



MARKET INTELLIGENCE REPORT 2018



FOREWORD

The market intelligence report was commissioned by the Construction Industry Development Board (CIDB) for the benefit of Malaysian construction and infrastructure industry players who have interest to pursue construction opportunities and projects in Bahrain. This report should serve as a valuable guide prior to embarking on any ventures in the said country. The scope covered in this report have been agreed with CIDB. It shall be taken as comprehensive or absolute due to limitation on availability of public data.

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CHAPTER 1

BAHRAIN AT A GLANCE



Bahrain at a Glance

Bahrain is a remarkable Kingdom with an impressive economic development rate. Within just five decades since its independence, it has already acquired the status of a developed country with a population of just 1.5 million, over 95% of whom are literate.

An island country in Western Asia, Bahrain is located in the Persian Gulf, between Qatar peninsula and the north eastern coast of Saudi Arabia. Its official language is Arabic, and the currency is Bahraini dinar (BHD) which is the second-highest-valued currency unit in the world. Bahrain had the first post-oil economy in the Persian Gulf and is now home to many multinational business firms and has a Free Trade Agreement (FTA) with the United States, the first of its kind in the Middle East.

Bahrain has benefited from its oil and gas industry and banking investments greatly as it was named the world's fastest growing financial centre by the City of London's Global Financial Centres Index in 2008 and has been recognised by the World Bank as a high income economy.

1.1 Brief History

Bronze age - 600B.C

Bahrain was occupied by the Dilmun civilization and became a vital trading centre during the Bronze Age era. Shortly after 600 B.C., Dilmun was incorporated into the new Babylonian empire and Bahrain was widely known as a pearling centre.

1521 - 1784

Bahrain came under the control of the Portuguese in 1521. The Portuguese were expelled by the Persian Empire in 1602. Bahrain finally came under the rule of the Al Khalifa family, a branch of the Bani Utbah tribe in 1783.

1830s - 1835


In the 1830s, Bahrain was established as a British Protectorate in exchange for British protection from the Ottoman Turkey. The main British naval base in the region was moved to Bahrain in 1935 shortly after the start of large-scale oil production.

1968 - 1971

Bahrain attempted to be part of a union of Arab states in 1968 after the British Government decided to end their treaty agreements. Bahrain became fully independent on August 15, 1971 after failing to achieve mutual agreement in forming the union.

2012

Formerly an emirate, Bahrain was declared a Kingdom in 2002 with Hamad bin Isa Al Khalifa as its first self-proclaimed King.

Indicators	Bahrain	Malaysia
Flag		
Establishment	<ul style="list-style-type: none"> ▶ 1830s (Established as a British protectorate) ▶ 15 August 1971 (Independence proclaimed for Bahrain) ▶ 14 February 2002 (Officially declared as a Kingdom) 	<ul style="list-style-type: none"> ▶ 31 August 1957 (Independence from the British Empire proclaimed for the Federation of Malaya) ▶ 16 September 1963 (Proclamation of Malaysia)
Population	1,425,171	31,360,000
Land Area	765 km ²	30,803 km ²
Population Density	1,863.0/km ²	92 km ²
Unemployment Rate	3.7%	3.5%
Exchange Rate	USD 1 : BHD 0.38	USD 1: MYR 4.23
Government	Arab Constitutional Monarchy	Federal Parliamentary Constitutional Monarchy
Head of State	King, Hamad bin Isa Al Khalifa	Monarch, Sultan Muhammad V
Head of Government	Prime Minister, Khalifa bin Salman Al Khalifa	Prime Minister, Najib Razak
GDP (Nominal)	US\$31.86 billion	US\$296.4 billion
GDP per Capita	US\$22,354	US\$9,503
Top 5 Export Markets	<ol style="list-style-type: none"> 1. Saudi Arabia 2. United Arab Emirates 3. Unites States 4. Japan 5. Qatar 	<ol style="list-style-type: none"> 1. Singapore 2. China 3. United States 4. Japan 5. Thailand
Top 5 Import Markets	<ol style="list-style-type: none"> 1. United Arab Emirates 2. United States 3. China 4. Japan 5. United Kingdom 	<ol style="list-style-type: none"> 1. China 2. Singapore 3. Japan 4. United States 5. Thailand



Bahrain at a Glance



1.3 Geographical Overview

An island country strategically located between Saudi Arabia and Qatar

The Kingdom of Bahrain is a small island country, considered part of the Middle East. It is an archipelago made up of 33 natural islands, lying in the Arabian Gulf of Bahrain off the north shore of Asia's Arabian Peninsula. Bahrain's capital city is Manama. The islands are about 24 kilometres off the east coast of Saudi Arabia and 28 kilometres from Qatar. The total area of the country is about 780 square kilometres.

Bahrain Island is the biggest island in Bahrain and makes up about 83% of the kingdom's land area, comprising of 590 square kilometres. Most of the island is low-lying and barren desert and is surrounded by several of the Middle East's large petroleum fields and commands a strategic position amid the Persian Gulf's shipping lanes.

Most of the population lives in Manama (located on the northern tip of Bahrain island). The weather in Bahrain is generally hot as per Malaysian standards where the temperatures can rise up to 37 to 40°C during the summer months, which is from April to October. Due to few occasional rainfall and the absence of rivers, streams or lakes, the three key water sources in Bahrain are groundwater, desalinated water and treated wastewater.



1.4 Institutional & Governance Structure

A constitutional monarchy with full authority vested upon the King

Bahrain resembles the structure of a typical constitutional monarchy whereby the King has full authority over everything. The government is appointed by the King and the sovereign ministries are controlled by his family members. Bahrain also has a bicameral legislature, the National Assembly, consisting of the appointed consultative Shura Council and the elected Council of Representatives, each with forty members, serving four years terms.

There are very few liberalisation attempts in Bahrain and even the 2011 reformist camp, led by the Crown Prince Salman himself has been overshadowed by Khalifa Bin Salman, the Prime Minister, to discourage further attempts that may topple the country's political stability. Bahrain's judicial system is based on both Islamic law (Sharia) and practice and on a Common Law model introduced by Britain prior to independence.



One of the least populated country in the world

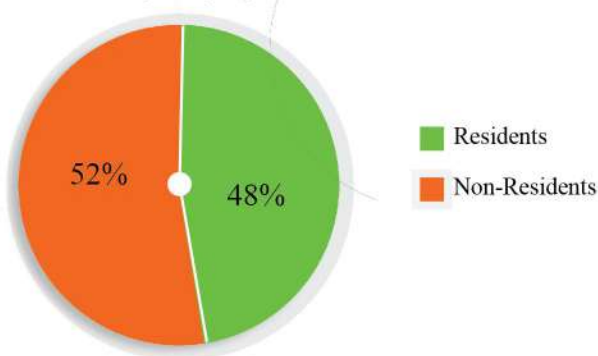
The estimated 2016 population of Bahrain is 1.43 million according to World Bank Data, a clear increase from the 2010 official census population of 1.23 million, one of least populated country in the world. However, Bahrain is the 4th most densely populated sovereign state on earth. Bahrain is extremely urbanized at almost 89%, especially in the northern region where it resembles a fully developed metro area.

Population of Bahrain for the Last Decade (2006 – 2017)

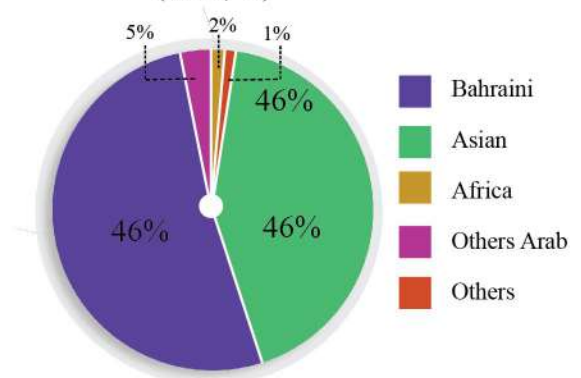


Most of the population of Bahrain is concentrated in Manama and Al-Muharraq. Most of the non-residence are Asians of which, the largest expatriate community is Indians, representing almost 20% of Bahrain’s total population. Shia Bahrainis are the majority of the national population with Sunnis being the ones in power. The largest age group is 25 to 54 years old, who makes up 56% of the total population. Also, there are more males (61%) than females (39%).

Population Breakdown (2016, %)



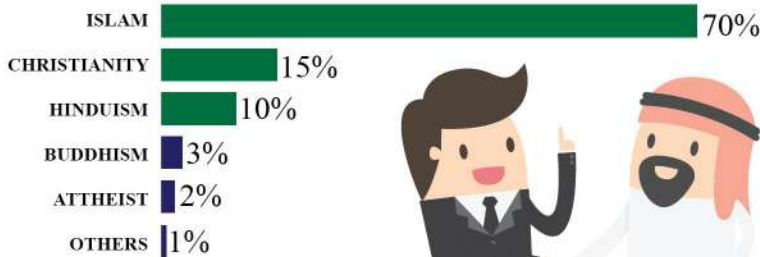
Ethnic Groups (2016, %)





Muslim majority with Arabic as the official language

Arabic is the official language of Bahrain, but English is also widely spoken as it is frequently used in business and is a compulsory second language in schools. Farsi and Urdu are the most common languages among the non-Bahraini population. Most of the populations are Muslims. The other three major religions in Bahrain are Christianity, Hinduism and Buddhism.



1.6 Economics

Open economy with one of the highest-valued currency in the world

Bahrain's finance industry is very successful. In 2008, Bahrain was listed as the world's fastest growing financial centre by the City of London's Global Financial Centres Index. Bahrain has an open economy and its currency is the second highest-valued currency unit in the world. According to the 2017 Index of Economic Freedom, Bahrain has the 4th freest economy in the Middle East and North Africa region and is the 44th freest economy in the world.

Oil sector constitutes majority of the nation's economy

Bahrain has the smallest economy among any member of the Gulf Cooperation Council (GCC), mainly due to its relatively sparse population and dwindling oil reserves. In spite of several attempts by the Bahrain Government to diversify its economy, the oil sector still comprises 86% of Bahraini budget revenues. Bahrain now has one of the lowest international unemployment rates after successful major employment and labour market reforms that managed to reduce the unemployment rate from 16% in 2006 to 4% in 2014.

In 2004, Bahrain signed the US-Bahrain Free Trade Agreement (FTA), the first of its kind among the gulf states. The government is planning a "Privatization program" where several government assets would be sold to make them private to generate more income.

95th Largest Economy by GDP (nominal)

44th Freest Economy in The World

US\$22,354 GDP Per Capita, 2016

US\$32 Billion GDP, 2016

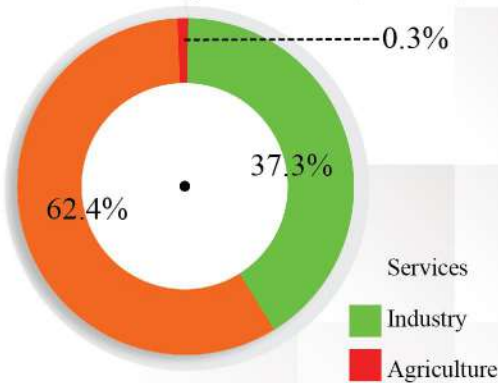




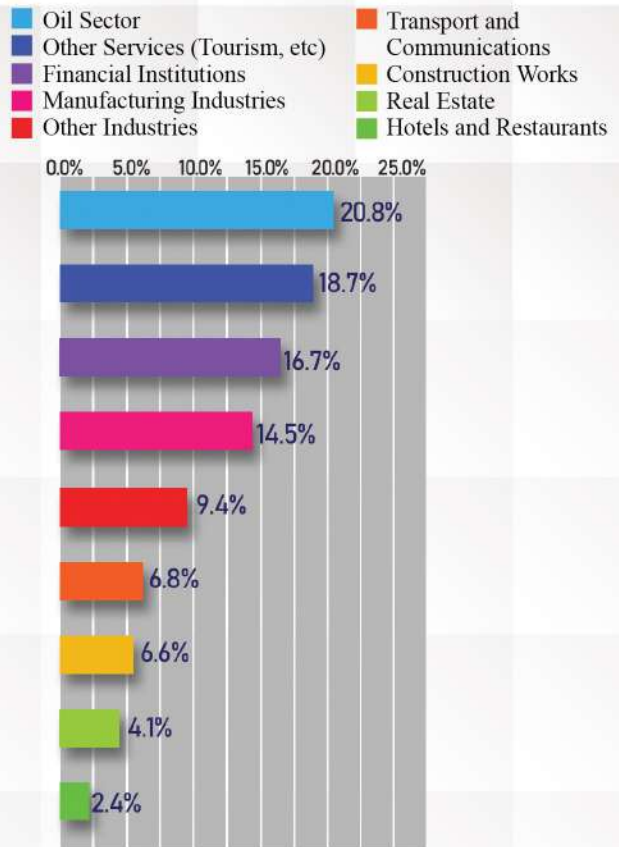
Services sector is the key driver for Bahrain’s economic growth

Being a manufacturing and service export-oriented economy, Bahrain’s services sector, which accounts for 66% of the GDP, has become increasingly significant. Since the 1960s, the Kingdom of Bahrain embarked on an economic diversification programme through the promotion of other natural resources such as natural gas, and attracted foreign investments and industries; including the aluminium industry. Today, the services sector, particularly finance and tourism have been key drivers for Bahrain’s economy and an important aspect in its economic diversification.

GDP Breakdown by Industries (2017, %)



GDP Contribution by Sectors Breakdown (2017, %)



Banking and Tourism industries are the highest income generators for the nation

At this point, agriculture industry in Bahrain is practically non-existent; with a GDP contribution of a mere 0.3%. This is understandable considering Bahrain’s geographic condition which is characterized by its lack of water and high salinity levels in the soil that hinders plant growth. Bahrain’s economy is mainly made up of heavy industries and services which make up 37.3% and 65.9% respectively. This can be attributed to the country’s lack of natural resources other than the finite crude oil.

Bahrain’s service sector includes Islamic and offshore banking, insurance and tourism, with tourism being one of the highest income generators among them with more tourists entering the Kingdom every year, and banking being the top GDP contributor.





Bahrain at a Glance



1.7 Current Standing

Bahrain is the 2nd easiest country to do business in the Middle East and North African regions

World Bank has ranked Bahrain's ease of doing business at 66th position among 190 nations and categorized it as a High Income country. The Ease of Doing Business index looks at 10 indices and Bahrain has managed to stand at the Top 100 percentile for most of the indices.

World Bank Ease of Doing Business
(Top 5 Middle East & North Africa, 2018)

Ranking	Countries
21	United Arab Emirates
66	Bahrain
69	Morocco
71	Oman
83	Qatar



Bahrain's global competitiveness level is below par among the Gulf countries

In the Global Competitiveness Index published by the World Economic Forum (WEF) however, Bahrain has been ranked 44th. The country's business environment remains largely unchanged with persisting challenges related to the macroeconomic environment, and in particular the large fiscal deficit, and also to some aspects of security, innovation and market size. Bahrain's major problem is the market size due to small population of the country.

WEF Global Competitiveness Index
(Top 5 Middle East & North Africa, 2018)



Ranking	Countries
17	United Arab Emirates
25	Qatar
30	Saudi Arabia
27	Malta
44	Bahrain

Expat Explorer has placed Bahrain among Top 10 most preferred places for expatriates

On a more positive note, according to the "Expat Explorer" survey conducted by HSBC in 2016, Bahrain ranked first among Arab countries and 9th globally as a preferred place for expatriates to work and live in. In the Doing Business Report issued by the World Bank in 2013, Bahrain is 4th in the Arab World and 42nd globally. For ease of issuance of building permits, Bahrain is again ranked 1st in the Arab world and 7th globally. The country has been nominated as 18th freest economy by Heritage Foundation 2016 Index of Economic Freedom.



CHAPTER 2

BAHRAIN'S CONSTRUCTION INDUSTRY BACKGROUND



Bahrain's Construction Industry Background

2.1 Market Size

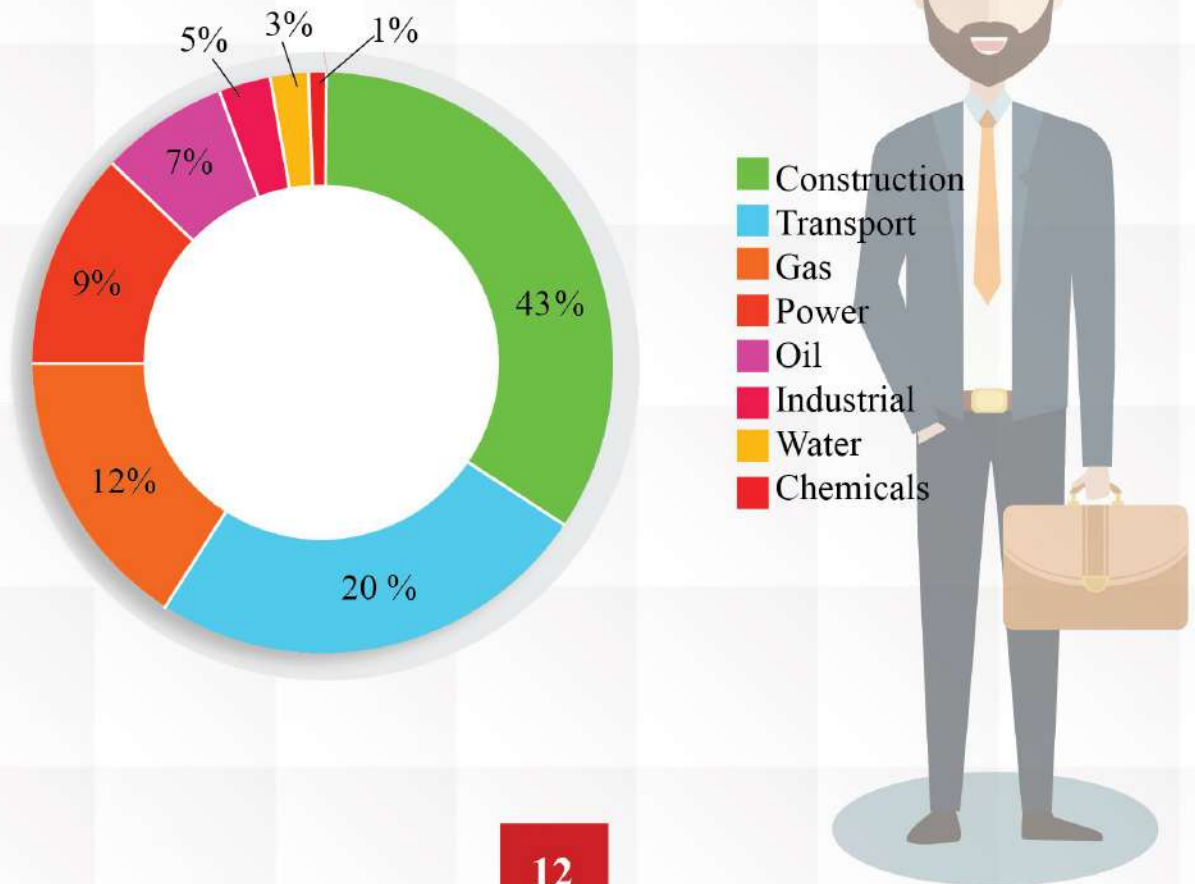
Bahrain's construction market size is valued at US\$94 billion, contributing 6.6% to its GDP

The reduction in oil prices has greatly affected government's investments on infrastructure projects. In 2016, the six Gulf Cooperation Council (GCC) states (Qatar, Saudi Arabia, Kuwait, Oman, UAE and Bahrain) have recorded just \$100 billion worth of awarded contracts compared to \$177 billion worth of projects approved in 2015, according to Middle East Economic Digest (MEED)'s 'The 2017 GCC Projects Forecast and Review' research report. Contract awards have steadily declined from the peak of \$186 billion achieved back in 2014. The sharp decrease, which made 2016 the worst year for project activity since 2005, is due to the governments' decision to severely reduce project expenditure to manage the lower revenues.

Bahrain's construction sector has managed to gain momentum after the country's struggle with previous financial crises. The government is now investing heavily in the construction sector. The value of active construction projects in Bahrain is estimated to be US\$ 94 billion according to Business News for Construction (BNC).

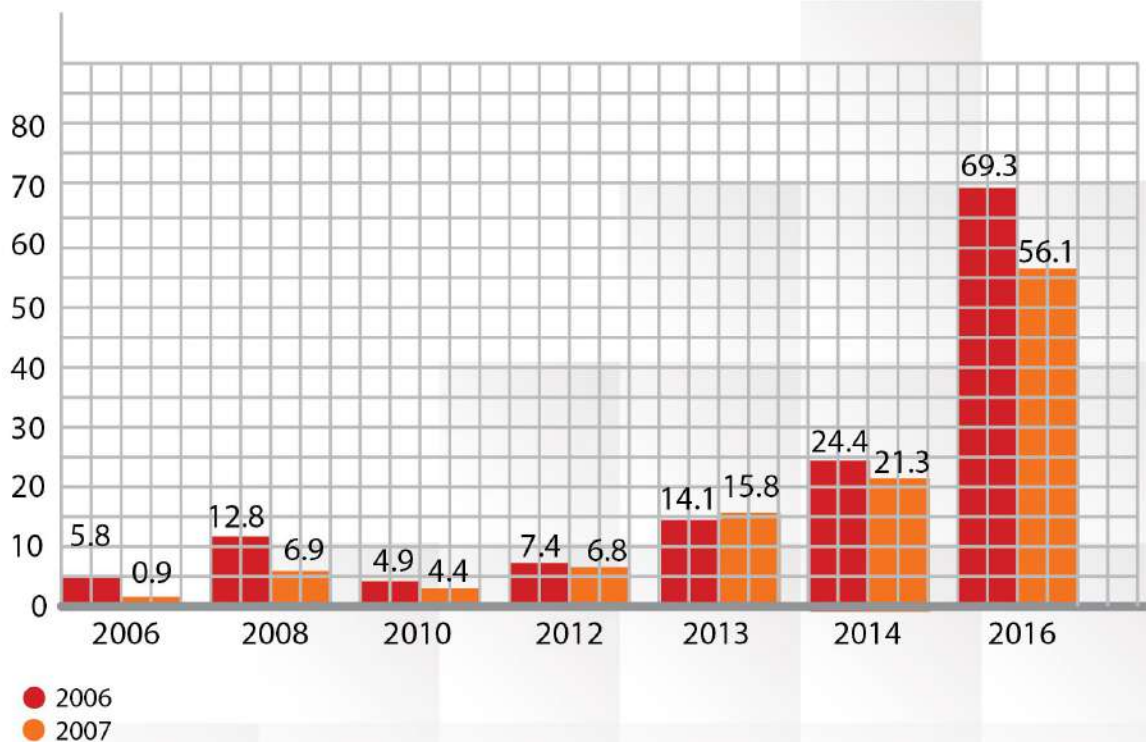
The construction sector in Bahrain currently contributes 6.6% to the local GDP and is expected to increase by 4 to 6% in the near future. Several private contractors has benefitted from the government's Economic Vision 2030 plan as they undertake several expansion and construction projects with more tenders getting approved by the government. The country has managed to more than double its Foreign Direct Investments from 2015, though Bahrain's project value for the first half of 2017 is considerably lower than that of the first half of 2016 (US\$0.9 billion vs US\$ 5.8 billion respectively).

Contracts awarded in 2016 across the GCC countries by sectors





2016 vs 2017 (Q1 & Q2) comparison of GCC contract awards (US\$ Billion)

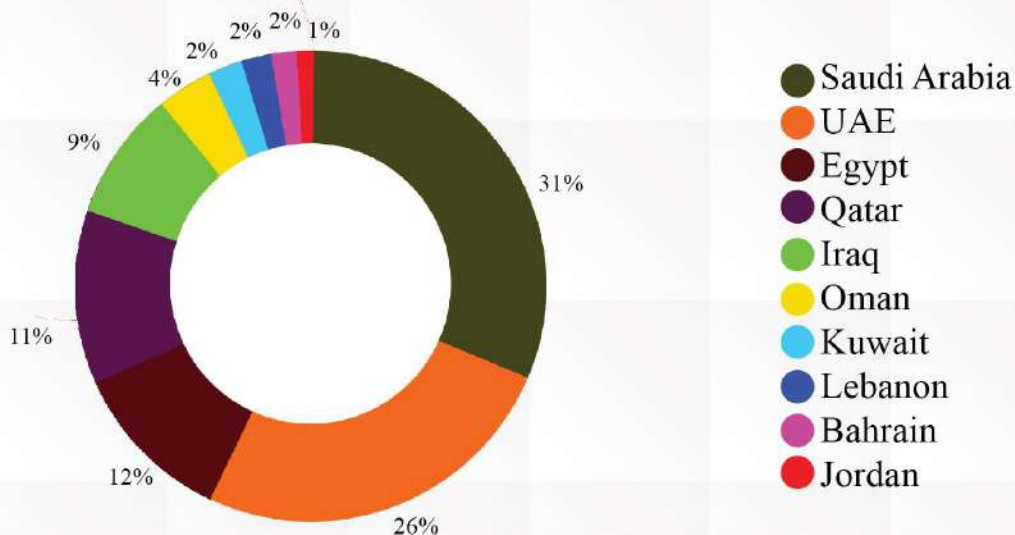


2.2 Industry Players

Bahrain's construction market share among Gulf countries amounts to less than 2%

Based on MEED Data, projects worth a total of US\$56.1 billion have been awarded to the GCC States during the first half of 2017. Out of this amount, Bahrain's share is US\$0.9 billion which is equivalent to 1.6% of the total GCC share. According to IMF National Statistics, Bahrain makes up only 2% of the Middle East construction market, whose insignificant share is largely attributed to its small population. Bahrain's project values are also very little compared to other Gulf states where Bahrain's is only US\$3.2 billion as opposed to Saudi Arabia's which is US\$49.8 billion.

Bahrain's Share in Regional Construction Market





Marginal growth in construction industry's contribution to GDP

Although the number of contracts awarded to Bahrain for the first half of 2017 is lower than 2016, there has been a clear increase in the output of Bahrain's construction industry, whose contribution towards the country's GDP has increased over the past years, albeit slightly, from 6.7% to 7.0% in the span of three years from 2012 to 2015.

The country's attempt in diversifying its economy is apparent when the non-oil growth rate has been taken into account, which stands at 4.3% for Q2 2017. While the low oil prices are expected to hinder the growth of industries due to lower income generated and a Year-on-Year contraction, Bahrain's construction industries are nevertheless expected to expand.



2.3 Top Sectors



Industrial and Infrastructure are the most active construction sectors in Bahrain

According to Bahrain Economic Development Board (EDB) Bahrain's non-oil sector has generated 80.7% of the country's real GDP. Bahrain's most active type of constructions are industrial and infrastructure due to the country's efforts to diversify its economy and modernization of its existing industries. Residential construction is also catching up with the country's attempt on providing affordable housing to middle class Bahraini citizens. Most of Bahrain funding for its constructions comes from the GCC Funds and also from neighboring Middle East Countries.

Construction business norms in Bahrain have shifted its focus towards completion time

The construction business norms in Bahrain have always prioritized price negotiations with the contractor, with on-site work beginning only after a mutual agreement on the price has been reached. With the current increase in international investors, the priority has been switched to time where the most crucial decision factor is finishing the construction works punctually and other negotiations coming after it.

2.4 Projects Snapshot

Bahrain is one of the Top 5 target markets for Malaysian players in Middle East

Bahrain has been one of the popular target markets for Malaysian players in the Middle East, where 15 out of 156 projects undertaken in the Middle East are in Bahrain. Most of the top projects carried out in Bahrain by Malaysians are infrastructure constructions which mostly involve the construction of bridges.

Top 10 Target Markets for Malaysian Players

Ranking	Top 10 (Middle East) – No. of Projects	Top 10 (Middle East) – Project value	Top 10 (Global) – No. of Projects	Top 10 (Global) – Project value
1	UAE	UAE	Sri Lanka	India
2	Qatar	Qatar	India	UAE
3	Saudi Arabia	Saudi Arabia	Combdia	Qatar
4	Bahrain	Bahrain	UAE	Saudi Arabia
5	Syria	Syria	China	Indonesia
6	Afghanistan	Jordan	Singapore	China
7	Iran	Yemen	Thailand	Bahrain
8	Jordan	Iran	Qatar	Australia
9	Oman	Oman	Vietnam	Brunei
10	Yemen	Afghanistan	Indonesia	Sudan

Bahrain also has the 7th highest project investments by Malaysian players globally

Based on both number of projects and project value, Bahrain sits at 4th position amongst the Middle East countries with United Arab Emirates leading the pack. While Bahrain is not featured in the Top 10 countries for Malaysian players by project quantity globally, it truly shines when it comes to project value where Bahrain is the 7th country with largest project investments by Malaysians at US\$1.6 billion.

Overseas projects undertaken by Malaysian Players (2016)

Country	No. of Projects	%	Projects Value(US\$ Million)	%
Bahrain	15	9.6%	1,618.64	12.4%
Middle East	156		13,079.75	

It appears that the projects planned in Bahrain carry a higher value than the other Middle East countries since Bahrain's project value makes up 12.4% of the overall value of the projects in Middle East. But based on number of projects, Bahrain makes up less than 10% of the overall projects, signifying the higher value of each contracts awarded.



Bahrain's Construction Industry Background

Top 10 Projects undertaken by Malaysian Players in Bahrain

#	Project Type	Project Type	Year Award	Year Completed	Contract Value (US\$ Million)
1	Highway (Bridge)	Replacement of Sitra Causeway Bridge.	2006	2011	627.43
2	Residential	Construction and Completion of The Public Private Partnership (PPP), Bahrain Affordable Housing Project for Naseej. BSC. Kingdom of Bahrain.	2013	Ongoing	380.00
3	Mixed Development	The Bahrain City Centre in Manama. GN3000- Main Contract works.	2006	2008	182.86
4	Building (Recreation and Sport)	Bahrain International Formula One (F1) Circuit.	2002	2004	167.43
5	Commercials	Design and Build The Diplomat Commercial Office Towers.	2008	2012	70.00
6	Commercials	Hotel Company BSC, Diplomat Hotel. The Bahrain City Centre Kempinski and Ixir Hotel Works Package 3230- Hotel Fit Out in Manama.	2008	2010	66.82
7	Highway (Bridge)	Highway Link to Durrat AlBahrain.	2004	2006	53.94
8	Highway (Bridge)	Bahrain Corridor Improvement Project, Seef Flyover at North Manama.	2003	2005	28.57
9	Residential	19 Floor Seef Mall Service Apartment Building.	2006	2009	14.29
10	Building	Formula One(F1) Circuit in Kingdom of Bahrain.	2002	2004	10.00

Source: CIDB Database



**Bahrain's Top 5 Infrastructure Projects as of 2016**

No.	Projects	Value
1	<p>Bapco Modernisation Programme</p> <ul style="list-style-type: none"> • After receiving bids from four consortia led by Fluor, Technip, JGC, and CB&I, Bapco will soon award the key EPC contract for its modernization project which is expected to be completed in 2020 and make Bapco one of the Middle East's most competitive refineries. 	US\$ 5 BILLION
2	<p>Alba Line 6 Expansion Project</p> <ul style="list-style-type: none"> • Bahrain's biggest Aluminium company Alba has managed to secure its financing for Line 6 expansion which should boost production, expected to start in 2019, increasing the aluminium production capacity by 540,000 tonnes a year and improve job opportunities. 	US\$ 3 BILLION
3	<p>International Airport Expansion</p> <ul style="list-style-type: none"> • This project includes both expansion with new extensions and modernisation and has reached 40% completion thus far. • This project will boost cargo capacity to 2 million tonnes annually by 2030. • This is part of a long-term Master Plan that includes a new cargo zone and a new terminal for 14million passengers. 	US\$ 1.1 BILLION
4	<p>Bahrain LNG Import Terminal</p> <ul style="list-style-type: none"> • The construction is planned to start soon with GS Engineering & Construction as the contractor. • The project is expected to double the country's import capacity to 800 million cubic feet per day. 	US\$ 655 BILLION
5	<p>AB Pipeline</p> <ul style="list-style-type: none"> • AB Pipeline is a 115km crude oil pipeline between Saudi and Bahrain. • It will increase transport capacity up to 400,000 barrels per day. • Tenders for its construction has been issued and work is about to start soon. 	US\$ 325 BILLION

Bahrain's Construction Industry Background

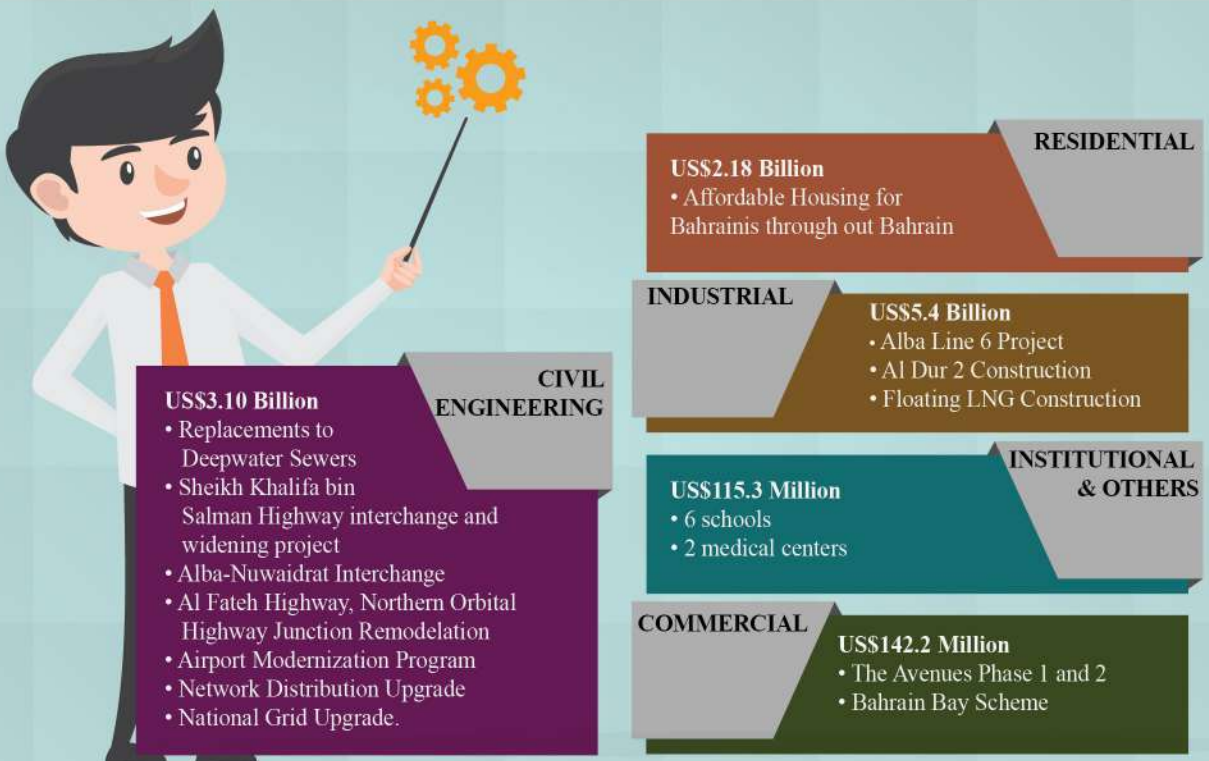
2.5 Industry Trends & Outlook

For the last five years, Bahrain's construction output has increased with an average annual growth of 5.2% and 2016 saw the industry's output increasing by 1%. Following this trend, the industry is expected to grow with infrastructure, residential and energy sectors being the major growth contributors, especially with the country's immense focus on diverting its source of income away from oil and gas industry. Non-oil sector is expected to drive that growth. The government has also planned a multi-million dollar "Sheikh Khalifa bin Salman Highway interchange" and widening infrastructure project which ought to increase the rate of tourists and contribute to economic growth.

Appetite towards Foreign Contractors

Bahrain has one of the simplest procedures for obtaining a building permit across the Gulf and also one of the lowest building and construction costs. This gives potential Malaysian Players a greater ease of entry as there are fewer procedures to be carried out, though it also makes it more competitive as numerous people can gain access. With the country's Economic Vision 2030 and the nation's current focus on the non-oil sector, there are wide-array of sectors to invest in and also more opportunities for foreign contractors to gain tenders with the rise in construction across Bahrain.

In order to achieve its Economic Vison 2030, Bahrain would need to carry out several major infrastructure projects, which provides ample opportunities for Malaysian contractors to secure projects in Bahrain. In the first five months of 2017, Bahrain is estimated to have invested US\$2.3 billion for construction projects.





CHAPTER 3

INDUSTRY ASSESSMENT





STRENGTHS

- Lowest setup and operating costs for a logistics business in the Gulf Cooperation Council (GCC).
- Lower costs for utilities, accommodation, construction, manpower and other operating expenses.
- Bahrain permits 100% foreign ownership of industrial projects and the establishment of representative offices of foreign companies with no local sponsor.
- Free repatriation of capital, profits and dividends.
- Lower port charges compared to all other ports in the Gulf.
- Excellent Networking and market access where it is the 1st in MENA Entrepreneurs Networking and 7th in Market Connectedness.

WEAKNESSES

- Geographically speaking, Bahrain is just an island and the economy is dependent to a large extent on the economies of Saudi and Qatar.
- Localization mandate – the “Bahrainisation” program is being pursued aggressively and a number of job categories have been made mandatory for locals only.
- Due to small population, the market is extremely competitive.

OPPORTUNITIES

- Bahrain is widely regarded as the best-regulated financial centre in the Middle East, offering excellent opportunities in mutual funds, fund administration, project finance, private banking and asset management.
- The Bahrain market is fragmented with the government focusing on other sectors to increase its GDP providing ample opportunities for Malaysians especially in the field of infrastructure development.
- New markets and technologies that provide excellent start-up for Malaysian players.
- The government is also focusing on International Expansion to increase its FDI inflows.
- Bahrain’s community is open and forward-thinking, and have proved to be a great testing ground for the introduction of new technologies to the region. With that, Bahrain has experienced a fast innovation.

THREATS

- Religious clashes between the Shiites and the Sunnis provide instability and a future threat to progress of the economy.
- As the markets in Bahrain increases, there is a growing competition which leads to lower profits.
- With the declining oil prices, the country’s regulations are subject to change more often with increased interest rates as the country is trying to lower its deficit.

► Industry Assessment

► 3.2 PEST Analysis

POLITICAL

- Bahrain's government mostly constitutes of the Al-Khalifa family.
- Bahrain's Prime Minister is the longest serving Prime minister in the world.
- According to World Bank's World Governance Indicators (WGI), Bahrain has a percentile score of 18.1 out of 100 compared to Malaysia which has scored 50 for 2016 Political Stability and Absence of Violence/Terrorism.
- There are still tensions between the Sunnis and the Shiites in Bahrain.
- Transparency International has ranked Bahrain 70th out of 176 countries (and Malaysia at 55th) in its Corruption Perceptions Index 2016.

ECONOMIC

- Vibrant free-market economy with 100% foreign ownership.
- Free-Trade Agreement (FTA) with the US.
- The 2017 Index of Economic Freedom ranks Bahrain as the 44th freest economy in the world with Malaysia at 27th.
- One of the most competitive, innovative and dynamic business environment in the Middle East.
- Strong and stable currency value.
- Interest rates and labor costs are expected to rise in general due to low oil prices.

SOSIAL

- Bahrain's passport is ranked 53rd in the world with Malaysia's at 6th in the Passport Index.
- High population density.
- High standard of living, but at a lower cost.
- High literacy rate, with good command of English since English is a compulsory second language in Bahrain.
- Affordable cost of living for all which leaves more disposable wealth.

TECHNOLOGICAL

- United Nations E-Government Survey 2016 placed Bahrain 11th globally in its Telecommunications Infrastructure Index.
- WEF's 2016 Global Information Technology Report placed Bahrain 1st globally for Mobile Network Coverage Rate and 7th for Government Online Service Index.
- Speedtest Global Index has placed Bahrain at 62nd and 79th for Mobile and Fixed Broadband speed respectively for October 2017 and Malaysia at 70th and 62nd respectively.



CHAPTER 4
KEY LEARNINGS FOR
MALAYSIAN PLAYERS



▶ Key Learnings for Malaysian Players

▶ 4.1 Industry Regulator

The Economic Development Board (EDB) of Bahrain is a public agency whose responsibilities include attracting foreign investments and provide practical facilitation service for first-time investors for free. The EDB works with both the government and investors, and focuses more on Bahrain's advantageous sectors which include financial services, ICT, manufacturing and tourism. They offer consultancy to both local and international business start-ups. Their purpose is to *"help new businesses take advantage of the Kingdom's key strengths and establish long-lasting, successful roots."*

Visiting the Bahrain Investor's Centre can also be beneficial in obtaining extra information as it is a vital part of the country's Ministry of Commerce. All building and construction applications has to go through the Bahrain Ministry of Works, Municipalities Affairs and Urban Planning.

▶ 4.2 Procedures to Obtain Municipal Building Permit

Bahrain offers the opportunity to apply for Building Permits online. According to AECOM Project Management, permit procurement for municipal buildings in Bahrain involve three stages:

1. Getting the Preliminary Building Permit

- ▲ This permission is sought from the Municipality of Bahrain.
- ▲ Main requirements: Simple outline of plans, overall height cross-sections and an area statement.
- ▲ Main agencies: The Municipality, the Physical Planning Directorate and the Roads Directorate are the main authorities involved for obtaining this permit.

2. Notifying several Directorates

- ▲ The contractor should first contact the Centre Planning Office (CPO) of the Ministry of Works.
- ▲ The following Directorates must be notified of the building construction in writing: The Town & Village Planning Directorate, Roads Directorate, the Civil Defence and Fire Services Directorate, the Electricity Distribution Directorate (EDD), EDD Damage Protection and Control Unit, the Sanitary Engineering Operations and Maintenance Directorate, the Water Distribution Directorate and Batelco.
- ▲ Until the final Building Permit has been received, Title Deeds copies and all other relevant documents and information must be conveyed to each of the above Directorates.

3. Obtaining the Final Municipal Building Permit

- Each of the Directorates will process the permit in a particular sequence.
- The Municipality One Stop Shop should be contacted initially where all relevant document and drawings, and filled Municipality forms must be submitted along with the allocated fees for each Directorate.
- Municipal charges cover the site sign board along with its insurance, insurance for Construction Contract (refundable) and also the fees for road occupation.
- A reviewing fee will also be charged if the Environmental Affairs Department are involved.
- Building Materials suppliers need to get their materials accredited from the Building Materials Directorate, which will grant the ISO/IEC 17025:2005 Certificate for qualified materials. The Ministry also performs regular and random checks on building materials used in construction sites to improve the quality of construction materials in the Kingdom.

4.3 Doing Business in Bahrain

- Favourable tax system where no taxes will be charged on income, sales, transfer, capital gains or estates for non-oil sector, though companies involved with the oil and gas sector have a tax rate 46% of the net profit for each accounting period.
- Immigration policies which attracts internationalized workforce to the point where more than half of the population are non-nationals.
- Free Trade Agreement (FTA) with the US.

Credit Rating: BB+ [Standard & Poor]

Economic Situation:

- Fairly stable political system.
- High income country; serves as a regional hub for trade and financial services across the Middle East.
- The most vulnerable GCC country due to limited savings with the low oil prices and increasing deficit levels.
- Very strong banking sector and promising growth in construction.

Lending Interest Rate: 5.16% [2015]

World Bank's 2018 Ranking for Starting a Business for MENA Region

Region Ranking	Global Ranking	Countries
1	31	Oman
2	35	Morocco
3	51	United Arab Emirates
4	75	Bahrain
5	89	Qatar

According to World Bank's ease of doing business ranking, Bahrain is the second-best country in the Middle East and North Africa (MENA) region to do business. However, when it comes to starting a new business, Bahrain is the 4th easiest country across MENA to do so, although it stands only at 75th globally.

For more information, please log onto the following links:

- Investor Centre – Bahrain Economic Development Board (<http://bahrainedb.com/>)
- Commercial Registration – Ministry of Industry, Commerce and Tourism (<http://www.moic.gov.bh/en/Pages/Home.aspx>)

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