



Information and Communications Technology

BUSINESS
friendly
BAHRAIN

1 Introduction: The Middle East's most liberal ICT market

Welcome. We thank you for your interest in Bahrain's ICT market.

Our information and communications technology (ICT) sector's liberal business policies and advanced infrastructure make us stand apart in the Middle East, both as a thriving domestic marketplace and as a base for accessing the growing regional market.

Bahrain's high mobile and Internet penetration rates create opportunities, as does the fact we are a leading financial services centre. When it comes to tapping the region's robust ICT growth, you benefit from our proximity to the Middle East's largest markets, as well as our innovative ICT policies and status as the Arab world's freest economy.

All of this explains why leading global ICT companies are selecting Bahrain as their base in the Gulf, and why inward investment increased by 12% 2012-13.¹ Other reasons would include low costs, our position as an excellent testing ground for local markets and our large number of free trade agreements.

These companies aren't alone: the UNCTAD World Investment Forum ranks Bahrain sixth globally for inward investment on a per capita basis.

Best access to Gulf telecom and technology growth:

We give you the best access to the Gulf's growth market for ICT products and services. This includes mobile, with one of the world's highest penetration rates at over 120% and projected 10.2% CAGR growth to \$6.47 billion by 2020.²

Positioned between Saudi Arabia and Qatar, both of which are investing heavily in diversifying their economies, we are an ideal base for companies seeking to tap into rising regional ICT spending.

During the recessionary period of 2008-2009, while global ICT spending contracted, ICT spending in the Middle East grew by 6.6%; in the GCC, government and private sector ICT spending is forecast to reach \$318 billion by 2015.³

Governments also plan to lay an additional 60,000 kilometres of fibre-optic cable as part of a \$2.5 billion investment aimed at developing world-class telecommunications networks.⁴

Bahrain is the closest country to Saudi Arabia, and all of the Gulf markets are less than an hour's flight away. Access to every market in the Middle East is quick and efficient – by air, road and sea.

By 2020, forecasters have estimated that the Gulf economy of 36 million consumers will have expanded to be worth \$2 trillion.⁵

“Bahrain provides one of the most energetic environments for software development and solutions firms. Its talented workforce and forward-thinking policies enable companies to carve ambitious strategies for their business and broaden their regional presence.”

CP Gurnani, President of International Operations at Tech Mahindra, India's 6th largest software exporter.

A regional pioneer:

Having identified ICT as a key strategic sector for Bahrain, the government's policies have made us a regional leader in the development of telecommunications and the Internet.

Bahrain's commitment to the sector and its infrastructure are widely recognised. We were ranked in the top 30 countries worldwide for the fifth consecutive year in a leading international technology report, and first in the region for networked readiness. The report also ranks Bahrain fourteenth in the world for the use and development of ICT and tenth for the number of Internet users.⁶

The 2009 Total Country Connectivity Measure (TCCM) report, commissioned by the Arab Advisors Group, found that Arab broadband Internet markets have registered very positive growth. The TCCM is calculated by adding the household mainline penetration, cellular penetration, and Internet users' penetration rates in each country.

Of the 19 countries surveyed across the Arab world, Bahrain ranked second.⁷

In 2013 Bahrain launched a nationwide high-speed 4G network (LTE – Long Term Evolution) enabling download speeds up to 100 Mbps faster than the previous 3G mobile network.

The Middle East's freest market:

Ongoing reforms and regulatory improvements have made Bahrain the freest economy in the Arab world for 19 consecutive years.

Today, the Index of Economic Freedom ranks us number 13 worldwide, and the only country from the MENA region to feature in the top 20, ahead of G7 economies such as Germany, France and Japan, as well as the major developing markets like China and India.⁸

In addition, we were the first Gulf state to liberalise our telecommunications market, in 2004, and the only Gulf country that imposes no restrictions on Voice over Internet Protocol (VoIP).

In Bahrain, you can retain 100% foreign ownership and benefit from one of the region's lowest tax regimes. You can also freely repatriate capital, profits and dividends.

The ICT sector in the Middle East experienced 10% compound annual growth between 2006 and 2011. It has the potential to reach \$173 billion and 7.5% of GDP by 2015.⁹

We have bilateral trade and economic agreements with more than 57 countries, including China, France, India, Singapore and the UK.

Our Free Trade Agreement with the United States has particular benefits for ICT companies, allowing you to exchange technology expertise and create opportunities for outsourcing software development.

ICT companies already here

Many large ICT companies are choosing to take advantage of our favourable business environment and to base their regional headquarters here.

- Cisco
- Hewlett-Packard
- Huawei
- Microsoft
- Software AG
- Tata Consultancy Services
- Tech Mahindra
- Zain

Leading the Middle East in ICT innovation

1864: 1st Middle Eastern country to connect to Indo-European telegraphic cable

1962: 1st to install a mainframe computer, at Bahrain Petroleum (BAPCO)

1969: 1st to install a satellite station, at Ras Abu Jarjour

1992: 1st to digitise national and international telephony switches

1995: 1st to launch an Internet service

2001: 1st to hold an online referendum

2004: 1st to liberalise telecommunications market

2005: 1st to introduce smartcards

2006: 1st launch 3G and 3.5G high-speed mobile broadband services

2007: 1st to provide nationwide WiMax wireless network

2008: 1st to provide nationwide NGN (Next Generation Network) in the world

2010: 1st in the Middle East in a United Nations e-government survey

UN e-government special award: one of only three countries to make significant progress in improving its e-service and service delivery through e-participation¹²

2012: 2nd in the Gulf and wider Middle East in a United Nations e-government survey; ranked 36th of 192 countries worldwide by the UN Global e-government readiness survey for citizen access and inclusion¹³

2013: Launched e-Tendering system enabling suppliers to bid online for government contracts

2 Supporting ICT innovation and infrastructure

It is no accident that Bahrain is highly regarded for world-class ICT infrastructure and e-participation.

In the past five years, our forward-looking ICT policies have greatly enhanced our information technology performance. Our infrastructure gives you world-class international connectivity, making Bahrain an excellent location for hosting and managing regional content. We have a combination of undersea cables and satellite links. New undersea cables are continually improving international connections and driving down the price of Internet bandwidth.

A leading international study recently ranked us in the top 30 countries worldwide for our network readiness.¹⁰

The report highlighted Bahrain's business-friendly market environment, high individual readiness, outstanding government readiness and usage, and top-class e-government usage.

Liberalisation of our telecommunications market has been a resounding success, and our developing market is rich with opportunities. Bahrain had 1.7 million mobile subscribers at the end of 2011 representing a mobile penetration rate of 133%, while more than 85% of households have fixed broadband connections. Between 2010 and 2011, the number of people subscribing to broadband increased by 42%.¹¹

Making business easy:

Our government is committed to developing the ICT sector through forward-looking policies and investment.

It has announced a new e-government strategy from 2016 designed to benefit businesses and individuals, for example through active customer engagement and innovation.¹⁴

We have adopted a liberal approach to regulation while investing heavily in our nation's ICT infrastructure and education, and introduced several initiatives to encourage ICT skills development. For instance, Batelco is developing a Technology and Innovation Centre to support entrepreneurs and businesses in generating innovative ideas,

applications, devices and services. As a result, there are significant opportunities for ICT companies in broadband, mobile and cloud computing.

Broadband:

Both fixed and wireless broadband are widely available in Bahrain. Between 2010 and 2011, the price of broadband dropped by 40%, according to the 2011 Retail Price Benchmarking Study of Telecommunications Services across 22 Arab countries. Its 2013 report indicated that Bahrain is competitively positioned for both residential and business broadband services.¹⁵

Household broadband penetration and Internet use are rising steadily.

At the end of Q1 2014, there were around 1.7 million broadband subscribers, indicating a broadband penetration of 134%.¹⁶

Growth has been largely driven by mobile use; mobile subscribers comprise 90% of total broadband subscriptions.

Mobile:

At the end of Q1 2014, there were 2.25 million mobile subscribers in Bahrain – an increase of 2% over Q4 2013, representing 176% mobile penetration (based on 2013 mid-year population estimated by CIO at 1,274,800).

Pre-paid subscriptions made up 81% of all mobile subscriptions, increasing at twice the rate of post-paid over the same period.

Cloud computing:

In February 2012, Thinspace and Mantech Computers announced an exclusive partnership to accelerate the adoption of cloud client computing technology among enterprise customers in Bahrain.

The partnership also targets the whole of the GCC.

3 How the Economic Development Board can help

The Bahrain Economic Development Board (EDB) is a dynamic public agency with an overall responsibility for attracting inward investment into Bahrain, and is focusing on target economic sectors in which the Kingdom offers significant strengths.

Key areas of focus include manufacturing, ICT, and logistics and transport services as well as other sub-sectors.

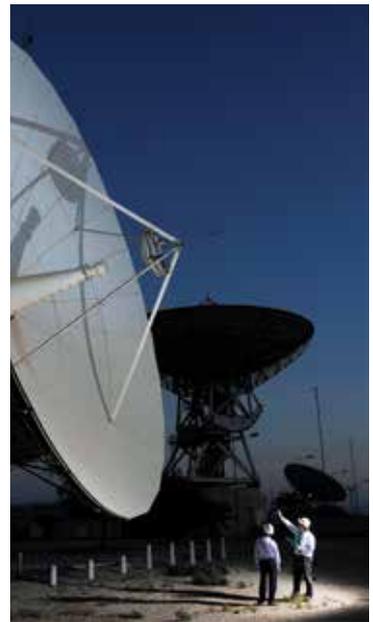
The Financial Services sector in Bahrain is particularly strong and the EDB supports in the continuing growth of the banking industry and key sub-sectors, including Islamic Finance, Asset Management, Insurance and Re-Insurance.

So what does this mean for you?

- We offer a no-cost practical facilitation service for first-time investors, and ongoing support to businesses already here.
- We can act as your first point of contact in the Kingdom.
- We can discuss incentive packages to make the set up even more attractive.
- We do our best to understand your objectives and respond to them efficiently, providing all the information you need to set up your business quickly and smoothly.

In short, we are here to help you.

Welcome to Bahrain.



1 Bahrain Economic Development Board, Bahrain Economic Quarterly, June 2014
2 Frost and Sullivan
3 Kuwait Financial Centre – Markaz GCC ICT 2012
4 IDC Middle East and Africa Government Sector Top 10 Predictions, March 2011
5 Economist Intelligence Unit, The GCC in 2020: Outlook for the Gulf and the Global Economy, March 2009
6 World Economic Forum, The Global Information Technology Report 2014
7 Arab Advisors Group, 19 August 2009
8 Heritage Foundation/Wall Street Journal Index of Economic Freedom, 2014 (178 economies assessed in the 2014 rankings)
9 Booz & Company

10 World Economic Forum, Global Information Technology Report 2009-10 (133 countries analysed in the rankings)
11 The Telecommunications Regulatory Authority Annual Report 2010
12 Al-Watan, 23 May 2014
13 UNPACS (United Nations Public Administration Country Studies)
14 TradeArabia, 14 February 2013
15 Kingdom of Bahrain, Telecommunications Regulatory Authority, 2013 Telecommunications Retail Price Benchmarking Report for Arab Countries
16 Kingdom of Bahrain, Telecommunications Regulatory Authority, Quarterly Market Indicators, Q1 2014

4 Bahrain for ICT: summary

- The Middle East's most liberal information, communications and technology (ICT) market, with the strongest infrastructure
- Best access to high-growth Gulf market
- Robust track record, with forward-looking plans for technology and broadband infrastructure development
- 0% taxation, no free zone restrictions
- 100% foreign ownership
- Low cost of operation and living
- No restrictions imposed on Voice over Internet Protocol (VoIP)
- Excellent test ground for products, due to small, diverse population
- Active US Free Trade Agreement enables highly credible intellectual property legislation
- One of the region's highest mobile and Internet penetration rates

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