

# Bahrain 2016

 **EDB** BAHRAIN  
ECONOMIC DEVELOPMENT BOARD

BUSINESS  
*friendly*  
**BAHRAIN**

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# Section 1: Global outlook

# 2016 macro-economic context

## Non-oil strength defines 2016

The continued resilience of the non-oil economy allowed Bahrain to achieve a slight improvement in its headline growth in 2016, in spite of historically subdued economic performance in the region. The near-term outlook remains one of relative continuity.

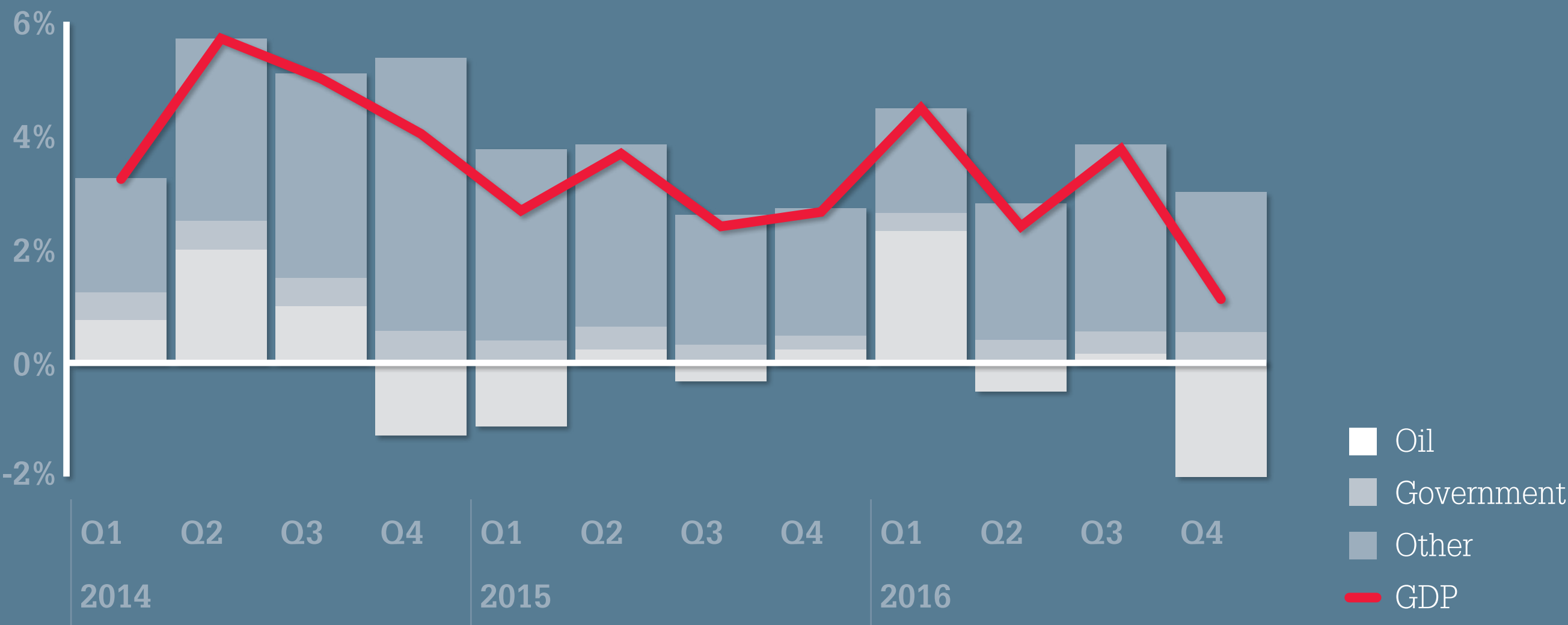
GDP growth in 2016 reached 3.0%, led by 3.7% expansion in the non-oil economy.

## Q1: Gradual progress

The beginning of the year was characterized by exceptional stress for global financial markets, followed by a period of stabilization supported by looser monetary policy by leading central banks and renewed investor confidence in China's commitment to ambitious growth targets. Bahrain's headline YoY real growth rate reached 4.5% in Q1, led by a 12.4% YoY increase in the oil sector, while non-oil growth at 2.7% YoY remained comparable to the second half of 2015.

# 2016 macro-economic context

Real GDP growth composition



Source: Information & eGovernment Authority

# 2016 macro-economic context

## Q2 & Q3: Regaining impetus

In Q2, the pace of growth in the non-oil economy accelerated markedly to 3.6%, while the oil sector actually experienced a small 1.7% YoY contraction. A number of steps toward fiscal re-engineering, coupled with an increasingly clear strategic commitment to reducing oil dependency, has seen GCC economies redouble their efforts to support economic diversification. In Bahrain, growth is firmly led by the non-oil private sector. The most dynamic sectors included Social and Personal Services (mainly private education and health care), Construction, and Financial Services sectors, which expanded by 8.4%, 5.4%, and 3.1% YoY, respectively in Q2.

Relative continuity for the global economy over the summer months was followed by a clear acceleration in growth in Q3.

In spite of renewed oil price volatility, non-oil growth in Bahrain reached a robust 4.7%, led by the expansion of the Construction sector by an annual 7.2% in reflection of the forward momentum of Bahrain's major infrastructure projects.

# 2016 macro-economic context

## Q4: Strong non-oil momentum

Q4 saw the oil sector contract sharply, posting a 10.5% YoY drop in real value added as a result of seasonal maintenance, while the non-oil sector maintained growth at 3.9%. This left the annual increase in the overall GDP growth rate at 1.1%, the lowest quarterly reading posted in 2016. In quarter on quarter terms, this oil sector reversal meant that the economy contracted by 2.7%, the first drop after four consecutive quarters of accelerating growth.

80.7% of Bahrain's real GDP is now generated by the non-oil sector.

Overall, the economy expanded by 3.0% in 2016 as compared to 2.9% in 2015. Growth in the non-oil economy accelerated from an annual 3.6% to 3.7% over the same period.

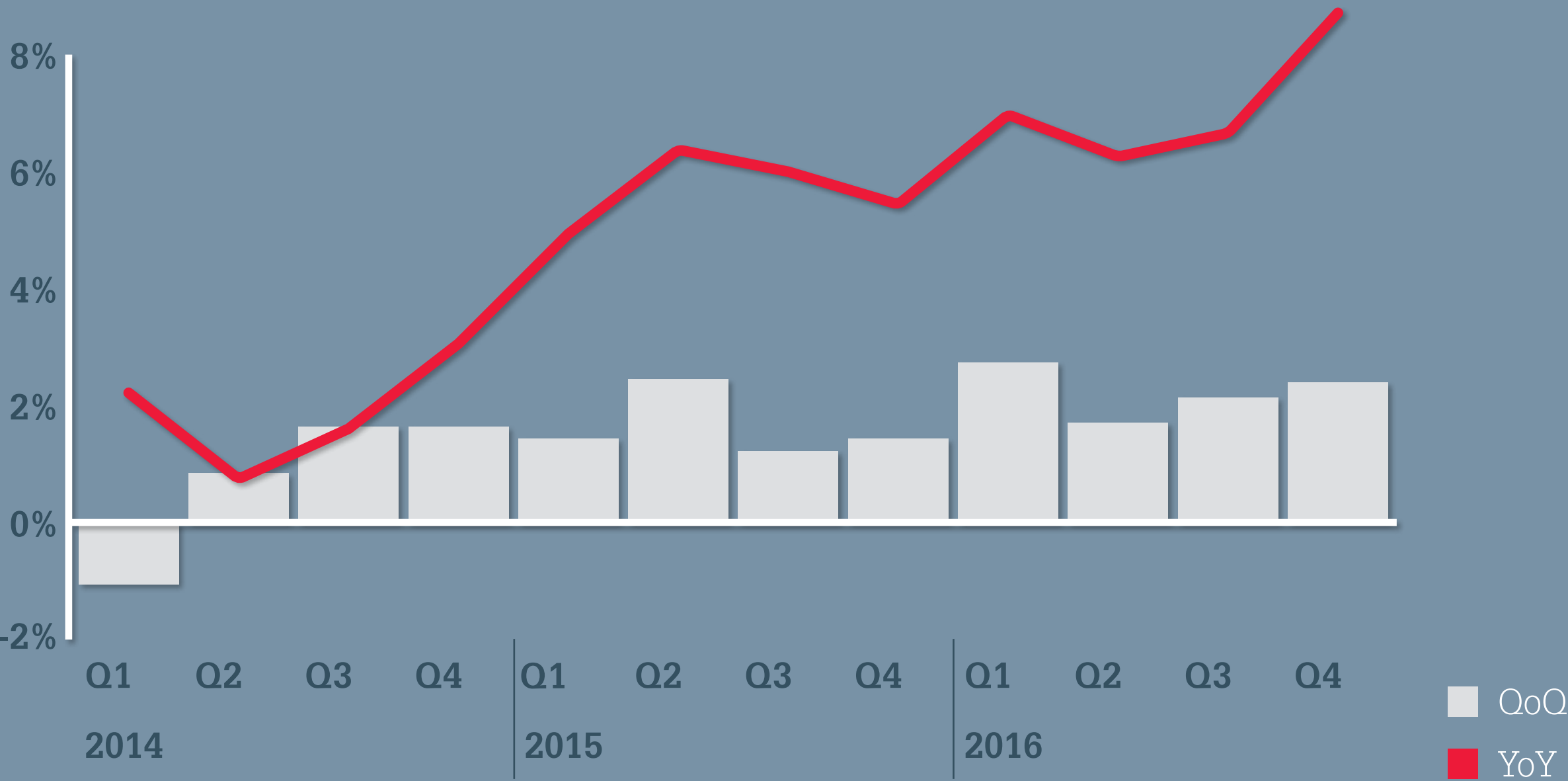
This track record of resilience in the face of an unusually challenging regional economic environment highlights the strength of the structural as well as counter-cyclical growth drivers in the Kingdom. The unprecedented infrastructure investment, in particular, has been a key source of continuity at a time of low oil prices and fiscal consolidation.



# Job growth remains historically high

Employment growth in the Kingdom has remained robust throughout 2016 in line with the large infrastructure project pipeline. Total employment rose by 8.6% in Q4, the fastest pace during the year. The total number of jobs in the country has now reached 787,190.

Change in total employment



Source: Labour market Regulatory Authority



# Forecasts: Some growth moderation likely in the medium term

Economic activity in Bahrain is likely to be underpinned by relative continuity in the near- to medium-term. Even as ongoing fiscal consolidation will test the established business models of companies, it will also fuel new investments in greater productivity which counter some of this effect in the short term and boost the productive potential of the non-oil sector in the future.

The large pipeline of infrastructure projects will serve as an important source of continuity and should ensure continued non-oil growth momentum of close to 3% in the medium term.

By contrast, we expect more or less flat output levels in the hydrocarbons sector, which should leave headline real growth in the range of 2-2.5%. Inflationary pressures are likely to be minimal in the near term. However, the implementation of VAT in 2018 should push them up somewhat for a while, as happened with past subsidy reforms.

# Bahrain economic outlook

	2016	2017f	2018f	2019f
Real GDP Growth %	3.0%	2.5%	2.4%	2.2%
Non-hydrocarbons Sector	3.7%	3.2%	3.9%	2.8%
Hydrocarbons Sector	-0.1%	-0.1%	0.0%	0.0%
Nominal GDP Growth %	2.4%	6.8%	6.0%	5.1%
Inflation (CPI %)	2.8%	1.8%	3.0%	3.0%
Current Account (% of GDP)	-4.6%	-3.8%	-3.8%	-3.8%
Fiscal Balance (% of GDP)	-13.5%	-8.8%	-7.4%	-6.4%
Crude Oil Arabian Medium (USD)	43	52	55	55

Source: Bahrain Economic Development Board

## Section 2: Competitive indices

# Global standing and growth 2016

**3%** ECONOMIC GROWTH

**6.3%** EMPLOYMENT GROWTH

**2<sup>nd</sup>** GLOBALIZATION HOTSPOT <sup>1</sup>

**1<sup>st</sup>** REUTERS REGULATIONS

**9<sup>th</sup>** EXPAT DESTINATION <sup>2</sup>

**29<sup>th</sup>** ICT DEVELOPMENT <sup>3</sup>

**18<sup>th</sup>** FREEST ECONOMY <sup>4</sup>

**NO.1  
MEA  
BEST  
COUNTRY  
TO  
INVEST  
IN** <sup>5</sup>

Source: Competitiveness Observatory, Information and eGovernment Authority

1. Global Interconnectedness 2016

2. HSBC 2016 Expat Explorer Survey

3. World Economic Forum ICT Development Index

4. Heritage Foundation 2016 Index of Economic Freedom

5. 2016 Mac Conway Awards

# The World Bank Doing Business Report

The Doing Business Report is an annual country ranking system by the World Bank which measures the efficiency and quality of business regulations across 10 sub-indicators:

1. Starting a business
2. Dealing with construction permits
3. Getting electricity
4. Registering property
5. Getting credit
6. Protecting minority investors
7. Paying taxes
8. Trading across borders
9. Enforcing contracts
10. Resolving insolvency

# Doing business in Bahrain

1

Bahrain's standing in the 2017 Doing Business Report

2017



And among **the Top 10** economies with the biggest improvements in business regulations. Rising 3 places to 63rd globally

2

Key initiatives recognized by the World Bank



## Starting a business

- ✓ **Reduced** minimum capital requirements
- ✓ **Introduced** online portal for business registration

## Credit information

- ✓ **Improved** access to credit information by granting borrowers' right to inspect their own data

## Trading across borders

- ✓ **Improved** logistics services through the use of automation
- ✓ **Improved** infrastructure and streamlined procedures at the King Fahad Causeway

3

Planned government initiatives to enhance the investment climate



- **Modernise** the bankruptcy law
- **Introduce** secure transactions law
- **Enhance** the process of resolving commercial disputes
- **Strengthen** minority shareholders' rights

Source: 2017 Doing Business Report, World Bank



Bahrain provides me with a work life balance I hadn't been able to enjoy before; it has confirmed I made the right decision.

**Arun Aravindan**

Chief Executive Officer of Elite Technology





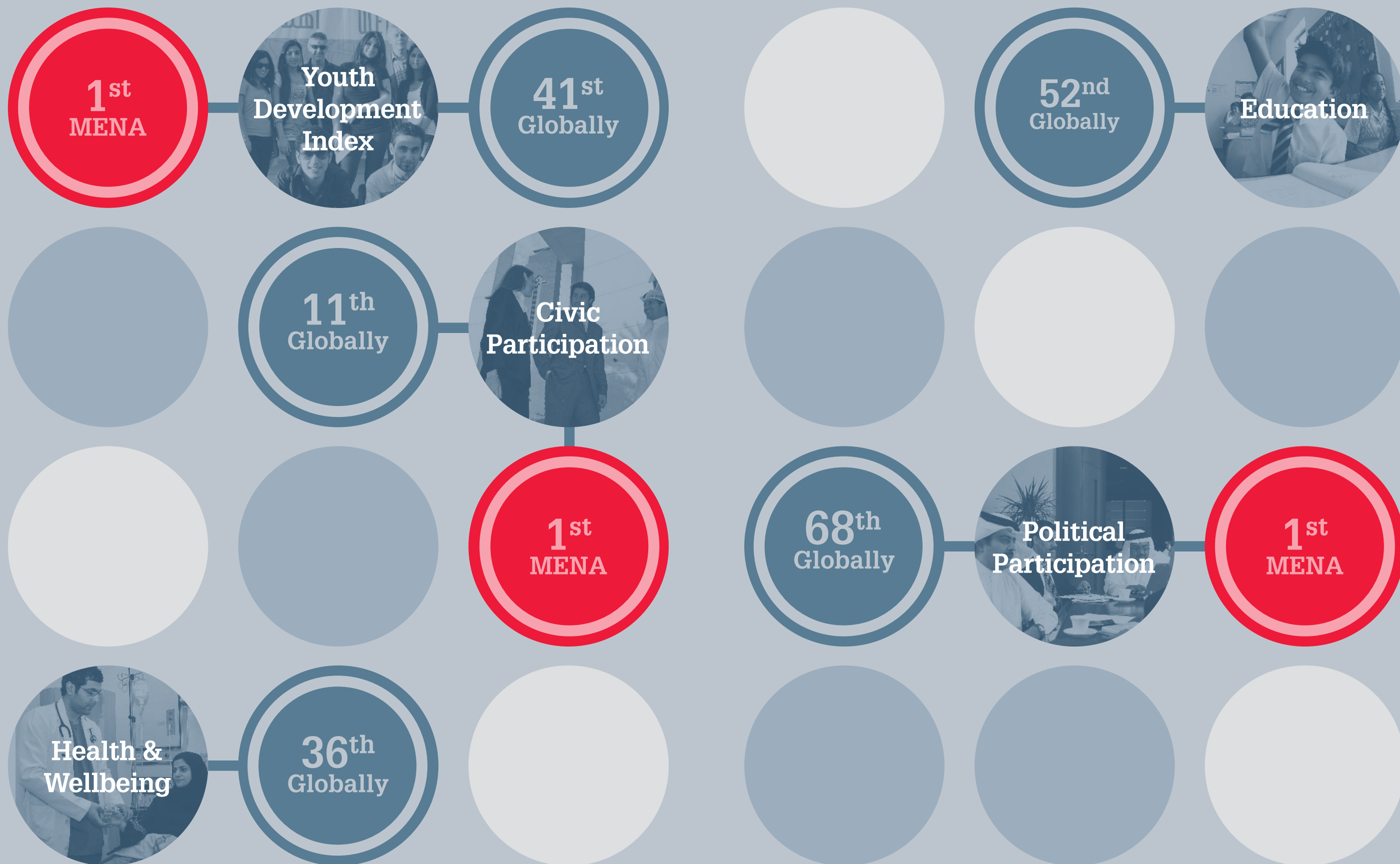
# 2016 Global Youth Development Index

**In 2016, Bahrain progressed from the ‘High’ to the ‘Very High’ category in the global Youth Development Index**

Issued by the Commonwealth Secretariat, the Global Youth Development Index offers an inter-company comparison of the environment for young people aged 15 to 29 across five key areas:

- Education
- Health & wellbeing
- Employment & opportunity
- Civic participation
- Political participation

Bahrain maintains a leading position in the region, ahead of KSA, Kuwait, Qatar and the UAE, having made significant strides in key areas.



Source: 2016 Global Youth Development Index

## 👤 Talented human capital

**3rd** Work Life Balance  
**10th** Quality of Life  
**12th** Talent Attraction  
**26th** Quality of Education System

## 🌐 Networking and market access

### Networking:

**1st** in MENA in Entrepreneurs Networking

### Key events:

MENA Angel Investors Forum,  
Global Entrepreneurship Week,  
Start-up Weekend

### Market access:

**7th** Market Connectedness  
Access to **USD 1.5 trillion** market

## 🚀 Incubation and acceleration

### Key players:

Rukun (ICT incubator), LevelZ, CH9, 4Spots, The Hive,  
Riyadat, Bahrain Business Incubator center (UNIDO)

## Mentoring and funding 🧑🏫

### Key players:

Tamkeen (Labour Fund), Bahrain Development Bank,  
Tenmou (Business Angel Company), Ebdaa Bank

### Global standing:

**8th** Access to Loans  
**23rd** Venture Capital Availability

## Enabling business infrastructure 🏢

### Conducive business environment:

**Favourable** tax regime

**18th** Freest Economy

**25th** Quality of Overall Structure

**27th** Cluster Development

### Robust regulatory framework:

**18th** Quality of Regulations

US standard IP and trademark protection

Laws & patent protection regulations

### Advanced technology

**10th** ICT Infrastructure

**18th** ICT Usage

**An  
emerging  
start-up  
hub**

Sources: Competitiveness Observatory Analysis - all standings are global ranks unless stated otherwise.

1. Entrepreneurship in the Arab World Report, WEF in collaboration with Booz & Company 2011.

2. Global Competitiveness Report – covers 140 countries, World Economic forum 2015-2016.

3. Expats Explorer Survey – covers 39 countries, HSBC Bank 2015.

4. Index of Economic Freedom – covers 186 countries, Heritage Foundation 2016.

5. Global Opportunity Index – covers 136 countries, Milken Institute 2015.

6. Global Innovation Report – ranks 136 countries, INSEAD, WIPO and Johnson Cornell University 2015.

7. ICT Development Index – International Telecommunication Union, 2015.

8. Global Entrepreneurship Development Institute GEDI, 2016.

9. Emerging Markets Logistics Report – covers 45 countries, Agility 2016.



We see huge amounts of innovation coming from young, creative entrepreneurs in the MENA region and the cloud is key to fuelling their growth. Having the AWS team based in Manama will help us to grow the companies we work with as well as helping to transform the region into one of the fastest growing start-up hubs in the world.

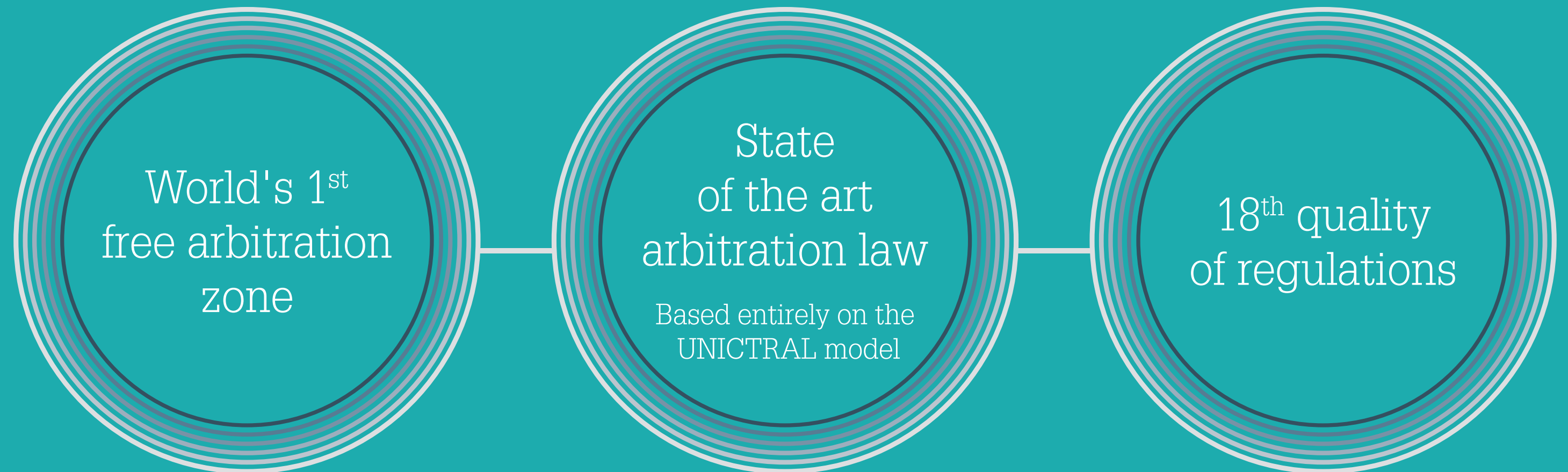
**Andre Pienaar**

Founder, C5 Accelerate



# An international arbitration hub

The Bahrain Chamber of Dispute Resolution, delivered in partnership with the American Arbitration Association (BCDR-AAA), provides the region with an international alternative dispute resolution centre of excellence, with the added advantage of operating an arbitration free zone.



- ✓ **Internationally accepted** best practice in the field of arbitration
- ✓ **Enshrining** the principles of fairness and impartiality
- ✓ **Limited** court intervention
- ✓ **Standardised** procedural framework for the constitution of the arbitral tribunal
- ✓ **Signatory** of the New York Convention

Sources: Competitiveness Observatory analysis – June 2016; Legislative Decree No. (30) of 2009; Legislative Decree No. (9) of 2015; Milken Institute 2015 (covers 136 countries)



# **Section 3: FDI performance**

# Foreign direct investment 2016

**2016 represented a successful year in terms of attracting new investment into the Kingdom.**

40 new companies invested a total of USD 281 million in Bahrain, as a result of the efforts by the EDB, almost double the figure achieved in 2015. These new companies are expected to generate a total of 1,647 job opportunities over the next three years.

The companies represent regional and international organisations, including companies from India, China, the United States, and Germany among others. Seventeen companies specialise in manufacturing and logistics, seven in financial services, seven in leisure and tourism, seven in professional services and two in information and communication technology.





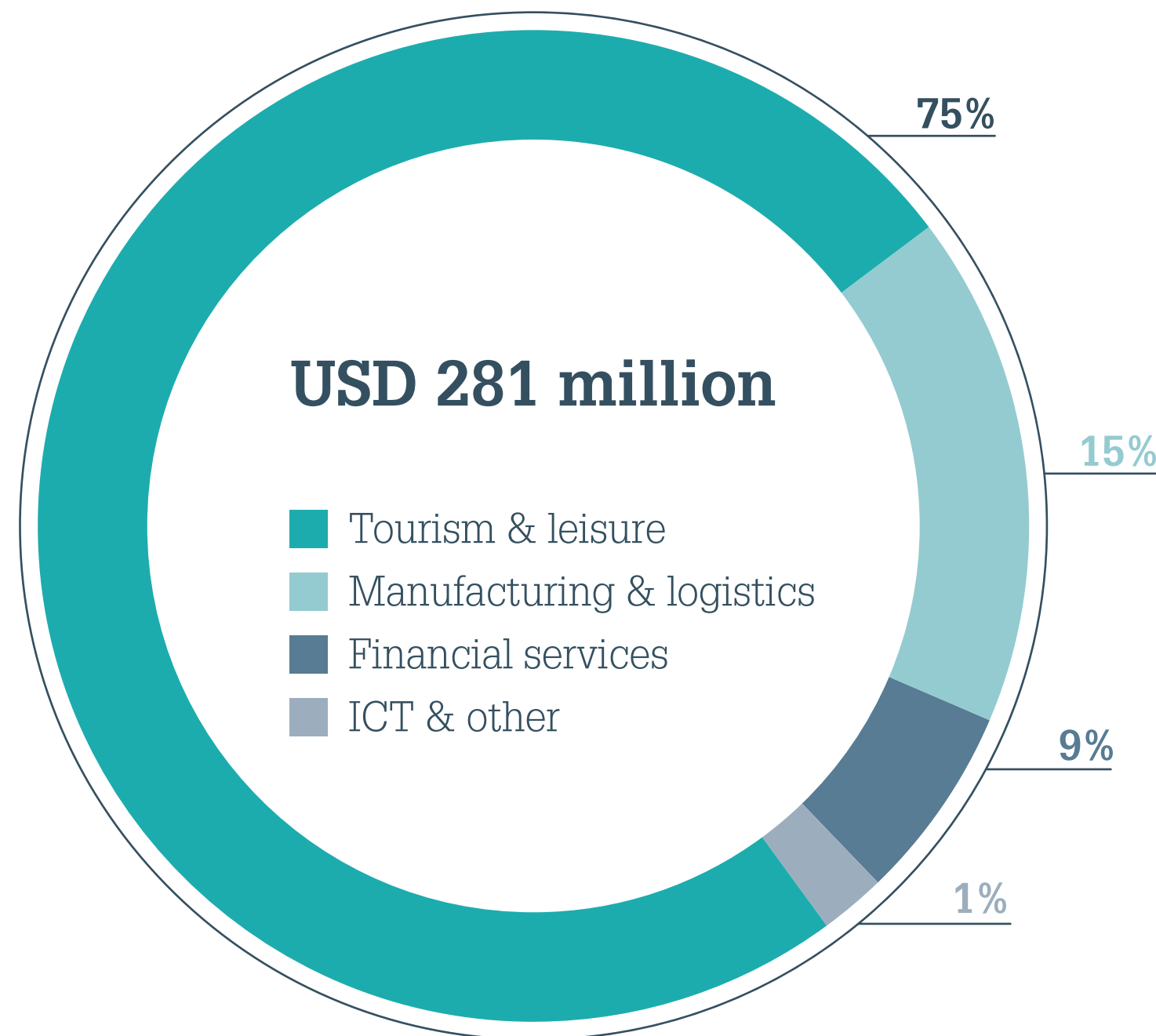
We believe Bahrain's highly skilled workforce and open business environment provide us the perfect platform for our next growth phase.

**Ms. Teresa Tan**

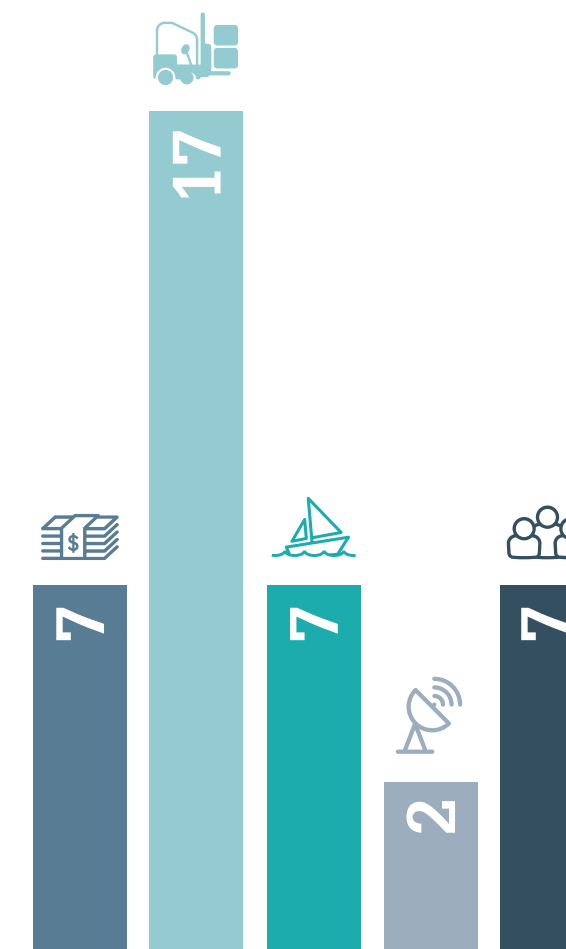
CFO of CIMC Vehicle Group



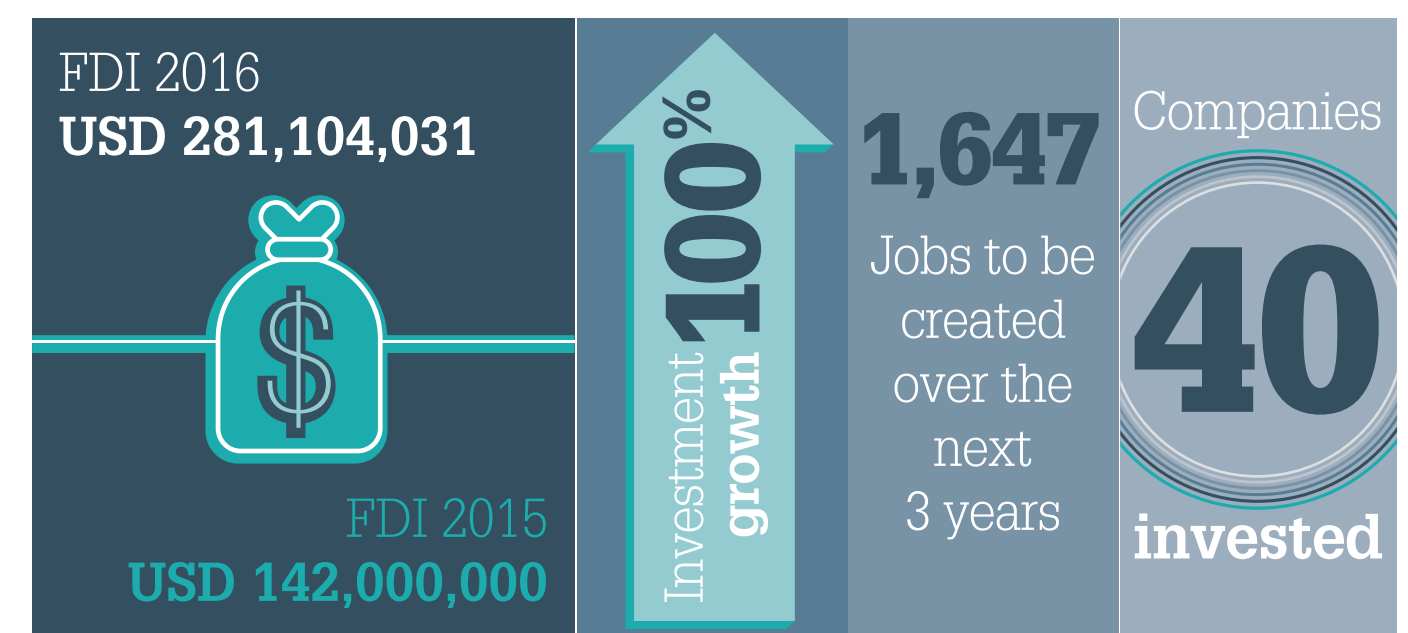
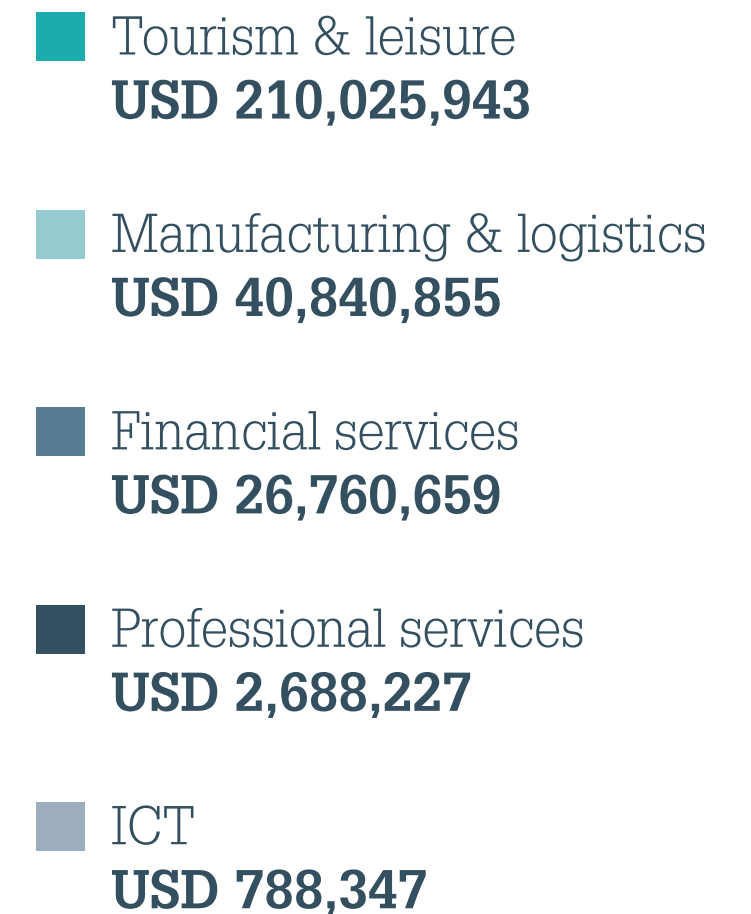
# Foreign direct investment 2016



Companies invested per sector



Sector contribution



# Foreign direct investment 2016

One of the companies attracted by the EDB includes Armacell, a world leader in flexible insulation foams for the equipment insulation market, and leading provider of engineered foam. The company plans to invest around USD 16 million (BD 6 million) on its new plant at Bahrain International Investment Park (BIIP), which will produce elastomeric rubber insulation for the USD 3 billion heating, ventilating, and air conditioning (HVAC) market in the GCC.

Furniture giant IKEA also announced its USD 124.8 million (BD 48 million) investment to establish its largest flagship store in the Gulf, covering a total area of 37,000 sqm.

Various other companies including CIMC, Euroscot, Mukta A2 Cinemas, Ziraat Bank, Mastercard, Amazon Web Services and Palestine Investment Bank Bahrain have also established new investment projects in Bahrain.



We are proud of what has been achieved during 2016. Our success in doubling the investments during last year comes as a result of unifying our efforts with various government bodies to ensure Bahrain is truly business friendly.

**Khalid Al Rumaihi**

Chief Executive,  
Economic Development Board Bahrain



## Section 4: Global footprint

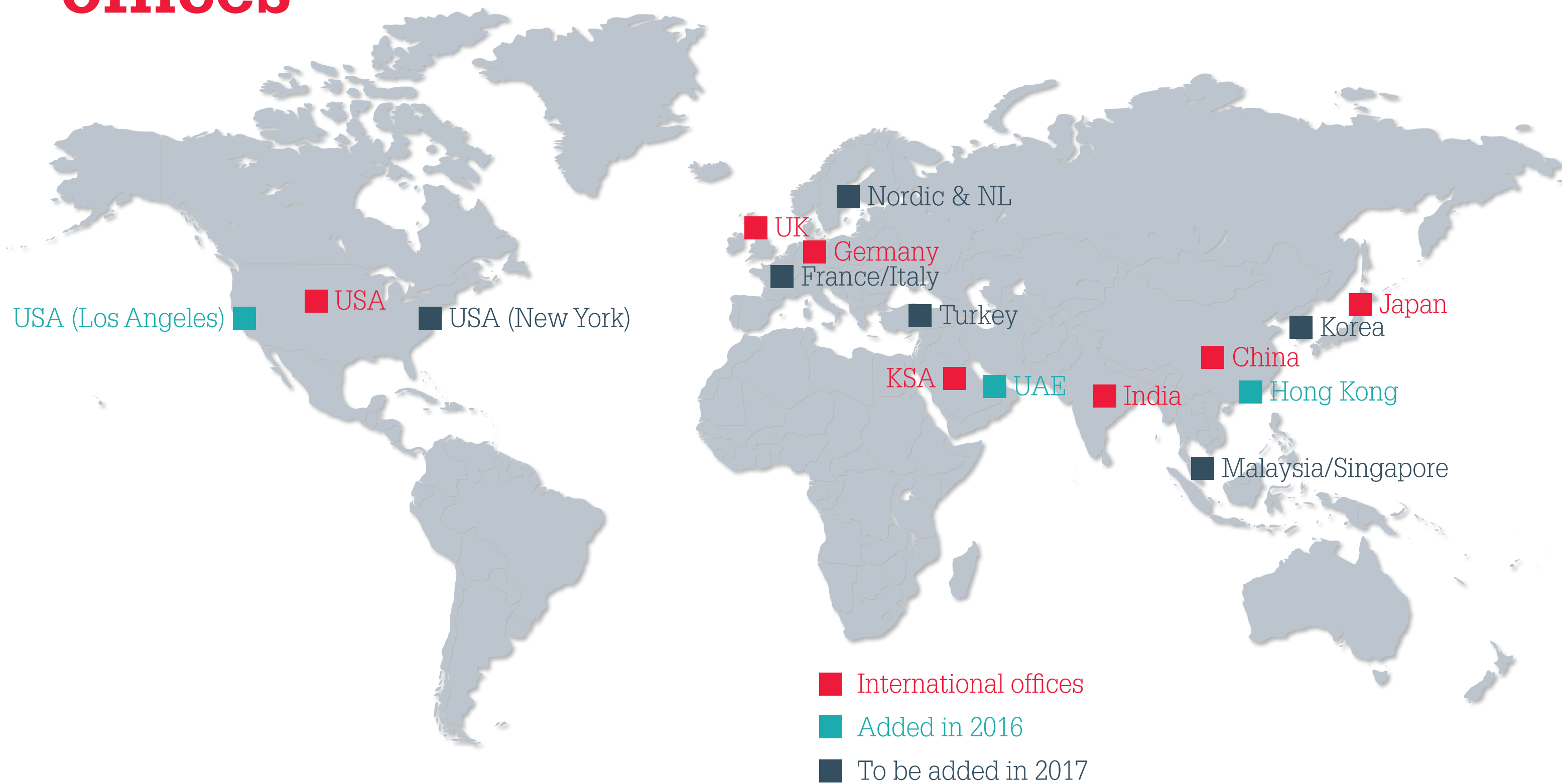
# International highlights

The EDB significantly expanded its international presence in 2016. The establishment of operations in the UAE, USA (West Coast), Hong Kong and France has grown the EDB's total number of International Offices to ten.

In addition, plans are underway to establish an EDB presence in the following territories from January 2017:

- Italy/France
- Turkey
- Nordics & Netherlands
- Korea
- Malaysia/Singapore
- USA (New York)

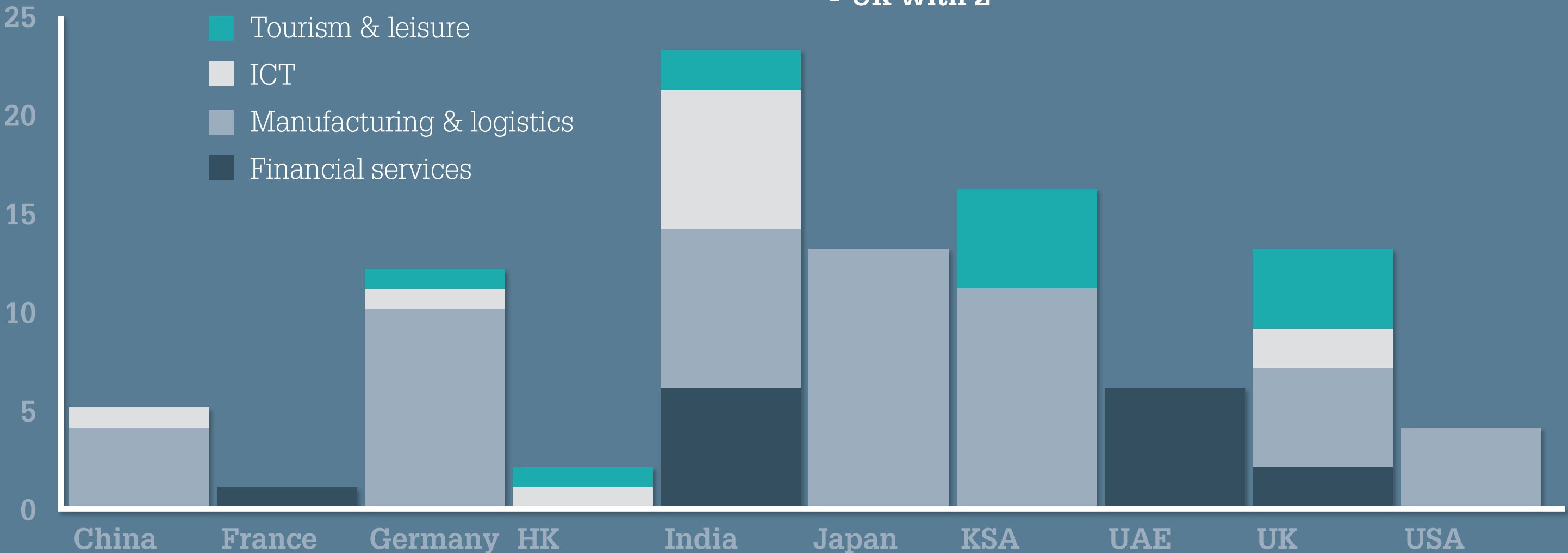
# International offices





# International highlights

International offices – projects YTD



Bahrain EDB’s international offices conducted a total of 1,527 prospect meetings in 2016, adding 99 new potential projects to the FDI pipeline, across the key sectors of financial services, manufacturing, transport & logistics, ICT and tourism & leisure.

Of these projects, the territories that saw the highest rate of conversion to tangible successes in 2016 were:

- **India with 6**
- **UAE with 4**
- **UK with 2**

# **Section 5: Key sector performance & highlights**

# Key sector overview

	FDI 2015 (\$)	FDI 2016 (\$)	Companies Invested	Jobs created
Tourism & leisure		210,025,943	7	915
Manufacturing & logistics	19,447,160	40,840,855	17	589
Financial services	22,000,000	26,760,659	7	26
ICT (& other)	100,633,000	3,476,574	9	117
Total	142,080,160	281,104,031	40	1674

**Tourism  
& leisure**

# Tourism & leisure

Bahrain has enjoyed healthy growth in its inbound visitor numbers during 2016.

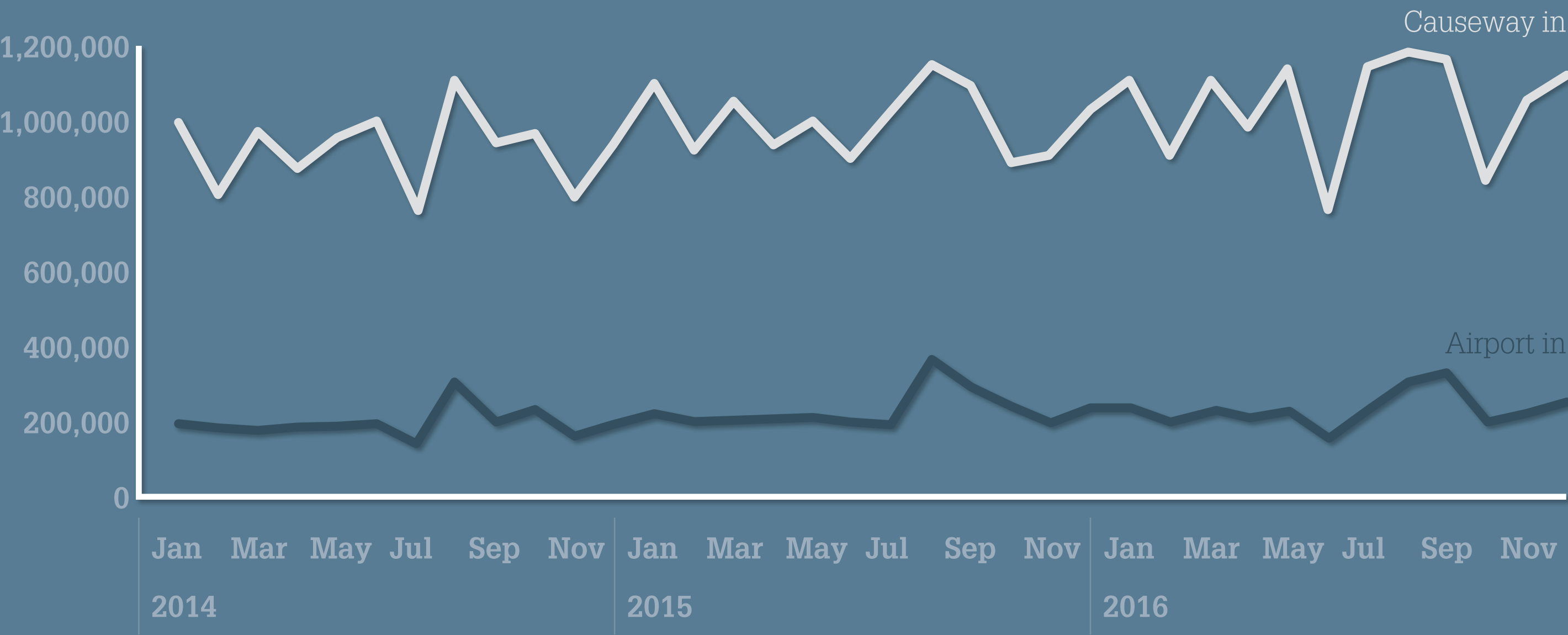
The total number of visitors to the Kingdom rose by 5.68% to just under 15 million.

Inbound visits from Saudi Arabia across the King Fahad Causeway increased by 5.64% during the year to attain a total of 10.2 million. Arrivals through the airport reached 1.98 million, which marked a 4.88% YoY gain.

Bahrain's tourism sector aims to continue this trend with a target of increasing overseas visitor numbers from 11.6 million in 2015 to 15 million in 2018. A key driver behind the projected growth of the tourism sector is a large pipeline of as much as USD 10 billion worth of related investment projects.

# Tourism & leisure

Visitor arrivals by port of entry



Source: Ministry of Interior – Nationality, Passports & Residence Affairs

# 2016 highlights: Tourism & leisure

## Ours. Yours. Bahrain.

To help galvanise the Kingdom's offering as a regional and international destination, 2016 saw the development of a new tourism brand platform: 'Ours. Yours. Bahrain.'

In collaboration with the Bahrain Tourism and Exhibition Authority, Bahrain EDB developed the new brand to be a cornerstone of the integrated strategic approach to elevate the Kingdom's tourism industry. Such initiatives aim to increase the contribution of the sector to the country's GDP to USD 1 billion by 2020, effectively doubling the contribution from 3.6% to 6.6%.



While an invitation to tourists to experience the warm and welcoming attitude of Bahrain, the brand equally represents a whole new approach to engaging potential investors.

At a macro level, "Ours. Yours. Bahrain" speaks to a deeper level of personal and bespoke service that FDI decision-makers can expect to receive when dealing with Bahrain EDB and other authorities in the Kingdom.

At a micro level, the brand is a powerful way to highlight the commercial advantages that the Kingdom offers. It helps to make every benefit that an investor gains in Bahrain part of the bigger promise that the Kingdom makes.

The brand was launched at Arabian Travel Market in April 2016, and has been showcased by Bahrain EDB at numerous other events throughout the calendar year including the Arabian Hotel Investment Conference.



# Real estate on the rise

2016 saw Bahrain EDB increase collaboration among key real estate stakeholders through a series of programs, including quarterly developer roundtables. Attended by representatives from both public and private organisations, these aimed to encourage greater integration between real estate and tourism in order to deliver a sustainable offering.

The EDB has begun work on an online national project mapping system, which will help potential investors and developers track opportunities within Bahrain from its launch in 2017.

The EDB is also committed to improving legislation to speed progress within the sector. We continue to work with the Bahrain Legislation and Legal Opinion Commission to strengthen the regulatory framework and have recently introduced escrow accounts to increase consumer protection and enhance liquidity.

In addition, the EDB maintained a strong presence at events such as Cityscape Global, the largest, most influential real estate investment and development event for emerging markets, and BIPEX Bahrain, the Kingdom's leading annual event for investors, builders and buyers.

## Key Real Estate successes:

### **IKEA Bahrain**

October 2016 saw the announcement ceremony for IKEA's Bahrain store, which at 37,000 square metres will be their largest in the GCC. Set to open mid-2018, IKEA Bahrain expects to receive more than 1.2 million visitors annually.

**USD 1 billion worth of developments** were announced by Bahrain Real Estate Investment (Edamah). These include waterfront developments in Muharraq and Hawar as well as themed retail strips around the Kingdom.

**Bahrain's first Real Estate Investment Trust (REIT)** was authorised for issuance by Eskan Bank. With low entry (around USD 1,325), the new REIT is designed to encourage private sector participation and enhance liquidity. Bahraini and GCC individuals and institutions can now earn rental income across diversified assets. This will greatly enhance transactions, liquidity of the assets along with enhancing exit options for investors.

# Dragon City roars into life

Three days of Chinese cultural events celebrated the opening of the massive Dragon City complex in Bahrain at the turn of the year.

A USD 100 million project, over 115,000m<sup>2</sup> in size, Bahrain Dragon City is an anchor development of Diyar Al Muharraḡ, Bahrain's USD 3.2 billion mixed-use city with a complete 'China Town'. It has grown from a proven concept, Dragon Mart Dubai, and is managed by the China Middle East Investment and Trade Promotion Centre (Chinamex) – one of China's largest overseas trading companies.

The latest example of Bahrain EBD's commitment towards strengthening trade with China, the new complex will enable more than 500 Chinese companies to market their products across the GCC. China's East Star Group has already announced a further USD 10 million investment in an 18,000m<sup>2</sup> storage facility at Dragon City that will create 100 new jobs.

Offering a variety of attractions from shopping to leisure and entertainment under one roof, Dragon City is expected to attract over 2 million visitors a year.

# Dragon City

## Key facts

### 4 areas

1. 50,000m<sup>2</sup> Dragon Mall reflecting Chinese architecture and culture
2. 5,000m<sup>2</sup> warehouse
3. 6,000m<sup>2</sup> 'Dining Village' and leisure & entertainment complex
4. Parking for 1,500 cars

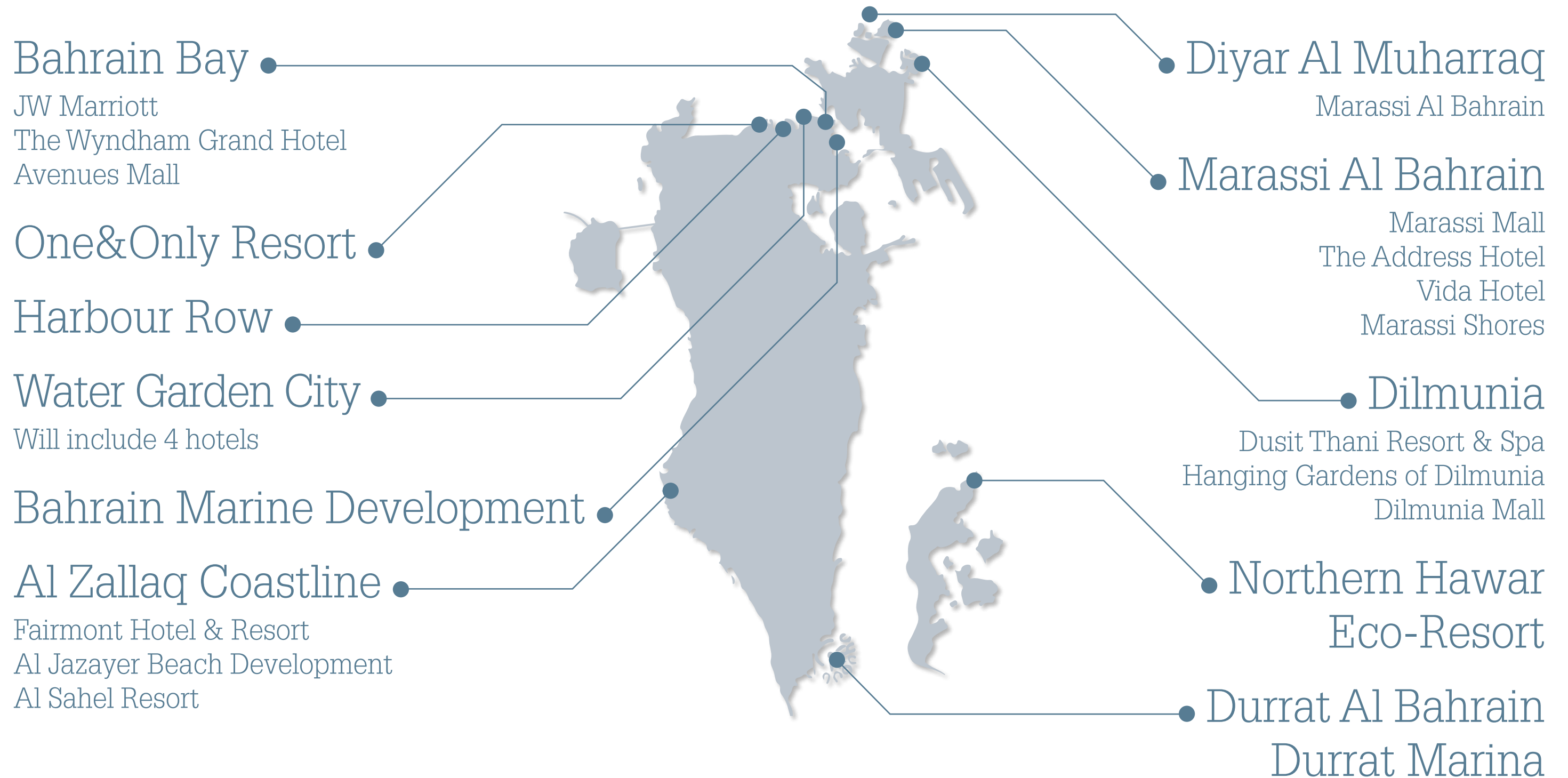
**Over 300** Chinese and Bahraini wholesale and retail stores.  
Shops covering nine categories:

- Electronics
- Sports & leisure
- Textiles & clothes
- Children's fashion
- Home furnishing
- Building materials & sanitary ware
- Machinery & hardware
- Lighting & furniture
- Kitchenware

### Dragon Apartments

6 multi-storey residential buildings with 300 apartments for Dragon City investors and staff.

# Project pipeline: Tourism & leisure



**Manufacturing  
& logistics**

# Manufacturing & logistics

With YoY FDI figures more than doubling for the Manufacturing & Logistics sector, 2016 marked an impressive year for Bahrain EDB as we continued to cement the Kingdom's reputation as the region's premier logistics hub.

Key to this success, was the arrival in Bahrain of a number of high-profile companies; a strong showing at key international trade fairs such as Munich's Transport Logistic; and the achievement of key milestones in the Kingdom's major ongoing infrastructure projects.



# Key infrastructure projects

## **Bapco Modernisation Programme** **USD 5 billion**

Having received bids from four consortia led by Fluor, Technip, JGC, and CB&I, Bapco is set to award the key EPC contract for its modernization project in the first half of 2017. The project is expected to be completed in 2020 making Bapco one of the Middle East's most competitive refineries.

## **Alba Line 6 Expansion Project** **USD 3 billion**

Aluminium giant Alba has completed its financing for Line 6 with commitments from export credit agencies. Production is expected to start in 2019, increasing capacity by 540,000 tonnes a year and creating 400-500 new jobs.

## **AB Pipeline** **USD 325 million**

Construction tenders have been issued for the 115 km crude oil pipeline between Saudi and Bahrain, which will raise transport capacity up to 400,000 bpd.

## **International Airport Expansion** **USD 1.1 billion**

The modernisation and expansion project has reached 40% completion that will boost cargo capacity to 2 million tonnes a year by 2030. This is part of a long-term Master Plan that includes a new cargo zone and a new terminal for 14 million passengers.

## **Bahrain LNG Import Terminal** **USD 655 million**

Main contractor GS Engineering & Construction have been given Final Notice to Proceed to begin construction on the project which will double Bahrain's import capacity to 800 million standard cubic feet per day.



# Logistics in Bahrain: 2016 global rankings

## Developed infrastructure

- 22nd** Quality of roads
- 23rd** Quality of port infrastructure
- 25th** Quality of overall infrastructure
- 25th** Quality of electricity supply

## Regional gateway

- 7th** Market connectedness
- 11th** Market compatibility  
(market accessibility, demand for logistics services, FDI levels)
- 19th** Exports % of GDP
- 27th** Customs procedures



EDB Competitiveness Advocacy Logistics Update - April 2016  
Sources: WEF 2016, Agility 2016, UN 2014, ITU 2015, UNCTAD 2015, Heritage Foundation 2016, KPMG 2016.

# 2016 highlights: Manufacturing & logistics

## Electrosteel refreshes GCC water supply

Electrosteel Group, India's biggest and the world's third-largest manufacturer of ductile iron (DI) pipes and ancillary products, selected Bahrain for the establishment of its USD 6.6 million warehouse.

The new facility will be Electrosteel's sales and distribution hub for the whole northern Middle East – a 'one-stop shop' for water projects. Electrosteel's announcement reflects the growing investment by Indian firms in Bahrain, a relationship which has seen more than USD 1.2 billion in mutual trade, and more than 350,000 Indian nationals living and working in the Kingdom.



## Global environmental solutions leader expands to Bahrain

Further investment from India came in the form of Ion Exchange, the nation's leading water treatment company and pioneer in environment management solutions, who in June 2016 announced the expansion of operations in Bahrain to cater to the burgeoning region.

With the support of the Bahrain EDB, Ion Exchange will be establishing a chemical blending facility in the Bahrain Investment Wharf to create products for export around the GCC, addressing the region's growing need for water treatment services.

## Euroscot re-engineers regional manufacturing

October 2016 saw the arrival of world-renowned precision engineering company Euroscot to the Kingdom, as they announced their first facility outside of Scotland.

A USD 6.6 million manufacturing plant is planned in the Bahrain Investment Wharf, where Euroscot's presence will reduce the region's reliance on importing manufactured components from Asia and elsewhere. A further advantage will be the introduction into the region of highly specialised technology such as Computer Numerical Controlled precision engineering machinery, 3D printing and Big Area Additive Manufacturing.

## Armacell turns up the heat with new insulation plant

In one of the sector's biggest wins of 2016, Luxembourg-based insulation manufacturer Armacell announced a new USD 16 million production facility at the Bahrain International Investment Park (BIIP).

Armacell will produce elastomeric rubber insulation for the growing heating, ventilation and air conditioning (HVAC) market in the GCC and Africa, along with Bahrain's construction sector, which has been growing consistently, reaching an average annual growth rate of 5.9% in Q2 of 2016.

For Bahrain, the new plant is expected to create more than 100 jobs within three years.





We are very pleased with the speedy progress we have made in establishing our first manufacturing plant in Bahrain. We are excited to begin our operations and to take advantage of the opportunities within the Gulf market. The EDB has been supporting us from the start in our endeavour.

**Neville D'Souza**

General Manager, Armacell Middle East Company (AMEC)

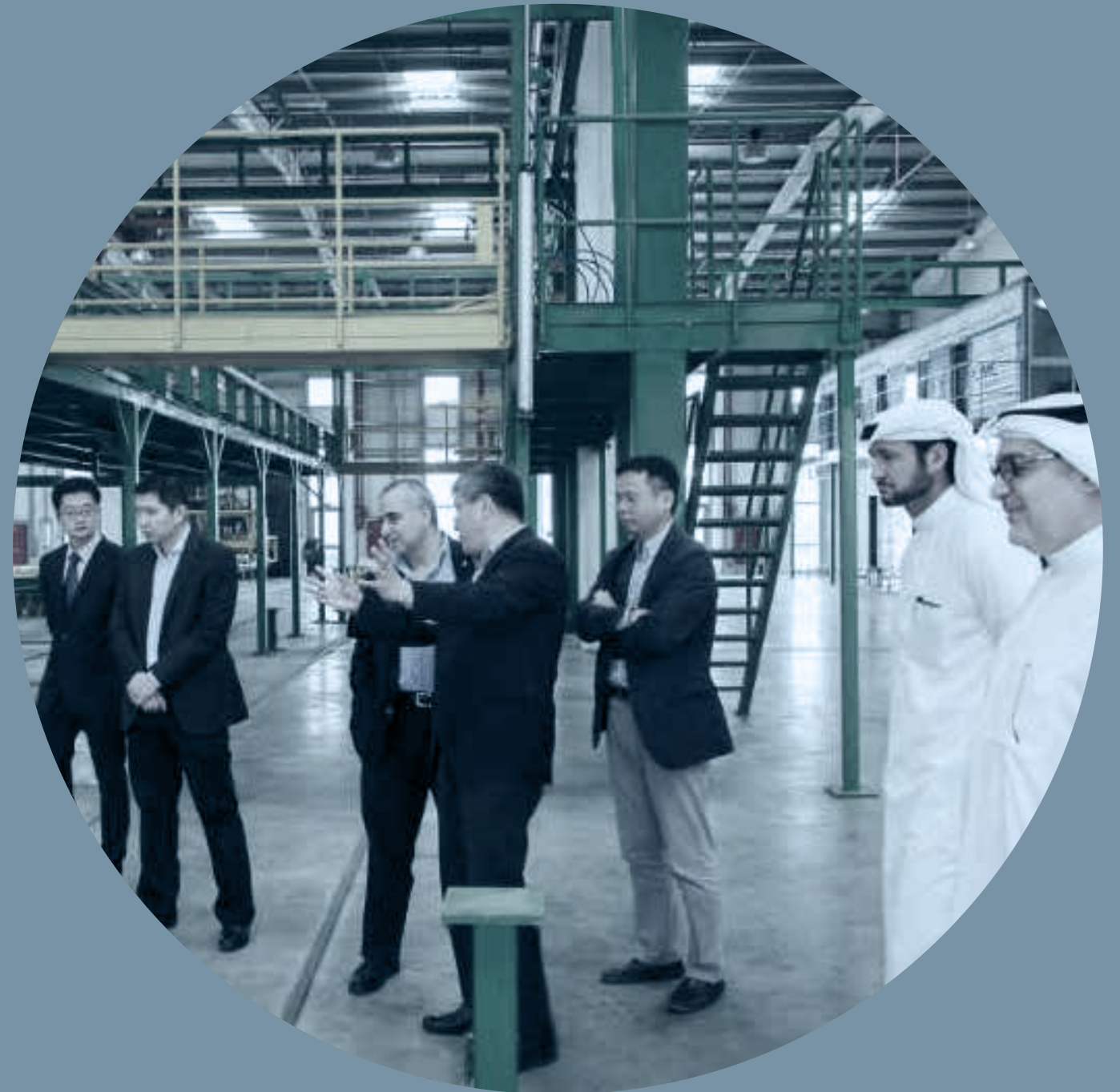




## CIMC trailers roll into Bahrain

Further cementing the Kingdom's close economic ties with China, Bahrain EDB was delighted to support CIMC Vehicle Group – part of China International Marine Containers (CIMC) – in their decision to build a new reefer trailer manufacturing and export facility in Bahrain; only their third outside of China. The world's largest container and trailer manufacturer, CIMC produce temperature-controlled reefer trailers are used to transport perishable goods.

A diversified group worth almost USD 8 billion, CIMC has over 300 member businesses, 60,000 staff and a sales network covering more than 100 countries. They join the many leading Chinese companies established in Bahrain, including Bank of China, China CommService, China Harbour Engineering Company Ltd, CPIC, ChinaMex, Jinluo Water and East Star Group.



**Financial  
services**



# Financial services

As the most established financial hub in the Gulf region, Bahrain has developed a large and diverse national skills base and a strong infrastructure for financial services.

One of the key focuses for 2016 has been preparing for a future in which Fintech and Islamic Fintech will play an ever more important role.

Roundtables between industry representatives, the Central Bank of Bahrain, and Bahrain EDB were held in May and September. The objective of these forums has been to enhance collaboration among relevant stakeholders to improve payments infrastructure and boost innovation in the sector.

The Central Bank of Bahrain also made great strides working towards creating a regulatory sandbox for FinTech companies launching in 2017, likely to involve regulations on crowd-funding, easier processes for setting up businesses, and appropriate, efficient, non-punitive bankruptcy regulations.

As Bahrain EDB strives to shape Bahrain as an emerging payments centre, the industry can in turn deliver broader economic benefits for the Kingdom. Among other things, the efforts in this area are designed to support and encourage start-up activity in the payments space, most notably for apps, an opportunity supported by Bahrain's 185% mobile penetration rate.

# Financial sector in Bahrain

Bahrain's Financial Services sector was one of the largest contributors to the Kingdom's real economic output in 2016, second only to the Oil & Gas sector

1<sup>st</sup>

to develop and implement Islamic Finance Regulations

to pioneer Sukuk Issuance – the Central Bank of Bahrain is the first Central Bank to develop and issue the instruments

to develop a robust, focused regulatory framework specific to Takaful and Retakaful



Contribution to Bahrain's  
**Real GDP**



Contribution to Bahrain's  
**Non-Hydrocarbons** sector



404

**Financial institutions**

102

**Banking institutions**

*Assets: USD 191 billion*

25

**Islamic banks**

*Assets: USD 25.3 billion*

# 2016 highlights: Financial services

## Laying the foundations for FinTech

Spearheaded by Bahrain EDB, 2016 saw Bahrain push forward with initiatives that will make it the Gulf's FinTech hub.

These initiatives will unlock opportunities for international Payment Service Providers (PSPs) and payments support services to meet Bahrain's growing demand for payments solutions:

### **Crowdfunding regulation**

Developed in conjunction with the Central Bank of Bahrain to enable the establishment and growth of both equity and debt-based crowdfunding activity. Launching in 2017.

### **FinTech Regulatory Sandbox**

A favourable regulatory framework to allow start-ups and FinTech firms to test innovative new products and concepts. Launching in 2017.

### **Pre-paid cards**

A number of key changes to the Central Bank of Bahrain's rulebook on the use of pre-paid cards driven by Bahrain EDB's Payments Roundtable.

# Islamic finance reinterpreted at global forum

Hosted by Bahrain EDB in June 2016, the General Council for Islamic Banks and Financial Institutions (CIBAFI) Global Forum welcomed delegates from over 28 countries to exchange ideas and strategies for the enhancement of regulation, governance, innovation, social responsibility and investments in the Islamic Finance sector.

The CIBAFI Global Forum is the latest addition to Bahrain’s busy roster of Islamic finance events, which already includes the World Islamic Banking Conference and the AAOIFI World Bank Annual Conference on Islamic Banking & Finance.

## Islamic finance in focus

The Bahrain Islamic Finance Sector is the 2nd worldwide in Islamic Finance Development after Malaysia.

1<sup>st</sup>

**Sharia governance**  
**Regulations**

**Value**  
(Islamic banking assets to GDP)

2<sup>nd</sup>

**Awareness**  
(conferences, seminars and news)

**Knowledge**  
(education and research)

Nurturing Islamic Finance since **1970s**

Host to the **largest** concentration of Islamic Financial institutions

Source: Thomson Reuters Islamic Finance Development report

# Mastercard launches BIBF Payment Academy

Ahead of opening its new dedicated office in Bahrain in May 2017, payments giant Mastercard agreed a first-of-its-kind collaboration with The Bahrain Institute of Banking & Finance (BIBF) to help professionals in the payments industry. As part of the deal, Mastercard Academy Middle East and Africa (MEA) will develop an academic and training module to enhance technical performance and leadership qualities, and bring new talent from Bahrain and the GCC region to the payment sector.





ICT

# ICT

One of Bahrain EDB's key priorities for 2016 has been developing an environment in which technology start-ups can flourish.

Building on Bahrain's already impressive credentials as a regional ICT hub, a strong digital ecosystem will in turn encourage technology-focused entrepreneurship, drive innovation, and attract further investment to the Kingdom. The arrival of several incubators and accelerators has been a central element of this strategy which is already paying dividends.

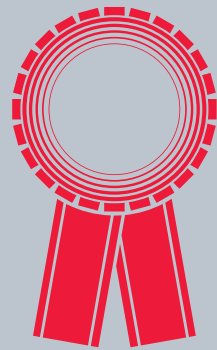
The launch of the nationwide StartUp Bahrain initiative, is further testament to the progress made in 2016.

Technology collaboration between Bahrain and China was also strengthened thanks to agreements signed in September at the Shenzhen-Bahrain Business Forum. While an MoU with the Galaxy Institute for Innovation and Entrepreneurship will see an ongoing exchange of ideas on innovation, as well as entrepreneurship-related laws and regulations.

Chinese tech giant Huawei, established in Bahrain since 2009, has also committed to key initiatives to improve security through virtual solutions as well as working to develop the Internet of Things in Bahrain.



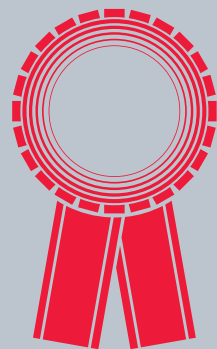
# Bahrain's ICT credentials



Telecommunications  
Infrastructure Index

**1st in MENA | 11th globally**

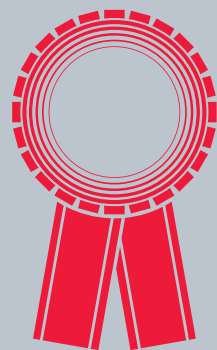
United Nations E-Government Survey 2016



E-Government  
Development Index

**1st in MENA | 24th globally**

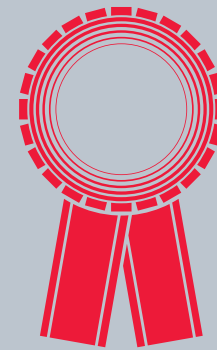
United Nations E-Government Survey 2016



ICT Development Index

**1st in MENA | 27th globally**

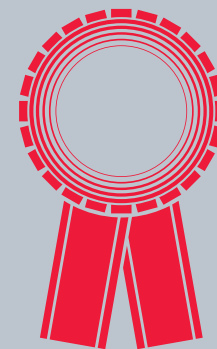
Measuring the Information Society Report (ITU) 2015



Mobile Network  
Coverage Rate

**1st in MENA | 1st globally**

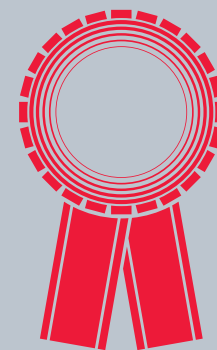
The Global Information Technology Report (WEF) 2016



Government Online  
Service Index

**1st in MENA | 7th globally**

The Global Information Technology Report (WEF) 2016



Mobile Broadband  
Internet Subscriptions

**2nd in MENA | 4th globally**

The Global Information Technology Report (WEF) 2016

# 2016 highlights: ICT

## MENA's first 'Cloud Accelerator'

With the support of Bahrain EDB, international technology investment specialist C5 Accelerate Ltd. has implemented the region's first Cloud-based Accelerator programme in Bahrain.

Up to ten initial Bahraini start-ups will be invited to work for four months at the Cloud Accelerator premises in Manama, where they will formulate a Cloud-based commercial strategy. Participants will benefit from interacting with fellow programme members, receive training in strategy and business principles, and be mentored by C5 and its network of global business leaders.

At the same time, the businesses can apply for funding from the Cloud Accelerator's USD 100 million allied venture capital fund, the Gulf Technology Corporation, which C5 will manage.



# StartUp Bahrain

The need to galvanize the Kingdom's plans for a thriving ecosystem of technology start-ups was given added momentum by the launch of the StartUp Bahrain initiative in 2016.

StartUp Bahrain is a community programme that brings together entrepreneurs, corporates, investors, incubators, and educational institutions, to promote start-up culture in Bahrain, with support from government entities like Bahrain EDB, Tamkeen and Bahrain Development Bank.

While having a focus on technology, the initiative seeks to help and promote start-ups in every sector and stage. Areas of focus are: community, incubators, funding, education, corporates and policy & regulation. Efforts are being made in each pillar to make Bahrain a great place to start-up and scale companies regionally and globally.

The StartUp Bahrain brand, which has been developed to reflect the youthful energy and excitement inherent to entrepreneurship, will play an important role in defining Bahrain's unique proposition in the mind's of young businesses.

StartUp Bahrain has already been promoted at various key trade events in 2016, and will launch a new website in 2017.

The logo for StartUp Bahrain is displayed within a dashed blue rectangular border. The word "STARTUP" is in a light blue, sans-serif font, with a red upward-pointing arrow integrated into the letter "U". Below it, the word "BAHRAIN" is in a bold, red, sans-serif font.

# Key StartUp Bahrain events

## International events

### **Web Summit Lisbon**

**7-10 November**

More than 50,000 delegates and 15,000 companies from 166 countries attended 'Europe's largest and most important technology marketplace'. Bahrain was the only GCC country present.

### **RiseUp Summit Cairo**

**9-11 December**

This globally attended event connects MENA entrepreneurs with funding and growth partners. Over three days, industry leaders and investors shared experiences, provided support and planned investment.

### **ArabNet Riyadh**

**12-14 December**

A forum that focuses on building the next digital frontier. The Saudi Arabian digital economy is evolving fast and Bahrain demonstrated why it is the ideal operational base for Saudi entrepreneurs and start-ups.

## Bahrain events

### **Tenmou MENA Angel Investors Summit Bahrain**

**22-23 November**

Brought together attendees from entrepreneur programmes, accelerators and angel investors. More than 40 MENA start-ups pitched ideas and deals worth USD 4 million were triggered.

### **Seedstars MENA Bahrain**

**13-15 December**

At this regional seed stage start-up competition for emerging markets, more than 300 founders, investors and entrepreneurs from MENA, Europe and the US learned what Bahrain has to offer.





Major opportunities exist for tech entrepreneurship in the Middle East. Middle Eastern organisations were among the earliest adopters of cloud services when AWS launched in 2006. The decision to open one of the first AWS offices in the Middle East, in Bahrain, speaks to the creativity, innovation, and forward thinking we see across all of the Bahrain economy from start-ups through to government institutions. We are excited to bring our team to Bahrain to help the country to grow its economy.

**Amazon Web Services**



# **Section 6: Newly established companies**







The launch of the new Bahrain facility is part of our wider strategy to ensure proximity to our GCC and North Arab market. Bahrain is located at the heart of the Gulf market with excellent transport and logistics connections throughout the region. We are expanding to meet the GCC's rising demand for water treatment products and services. We are excited to work closely with organisations like the EDB to ensure our success.



**Mr. Rajesh Sharma**

Chairman and Managing Director of Ion Exchange

# Section 7: New legislation

# New legislation

2016 saw several important regulatory initiatives designed to enhance Bahrain's unique value proposition as a liberal but well regulated platform for business in the GCC.

## **1 Implementing regulation for the Commercial Register Law**

Modernizes the modalities of corporate registration and mandates an electronic process through a designated website.

## **2 Amendment to the Implementing regulation of the Commercial Companies Law**

Provides for shelf companies and sets out the annual reporting requirements for WLL companies. Partners are authorized to acquire stakes in competing companies unless forbidden by articles of association.

## **3 Cabinet Resolutions No. 49 and No. 50**

Further liberalized foreign ownership regulations through new criteria for 94 activities that allow for 100% foreign ownership as well as 12 others where foreign participation is capped at 49%. The fully liberalized sectors include various kinds of ICT activities, metals casting, oil and gas services, and air freight.

## **4 Law No. 18 of 2016 on Investment Limited Partnerships**

Provides the legal framework for the creation of partnerships for Private Investment Undertakings, Collective Investment Undertakings, securitization, and captive insurers. The law is intended to make it easier for companies to raise capital by allowing them to establish financial investment funds.

## **5 Legislative Decree No. 22 of 2016 on Protected Cell Companies**

Introduces new corporate structures that can carry out Private Investment Undertakings, Collective Investment Undertakings, securitization, and captive insurance. The law allows for existing companies to be converted into cell companies with the consent of the Central Bank. The cell structure can reduce the costs of set-up and management of companies

## **6 Legislative Decree No. 23 of 2016 on Trusts Law**

Covers all types of trust structures (not just financial as the old law). It is designed to facilitate estate planning, charitable activities, and financial activities, such as securitization

## **7 Supreme Council of Health Resolution No. 26 of 2016**

On the Assessment and Accreditation of Private Hospitals

## **8 Double taxation treaties ratified with Cyprus and Portugal**