Investor’s Guide to Bahrain
The following abbreviations are used in this publication:

**ALBA**  
Aluminium Bahrain

**ASRY**  
Arab Shipbuilding and Repair Yard

**BATELCO**  
Bahrain Telecommunication Company

**BAS**  
Bahrain Airport Services

**BIEC**  
Bahrain International Exhibition Centre

**GCC**  
Gulf Cooperation Council

**IDD**  
Industrial Development Directorate

**OBU**  
Offshore Banking Units

**SMEU**  
Small and Medium Enterprises Unit
During the last few decades, the Government of Bahrain has been implementing a national industrial development policy aimed at building a strong and diversified industrial base and reducing the dependence on oil. The successful implementation of that policy has resulted in the growth of several major industries in Bahrain in the aluminium, petrochemical, iron and steel, engineering, ship repair and other sectors. The success of those major industries has, in turn, generated numerous downstream industrial investment opportunities, especially in the small- and medium-scale sector.

The UNIDO Investment Promotion Service Office (IPSO) was established in Bahrain in April 1996 with the prime objective of further encouraging industrial investment in Bahrain through the identification of viable industrial projects, preparation of project profiles and promotion of the same to investors.

I am happy to note that the IPSO Office is publishing this updated version of the Investor’s Guide to Bahrain. I trust that the guide, which provides various information of interest to investors, will be of immense use to investors and visitors to Bahrain.

Shaikh Isa Bin Ali Al Khalifa
Minister of Oil and Industry
United Nations Industrial Development Organization (UNIDO) is the specialist agency of the United Nations dedicated to bringing a better life through industrial development to the people who live in developing countries and countries in transition to market economies. The aim of UNIDO’s services is to help these countries overcome their social and economic difficulties and achieve a greater stake in the global market.

Utilizing a wealth of expertise gained from over 30 years of supporting industrial development around the world, the Organization helps lay the foundation for long term, sustainable development. As a catalyst for change, it provides the kind of industrial services essential for clients to generate their own economic wealth and develop national capabilities.

With a broad membership of 169 nations, UNIDO is a unique forum for global debate on industrial development. As an honest broker, it builds on the complementary interests of its clients to develop international partnerships. One of the key priorities of UNIDO’s activities is the promotion of investment and technology, which started in the late 1960s, can be considered one of the first multilateral investment programmes. The objective is to strengthen industries in developing countries and establish enduring partnerships between industries in the developed and developing countries.

UNIDO’s investment programme is based on its unique network of Investment Promotion Service (IPS) offices, which covers Athens, Beijing, Manama, Milan, Moscow, Paris, Seoul, Tokyo, Warsaw and Vienna. In addition, there is an outer network of focal points (e.g., for the United Kingdom, Walloon region of Belgium, St. Petersburg, etc.) or similar offices established under technical co-operation projects (e.g., India, Saudi Arabia, etc.). Their role is to establish contacts with firms in the host country that are interested in business partnerships in developed and developing countries. They inform these firms about business conditions, potential business partnership opportunities, and sectors of interest. They also assist potential partners to make contact and negotiate the agreements for project implementation.

UNIDO’s World Investment Network Service (WINS) is a global electronic network linking investment promotion agencies in developing countries, UNIDO headquarters, IPS offices and similar offices. Through WINS, project proposals from entrepreneurs in developing countries can be offered to a large number of potential partners in both developed and developing countries in a cost-effective manner, without delay. As part of the network, on-line information on country data, investment climate and financial institutions is being developed.

With the support of the Government of Bahrain, UNIDO set up IPSO Bahrain in April 1996 to facilitate industrial cooperation between companies in Bahrain and other nations. IPSO Bahrain is a branch of IPSO network from which potential investors of Bahrain can seek information and technical expertise UNIDO offers to gain access to foreign capital, technology, managerial skills, marketing, equipment etc.
# CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I WHY CHOOSE BAHRAIN AS AN INVESTMENT LOCATION</td>
<td>1</td>
</tr>
<tr>
<td>II. BAHRAIN AND ITS PEOPLE</td>
<td>2</td>
</tr>
<tr>
<td>III. INFRASTRUCTURE</td>
<td>3</td>
</tr>
<tr>
<td>IV. ECONOMIC RESOURCES AND POTENTIAL</td>
<td>8</td>
</tr>
<tr>
<td>V. INVESTMENT</td>
<td>13</td>
</tr>
<tr>
<td>Annexes</td>
<td></td>
</tr>
<tr>
<td>I. Legal structure of commercial companies</td>
<td>13</td>
</tr>
<tr>
<td>II. General information on Bahrain</td>
<td>16</td>
</tr>
<tr>
<td>III. Relevant Bahrain Government bodies</td>
<td>18</td>
</tr>
</tbody>
</table>
Why Choose Bahrain as an Investment Location

There are many reasons why Bahrain is an attractive investment location. The wide range of opportunities and advantages offered to potential investors are based on its sophisticated market infrastructure and strong growth prospects as well as its financial and commercial incentives and the amenities of its lifestyle. The principal advantages of Bahrain in the above-mentioned areas are outlined below:

Market

- A strategic location in Western Asia.
- Situated halfway between eastern and western time zones.
- A regional market of 100 million people.
- Duty-free access to States of the Gulf Cooperation Council.
- The hub of aviation in Western Asia.
- Modern integrated air, sea and road transportation system.

Financial Incentives

- No personal, corporate or withholding taxes.
- No exchange control restrictions on repatriation of capital, profits and dividends.
- A freely convertible and stable currency linked at a fixed rate to the United States dollar.
- Low-cost utilities, fuel and telecommunications.
- Attractive industrial incentive package including development finance.
- Serviced factory and warehouse sites available at low cost.
- Labour costs one third of those in industrialized countries.

Commercial Incentives

- 100 percent foreign ownership of companies permitted.
- Mature legal infrastructure and internationally accepted trade practices.
- Western Asia’s international financial Centre.
- A major centre of regional insurance activities.
- Extensive free-zone facilities.
- The region’s most advanced digital telecommunications system.
- Skilled and resourceful workforce fluent in Arabic and English.

Lifestyle

- Pleasant, secure and cosmopolitan lifestyle.
- Uniquely popular Arabian vacation resort attracting 2 million visitors per annum.
- Desert safaris, water sports, exotic bazaars and designer shopping.
- Well-appointed museum and archaeological sites reflecting regional history and culture.
- Welcoming attitude towards expatriates and their families.
- Excellent schools with international curricula from various countries, including France, Japan, the United Kingdom of great Britain and Northern Ireland and the United States of America.
Location and area

Bahrain covers an important geographical and strategic location. The State of Bahrain is located centrally on the southern shores of the Arabian Gulf between latitude 25° C 32° C and 26° C 20° C North and longitude 50° C 20° C and 50° C 51° C East. It lies within the western coastline of the Arabian Gulf waterways, about 22.1 kilometres off the eastern coast of Saudi Arabia, 48.3 kilometres to the north-west of Qatar, 473.4 kilometres to the south-east of Kuwait and 473.4 kilometres to the north-west of the United Arab Emirates. It is linked with Saudi Arabia by the King Fahad Causeway.

The Bahrain time zone has the advantage of bridging the market opening times of Eastern Asia and Europe, a fact that has contributed to the emergence of the island as a financial centre for Western Asia.

The State comprises a group of 33 islands, with a total land area of about 694.15 square kilometres. It has three islands of major demographic and economic importance, together accounting for over 85 per cent of its total area. The three islands are Bahrain, Muharraq and Sitra. The largest in the archipelago is Bahrain, where the capital city, Manama, is located.

Climate

Bahrain is hot in summer and mild in winter. The climate is pleasant from October - to April with temperatures averaging from 15° C to 24° C. From July to September the average temperature is 36° C with high humidity.

Government and human resources

Government

Bahrain gained full independence from the United Kingdom of Great Britain and Northern Ireland on 16 December 1971. The Head of State is His Highness the Amir, Shaikh Isa Bin Sulman Al-Khalifa. The Government is administered by a cabinet, comprising members of the ruling Al-Khalifa family and a group of experts. The Consultative Council, composed of 40 members, was established on 16 January 1993. Its main mandate is to advise the Government.

Bahrain is a member of the Gulf Cooperation Council (GCC), together with Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. GCC was first established when leaders of those countries signed the protocol of GCC at Abu Dhabi, on 25 May 1981 to promote unification and cooperation in security matters, foreign policy and economic development.

Population and employment

By the end of 1996, the population was estimated to be 598,625, two thirds of whom are Bahrainis, the balance being foreigners. There are approximately 190,000 workers in Bahrain, 84,000 of whom are Bahraini and 106,000 non-Bahraini.

Society

Religion

Islam is the State religion, which is practiced by 85 per cent of the Bahraini population. There are also Christians, Jews, Hindus, and Buddhists. Places of worship for various faiths exist in the country.

Language

Arabic is the official language, although English is widely spoken and used as a working language.

Education

State education is free. There is also a wide range of private schools catering to the Arab, British, French, German, Indian, Japanese, Pakistani, British and American communities.

Health and medical facilities

The World Health Organization rates the healthcare system of Bahrain among the top three in the world for readily accessible services to the population. State medical services are provided free of charge. In addition, full primary, secondary and tertiary care is available under private system.
Ten purpose-built industrial areas strategically located around the country provide facilities for over 341 different industrial companies offering a diverse range of products and services.

A significant incentive to business is provided through exemptions of duties on imports of raw materials, semi-manufactured goods, machinery and equipment, as well as free exports and re-exports.

**Industrial areas and free zones**

In order to meet Bahrain Industrial Land requirement for the next century, the Government of Bahrain decided to invest in the reclamation of a total of 650 hectares of land covered by shallow water to the South Hidd on Muharraq Island for development of a new industrial area.

The major advantages of the new area are as follows:

- Adjacent to the proposed new Bahrain port
- Adjacent to Bahrain International Airport
- Access to the causeway leading to Saudi Arabia and rest of the GCC countries
- Excellent road network leading to the new area including a causeway that will be constructed as part of this project to link the new area to the old industrial areas
-Adjacent to the new power and desalination plant in South Hidd
- Natural gas distribution station is being made available to those industries in need of such requirement
- Close to the business and commercial Centre of Manama.

The infrastructure will be constructed in phases, as briefly described below.

**Phase I**

The total area of the first phase is 240 hectares, with great flexibility in the planning so that users can be offered the size and type of plot that best suit their particular needs. The layout of phase one will include provision for commercial facilities such as:

- Administration building
- Shopping area
- Medical center
- Control/security station
- Mosque
- Bank/post offices
- Fire station
- Sewage treatment plant.

**Phase II**

The second phase will include the infrastructure for the rest of the area as and when needed.

**Expected types of industries**

It is expected that the following types of industries could be located in the Hidd industrial area:

- Industries in metal, wood, textiles, food etc.
- Downstreaming of aluminium, iron and steel
- Petrochemical and chemical industries
- High-tech industries
- Marine related industries and services
- All types of consumer and household products
- Assembly and packaging
- Electrical/electronic industries
- Precision Engineering industries
- Regional distribution warehousing.

Further information may be obtained from the following:

Director, Directorate of Industrial Development
Ministry of Oil and Industry
P.O. Box 1435, Bahrain
Fax: (0973) 730939
Telephone: (0973) 731011
Transport and communications

The transport and communications sector, with its four branches (land, sea, air and telecommunications), plays an effective role in facilitating industrial development.

Transport

Lund transport

Bahrain has a sophisticated road network. Motorways and dual carriageways cover the country to such an extent that the furthest points are minutes away from each other. In the early 1980s the most ambitious project of recent times was embarked upon the Bahrain-Saudi Arabia causeway, which was opened on 26 November 1986. The 25 kilometre causeway links Bahrain with the Saudi Arabian mainland and has opened up exciting new commercial opportunities.

Sea transport

The development of the port facilities of Bahrain and the upgrading of its infrastructure have played a major role in the economic progress of the country.

The major sea port of Mina Sulman, strategically located at the heart of the Arabian Gulf area, is able to take full advantage of regional economic opportunities. Mina Sulman is virtually self-sufficient, providing its own range of support services, from engineering and maintenance to security, fire and medical facilities. It can accommodate vessels up to 65,000 tonnes, and has a container capacity of 150,000 twenty-feet equivalent units (TEU) per year.

To complement the Mina Sulman maritime facilities, plans for a new port and associated industrial zones have been initiated in the South Hidd district of Muharraq, across the water from Mina Sulman. This new infrastructure will mean that industries in the new industrial area will have easy access to the other regional markets. Bahrain International Airport will be a few kilometres away to provide the added option of distribution by air. The immediate focus for firms being established in the zone will probably be the massive consumer market of neighbouring Saudi Arabia. In this connection, plans are underway to build a four-lane highway and bridge to the causeway, which will link the new port and industrial area with Mina Sulman.

By investing in new port facilities and further developing its industrial and manufacturing infrastructure, Bahrain will be even more attractive to potential industrialists and investors as a premium transshipment, export and re-export Centre.

Specifications of the new facilities covering reclaimed land of around 820 hectares are as follows:

Port area: 130 hectares
Industrial area: 650 hectares

Port facilities:

- 2 / 300-metre berths for container operations
- 1 / 300-metre multipurpose berths - RO/RO/LO/LO
- 3 / 300-metre berths for general cargo operations
- 1 / 24,000 m² container freight warehouse
- 1 / 18,000 m² aluminium export shade
- 3 / 18,000 m² general cargo sheds
- Purpose-built straddle carrier workshop with general maintenance facility and office
- Operations control tower and administration block
- Fire station
- Harbour master’s control tower and administration block
- Small craft maintenance workshop and slipway
- Security gate house
- Offices for customs, health and immigration services.

Container and cargo operations equipment:

- Container stacking area with 5000 twenty-foot ground slots
- 2 / 45- to 50-tonne capacity gantry cranes and 2 post panamax type cranes with 45- to 60-tonne capacity
- 14 straddle carriers
- 4 / 35 tonne capacity top spreader container handling fork lift truck
- 6 / 12-tonne capacity general duty fork lift trucks
- 60 / 2.5-tonne capacity low profile container specification fork lift trucks
- 10 / 60-tonne capacity tugmaster units
- 20 / 40-tonne capacity low bed trailers
- 2 / 30- to 40-tonne capacity mobile cranes
- Sewage disposal unit with 120 reefer container plug-in points
- Computerized container and cargo tracking system

Marine equipment:

- 2 / 42-tonne bollard pull harbour tugs
- 2 pilot cutters
- Computerized vessel traffic radar management system

Further information may be obtained from the following addresses:

Ministry of Finance and National Economy
P.O. Box 333 Bahrain
Telex: 8933 MALEYA BN
Fax (0973) 532853
Telephone: (0973) 530800

Directorate of Customs and Ports
Customs P.O. Box 15
Ports P.O.Box 453
Telex: 8642 MINA BN
Fax: (0973) 725534
Telephone: (0973) 725333/ 725555
Air transport

Bahrain International Airport, with its new terminal and with more than 35 airlines operating through it, is considered a gateway to the region. Over 300 regional passenger flights and 60 cargo flights operate each week. Nearly 3.5 million passengers pass through the airport each year, a figure that is expected to grow to 10 million passengers during the present decade. The importance of the airport is reflected in the following data:

Airport facts and figures
- 4.02-kilometer runway
- 20,000 in-flight meals a day
- 42 check-in desks
- 8 immigration desks for departures
- 14 immigration desks for arrivals
- 7 air-conditioned air-bridges
- 260-seat restaurant
- 250-seat fast-food outlet
- 15,000 square metres of covered warehouse
- 131 unit load devices of storage handling capacity.

Annual handlings (1996)
- 3.5 million passengers
- 550,000 transit passengers
- Over 56,000 aircraft landings and departures
- 117,000 tonnes of cargo
- Over 36 airlines using the airport.

Distance from the airport to:
- Manama city Centre: 3.5 kilometres
- Mina Sulman port: 4.5 kilometres
- Bahrain International Exhibition Centre: 5 kilometres
- King Fahad Causeway to Saudi Arabia: 15 kilometres

The strategic location of Bahrain International Airport, which enables it to serve the Arabian Gulf area, its high frequency of regional flights, its competitive pricing and technologically advanced facilities supported by liberal and commercially oriented government policies, offer substantial opportunities for investment in areas such as the following:

(a) cargo storage, consolidation, re-export and distribution
(b) sea and air cargo
(c) cargo handling systems; courier operations
(d) aviation-related engineering support and maintenance facilities
(e) tourism projects and travel services
(f) hospitality services
(g) road transportation.

Further information may be obtained from Civil Aviation Affairs, the government body concerned with civil aviation in general, and Bahrain Airport Services, the ground handling concessionaire, at the following addresses:

Marketing Department
Civil Aviation Affairs
Bahrain International Airport
P.O. Box 586, Bahrain
Fax: (973) 321139
Telephone: (973) 321094 / 321095

Bahrain Airport Services (BAS)
P.O. Box 22285, Bahrain
Fax: (973) 335304
Telephone: (973) 321700/321709
SITA: BAHKBGF

Telecommunications

The telecommunications system in Bahrain is among the most advanced in the world. The Bahrain Telecommunications Company (BATELCO) provides an excellent service for all sectors of the economy. The telecommunications system has played a central role in making Bahrain a major global and business Centre in the Middle East.

Telecommunication services in Bahrain employ fully digitalized systems and state-of-the-art technology. The rates for local and international communications compare favourably with other countries in the region and other trading centres in the world.

The comprehensive range of services provided by BATELCO includes direct dialling transmission facilities to almost anywhere in the world, GSM mobile telephony, high-speed data circuits, Internet access, integrated services digital networks (ISDN) and corporate messaging facilities.

Exhibition

Bahrain Exhibition Centre

The Bahrain International Exhibition Centre (BIEC), one of the most advanced exhibition facilities in the region, was inaugurated on 2 November 1991. The concept was to embody state-of-the-art technology within a traditional architecture and, even more importantly, to imbue it with an ambiance of hospitality, flexibility and dynamism that reflects the attitudes of the people and Government of Bahrain.

BIEC covers a total site of 20,000 square meters, 8,000 of which is covered space, allowing room for further 2,000 square meters of outside display area and substantial car parking.
To meet the rising demand for more tenancies, especially during the peak exhibitions season, BIEC will increase its exhibition space by the addition of a new 6,400 m² hall that is due to open in 1999.

An operable folding partition that will divide the area into two halls, each having independent electrical and mechanical systems, will be included in the extension. With the development of the new hall, the exhibitions business in Bahrain is expected to increase by about 30-35 per cent per season.

Main hall: 6,760 square metres of column-free floorspace with seating for up to 4,000

Ceiling height: 11.6 metres

Access: Four-lane roadway to the south; two-roads to the north and west

storage: Sufficient storage for ten 40 foot containers at any time

Conference/banquet hall: 400 square metres; can accommodate up to 500 for reception-style conferences; up to 300 at theatre seating style

Car parking: Paved area for 700 vehicles; additional space for overspill in the secondary site area

Other facilities:
- Eight hospitality suites
- Two meeting rooms
- Simultaneous translation public address system in the conference/banquet hall
- Congress/conference audio visual system

More information may be obtained from the following address:
Bahrain International Exhibition Centre
P.O. Box 11644
Bahrain
E-mail: biec@batelco.com.bh
Fax: (0973) 553447
Telephone: (0973) 550111
The early 1970s saw the onset of diversification efforts to offset the impact of declining oil reserves. This period was marked by attempts to move away from oil dependency and towards a diversified economy. The expansion of industries such as petrochemicals, aluminum-related industries, ship-repairing, and related downstream industries, along with the development of small- and medium-scale industries, was a priority. The Government also focused on encouraging the services sector, notably commercial services, and the development of off-shore banking and tourism. Removing obstacles to foreign investment and encouraging the contribution of the private sector in economic development were also key goals.

Industry

The non-oil manufacturing sector partially embodies the efforts of the Government to bring about a diversification of the sources of income in the economy. The approach was mainly to establish large-scale, energy-intensive, export-oriented industries, thus taking advantage of the relatively cheap natural gas. The manufacturing sector is currently dominated by petrochemicals, aluminum-related industries, and ship-repairing. Moreover, light industry, including the production of supplementary gas supplies, asphalt, prefabricated buildings, soft drinks, air-conditioning equipment, paper products, plastics, tiles, and garments, is also continuing its expansion.

The growing industry of Bahrain, with some 341 manufacturing establishments, is characterized by two types of companies. On the one hand, there are a few large enterprises, mainly State-owned or multinational corporations, in the oil and gas processing and petrochemical sectors and in the aluminum and iron-ore processing sectors. Most companies export most of their production mainly to European and East Asian markets directly or through marketing companies.

The largest and most important industrial project outside the petroleum sector is Aluminum Bahrain (ALBA). The ALBA smelter started production in 1971, with a production of 120,000 tonnes per year. By the end of 1996, the capacity of ALBA was expanded to 461,000 tonnes per year and it is forecasted to reach 500,000 tonnes by the end of 1997. That major expansion makes ALBA one of the world’s largest smelters. It currently employs more than 2,000 people. To
utilize the smelter's output, downstream industries were designed. First the satellite industry atomized the aluminum powder in 1973. Aluminum extrusion and midal cables plants were founded in 1977. In 1986, the largest and most important venture to be undertaken in the region was the expansion of the rolling mill plant. When the expansion was completed, the plant's rated capacity was increased from 120,000 to 170,000 metric tonnes in 1980.

As the flagship of Bahrain's industrial development programme, the aluminum industry has continually looked to the future, improving efficiency and increasing output. Total aluminum products increased from 72,243 metric tonnes in 1980 to 1,035,844 metric tonnes in 1995. The percentage share of manufacturing in gross domestic product continually increased. It reached 22.0 per cent in 1995 compared to 10.1 per cent in 1985, while the percentage share of crude oil and as went down from 28.0 per cent in 1985 to 16.6 per cent in 1995.

The two other large projects are the Gulf Petrochemicals Industrial Complex (GPIC) and the Arab Shipbuilding and Repair Yard (ASRY). The Government of Bahrain established the GPIC in December 1979 for the production of basic petrochemical products, ammonia and methanol. GPIC has been successfully developed and operated above the designed production capacity during the years 1985-1989, when the total quantity of ammonia exported reached 444,193 metric tonnes in 1995 against 104,921 metric tonnes in 1985, and the total quantity of methanol exported increased from 126,654 metric tonnes in 1985 to 424,910 metric tonnes in 1995.

ASRY commissioned its dry dock in 1977. It currently has a capacity of 500,000 dead-weight tonnes, and can accommodate four ultra-large crude-oil carriers. Two floating docks were acquired in 1991 to handle smaller vessels. ASRY has plans to construct a second graving dock.

On the other hand, there are a large number of small and medium companies which manufacture mainly for domestic and regional markets.

As a result of the increased interest in industrial development in the country in recent years, and as part of the economic diversification efforts, 89 pre-licenses for industrial projects were issued in 1997. Most involved small-and medium-scale aluminum ventures, food processing and garment manufacturing.

Banking and financial centre

The banking sector in Bahrain has over 5,000 employees. It contributes over 17 per cent of the gross national product of Bahrain, and is the second largest sector of the economy.

The accelerated economic growth that followed the oil price rises in 1973 and 1974 created the need for an expanded and more sophisticated banking service. With efficient planning and adequate investment incentives, Bahrain emerged as the main financial centre in Western Asia.

The expansion of the financial sector led to the creation in 1973 of the Bahrain Monetary Agency, which has wide-ranging central banking authority. The Agency considers applications for licences from financial institutions.

Bahrain has developed into a major financial services centre, with the largest volume of trade in Western Asia. Some of the factors contributing to the growth of Bahrain include its convenient location midway between the eastern and western time zones (permitting it to deal with both for a maximum number of hours), its sophisticated telecommunications network, exchange controls and its stable administration.

A major factor in the development of Bahrain occurred in 1975, when the government introduced OBU licences obtainable without many of the former restrictive requirements. Thereafter, financial institutions were permitted to accept deposits from both residents and non-residents through investment banking licences.

Bahrain has consequently become the financial services centre of Western Asia. It currently has 19 commercial banks, 2 specialized banks, 45 OBUs, 30 investment banks, 41 representative offices, 7 money and foreign exchange brokers and 26 money changers. The aggregate assets and liabilities of OBUs were US$ 89.0 billion at the end of March 1997.

Bahrain is also a major insurance Centre, and there is a significant reinsurance business. There are 9 Bahrain insurance companies, 12 branches of foreign insurance companies and 42 exempt insurance companies trading offshore.

More information may be obtained from the following address:
Bahrain Monetary Agency
P.O.Box 27
Bahrain
Telex: 8295 BAHMON BN
Fax: (973) 533342 / 534170
Telephone: (973) 535535

Bahrain Development Bank

In December 1991, the Bahrain Development Bank was established by an Amiri decree. The Bank aims to further both business activities and the industrialization of Bahrain. With a mandate which allows scope for maneuver in the business arena, the Bank is able not only to provide long-term financing but also to participate, as a shareholder, in the projects it finances.

The Bahrain Development Bank has become instrumental in creating new employment opportunities by acting as an important catalyst in attracting foreign and local entrepreneurs, their capital, skills and technology. Additionally, the Bank can, through its key local business contacts, offer assistance in identifying suitable joint-venture partners and provide impartial advice on local business practices. By combining its knowledge of local market conditions and expertise in structured financing, the Bahrain Development Bank has been able to effectively
contribute to establishing a number of diverse and successful projects of varying sizes and activities.

Furthermore, strategic alliances, such as its partnership in the European Commission’s Investment Partnership Scheme (ECIP), the Islamic Development Bank’s Long-Term Trade Finance Programme and the Arab Trade Financing Programme, provide Bahrain Development Bank with broader resources upon which it can draw when considering appropriate financing for each project.

The primary focus of the Development Banks is as follows:

(a) Long-term concessionary loans of up to 10 years to finance capital equipment and fixed costs;

(b) Venture capital subscriptions for select projects in the form of 49 per cent equity contributions;

(c) Seed capital loans of up to eight years for small businesses and professions to finance Start-up costs;

(d) Working capital loans to fund cash flow gaps on a revolving basis.

Further information may be obtained from the following address:

Bahrain Development Bank
P.O. Box 20501
Bahrain
Fax: (973) 534005
Telephone: (973) 537007

Tourism

Today, tourism is an important sector in the economy of Bahrain. In order to diversify the economy, the Government is trying to develop the tourism infrastructure to attract tourists to the country. A new directorate has been established in the Ministry of Cabinet Affairs and Information concerned with tourism and archaeology in an effort to introduce Bahrain to visitors. The government has recognized the importance of cultural development and improvement of media services as an effective tool to enhance public opinion for stronger social unity. The history of Bahrain presents a multitude of enchanting legends and myths. In the old days, ancient Bahrain was referred to by several names. For instance, its oldest name was Dilmun, meaning “The Land of Immortality” and other names included, Tylos, Aradous and Awal.

According to myths, a rare and magical lotus grew on the island a flower that was believed to have the power to bestow the gift of immortality to whoever drank from its nectar. The famous traveler, Gilgamesh, visited “The Garden of Eden” meaning Dilmun, too, in search of the flower with the magical elixir, that would grant him eternal life.

From an island of affluent heritage and mythical history, to a sophisticated metropolitan centre with a vibrant economy, the transformation of Bahrain has made it a glowing hub for industry and tourism.

On the basis of 1994 data and estimates on visitor arrivals and a 1996 expenditure survey, it is estimated that total expenditure in Bahrain by foreign tourists amounted to nearly BD 328 million Bahraini dinars (BD). In addition, the indirect and induced income generated an additional 13000 jobs and income of nearly BD 53 million. Overall, tourism is responsible for 9.2 percent of the total GDP and around 16.7 per cent of the workforce.

Bahrain has one of the fastest developing tourist industries in the region, attracting more than two million visitors per year, mostly from States of the Arabian Gulf area. The key features and attractions of Bahrain as a tourist centre include the following:

- A wealth of historical, cultural and traditional attractions (a history going back 4,000 years)
- Water sports, pearl-diving expeditions, scuba-diving and dhow trips;
- First-class hotel accommodation, entertainment and restaurants
- Excellent and varied clubs
- Amusement and wildlife parks and social amenities for families
- Friendly and hospitable staff
- Modern shopping complexes.

The development of facilities and attractions for tourists has become a major industry in Bahrain offering development opportunities to local, regional and international companies in such areas as the following: catering; sports facilities; conference and exhibition centres; souvenir manufacture; historical and cultural locations; entertainment programmes; and amusement parks.

More information may be obtained from the following address:

Ministry of Cabinet Affairs and Information
P.O. Box 253, Bahrain
Telex: 8399 INFORM BN
Fax: (0973) 682777
Telephone: (0973) 781888

Directorate of Tourism
Fax: (0973) 210969
Telephone: (0973) 211199
INVESTMENT

Bahrain provides attractive and dynamic investment opportunities for foreign investors. The lack of commercial profits and personal income tax are among some of the tempting incentives available. Unrestricted repatriation of profits and capital, along with the absence of exchange control constraints, add to the appeal of Bahrain to those wishing to invest in a dynamic growing economy. The Government, an ardent supporter of private enterprise, has adopted a policy of ensuring that new companies may be registered with administrative ease.

The cosmopolitan lifestyle offers a very high standard of living in secure and comfortable surroundings, including a congenial network of social amenities.

Areas for potential investment

Industrial diversification is important to Bahrain and other Arabian Gulf economies, and import substitution receives vital Government support. Opportunities for new industrial operations exist in the following areas:

(a) Downstream investments from existing primary aluminum, oil, gas and steel industries, especially in petrochemicals, plastics, engineering, ship repair services and product fabrication;
(b) Manufacturing to meet demands of fast-expanding consumer markets in the region;
(c) Food processing, packaging and distribution;
(d) Local assembly and parts manufacture for finished goods;
(e) High-technology production processes;
(f) Manufacture of components for industrial, drilling, refinery and mining applications;
(g) Equipment and machinery repair and maintenance;
(h) Machine shop services for regional needs;
(i) Production of construction equipment and materials;
(j) Other specific opportunities include pharmaceuticals, transportation equipment and systems, educational and health-care materials, furnishing, machinery, packaging systems, materials for agriculture and fishing, textiles, clothing, toys and leisure goods and craft.

Incentives for foreign companies

Establishing an industry

Assistance with every aspect of establishing a new industry or service is provided by the Ministry of Oil and Industry through the Industrial Development Directorate (IDD). IDD coordinates the entire industrialization drive, providing assistance and guidance for new and existing manufacturing operations.

The services provided extend through the development process “fast-track” commercial registration with the Ministry of Commerce to the start-up of operations. Other services include assistance with land surveying, maintenance and liaison with municipal authorities. Decisions are made quickly, thereby minimizing red tape.

In recognition of the importance of small and medium enterprises (SMEs) to the national economy and in order to develop them, the Small and Medium Enterprises Unit (SMEU) has been established in the Ministry of Oil and Industry, Bahrain, for the implementation of comprehensive policies to assist SMEs.

Tax, duty and ownership incentives

The following incentives are offered:

- No personal, corporate or withholding tax; no restriction on repatriation of capital, profits, royalties or wages; and freedom of movement of foreign exchange
- Foreign ownership of up to 100 per cent of a company allowed
- Duty-free import of materials and machinery for manufacturing, and duty-free merchandise for re-export.
Active government support

The Government offers active support in the following ways:

- Consistent government policy of encouraging overseas investment, including assistance in undertaking market studies
- Administrative ease of company registration
- Mature, internationally oriented and highly developed legal framework
- Cheap energy and fuel costs
- Competitive industrial, commercial and residential rents; duty-free zones at ports and industrial estates; and serviced industrial estate.

The promotion of private enterprise is public policy. To encourage manufacturing, the Government actively promotes Bahraini products and protects the manufacturer against dumping from abroad through import tariffs.

Labour force and amenities

The labour incentives and amenities offered include the following:

- Well-educated, skilled indigenous workforce, proficient in English, at one third of the cost in industrialized countries
- Straightforward processing of labour permits
- Excellent housing, schooling and social amenities
- Modern health care, hospital and medical facilities
- Unique quality of life with superb sports and leisure activities
- Highly stimulating business and cultural environment.

Development infrastructure

Bahrain enjoys the benefits of a highly developed infrastructure, which offers the following advantages:

- Foremost financial centre in western Asia
- State-of-the-art telecommunications network
- Regional centre of insurance
- Home to Gulf Air and hub of regional airline operations
- Modern international airport with efficient cargo-handling facilities
- Technologically advanced port facilities
- Twenty-five kilometer road bridge to Saudi Arabia providing access to nearby major population centres
- International and GCC arbitration Centre.

Stable currency

The Bahrain dinar, which is freely convertible, is linked to the United States dollar.

Further information may be obtained from the following address:

Industrial Development Directorate
Ministry of Oil and Industry
P.O. Box 1435
Bahrain
Telex: 8344 TANMYA BN
Fax: (0973) 290 302 / 293 007
Telephone: (0973) 291 511
Joint stock companies whose main offices are established in Bahrain, but which operate exclusively offshore, may be 100 per cent foreign-owned. They must comply with conditions of Government resolution 25 of 1977.

The conditions of operation are as follows:

(a) The company must be a joint-stock company
(b) It may not deal in financial activities (investment, banking) except by permission of the Bahrain Monetary Agency
(c) Its capital must be at least BD 20,000. Where the company has obtained permission to engage in financial dealings (investment, insurance, banking), the Ministry of Commerce reserves the right to satisfy itself that the capital is adequate for the purpose
(d) The capital may be owned by any proportion of non-Bahraini and Bahraini partners, but transfer of shares of the founders is governed by the memorandum and articles of association, and needs the consent of the Ministry of Commerce
(e) Its name must be approved by the Ministry of Commerce and be followed by "Bahraini Exempt Joint-Stock Company"
(f) Its term is 25 years (maximum), dating from registration, but may be extended by permission of the Ministry of Commerce
(g) The head office must be in Bahrain, and company activities conducted offshore, except for any business expressly permitted by the Ministry of Commerce. It may not own land or property in Bahrain
(h) Its nationality is Bahraini
(i) A deposit, on which interest is earned, is required upon registration (see (j) below) for the duration of the company
(j) A registration fee is payable upon acceptance of application and an annual fee thereafter
(k) Application must be made on a special form obtained from the Ministry of Commerce, which has absolute discretion as to whether

Closed joint-stock company

A share-holding company of which the shares are not offered for public subscription may be established without a decree of the Amir. It must have at least five promoters, who jointly guarantee the following:

(a) Provisions of articles and memorandum of association are in accordance with the Commercial Companies' Law
(b) The promoters have subscribed and paid all shares (that is, capital must be fully paid up before the company is established) in a bank authorized by the Ministry of Commerce, and any shares in kind have been evaluated and paid up
(c) Suitable administrative machinery has been set up.

The undertaking should be appropriately documented, the company must then be registered in the Commercial Registry, and an announcement must be published in the Official Gazette and one other publication. The minimum capital for a closed joint-stock company is BD 200,000.

Ownership of 100 per cent is restricted to industrial companies, or to the case of services companies where Bahrain is used as the centre for regional distribution of goods or services. Such companies may be exempted from the requirement of a minimum level of share capital.

Closed joint-stock share

In either kind of company, shares must be of equal value, and not less than 0.100 fils nor more than BD 100, issuable at nominal value or higher, in which case the surplus must cover expenditures and provide a reserve.

Full details of shares subscribed must be submitted to the Ministry of Commerce.

Increasing capital

Once shareholders have paid the authorized capital in full, capital may be increased by issuing new shares to the value of the amount required, or by transferring the reserve fund to the capital. In that case, the face value of the shares may be increased and the difference paid from the reserve, or new shares may be issued and distributed to shareholders without charge. They must have the same nominal value as pervious shares.
Loans

Companies may borrow from the public by issuing bonds with a value equal to the sum borrowed, at an agreed rate of interest.

In companies with major government participation, the number of promoters may be less than five. The Ministry of Commerce may approve that only 50 per cent be paid up, the remaining share value to be paid up within three years.

No one may hold office as chairman or member of the board of directors of more than three joint-stock companies with head offices in Bahrain, and be managing director of more than one.

Branch/representative office

By permission of the Ministry of Commerce, foreign companies may establish branches or representative offices in Bahrain without directly entering Bahraini partnership, providing their business is not covered by the categories included under “commercial agencies”. They must, however, engage a Bahraini in the same field as their sponsor (for example, a Bahraini contractor would sponsor a foreign contracting services company). If the branch or representative office is being established as a regional distribution centre for goods and services, no sponsor is required.

Company with limited liability

A company with limited liability is the most common form of company, and may be established for any kind of commercial purpose (usually industrial or services such as contracting or consultancy). It must have a fully paid-up capital of a minimum of BD 10,000. Normally a maximum non-Bahraini participation of 49 per cent is permitted, but recent legislation allows 100 per cent foreign ownership of industrial companies or of service companies using Bahrain as the centre for regional distribution of their manufactured goods or services. Although participation by individual foreign investors is permitted, the Bahrain authorities prefer that foreign partnership be undertaken by a company, and there must not be less than two and not more than 10 partners, if the total number of partners is more than 10.

Distribution of profits and losses

The memorandum (or articles) of association may also state the shares of partners in the profit and loss. If it does not, they are assumed to be in direct proportion to their shares in the capital. The Ministry of Commerce has the right to ask that extra details be stated.

The name of the limited liability company may derive from the name of one or more partners or its objectives, but must always be followed by “WLL” (that is, with limited liability), in all official business dealings.

Articles of association are normally prepared in the country of origin of the foreign partners. Once legally attested, they should be forwarded by the company manager, together with other documents required, to the Commercial Registry at the Ministry of Commerce, so that the company can be registered.

Maximum of 49 per cent foreign ownership

A maximum foreign ownership of 49 per cent is allowed in the companies described below.

Joint-stock companies (public)

Although the law states that “all partners of joint-stock companies shall be Bahraini nationals”, it provides that “some partners may be non-Bahraini if and when the need for foreign capital or expertise arises”. In that case, the company may be established after approval has been sought from both the Ministry of Commerce and the Council of Ministers, followed by the issue of an Amiri Decree. Normally, joint-stock companies are formed to undertake a specific major project, sometimes with government participation. Its name must indicate its objectives, and must always be followed by “Bahraini Joint-Stock Company”. It will have a specific duration, usually the period needed to fulfill its objectives, which may only be extended by permission of the Ministry of Commerce.

Establishment

All joint-stock companies require a promoter or promoters who take responsibility for formation of the company, some of whom may be non-Bahraini, and who sign the initial memorandum and apply to license the company.

The model memorandum and articles of association issued by the Ministry of Commerce must be followed. In all cases it will include the following details:

(a) Name of the company
(b) Main office
(c) Objects for which the company has been formed
(d) Names of promoters (not less than seven, unless the Government formed the company
Capital and subscription of share

Subscription of shares may begin after the decree of establishment has been published, but promoters must subscribe for shares of not less than 7 per cent and not more than 20 per cent of the capital before other subscription is invited, at the proposed public price (when there are 60 or more promoters, they may subscribe for 40 per cent of shares with permission from the Council of Ministers).

They must provide a banker’s certificate as warranty, which should be submitted to the Ministry of Commerce together with a draft prospectus for inviting subscription, including the following:

(a) Abstract of the memorandum of association and articles stating: objects of the company; head office; duration; name, addresses and nationality of promoters; capital of the company; number of shares; value of each share and amount to be paid of that value; shares in kind; expenditure (salaries and cost of establishment of company)

(b) Maximum number of shares per subscriber

(c) Number of shares needed to qualify for the board of directors and their rights and duties

(d) Date, place and conditions of subscription

(e) Date of issue of decree of establishment, and date of its publication in the Official Gazette.

The prospectus must be published in the Official Gazette, and one other local publication at least five days before subscription opens. Subscription is through the National Bank, subject to the approval of the Ministry of Commerce, and all proceeds must be deposited there.

Subscription remains open for three months. Thereafter promoters may subscribe for any remaining shares. If shares are oversubscribed, the Ministry of Commerce will direct suitable division. All holders of public shares must be Bahraini nationals.

Capital for a public joint-stock company is a minimum of BD 500,000 of which a maximum of 49 per cent may be non-Bahraini. A minimum of 20 per cent must be paid up within the first year, and the whole within four years.

Partnership

A partnership under a collective name is defined as "an association of two or more persons under a specific name who assume (total) joint responsibility for the partnership’s obligation". Participation by non-Bahraini partners is allowed, with the consent of the Council of Ministers. The types of enterprise involved are those offering professional consultancy or advisory services (for example, accountancy and engineering), which may be branches of partnerships already established abroad.

The memorandum of association must contain the following:

(a) Address of company and commercial name, if any
(b) Main office and its branches
(c) Objectives
(d) Names and nationalities of partners
(e) Names and nationalities of partners and voting rights
(f) Capital and shares
(g) Profit and loss sharing arrangements
(h) Date of establishment
(i) Beginning of company’s financial year
(j) Manner of liquidation and distribution of assets.

The name of the company must always be followed by “Bahraini Partnership Co.”.

Simple commandite company

The company should be registered with the Commercial Registry and chartered in accordance with the provisions of article 26 of the Commercial Companies’ Law. The Memorandum of Association need not include the names of the sleeping partners, but must contain an adequate description of their shares in the capital and the value thereof. The articles of association should state the joint partners and the sleeping partners, and the former should be Bahrainis. The share of Bahraini partners should not be less than 51 per cent of the capital.

Joint venture company

A joint venture company may take the following legal forms: partnership; simple commandite company; and company with limited liability. The legal structures of the companies are as provided in the foregoing.

More information may be obtained from the following address:

Ministry of Commerce
P.O. Box 5479
Bahrain
Telex: 9171 TEJERA BN
Fax: (0973) 530455
Telephone: (0973) 531531
Transit visas, valid for 72 hours, are available at Bahrain International Airport, ports or causeways. Extensions may be arranged inside Bahrain.

Visitor’s visas, valid for seven days, may be obtained by business persons, delegates, families and dependents. Tourist groups can arrange for seven-day visas through their travel agent.

Commercial hours

Government office hours are from 0700 - 1415, Saturday to Wednesday.

The hours of commercial organizations vary, but 0800 - 1530 or 0800 - 1300 and 1500 - 1730 are quite common. Five-day weeks are becoming more popular, though many establishments still work from Saturday to Thursday.

Many shops and supermarkets are open from 0830 - 1230 and from 1530 - 1930 six days a week. Markets and many shops are open on Friday morning (times vary).

Commercial banks are open from 0730 to 1200 from Saturday to Thursday. Many branches are open from 1530 to 1730 on the same days.

Amenities

The attractions of Bahrain which have drawn over 120,000 non-Bahrainis to live and work among the people of the country include the following:

- No taxation
- High-class accommodation
- Excellent schooling based on the systems of various countries (Bahrain, India, Japan, Pakistan, United Kingdom and United States of America), from kindergarten to 18 years of age
- Sports and social clubs
- Historic island with well-appointed museums and places of interest
- A high-quality private and semi-private medical system
- Amusement parks, wildlife centre, beaches, swimming and sports facilities
- Over 4,500 top-quality hotel rooms
- Excellent licensed restaurants offering some of the widest selections of cuisine in a highly cosmopolitan society
- Varied shopping, ranging from high-class antique dealers, department stores and supermarkets to specialist jewelers, tailors, discount electrical shops, cold stores and covered markets.

Housing

Out of town, the typical housing is bungalows or villas in small compounds. The compounds usually offer swimming pools, tennis and squash courts and other sports facilities. The average size of the compounds is 10 - 20 homes. Two-, three- and four-bedroom homes are most common. Most were built after 1980. In Manama, the capital, apartments are more common, often with access to sports facilities, service lifts and porterage.

Clubs and societies

National clubs exist, including Filipino, Indian, Pakistani, Thai and United Kingdom clubs and similar organizations. A United States business person’s association as well as various women’s organizations are long established.

The temperature and climate of Bahrain are ideal for sea sports, enabling enthusiasts to enjoy their hobby almost all year round. The warm shallow waters of the Arabian Gulf offer a great setting for many aquatic pursuits, from night-time sea fishing to sailing and scuba diving. There are also sports clubs and societies for sailing, windsurfing boards, wake boards, water-skiing, knee-boarding, parasailing, rugby, soccer, basketball, tennis, squash, horse-riding, ice-skating, golf, bowling, hockey, softball, basketball, cricket, social running, chess and scrabble.

There are charitable and business organizations, including a Rotary Club, Lions Club, Bankers’ Society, Engineering Society and many others.

Major sporting and social events include an annual marathon relay, a raft race, horse-racing events, automobile rallies and many other sporting events.

16
Entertainment

The country is regularly visited by top performers from South East Asia, Europe, the United States and elsewhere in the Arab World. Most hotels and restaurants feature live entertainment. There are cinemas and a wide availability of recent videotape releases for rental and viewing at home.

Media

Bahrain has Arabic- and English-language television channels that broadcast a mixture of news, international programmes, films and other material.

Additionally, English-language channels can be received from Saudi Arabia, Qatar and, at certain times of the year, from Abu Dhabi and Dubai. Bahrain has a 24-hour a day English language radio station and an Arabic station. Broadcasts from Saudi Arabia and Qatar and, in summer, from Dubai, can be received. With short-wave receivers, the BBC World Service, the Voice of America and other international radio stations can be picked up.

Bahrain has four daily newspapers: two in Arabic and two in English. Akhbar Al Khaleej and Al Ayam are the Arabic papers, and Gulf Daily News and Bahrain Tribune are the English papers. A number of Arabic and English language business magazines are published locally. The two main English papers of the UAE, Khaleej Times and Gulf News, also are circulated in Bahrain. International newspapers, magazines and publications are widely available.
ANNEXES
RELEVANT BAHRAIN GOVERNMENT BODIES

Ministry of Commerce
P.O. Box 547; Fax: 530155;
Telephone: 531531

Ministry of Cabinet Affairs & Information
P.O. Box 253; Fax: 225202;
Telephone: 223366

Ministry of Defence
P.O. Box 245; Fax: 663923;
Telephone: 665599

Ministry of Education
P.O. Box 43; Fax: 261836;
Telephone: 258400

Ministry of Electricity & Water
P.O. Box 2; Fax: 533035;
Telephone: 533133

Ministry of Finance and National Economy
P.O. Box 333; Fax: 532853;
Telephone: 530800

Ministry of Foreign Affairs
P.O. Box 547; Fax: 210575;
Telephone: 227555

Ministry of Health
P.O. Box 12; Fax: 252569;
Telephone: 255555

Ministry of Housing, Municipalities & Environment
P.O. Box 5802; Fax: 534115;
Telephone: 533000

Ministry of Interior
P.O. Box 13; Fax: 262169/270463;
Telephone: 272111

Ministry of Justice and Islamic Affairs
P.O. Box 450; Fax: 536343;
Telephone: 531333

Ministry of Labor and Social Affairs
P.O. Box 32333; Fax: 686954;
Telephone: 687800

Ministry of Oil and Industry
P.O. Box 1435; Fax: 530922;
Telephone: 291531

Ministry of State
P.O. Box 2088; Fax: 215508;
Telephone: 223366

Ministry of Transportation
P.O. Box 10325; Fax: 534041;
Telephone: 534534

Ministry of Works and Agriculture
P.O. Box 5; Fax: 533095;
Telephone: 535222

Bahrain Monetary Agency
P.O. Box 27; Fax: 534170;
Telephone: 535535

Bahrain Stock Exchange
P.O. Box 3203; Fax: 256362;
Telephone: 261260

Bahrain Centre for Studies & Research
P.O. Box 496; Fax: 754468;
Telephone: 754757

Bahrain Promotion & Marketing Board
P.O. Box 11299; Fax: 531117;
Telephone: 533886

Central Statistics Organization
P.O. Box 5835; Fax: 728989;
Telephone: 725725

Consultative Council
P.O. Box 2991; Fax: 715715
Telephone: 714422

Equestrian & Horse Racing Club
P.O. Box 5029 Fax: 440222;
Telephone: 440330

General Organization for Social Insurance
P.O. Box 5319; Fax: 530209;
Telephone: 532222

The Supreme Council for Youth & Sports
P.O. Box 5498; Fax: 728391;
Telephone: 725500