and operates in Bahrain, Germany, Spain and Switzerland.

**PUBLIC & PRIVATE CARE:** As of March 2023 there were 10 government hospitals (including two maternity hospitals) and 27 primary health centres, with nine of the latter offering around-the-clock service. The introduction of 24-hour facilities has reduced the number of cases referred to public hospitals for urgent care, enabling them to focus on the most severe cases.

As of 2021 there were 21 private hospitals with 542 beds, 96 private clinics, 301 private medical centres and 136 dental facilities licensed by the NHRA. That year there were around 800 private health firms operating in the country. Services in the private sector tend to be more specialised than in the public sphere. “Bahrain’s health care ecosystem requires greater focus on patient-centred care. The most advanced health care entities in the world have made this shift, and it will be important for Bahrain to follow suit to improve standards. In this context, private entities have a responsibility to drive progress,” Dr George Cheriyan, CEO of American Mission Hospital, told OBG.

Several new private facilities have opened in recent years. In June 2022, Al Bayrooni Dialysis, a \$1.4m facility and Bahrain’s first stand-alone dialysis centre for kidney diseases and conditions, was launched with support from the Bahrain Economic Development Board. That same month the Gulf Uro-Oncology Foundation, a cancer centre specialising in men’s health

diagnostics, was opened at the Royal Bahrain Hospital. More recently, in January 2023 Crown Prince and Prime Minister Prince Salman bin Hamad bin Isa Al Khalifa inaugurated the King Hamad American Mission Hospital, a 72,000-sq-metre facility in A’Ali, the fifth and largest of the branches of American Mission Hospital.

**OUTLOOK:** Bahrain’s universities attract students from around the world, although university affordability continues to be a challenge for some, with tuition fees being the leading concern for 61% of Bahraini parents in a 2022 survey conducted with 1500 GCC residents across Bahrain, Qatar, Saudi Arabia and the UAE. Even so, the kingdom continues to make strides in helping both children and adults receive education and training to develop and work in an increasingly tech-based and knowledge-led economy. The government has made progress in terms of the Bahrainisation of the education sector, a long-standing priority for the kingdom.

Meanwhile, the upcoming rollout of the Sehati insurance scheme is a significant step forwards for the Bahraini health sector, with its emphasis on medtech providing citizens and residents the ability to choose their medical provider. The scheme’s full impact on the health sector remains to be seen, and cooperation between the public and private sectors will be important for its success. With the education and health sectors projected to expand over the medium term and benefit from increased digitalisation, both will continue to present new opportunities for investment.

June 2022 saw the launch of Bahrain’s first stand-alone dialysis centre for kidney diseases and conditions, along with a cancer centre specialising in men’s health diagnostics.

Newest Building  
of the  
Oldest Hospital  
in the  
Arabian Gulf

King Hamad American Mission Hospital  
opened in January 2023, becoming the fifth and the largest branch of the  
not-for-profit healthcare system. Serving Bahrain, since 1903



120 YEARS OF  
TRUSTED CARE



Between 2015 and 2022, 3000 teachers received expert ICT training

# Digital skills

New technologies and tech-inclusive opportunities are helping position Bahrain as a regional source of high-value talent

As part of post-Covid-19 economic recovery efforts, Bahrain aims to increase national employment in ICT to 35% and train at least 20,000 citizens in cybersecurity by 2026.

With the Covid-19 pandemic highlighting the importance of digital accessibility, as well as business skills and education, Bahrain is capitalising on previous gains in digital literacy and online training. The kingdom has also accelerated professional development programmes, keeping pace with the recent uptick in digitalisation across its economy.

**SYSTEMIC SHIFT:** Bahrain's long-term education goals have consistently included developing a technology-oriented education system. In August 2004 the Ministry of Education launched the BD2.6m (\$6.9m) School of the Future project, which introduced electronic systems, platforms and teaching methods to enable sector stakeholders to keep up with technological innovations. That project was complemented by the introduction of e-government portals and applications ensuring access to remote education, along with the 2009 launch of the Qudurat training programme under the Information and eGovernment Authority's National Strategy, offering free courses to improve computer literacy.

Universities and vocational institutes have also expanded their specialised ICT programmes, and internships with local and international employers, to develop on-the-job knowledge. Under the Telecommunications, ICT and Digital Economy Sector Strategy 2022-26, the kingdom expects to increase national employment in ICT by 35% and train at least 20,000 citizens in cybersecurity. To provide further support, in 2022 Bahrain's labour fund Tamkeen launched Skills Bahrain, the first comprehensive national initiative aimed at establishing standards for vocations and professions.

**PARTNERSHIPS:** To develop local talent and strengthen digital skills, government efforts have been supported by strategic partnerships with local and global players in the private sector. For instance, in December 2020 the Bahrain Institute of Banking and Finance, and the Bank of Bahrain and Kuwait deployed a digital skills training programme for Bahraini women to use e-government services to access e-payments and online educational

services. While the first edition benefitted 102 Bahraini women, the second edition, launched in 2022, was expanded to include both men and women. Similarly, a partnership between the Ministry of Education and Microsoft signed in 2015 and renewed in 2022, aims to develop students' and teachers' ICT skills. The agreement grew from 14 schools in 2015 to 33 schools in 2022, enabling 3000 teachers to receive expert training and 165 students to obtain professional certificates.

Bahrain's progress in improving digital skills has been recognised by the private sector, with US-based Citibank launching its Global Technology Hub in the kingdom in September 2021. The initiative is the result of the bank's long-term strategic partnership with Tamkeen and the Bahrain Economic Development Board. The facility supports global businesses and clients, helping accelerate the growth of in-house digital solutions. As of January 2023 the facility employed 110 Bahrainis, 22% of which were women, with the goal being to hire 1000 coders over 10 years. The centre's percentage of female employees is above the average seen in other Citi tech facilities in other parts of the world.

Public-private efforts in Bahrain are paying off, with the kingdom achieving the highest score in terms of digital skills training, and science, technology, engineering and maths education, according to the 2022 Internet Inclusive Index commissioned by Meta and developed by the Economist Impact. According to the index, Bahrain stands out in diversity in tech, with females representing one-third of the ICT workforce and one-in-five start-up founders. Likewise, the kingdom ranked first in the GCC for the availability of advanced computer programming, according to the International Telecommunication Union's 2020 information and computer technology report. The high level of internet accessibility and affordability in the kingdom, along with a wide range of public and private digital training programmes, has not only enabled social and economic mobility, but also an internationally competitive labour market.

Bahrain stands out in diversity in tech, with women representing one-third of employees in the ICT sector and one in five start-up founders.



Dr Sheikh Mohammed bin Abdullah Al Khalifa

# Continuous improvement

Dr Sheikh Mohammed bin Abdullah Al Khalifa, Chairman, Supreme Council of Health (SCH), on enhancing the effectiveness and quality of care, and increasing investment in the sector

**Which developments will help boost investment levels in Bahrain's health care industry and increase its contribution to the local economy?**

**AL KHALIFA:** The health care industry in Bahrain is expanding, with various development projects under way. This growth represents an opportunity for investors who are interested in the sector. The government is positioning the country as a desirable destination for health care provision, and has mandated that all hospitals in Bahrain facilitate private investment, regardless of whether the investor is local or foreign.

The initial phase of the compulsory health insurance package for foreign residents is now in effect, and the SCH, along with other key stakeholders in the sector, is collaborating with Bahraini insurance companies to accelerate its implementation. As a result, hospitals will be accessible to both local and foreign patients, expanding the range of available treatment options. This initiative will drive healthy competition among providers, resulting in an overall improvement in the quality of services and making the health care system more attractive to both patients and investors.

**How do you assess the digital transformation of the health care sector and its impact on growth?**

**AL KHALIFA:** We encourage and promote the use of advanced IT systems in the local health care industry to enhance efficiency and cost-effectiveness. At the national level, an electronic medical record system is being implemented, which will enable hospitals to transmit patient information via a single integrated platform. This technology will provide a comprehensive overview of the patient's health. All medical information will be available through this system, making it easier and faster to analyse an individual's medical history and improve diagnoses and treatment plans. Additionally, information from a hospital's health information system will be sent to this repository, providing a comprehensive source of data for clinical reporting and analysis.

**In what ways can the local health care infrastructure be further enhanced to support the sector?**

**AL KHALIFA:** An investment of BD2.8m (\$7.4m) was made to upgrade the electricity infrastructure of Salmaniya Medical Complex (SMC) under the supervision of the Electricity and Water Authority. There are also plans to add four new operating rooms to SMC, bringing the total number from 16 to 20. This addition will increase the ability to perform 80 surgeries daily. It is important to emphasise the need to utilise all available resources and efforts to enhance the quality and effectiveness of health care service. This outcome can be achieved by improving health care standards, ensuring sustainability, and attaining high levels of competitiveness, transparency, and fairness, contributing to realising Bahrain Economic Vision 2030.

**By what means can the government further support the development of a highly skilled team of professionals across the sector?**

**AL KHALIFA:** One recent initiative involved training family physicians to provide primary care. These practitioners have an essential role in delivering preventative care and are the backbone of medical services. Their key responsibilities include identifying and preventing chronic diseases such as diabetes, high blood pressure and cancer, thus promoting optimal patient health outcomes. A key component of the doctors' work is proactive outreach to patients who have not had routine check-ups. If a problem is identified, the patient is referred to a specialist at the hospital.

These professionals improve the efficacy of medical services, and we are increasing investment in training to improve overall health outcomes. Going forwards, the establishment of a new council for training and specialisation will enhance the skills and knowledge of medical practitioners. The council will oversee initiatives such as recruitment and training plans, as well as provide vital resources to hospitals and physicians.





Ghassan Fouad Aouad

## Life lessons

Ghassan Fouad Aouad, Former President, Applied Science University, on the link between education and entrepreneurship

**How can the local start-up ecosystem strengthen higher education while supporting national economic diversification?**

**AOUAD:** The higher education sector in Bahrain and across the globe is facing unprecedented challenges as a result of severe competition and issues related to the Covid-19 pandemic, the economy and conflict. In order to thrive in the long run the sector needs to seek out ways to diversify its income through innovation and entrepreneurship.

The start-up ecosystem will play a significant role in this sense. Research outputs could be tied directly to their impact on enterprise and the economic, social, cultural and civic spheres. Moreover, universities can benefit from various forms of commercially earned income resulting from quality business partnerships, as well as the awarding of patents for research activities and incubation facilities.

The development of science parks is another essential step in this process. The country explored the idea of establishing a science and technology park in the past, and it is a matter of time before such parks will start to appear. The establishment of science and technology parks relies on the existence of national science, technology and innovation strategies, as well as the willingness of universities, businesses and the government to collaborate on research and development (R&D) initiatives.

It will be important for R&D financing to be available in order to incentivise research that can be translated into scientific and technological solutions to real-life problems. Ultimately, science and technology parks are the ideal places for qualified scientists, scholars and students to conduct this kind of research, spearhead innovation and develop practical solutions to local and international issues.

Higher education institutions (HEIs) are an essential part of the entrepreneurship ecosystem and yet in many countries they are still its most challenging

link. HEIs produce the single-most important element of the entrepreneurship ecosystem, which is knowledge. The origins of successful start-ups can be traced to students or graduates, or even college dropouts who developed their start-up idea through interacting with their teachers and peers while they were still in college. In Bahrain there is a strong awareness of the central role to be played by the educational system in general – and HEIs in particular – in promoting entrepreneurship.

**What opportunities exist for private participation in the local higher education segment?**

**AOUAD:** Private sector participation in higher education can manifest through the creation of private HEIs, and the establishment of services to meet the needs of public and private HEIs.

There are several examples in Bahrain where private investors have set up private universities – Applied Science University is one example of this. In regards to servicing HEIs, the private sector plays a vital role in operating buses, supplying uniforms, managing canteens, printing textbooks, and – most importantly – providing the necessary technology to elevate the educational experience for students and improve the output of universities.

The private sector plays a vital role in driving the agenda of academic institutions, namely through the establishment of private universities, and the contribution of services and infrastructure to the sector. This includes academic programmes, advisory boards and guest lectures. Academic programmes can also help meet the demands of industry. Private sector entities involve universities and students in solving real problems, mainly through internship opportunities, job placements, and the sponsorship of high-quality research and scholarship. These real-world opportunities will help HEIs produce graduates that are fit for the marketplace.

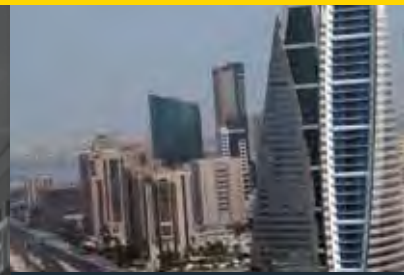
# Tax

Transition period closes for value-added tax rate rise

Administration looking at e-invoicing implementation

Summary of registration and reporting requirements

Opportunities for foreign investment and ownership



# Your business matters!



At KPMG we recognize our responsibility to drive positive, sustainable change. We take pride in being a responsible stakeholder within the marketplace and community in the Kingdom. As an international professional services firm, we have the privilege and honor of working with some of Bahrain's leading organizations and businesses for over 50 years.

We combine our multi-disciplinary approach with deep, practical industry knowledge to help our clients meet with challenges and respond to opportunities. We have nurtured and developed a resident team of over 350 professionals in the Kingdom of Bahrain led by a team of 11 partners and subject matter experts, and work with clients in the marketplace to ensure they are resilient and can thrive through the rapidly evolving landscape in Bahrain and the wider region.

**For more information on how we can support, please contact us:**

**Tel: + 973 1722 4807**

**[home.kpmg/bh](http://home.kpmg/bh)**







Value-added tax was increased from 5% to 10% at the start of 2022

# Changing ecosystem

## Regulatory landscape continues to evolve, with plans to update international minimum standards in 2024

Bahrain has long enjoyed its status as a tax-free jurisdiction prior to the introduction of excise tax in late 2017, followed by the introduction of value-added tax (VAT) in 2019. The kingdom is now home to an evolving tax landscape, with several notable tax and reporting regulations introduced since 2017.

Bahrain is well established as a financial leader in the Middle East, and in recent years the authorities have diversified the economy by promoting technology, manufacturing and logistics. The country welcomes international investment, allowing 100% foreign ownership in various sectors. Additionally, Bahrain is consistently ranked as one of the best places in the GCC for expatriates to live and work.

**TAX ADMINISTRATION:** Bahrain currently has a limited corporate income tax (CIT) regime, at a rate of 46% that applies only to entities engaged in the exploration, production or refining of hydrocarbons. The kingdom does not impose capital gains tax, withholding taxes or other taxes on the repatriation of profit. An excise tax on tobacco products, sweetened carbonated drinks and energy drinks was introduced to the country in 2017. This was followed by the introduction of VAT starting on January 1, 2019. Bahrain was the third country in the GCC to adopt VAT, following its implementation by the UAE and Saudi Arabia in 2018.

VAT and other taxes are administered by the National Bureau for Revenue (NBR), which was established by the Ministry of Finance and National Economy in 2018. Bahrain is a member of the OECD base erosion profit shifting (BEPS) inclusive framework, and thus is committed to aligning national regulations and processes with the framework, and implementing the BEPS minimum standards.

**VAT:** VAT was introduced in Bahrain at the standard rate of 5% in 2019. The country then doubled the rate to 10% on January 1, 2022 with a transition period of 12 months. This allowed businesses to charge

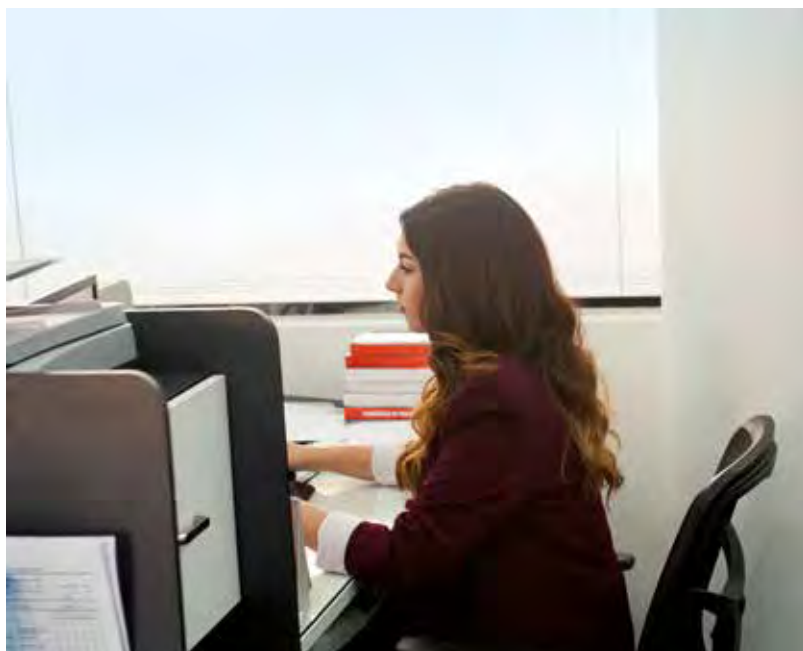
VAT at 5% during the 2022 calendar year, subject to certain requirements.

The standard VAT rate is 10%, with certain goods and services subject to VAT at 0%. A limited number of supplies – such as margin-based financial services and real estate – are exempt from VAT. Zero-rating may apply on goods including basic food items, medical supplies, education and transport. Supplies in the oil and gas sector are also zero-rated, subject to certain conditions.

**REGISTRATION:** Entities with an annual taxable turnover exceeding BD37,500 (\$99,500) are required to register within 30 days of the date the threshold is exceeded or is expected to be exceeded. This is a rolling test, so companies must look back 12 months and ahead the next 12 months to assess whether they have exceeded or will exceed the threshold.

For non-resident businesses where the place of supply of goods or services is Bahrain, there is no registration threshold. In essence, non-resident businesses making taxable supplies to non-VAT registered customers in Bahrain are required to register within 30 days of their first supply if the place of supply is Bahrain, regardless of the value of the transaction. Entities may choose to register voluntarily if the annual taxable turnover exceeds or is expected to exceed BD18,750 (\$49,700).

**E-INVOICING:** In 2022 the NBR invited proposals from service providers in order to support the agency with the review and enhancement of the legal framework for the launch of e-invoicing. The NBR also held focus group sessions on the implementation of e-invoicing for large taxpayers in various sectors. The focus group sessions aimed at providing an overview of the potential e-invoicing operating model and gathering feedback from industry representatives. Given these developments, it is expected that Bahrain will follow other countries around the world and look to implement e-invoicing in the coming years.



Bahrain welcomes international investment and allows for foreign ownership in some sectors of the economy

**RETURN FILING:** VAT returns are to be filed monthly for businesses with taxable turnover exceeding BD3m (\$8m) or quarterly for other businesses. Resident businesses with a taxable turnover of less than BD100,000 (\$265,000) may apply to the NBR to file on an annual basis. VAT returns are to be submitted online through the NBR portal: submission and payments should be made by the last day of the month following the end of the tax period.

**CIT:** On May 23, 2023 Bahrain's minister of finance and national economy said that CIT would soon be implemented in Bahrain. The kingdom is likely to enact a standard CIT regime that should apply to all commercial activities. However, entities engaged in the exploration, production or refining of hydrocarbons are set to be exempt from CIT, as they are already subject to a specific tax regime. The following regulations were in place as of mid-2023:

**a) Economic Substance rules (ESR):** This regulation imposes substance requirements for Bahraini entities undertaking geographically mobile activities in, from or through Bahrain. This aims to target corporate structures that shift income or profit to entities in jurisdictions with no or low-tax regimes. ESR apply to entities such as corporations, branches and partnerships that are fall under one of the following categories:

- Distribution and service centres;
- Headquarters;
- Holding companies;
- Leasing;
- Shipping;
- Intellectual property;
- Banks;
- Financing companies;
- Insurance;
- Investment firms (Central Bank of Bahrain [CBB] categories 1 and 2); and
- Fund administrators.

Some of the above activities are regulated by the CBB, and, therefore, those entities are required to report to the CBB.

Entities undertaking one or more relevant activities must meet the economic substance tests to prove that they have genuine commercial operations and management within the kingdom. The deadline to file the economic substance return for entities is three months from the end of the financial year.

**b) Ultimate beneficial ownership (UBO):** UBO disclosure rules identify the natural person(s) with controlling ownership of an entity. The requirement for companies incorporated in Bahrain and branches of foreign businesses (excluding CBB-licensed entities) established in the kingdom to provide details of their UBOs is a tool that the government enacted to demonstrate transparency and compliance with international regulations.

The regulation also includes persons who exercise effective control over a legal person or arrangement, and have control over any commercial registration through means other than ownership.

**c) Country by Country (CbC) reporting:** While there are no transfer pricing rules, Bahrain introduced CbC reporting for financial years commencing January 1, 2021. The rules apply to all businesses with a legal entity or branch in Bahrain and are members of multinational groups with annual consolidated revenue of at least BD342m (\$907.2m). Entities meeting this threshold in the preceding financial year are required to file a CbC notification and/or a CbC report.

An entity subject to CbC rules is referred to as a constituent entity (CE). Each CE of a multinational group resident in Bahrain for tax purposes is required to submit a notification by the last day of the reporting financial year that shows whether it is the ultimate parent entity (UPE) of the group.

In cases where the CE is not the UPE, the notification should include the identity and tax residence



Bahrain offers an ideal location for firms looking to operate in the GCC

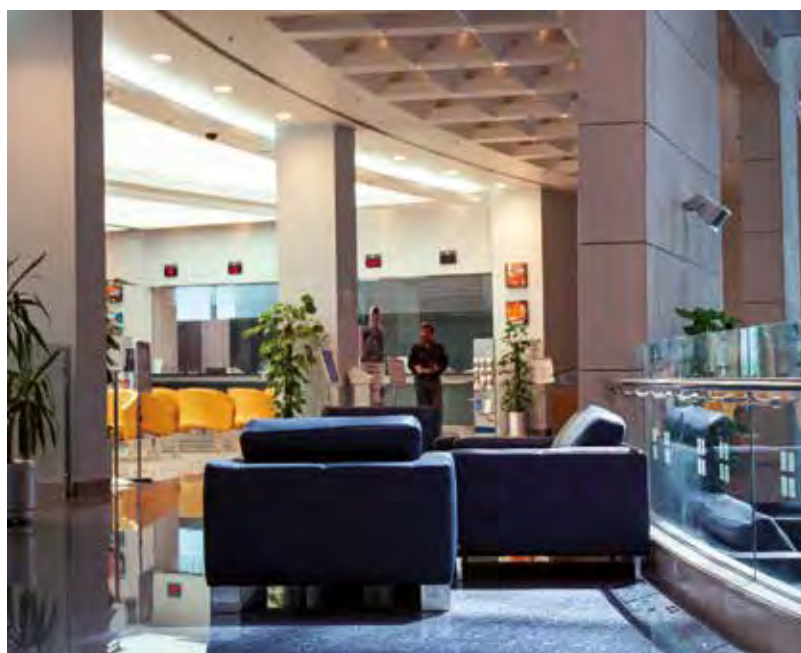
of the reporting entity. The CbC notification obligation applies to all resident entities that are part of a multinational group, regardless of whether it is headquartered in the kingdom.

As Bahrain is a non-reciprocal jurisdiction, the ministerial order does not include a requirement for a Bahrain resident CE of a multinational group based outside the country (UPE outside Bahrain) to submit the CbC under the secondary filing mechanism. These entities are only required to submit a notification.

**d) Multilateral instrument:** In November 2020 Bahrain endorsed the OECD's Multilateral Convention to Implement Tax Treaty Related Measures for BEPS and also deposited its instrument for ratification of the multilateral agreement. As of mid-2023 Bahrain concluded approximately 45 double taxation avoidance agreements with jurisdictions including Bermuda, China, France, Hungary, Ireland, Luxembourg, Malaysia, the Netherlands, Singapore, Seychelles, South Korea, Switzerland and the UK.

Additionally, on July 1, 2021, Bahrain became one of 130 inclusive framework member countries to approve a statement providing a framework for international tax reform, including the proposal that international businesses pay a global minimum tax of 15%, set to take effect in 2024. As Bahrain only has a limited CIT, it will need to make important decisions in the short to medium term on issues such as whether to implement the income inclusion rule (IIR) and CIT on all businesses, or to implement the IIR and CIT on select businesses. If Bahrain makes no such moves, profit generated by companies in the kingdom could be subject to tax in other jurisdictions, and the country would lose out on potential taxation rights and revenue.

Bahrain is already committed to the inclusive framework, having introduced CbC and ESR. It will be important for the kingdom to continue to ensure that it is not included in the EU blacklist of uncooperative



Bahrain has an open commercial environment with competitive advantages, including low business costs

jurisdictions. Therefore, Bahraini businesses could expect the introduction of CIT, at least in the first instance, on multinational groups meeting the revenue threshold, from financial years commencing on January 1, 2024.

**OTHER TAXES:** Other taxes in Bahrain include:

- **Excise tax:** An excise tax of 100% applies on tobacco products, as well as energy drinks and at 50% on soft drinks.
- **Customs duties:** The duties range from 5% to 125%, depending on the nature of product being imported.
- **Property transfers:** A 2% levy is imposed on the value of the property on the transfer or registration of real estate. If the levy is paid within 60 days of the transaction date, the rate is reduced to 1.7%.
- **Tourism:** A 5% levy is imposed on hotels and restaurants classified by the Ministry of Industry and Commerce (MoIC) as catering to tourists. Typically, this 5% levy, along with a 10% optional service charge, is passed on to the customer.
- **Social insurance:** Employers are required to make a contribution of 3% for expatriates and 12% for Bahraini employees. The employee contribution is 1% for expatriates and 7% for Bahrainis. The maximum monthly income, which is subject to the contribution, is capped at BD4000 (\$10,600).
- **Municipality:** A municipality tax ranging from 7-10% is applicable on the rental amount.

**SETTING UP A BUSINESS:** Bahrain is strategically located in the heart of the Gulf. It has an open commercial environment with numerous competitive advantages, including some of the region's lowest business costs. Bahrain invests significantly in integrated logistics, business and infrastructure, and has a mature regulatory environment – making it an ideal location for firms looking to operate in the GCC.

Businesses can be established in the Bahrain International Investment Park and the Bahrain Logistics



Bahrain invests significantly in logistics, business and infrastructure





In July 2022 Bahrain was one of 130 countries approving a framework calling for international tax reform

Zone, both of which were designed to offer local, regional and international companies a base to operate and take advantage of the country's strategic position to cater to the wider Gulf market.

Foreign investment and 100% foreign ownership are largely allowed, although some activities are reserved for Bahraini and/or GCC citizens and companies. For example, in general trade and retail activities, 51% Bahraini ownership is required. Sectors restricted from foreign involvement include those related to press and publications, Islamic pilgrimage, document clearance and workforce agencies.

Bahrain has free trade agreements in place with countries such as the US and Singapore, which enable foreign investors to establish 100% ownership entities. Further exemptions are reviewed case by case.

**COMMERCIAL REGISTRATION:** All firms must be registered with the MoC to obtain a commercial registration certificate before commencing business. The most commonly used business entity structures in Bahrain are:

- **Companies limited by liability:** Full foreign ownership in a with limited liability (WLL) company is generally permitted, except for companies that undertake business activities that require a Bahraini partner to own at least 51% of the company's capital. The minimum share capital requirement for a WLL has been removed. However, certain activities may still require a WLL to be formed with a minimum share capital. A WLL can have one or more shareholders, with no limit on the total number. Previously, WLLs required a minimum of two and could have a maximum of 50 shareholders. The share capital of WLLs must be divided into equal shares. A WLL company may be a shareholder in another company.
- **Bahrain shareholding company (BSC) (closed):** This is a closed joint stock company consisting of not fewer than two persons who subscribe for

negotiable shares that are not offered to the public for subscription. The issued capital must not be less than BD250,000 (\$663,100).

- **Single person company (SPC):** All SPCs have been merged with WLLs with effect from April 1, 2021.
- **Holding company:** A holding company may take the form of a BSC (closed) or a WLL. Registration requirements will depend on the legal form chosen. A holding company must own more than 50% of the shares of its subsidiaries.
- **Branch offices:** Operational, representative, or regional office branches may be registered as an operational office, a representative office or a regional office of the parent company. The parent company shall bear all liability of its branch. Business operations are allowed only for an operational office, while representative and regional offices are only permitted to undertake marketing and promotional activities.

The aforementioned forms of entities must be incorporated under the Bahrain Commercial Companies Law. Required documents to be submitted through Sijilat, the MoC's online platform, include:

- Passport/ID copies of individual shareholders, or commercial registration details of corporate shareholders;
- Commercial address details;
- Draft memoranda and articles of association;
- Capital deposit certificate (after preliminary approval); and
- Financial auditor's report or evaluation letter for in-kind capital (if any).

Additional requirements may apply based on the nature of activities.

**ACCOUNTING REQUIREMENTS:** Businesses are expected to report the following:

- **Financial statements:** Companies are required to prepare accounts in accordance with International Financial Reporting Standards.
- **Audit requirements:** All public and closed joint stock companies, WLLs and branches of foreign firms are required to have an annual audit. The auditors appointed at the annual shareholders' meeting must be registered with the MoC.
- **Book year/accounting currency:** The company shall have a financial year that starts on January 1 and ends on December 31 each year, unless otherwise provided for in the company's articles of association. The first financial year shall be an exception. It shall begin at the company's incorporation date and end with the end of the financial year.

**REGULATION FOR FINANCIAL SERVICES:** All regulatory requirements for financial services are overseen by the CBB.

**CURRENCY RESTRICTIONS:** There are no foreign exchange control restrictions on the repatriation of profits by way of dividends or other payments.

OBG would like to thank KPMG Fakhro for its contribution to THE REPORT Bahrain 2023



Mubeen Khadir

# Robust regulation

Mubeen Khadir, Head of Tax and Corporate Services, KPMG Fakhro, on the litigation landscape for value-added tax (VAT)

Since Bahrain implemented VAT on January 1, 2019, the National Bureau for Revenue (NBR) has seen a rise in tax disputes and reassessments. In some cases, these have resulted in litigation between the taxpayer and the NBR. With the VAT rate doubling as of January 1, 2022 – with a one-year transitional period – we are likely to see more such disputes in the years ahead.

Certain situations have seen the NBR impose penalties. For example, in areas of the economy such as construction, retail or exports, a standard-rated item is given a zero rating without meeting necessary criteria. Other situations that have led to penalties include the incorrect recovery of input VAT; a failure to account for VAT on recharges; discrepancies between recorded sales and VAT returns; and errors in interpretation, resulting in companies making incorrect tax payments.

Since VAT is first self assessed by companies, these issues come to the attention of the NBR after an audit is conducted, returns are amended or a voluntary disclosure is made by the taxpayer. The NBR was initially relatively lenient in imposing penalties, and internal teams processed the data gathered during audits to understand the types of issues that arise in various sectors. However, the NBR is training teams and recruiting tax professionals in order to conduct more robust VAT audits. Companies being audited are rated by the NBR according to their internal risk criteria. Businesses were initially reluctant to challenge NBR assessments, although this is changing as the impact of the higher VAT rate becomes more apparent.

If a taxpayer disagrees with all or part of a decision from the NBR, the taxpayer must first request that the NBR conduct an internal review of their ruling. An internal review request must be submitted within 15 days of the date of the assessment. If the taxpayer is not satisfied with the outcome of the review, they may then appeal to the Tax Appeals Review Committee (TARC) within 30 days. Unlike a review request, appeals to the TARC can be made only after settling the disputed tax

liability and penalties. A hearing is then scheduled, during which an authorised representative from the firm or a tax agent presents the case before the TARC. Typically, the committee considers whether the taxpayer acted in good faith and whether the circumstances were within their control. The manner in which the appeal letter is drafted and the grounds for appeal are identified is crucial, so the role of a tax advisor is imperative. In some cases, the TARC has issued favourable orders with penalty reductions for multiple businesses. In other cases, the committee has considered whether the NBR lost any revenue in issuing their decision.

If the taxpayer is unable to obtain a favourable ruling from the TARC, they still have the right to go to court within 60 days with the assistance of a lawyer. Although few cases have reached this stage, we expect the litigation system to evolve given the rise in tax complexities.

The tax sector in Bahrain is going through a major transformation, which requires businesses to have strong processes and sufficient resources to handle tax matters and disputes. Organisations should seek advice before the implementation of key decisions to ensure that tax does not become a cost burden.

Although VAT disputes are nascent in Bahrain and other GCC countries, we can expect to see complex legal challenges, as seen in more mature jurisdictions such as the UK and EU, given that the GCC VAT framework draws many parallels from that in the EU. With the announcement regarding the implementation of a corporate income tax, Bahraini businesses can expect such a tax to be implemented in 2024, paving the way for more high-value tax disputes. As such, the finance and tax functions of businesses need to be ready to adapt to the rapidly changing tax landscape.

Complex legal issues require expert solutions, and it is better to get them right at the start rather than be involved in a costly dispute with the tax authority. Firms that act proactively will be more capable of dealing with the challenges of the rapidly evolving tax landscape.

# IN THE LEAD IN THE KNOW

The world's best companies share one thing:  
knowledge, as provided by Oxford Business Group.

[www.oxfordbusinessgroup.com](http://www.oxfordbusinessgroup.com)





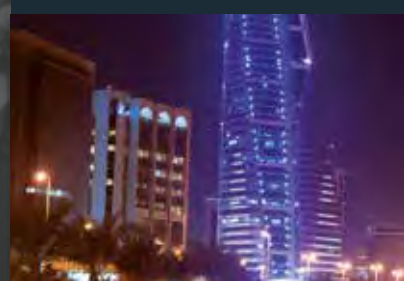
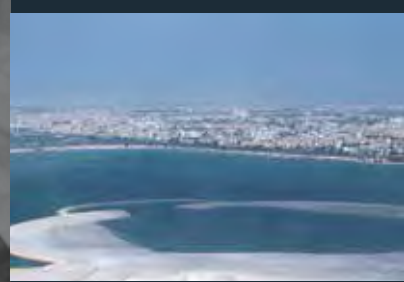
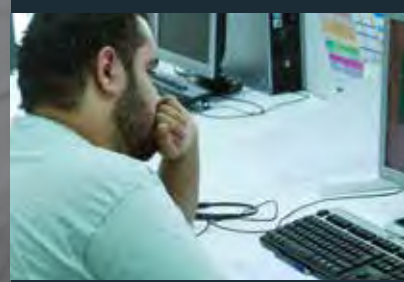
# Legal Framework

Introduction of revised code of conduct for auditors

Commercial law improves the ease of doing business

New rules on retirement age and pension eligibility

Updated resolutions aim to enhance data privacy





ZU'BI & PARTNERS  
Attorneys & Legal Consultants

– EST. 1921 –



## Local Expertise, International Experience, Global Perspective

Litigation, Arbitration & Dispute Resolution | Banking, Investment & Finance | Projects & Construction  
Corporate & Commercial | Energy & Resources | Communication, Entertainment & Media | Telecommunications  
Intellectual Property | Insurance & Risk | Employment | Mergers & Acquisitions | Joint Ventures  
Agencies & Distributionship | Maritime | Real Estate & Property | Securities | Trusts | Private Clients

Chambers Middle East Awards 2021 – Bahrain Corporate & Finance Domestic Law Firm of the Year

IFN Awards 2021 – Bahrain Deal of the Year

IFLR 2021 – Bahrain National Law Firm of the Year & Debt & Equity-Linked Deal of the Year

Bahrain Office | GBCorp Tower | 16th floor | Building 1411 | Road 4626 | Block 346 Manama | Kingdom of Bahrain  
T. +973 17 538600 | [contact@zubipartners.com](mailto:contact@zubipartners.com)

Dubai Office | Dubai International Financial District Precinct | Al Rostamani Maze Tower | Units 1603/1604  
Dubai | United Arab Emirates | T. +971 4554 8182 | F. +971 4554 8183 | [uae@zubipartners.com](mailto:uae@zubipartners.com)





Issued in August 2021, Law No. 15 provides guidance on auditors' roles

# Guiding principles

## Updated legislation regulates the categorisation, registration and code of conduct for external auditors

Law No. 15 of 2021 (New Law), which was published on August 5, 2021 in the official gazette and went into effect three months later, governs the regulation of external auditors. Consequently, the previously applicable Auditor's Law No. 26 of 1996 (Repealed Law) was repealed, along with any provisions that contradicted the New Law.

**NEW EXTERNAL AUDITOR'S LAW:** A comparison between the New Law and the Repealed Law demonstrates that the New Law provides more detailed regulations concerning the registration and code of conduct for external auditors, surpassing the level of detail found in the Repealed Law, specifically with respect to:

- The categorisation of auditors (Article 3);
- The conditions for the registration of auditors (Articles 4, 10 and 18);
- Prohibitions (Article 26); and
- Penalties (Articles 44 and 47).

Additionally, under the Repealed Law, the responsibility for determining the aforementioned matters was assigned to the relevant ministry, whereas the provisions of the New Law address and regulate these matters directly.

**CATEGORISING AUDITORS:** Article 3 of the New Law stipulates the categories of auditors that must be registered with the Ministry of Industry and Commerce (MoIC). The categories include:

- Trainee auditors;
- Practising auditors; and
- Non-practising auditors.

The New Law defines trainee auditors as any person practising auditing for the first time. The legislation also obliges the owner of an auditing firm that employs such an individual to prepare reports on their performance. The duration of an auditor's training is required to last for a period of five years, upon the completion of which the trainee may apply to the MoIC's Auditors' Register (Register) to request

the transfer of their title and status from a trainee auditor to a practising one. During this stage, the MoIC reserves the right to request access to any performance reviews that have been prepared by the owner of the auditing firm in which the applicant completed their training.

**CONDITIONS OF REGISTRATION:** The New Law introduces a broader range of requirements for the registration of natural persons in the Register. Among the notable amendments outlined in the New Law is the extension of eligibility to non-Bahraini nationals, who can now be included in the Register provided they fulfil the following conditions:

- They possess a valid permanent residency permit for Bahrain;
- They are employed at an auditing firm in Bahrain or at a branch of a non-Bahraini licensed auditing firm operating in Bahrain; and
- They have a minimum of five years of accounting experience.

One of the more significant changes in the New Law is the reduction in the amount of experience required to be added to the Register. The Repealed Law stipulated that seven years of experience in an auditing firm was the minimum amount required for auditors to be added to the Register. However, the New Law offers two alternative criteria to satisfy the experience requirement: the completion of five years of training at an auditing firm, or five years of uninterrupted accounting work following graduation.

For registered practising auditors working in commercial companies, Article 18 of the New Law differs significantly from the Repealed Law:

- The Repealed Law stipulated that a commercial company must be in the form of a simple partnership. However, under the New Law, a commercial entity must be established as a joint liability company and listed in the Register; and





The New Law clarifies prohibited acts by auditors in relation to having direct or indirect conflicts of interest

- The Repealed Law required that the person responsible for signing audit reports in a company's name be a partner and authorised signatory. However, under the New Law, the manager of a company is allowed to sign off on audit reports, provided that the manager is also listed in the Register.

There are two conditions that have carried over from the Repealed Law to the New Law: the prohibition of the partners practising the profession except in the name, and for the account of the company in addition to the prohibition of a partner from becoming a partner in another company.

In contrast to the Repealed Law, Article 10 of the New Law sets out more stringent requirements for registering branches of foreign auditing firms. According to the new provisions, companies must:

- Possess specialised international expertise that is in accordance with the standard determined by the MoIC;
- Hold a valid licence to practise in their country of origin;
- Have practised auditing for a minimum of 15 years;
- Demonstrate to the MoIC their activity, financial solvency, auditing record and constitutional documents;
- List a branch manager in the Register who has a minimum of 10 years of experience; and
- Fulfil any other conditions as stipulated by the MoIC.

In addition to these conditions, auditors and branches of foreign auditing firms must submit a professional indemnity insurance policy to the MoIC within 30 days of their listing in the Register. Failure to comply with this step will invalidate the registration process.

**PROHIBITIONS:** Article 26 of the New Law addresses certain gaps that existed in the provisions of the

Repealed Law. Several prohibited acts originate from the general principle of conflicts of interest, which forbids auditors from engaging in certain activities that compromise the integrity of their auditing work. This principle also prohibits auditors from auditing the financial statements of companies in which they have either a direct or indirect interest.

Similarly, auditors are restricted from auditing companies in which they are a creditor or debtor, as well as from directly or indirectly selling or purchasing securities in companies they are auditing. Any actions considered to be in contradiction of the relevant laws, rulings, or commonly accepted standards of behaviour and ethics are also forbidden.

**PENALTIES:** The Repealed Law listed four disciplinary penalties for auditors who contravened its provisions, including reprimands, warnings, three-year suspensions and removal from the Register. In a similar vein, the New Law stipulates similar disciplinary actions. However, Article 44 of the updated legislation introduces a fine not exceeding BD100,000 (\$265,200). Moreover, the New Law specifies the circumstances that constitute an infraction warranting disciplinary penalties. These breaches include:

- Violating professional duties;
- Deviating from auditing requirements;
- Contravening either the rules of the profession, or generally accepted accounting and auditing standards; and
- Violating the provisions of the New Law, its implementation of regulations or decisions, or other relevant laws or decisions.

In addition to the above, auditors can potentially face criminal prosecution for conducting the activities outlined under Article 47 of the New Law. This article specifies that auditors can face



Auditors are subject to new fines and penalties for ethical violations

imprisonment and/or a fine of between BD10,000 (\$26,500) and BD100,000 (\$265,200) if they are found to have committed any of the following infractions:

- Wilfully falsifying personal information when applying to be included in the Register with incorrect personal information, such as false certifications;
- Reporting inaccurate information, such as preparing a report based on false data
- Falsifying information, whereby a report that is to be issued pursuant to law or by virtue of the rules of the profession is inaccurate or endorses falsehoods;
- Breaching the confidentiality of an audited client, or unlawfully disclosing their confidential information;
- Ratifying a financial report that was neither audited nor supervised by the auditor;
- Practising without a licence;
- Having a conflict of interest such as trading securities of a company under audit, providing advice to any person regarding the company, obtaining personal benefits from the entity or making use of information obtained during the course of an audit for one's own personal gain; or
- Engaging in false advertising, or misleading the public to believe that they are a licensed practising auditor.

**AMENDMENT TO COMPANIES LAW:** The latest amendments to the Commercial Companies Law promulgated by Legislative Decree No. 21 of 2001 (Companies Law) were issued as part of Legislative Decree No. 20 of 2021 (CCL Amendment) and published on September 16, 2021 in the official gazette. The CCL Amendment came into effect the following day.

Prior to the amendment, the Companies Law stipulated that all companies – with the exception of joint ventures – must draw up their memoranda of association in Arabic. However, the amendment to Article 6 states that unless the memoranda of association are drafted in Arabic or English, the documents will be considered null and void.

This amendment brings Bahrain in line with the requirements of the corporate sector, where having constitutional documents written in more than one language at the outset of a business endeavour is essential to ensuring the effective governance of a company and resolving any potential disputes. The CCL Amendment can be seen as addressing what has been an ongoing practice in the market, as constitutional documents have traditionally been written in both Arabic and English.

**DISCLOSING BOARD REMUNERATION:** Regulated under Article 188 of the Companies Law, the disclosure of remuneration in a Bahrain shareholding company has been a controversial stipulation in recent years. Under the provision, a company's articles of association must specify the manner through which the salaries for members of the board of directors



The Commercial Companies Law states that constitutional documents must be drafted in Arabic and English

are decided. In addition, Article 188 states that companies must submit a report to shareholders at the annual general assembly that provides a full account of the amounts paid to the board, including salaries, dividends, allowances for attendance and any other payments to them. Article 188 previously provided fewer details on the different categories of payments that members of boards of directors had to disclose. In light of this update, the CCL Amendment obliges a Bahrain shareholding company to disclose several different types of remuneration paid to its board members, whether these payments be the ones listed above or ones received in their roles as employees or administrators of the company in return for technical, administrative, consulting and other work.

**ADDITIONAL DOCUMENTS:** The CCL Amendment changes Article 244 bis of the Companies Law, which obliges joint stock companies to submit financial reports and audit reports to the MoIC within six months of the end of each financial year. This provision previously specified the required information necessary in the reports for them to be submitted, including the balance sheet, the profit and loss account, the annual report and the auditor's report. The amendment to Article 244 bis widens the scope of the information to be submitted to the MoIC by giving the respective minister the power to request any additional documentation from a joint stock company.

Similarly, for limited liability companies, Article 286 C of the Companies Law specified the types of reports and the deadlines by which managers had to submit such reports to the MoIC. The CCL Amendment ensures that the requirements remain open-ended in the event that the minister deems the submission of additional documents necessary to further analyse a company's performance. This measure enables the MoIC to conduct a diligent



An amendment to the Social Insurance Law highlights changes in qualifications for retirement pensions

assessment of a company's operations and its financial condition.

**OTHER AMENDMENTS:** To ensure the unification of the provisions of the Companies Law and to address any misinterpretations of its provisions, the CCL Amendment includes the following minor changes:

- The addition of sub-Article D under Article 265, which refers to any provision relating to the memoranda of association of companies or their relevant incorporation documents; and
- The replacement of certain terms in various articles of the Companies Law, such as "company's documents" and "incorporation document" to replace the term "company's Memorandum of Association" as context requires.

**SOCIAL INSURANCE LAW:** An amendment to the Social Insurance Law enacted by Legislative Decree No. 24 of 1976 (Social Insurance Law) was issued by Legislative Decree No. 14 of 2022 (SIL Amendment), which was published on April 18, 2022 in the official gazette and took effect the following day. The amendment to the Social Insurance Law highlights various changes which include participation in social insurance programmes and the qualifications for receiving retirement pensions.

**SOCIAL INSURANCE PARTICIPATION:** Participation in social insurance programmes is generally done through payments by employers and employees, the amounts of which are determined by the percentages listed in the Social Insurance Law. The changes to Articles 33.1 and 33.2 implemented by the SIL Amendment stipulate that the share to be paid by an employer for its employees will be raised from the previous rate of 11% of the salary of the insured individual to 17%. Note that the 6% increase will not have any effect on the share to be paid by an employee, as that figure is still set at 7% of their salary. The employee's company will be responsible for covering the increased payment which is

increased annually at the rate of 1% until it reaches the required 17%.

**RETIREMENT PENSION:** The previous requirements for receiving one's retirement pension differed based on gender, as the retirement age was set at 60 for men and 55 for women. The SIL Amendment – specifically Article 34.1 – unifies the retirement age at 60 for both men and women, bringing the Social Insurance Law in line with prior amendments to Bahrain's Labour Law for companies in the private sector. While the Labour Law previously amended the retirement age to 60 for both men and women, Article 34.1 addresses the necessary length of an employee's participation in the social insurance scheme, which is at least 240 months.

While the official retirement age for women was raised from 55 to 60, the amount of time they are required to participate in social insurance programmes to receive benefits was also increased from 120 months to 180 months, as stipulated under Article 34.2. This amendment further closes the gap between the requirements for men and women.

Furthermore, the SIL Amendment helps those whose employment was terminated before they reached the official retirement age, on the condition that they had participated for at least 180 months in the social insurance scheme. The provisions of the Social Insurance Law previously stipulated that in the above circumstance, such an individual would not be entitled to a retirement pension, as the age requirement had not been fulfilled. Instead, the person was entitled to a compensatory pension, the amount of which would be given as a lump sum, theoretically putting the person at a disadvantage. Due to the SIL Amendment, individuals in such a situation have seen a significant change in their retirement plans. They are eligible to receive their pension at the age of 60, replacing the option of a lump sum.



The retirement age has been unified at 60 for both men and women





Bahrain's personal data protection law went into force in August 2019

# Personal protection

## New resolutions to enhance data privacy and security measures

Bahrain has taken a proactive approach towards data protection, being one of the first countries in the MENA region to issue standalone data protection legislation, with the Personal Data Protection Law No. 30 of 2018 (PDPL), which came into force on August 1, 2019. The PDPL is modelled on the EU's General Data Protection Regulation (EU GDPR) and applies to any personal data collected by any means from or within the country. The PDPL aligns the kingdom with internationally recognised data protection standards and best practices, and reflects its response to the rise of cybercrime and data leaks in the region following the onset of the Covid-19 pandemic, in addition to promoting the country's growing reputation as a regional data centre.

The PDPL also created the Personal Data Protection Authority (PDPA), the primary regulatory body responsible for supervising compliance with the PDPL. The authority is one of the first of its kind in the GCC, and holds wide powers to issue authorisations, investigate complaints and sanction breaches of the law.

**FRAMEWORK:** Bahrain supplemented the PDPL with a series of accompanying resolutions in March 2022 to provide detailed guidance on transferring personal data outside of Bahrain, the minimum acceptable technical and organisational measures to protect personal data, notification procedures for data breaches, the processing of sensitive personal data, the appointment of data protection guardians (DPGs), data subject rights, complaints, criminal claims and public registers.

Specifically, the accompanying resolutions introduce:

- A list of 83 countries Bahrain deems as providing an adequate level of data protection as enshrined in its local law. The transfer of personal data to countries on this list is unrestricted, so long as all other obligations under the PDPL and resolutions have been met;
- A framework of the minimum technical and organisational measures to be implemented by all persons collecting personal data, drawing on such EU GDPR concepts as privacy by design, data impact

assessments, employee data protection training and strict breach notification requirements;

- The conditions for appointing external or internal DPGs, required qualifications, notifications following appointments, the DPG register and associated fees;
- The necessary elements of valid data subject consent and the invalidity of consent obtained by way of cookie walls; and
- The eligibility of concerned and capable persons to submit complaints of PDPL breaches to the PDPA, whether they are a relevant data subject or not.

**COMPLIANCE:** Given the scope of the updated measures introduced by the PDPL, it will be critical for all entities collecting data from or within Bahrain to prioritise the new data protection obligations to avoid the penalties thereunder, which include significant fines, potential criminal liability as well as terms of imprisonment for severe breaches. As a first step, organisations must ensure appropriate internal controls are introduced and enforced, employee training is undertaken, required notifications to the PDPA are made, and appropriate procedures for the collection, storage and retention of personal data are implemented as soon as possible.

The new obligations and resolutions under the PDPL are an important step in Bahrain's recognition and protection of its resident data subjects' rights. These measures have facilitated the free movement of personal data between the kingdom and those countries with equivalent data protection policies, leading to increased confidence and interoperability between organisations doing business in these jurisdictions. This, in turn, has reinforced the country's image as an attractive and reliable place to invest and conduct business, especially for those operations in which the collection and movement of personal data is necessary.

OBG would like to thank Zu'bi & Partners, Attorneys & Legal Consultants for their contribution to  
THE REPORT Bahrain 2023



Hatim Zu'bi

# Pioneering preservation

Hatim Zu'bi, Partner, Zu'bi & Partners, Attorneys & Legal Consultants on how new legislation will safeguard biodiversity

The kingdom's efforts to enhance and govern its natural resources are evident in the recent issuance of Law No. 7 of 2022 (New Environment Law), which was published in the Official Gazette on March 17, 2022 and came into effect six months later on September 17, 2022. The New Environment Law replaced Law No. 21 of 1996 and ushered in a new set of regulations based on pertinent environmental issues. The new legislation introduces measures to ensure the effective protection of biodiversity and natural resources.

The New Environment Law is in line with Bahrain Economic Vision 2030, as the long-term plan includes the goals of reducing carbon emissions and other forms of pollution, and promoting renewable energy sources. The law is a significant milestone towards managing the environmental impact of public and private entities, as it requires them to obtain a licence from the Supreme Council for the Environment (SCE) for any new projects or modifications to ongoing projects. The SCE studies the impact of a development on the surrounding environment, and subsequently decides whether to grant or reject an entity's application for a licence. A project cannot be carried out without such an approval, a regulation that is intended to minimise any potential negative impacts that construction activity could have on the environment. Furthermore, under Vision 2030 the country expects to see sustainable economic growth that is in harmony with public well-being, environmental protection and the preservation of Bahrain's cultural heritage – all of which are enshrined in the provisions of the New Environment Law.

The law regulates the protection of Bahrain's seas through provisions that prohibit the discharging or dumping of polluting substances in coastal or marine areas. These substances include construction materials or liquid waste, and the ban is extended to any activity that may lead to the deterioration of sea life. Additionally, the law assigns liability to the entity responsible for oil leakages that are the result of vehicle collisions,

the transporting of oil or the installation of platforms. Port authorities, in cooperation with the country's coast guard, are required to prepare and implement plans for handling sewage that do not involve the disposal of them in a marine environment.

The New Environment Law also regulates air pollution emitted by buildings and vehicles. Any project that emits or leaks air pollutants is required to establish monitoring and control units that are electronically connected to the SCE for supervision purposes, with emissions beyond a certain limit prohibited. This ensures that there are multiple levels of monitoring in place to ascertain the environmental impact of a given project as it is carried out. Similarly, the energy industry is subject to the law to ensure that it conforms with the established emissions limits.

The New Environment Law also regulates vehicle emissions, covering a range of machinery, engines and automobiles. It sets limits on the emission of exhaust substances or pollutants from vehicles, which must comply with the permissible limits defined by the SCE. The importing or trading of fuel or operating oils are prohibited as well, unless it is evident that they have no negative impact on air quality.

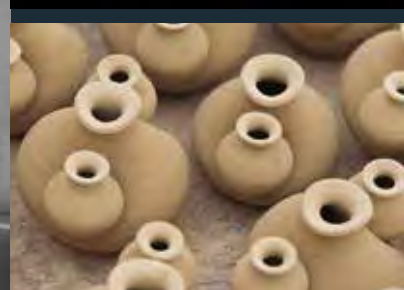
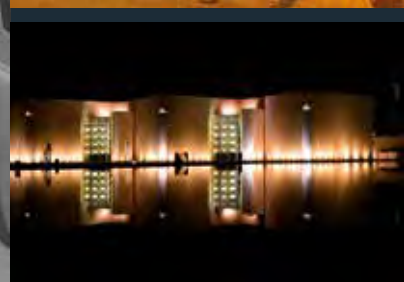
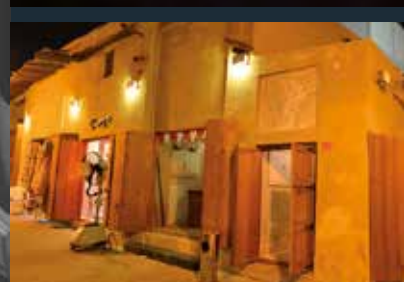
The SCE plays a crucial role in preserving biodiversity. The New Environment Law stipulates that the SCE will cooperate and coordinate with the relevant authorities to ensure the development of environmental resources. These provisions aim to improve agriculture through techniques and technologies that are in line with the international standards and practices set forth by the European Commission. Furthermore, green infrastructure initiatives, which aim to manage and restore ecosystems to protect air and water supplies, are to be regulated under the New Environment Law and carried out by the SCE in order to fulfil the principles of Vision 2030. The implementation of the aforementioned provisions are key to ensuring that Bahrain remains a country of 1m palm trees and abundant biodiversity.

# The Guide

Accommodation options throughout the capital

Helpful tips for new and returning travellers

Entry requirements and how to get around







Elite Resort &amp; Spa

## Pillow talk



Somerset Al Fateh Bahrain

### ELITE RESORT & SPA

Building 101  
Sheikh Hamad Causeway  
T: +973 1731 3333 / 1755 8200  
cro@elitegrouphotels.com  
www.elitegrouphotels.com

**Rooms:** 154 suites with one-bedroom, two-bedroom or three-bedroom options available. There are also non-smoking rooms, VIP rooms and bridal suites.

**Business & Conference Facilities:** Multifunctional event, conference and party rooms that are equipped with audiovisual equipment. Space for social gatherings for up to 140 people, as well as a theatre-style setting for up to 175 people.

**Health & Leisure Facilities:** Elevation health club, gym and steam room, with separate steam facilities for ladies; outdoor pool; plunge pools; jacuzzi; and spa and wellness centre. The beach club, which is open from 8.00am until 12.00am, is equipped with changing and shower rooms, as well as guest rooms.

**Guest Services:** Airport transfers for a charge, visa assistance, car-hire facilities, ticketing and travel services, safety-deposit boxes, 24-hour reception and concierge, laundry and dry-cleaning services, limousine and taxi hire, babysitting services, currency exchange, luggage storage, parking and salon.

**Dining:** La Brasserie restaurant serves a variety of Mediterranean dishes; Lobby Café – Ahlan Café; and Shift 7 sport bar.

### SOMERSET AL FATEH BAHRAIN

Building 4668, Road 2468  
Juffair  
T: +973 1781 1889  
enquiry.bahrain@the-ascott.com  
www.somerset.com

**Rooms:** 118 apartments with one, two or three bedrooms and a two-bedroom penthouse.



The Diplomat Radisson Blu Hotel, Residence &amp; Spa

**Business & Conference Facilities:** Business centre services, meeting rooms with a capacity of eight to 14 people.

**Health & Leisure Facilities:** Full gymnasium, Aikido lessons available, outdoor swimming pool with sun-deck, sauna and steam rooms, and a children's indoor playroom.

**Guest Services:** 24-hour reception, 24-hour security, breakfast lounge, daily housekeeping, self-service launderette, laundry and dry-cleaning services, babysitting, airport transfers and car park. Wireless internet is available in public areas and apartments. Rooms contain a home entertainment system, a full kitchen, a washing machine with dryer and an en-suite bathroom.

**Dining:** Buffet breakfast.

### THE DIPLOMAT RADISSON BLU HOTEL, RESIDENCE & SPA

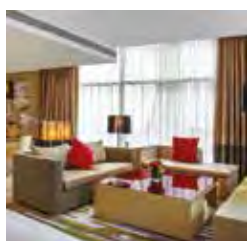
Building 59, Road 1701  
Diplomatic Area  
T: +973 1753 1666  
info.diplomat@radissonblu.com  
www.radissonblu.com/bahrain

**Rooms:** 245 rooms and 121 luxury apartments

**Business & Conference Facilities:** Meeting and events facilities, including Grand Ambassador Ballroom and rooftop venue. High-speed Wi-Fi, eight high-resolution LED screens, advanced audiovisual equipment and dedicated catering services.

**Health & Leisure Facilities:** Thai-inspired men's spa and ladies' spa. Health club and sporting facilities, including a large fitness centre, outdoor padel and basketball courts, indoor squash courts, temperature-controlled outdoor swimming pools. Dedicated indoor and outdoor kids' play area.

**Guest Services:** Guest relations manager, airport transfers, chauffeured limousine, concierge service, valet parking, currency exchange, ladies' beauty salon and gentlemen's barber.



Downtown Rotana

**Dining:** Mediterranean Olivos Restaurant, offering all-day dining; Mondo Taste of Italy Italian restaurant; Bo.Sabi Asian restaurant bar and lounge; Irish Pub Fiddlers Green; Royal Café in the lobby; and Sol Pool lounge close to the swimming pool.

#### **DOWNTOWN ROTANA**

110 Government Avenue

Manama

T: +973 1311 9999

res.downtown@rotana.com

www.rotana.com/rotanahotelandresorts/bahrain/manama/downtownrotana

**Rooms:** 243 luxurious rooms and suites with floor-to-ceiling windows.

**Business & Conference Facilities:** Full-service business centre, one ballroom, and seven meeting and event spaces for all requirements. Fully equipped large conference room for launches, exhibitions, gala dinners or wedding receptions.

**Health & Leisure Facilities:** Bodylines fitness and wellness club with modern male and female gym, jacuzzi, steam and sauna relaxation areas, as well as a rooftop pool with a view.

**Guest Services:** 24-hour guest service, concierge, laundry services, taxi services, babysitting services, fast Wi-Fi, in-room safety-deposit boxes, doctor on call, daily newspaper delivery, salon and barber-shop.

**Dining:** 24-hour room service and five dining venues – Flavours on 2, an all-day dining restaurant; Teatro, a signature restaurant serving dishes from South-east Asia, Japan, China, India and Italy; Alto, a rooftop bar and lounge; City Lobby lounge for casual dinners; and Sundek Pool Bar, a rooftop outlet for light snacks and drinks.

#### **ELITE SEEF RESIDENCE & HOTEL**

Building 600, Road 2808

Seef

T: +973 1758 3388 / 1755 8200

cro@elitegrouphotels.com

www.elitegrouphotels.com

**Rooms:** 176 suites, with a mix of studios and one-, two-, and three-bedroom suites.

**Business & Conference Facilities:** Business centre, fax, Wi-Fi and photocopying services, as well as multifunctional halls with modern facilities.

**Health & Leisure Facilities:** Kinetix health club, sauna, spa, large temperature-controlled pool and children's swimming pool.

**Guest Services:** Airport transfers are available for an additional charge, visa assistance, car-hire facilities on site, ticketing and travel services, safety-deposit boxes, 24-hour reception and concierge services, laundry and dry-cleaning services, limousine and taxi hire, babysitting services, currency exchange, luggage storage, parking, salon and 24-hour supermarket.

**Dining:** Julio's, serving international cuisine; Captain Jack's poolside bar and café, and 24-hour room service.

#### **THE WESTIN CITY CENTRE BAHRAIN**

Sheikh Khalifa bin Salman Highway

Al Seef

T: +973 1717 1000

reservations.bahrain@marriott.com

www.westinbahraincitycentre.com

**Rooms:** 200 rooms, with six executive suites and one royal suite.

**Business & Conference Facilities:** Business centre and 10 meeting rooms spanning 1722 sq metres.

**Health & Leisure Facilities:** Fitness studio, Heavenly Spa by Westin featuring 10 treatment rooms with designated male and female zones, hammam, outdoor pool, children's pool, whirlpool and sauna.

**Guest Services:** Barber and beauty shop, car rental, valet parking, laundry and mobility-accessible rooms.

**Dining:** Salero Spanish restaurant, Furn bistro and bakery, Mezzanine lounge, Nasmat pool lounge and 24-hour room service.

#### **LE MERIDIEN CITY CENTRE BAHRAIN**

Sheikh Khalifa bin Salman Highway

Al Seef

T: +973 1717 1000

reservations.bahrain@marriott.com

www.lemeridienbahraincitycentre.com

**Rooms:** 260 rooms including 18 oriental suites and one pearl suite.

**Business & Conference Facilities:** Business centre and nine meeting rooms spanning 586 sq metres.

**Health & Leisure Facilities:** Fitness studio, Heavenly Spa by Westin featuring 10 treatment rooms with designated male and female zones, hammam, outdoor pool, children's pool, whirlpool and sauna.

**Guest Services:** Barber and beauty shop, car rental, valet parking, laundry and mobility-accessible rooms.

**Dining:** Baharat Restaurant, Butcher and Buns lounge, Longitude 50 Café and 24-hour room service.

#### **THE DOMAIN HOTEL AND SPA**

Building 365, Road 1705

Diplomatic Area

T: +973 1600 0000

connect@thedomainhotels.com

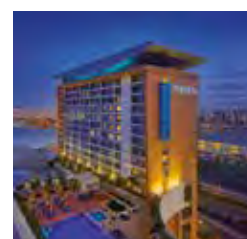
www.thedomainhotels.com

**Rooms:** 131 rooms, including 81 modern suites and 50 rooms ranging from 30 to 260 sq metres.

**Business & Conference Facilities:** Business centre with internet access, eight meeting rooms with a variety of configurations available, ranging in size from 16 sq metres to 207 sq metres.



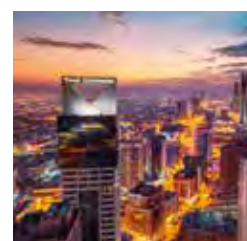
Elite Seef Residence & Hotel



The Westin City Centre Bahrain



Le Meridien City Centre Bahrain



The Domain Hotel and Spa



The Intercontinental Regency Hotel

**Health & Leisure Facilities:** Men's and women's spa facilities, women's salon and an indoor infinity sky pool.

**Guest Services:** Complimentary valet parking, airport transfers, dry-cleaning and laundry services, and concierge.

**Dining:** Room service; Figs & Olives coffee shop; Le Sauvage steakhouse; Le Domain restaurant, serving French and Mediterranean cuisine; Txoko sky lounge; The Cigar Lounge; and Domain Privé, a lounge for private events.

#### THE INTERCONTINENTAL REGENCY HOTEL

Building 130, Road 1507

Manama

T: +973 1722 7777

info.icbahrain@ihg.com

www.intercontinental.com/manama

**Rooms:** 304 rooms including classic rooms, classic club rooms and suites.

**Business & Conference Facilities:** 24-hour business centre with Wi-Fi, printer, scanner, fax machine and basic office supplies. There are 13 meeting rooms and ballrooms, ranging in size from 27 sq metres to 528 sq metres, as well as a meeting registration area, and four on-site sales and meeting professionals.

**Health & Leisure Facilities:** Spa, wellness centre, gym, squash court and two swimming pools.

**Guest Services:** Airport transfers, visa assistance, currency exchange, concierge, laundry and dry-cleaning services, valet and private limo service for a charge.

**Dining:** Selections all-day dining, Medzo Italian restaurant, Legendz steakhouse, Noor lounge, Elements lounge and Downtown Bar.

#### ELITE CRYSTAL HOTEL

Building 1373, Road 2423

Juffair

T: +973 1736 0360 / 1755 8200

cro@elitegrouphotels.com

www.elitegrouphotels.com

**Rooms:** 120 rooms.

**Business & Conference Facilities:** Fax, Wi-Fi and photocopying services are available, as well as a multifunctional hall.

**Health & Leisure Facilities:** Body Works fitness club, salon, steam room, swimming pool and jacuzzi.

**Guest Services:** 24-hour reception, concierge, mail and message delivery, laundry and dry-cleaning services, valet parking, airport transfers, limousine and taxi, babysitting services upon request, currency exchange, in-room safety-deposit boxes and luggage storage.

**Dining:** Klub 360 nightclub; Awtar restaurant, offering Lebanese cuisine; Waikiki Kitchen, a Polynesian restaurant; The Olive all-day dining; and 24-hour room service.



Sofitel Bahrain Zallaq Thalassa Sea & Spa

#### SOFITEL BAHRAIN ZALLAQ THALASSA SEA & SPA

Building 2015, 105 Zallaq Highway

Zallaq

T: +973 1763 6363

h6722-RE@sofitel.com

all.accor.com/hotel/6722/index.en.shtml?dateIn=&nights=&compositions=1&stayplus=false&snu=false#origin=sofitel

**Rooms:** 234 rooms ranging from superior to club luxury; 28 suites including prestige, opera and royal suites.

**Business & Conference Facilities:** A variety of event spaces are available, ranging from boardrooms to banquet facilities for up to 1200 people, including the Al Nakheel Ballroom and the Sofi Island meeting venue. High-tech audiovisual facilities, fully customisable menus and a variety of team-building activities are offered.

**Health & Leisure Facilities:** Thalassa wellness and rehabilitation centre offering different treatments for guests recovering from injuries or looking to improve their physical well-being. The centre has 14 rooms covering 2000 sq metres, as well as one sea-water pool and one freshwater pool.

**Guest Services:** French beauty salon for ladies and men, and Le Salon beach club with a fitness facility. Sofitel Fitness includes steam rooms, tennis and squash courts, as well as two swimming pools – one large resort pool and one dedicated kids' pool.

**Dining:** Sofitel Bahrain, with seafood, Italian, Indian or Lebanese fare; al fresco and all-day dining; Ri-vaaaj Indian cuisine; Pashawat for Lebanese cuisine; Saraya international offers all-day dining; Maison Sushi for Japanese cuisine; Le Bar De La Plage beach bar; Fiamma for Italian cuisine; Amber cocktail bar; Lagoon cocktail bar and Macaron pastry shop.

#### JAW RESORT & SPA

Building 2129, Road 94

Jaw

T: +973 7797 9797

reservations@jawresort.com

www.jawresort.com

**Rooms:** 51 villas, comprising 10 one-bedroom studio suites with private pool; 11 one-bedroom luxury villas with private pool; 12 two-bedroom luxury villas with private pool; 14 three-bedroom premier lagoon-view villas with private pool, and four three-bedroom sunrise villas with private pool.

**Business & Conference Facilities:** Meeting, banquet and team-building facilities, and beachfront indoor/outdoor wedding venue with a capacity for up to 900 attendees.

**Health & Leisure Facilities:** Refresh Spa with segregated areas, steam room, sauna and fitness facility.

**Guest Services:** Water park, private beach, kids' club, water sports and mobility-accessible rooms.

**Dining:** Room service, My View Ocean Lounge and Al Bareh beachfront restaurant.



Jaw Resort & Spa



# GET INTO THE GROOVE



**Vibrant  
economy  
hotel, open  
to everyone**

Outdoor swimming pool with a view from the 8th floor  
10 minutes away from Bahrain International Airport  
Ideally located in the heart of the business and leisure district  
Walking distance to Dana Mall  
Meeting rooms accommodating from 10 to 50 guests  
Spa, Fitness Centre and travel desk (Car rental, tour planning & taxi hire)  
Dining venues offering International cuisine for breakfast, lunch and dinner



# Facts for visitors

## General information for business and leisure arrivals

**VISA:** As a part of the GCC political and economic bloc, the kingdom does not require visas for residents of other GCC member countries, except Qatar. All other nationalities must have an entry permit. Tourist visas are available upon arrival for nationals of 67 countries, while e-visas are available for 116 countries. Tourist visas allow for a stay of up to 14 days at a cost of BD5 (\$13.26). The Nationality, Passports and Residence Affairs office of the Ministry of Interior can assist with obtaining visas at [www.evisa.gov.bh](http://www.evisa.gov.bh).

**BUSINESS HOURS:** Government offices are open Sunday to Thursday, 7.00am to 2.00pm. The private sector follows the same work week and generally operates between the hours of 8.00am and 5.00pm, with a one-hour break for lunch. Retail establishments are typically open until 8.00pm, although opening hours are frequently extended to 12.00am on weekends.

**TIPPING:** A service charge of 15% is commonly added to the bill in most restaurants, in addition to a 5% government levy. It is typical, but not necessary, to leave an additional 10% for restaurant staff.

**COMMUNICATION:** The country code for Bahrain is +973. SIM cards are sold through mobile operators Bahrain Telecommunications Company, stc Bahrain and Zain, and can be purchased on arrival at Bahrain International Airport. A passport is needed to get a SIM card. Data speeds of up to 5G are available with unrestricted access to voice and instant-messaging apps.

**TRANSPORT:** Public transport is limited to a bus network, therefore cars are the most efficient way to get around. Taxis are available from most hotels, restaurant areas and shopping centres. By law, taxis are required to use their meters, with the minimum charge set at BD2 (\$5.30). Car-hire companies can be found at the airport and in the city centre. Ride-hailing apps Uber and Careem also operate in Bahrain, and generally charge cheaper fares than taxis. An international driving permit is required to drive private cars in Bahrain and must be approved by the General Directorate of Traffic.

**ETIQUETTE:** Although Bahrain has a liberal social atmosphere and a large expatriate community, tourist should remain considerate of local sensitivities. It is considered impolite to accept or give anything with the left hand, engage in public displays of affection, show the soles of one's feet, and eat, drink or smoke in public during the month of Ramadan between sunrise and sunset. When it comes to giving gifts, good options include imported chocolates, plants, or a souvenir or traditional gift from your home country.

**DRESS:** A suit and tie is the usual attire for foreign men in meetings, and darker colours are preferred. Jackets are not necessary in all environments. Women should avoid sleeveless attire; conservative yet stylish is a good choice. Many Bahraini men choose to wear traditional attire such as the *thobe* (ankle-length robe) and *ghitra* (headscarf), either in white or a red-and-white-chequered pattern. Head attire among women varies, with Bahraini women also commonly wearing an *abaya* (full-length black robe).

**NATIONAL CHARACTER:** While Bahrainis are interested in and open to foreign cultures, they are also very proud of their own identity, history and culture. Locals are willing to share their customs and traditions with people who are interested to learn.

**LANGUAGE:** While Arabic is the official language of Bahrain, English is widely spoken and prevalent in the business community. Official and business documents, as well as commercial and public signs, are often written in both English and Arabic. It is also common to hear Farsi, Urdu, Hindi and Filipino, among other languages.

**ELECTRICITY:** Bahrain uses the UK 230-V, 50-Hz, three-pin electrical system. Adaptors are necessary for international plugs and can be easily obtained from hotels or shopping malls.

**HEALTH:** Both public and private health care facilities are available and of high quality. Payment is generally expected at the time of treatment. Pharmacies are widely available in cities and medication is affordable.



# THE HOME OF MOTORSPORT IN THE MIDDLE EAST

AN ICONIC VENUE FOR BUSINESS  
EVENTS & CONFERENCES



**ENQUIRE NOW**

17451086 | [BAHRAINGP.COM](http://BAHRAINGP.COM)  
[CORPORATE@BIC.COM.BH](mailto:CORPORATE@BIC.COM.BH)





# SHAPING OUR FUTURE, THE ESG WAY

Our Sustainability Strategy and ESG Roadmap are entrenched in our vision. The SPL Treatment Plant, Power Station 5 Block 4 and the Solar Farm Project, are some tangible examples of our projects made sustainably.

