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**HIGH-LEVEL EVALUATION AND ASSESSMENT OF FUNCTIONS AND MANAGEMENT PROCEDURES
OF MODI, THE DIRECTORATE OF REGISTRATION AND PROTECTION**

SI/BAH/90/802

THE STATE OF BAHRAIN

Terminal report:*

Prepared for the Government of the State of Bahrain
by the United Nations Industrial Development Organization
acting as executing agency for the United Nations Development Programme

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* This document has not been edited.

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I. INTRODUCTION

The Government of the State of Bahrain is keen to diversify its manufacturing base to lessen its dependence on oil and natural gas. The overall objectives of the Ministry of Development and Industry (MODI) is to maximise the added value which can be created from existing natural and manpower resources in Bahrain, maximise the number of jobs which can be created for Bahraini nationals and expand the existing industrial base in Bahrain and improve its quality.

In order to attract foreign investments and Bahrainis capital in the development of the manufacturing sector, the Government has introduced a quite attractive package of incentives for the promotion such industries.

It must be realized, however, that the other partners in the Gulf Cooperation Council (GCC), Qatar, Kuwait Saudi Arabia, Oman and the United Arab Emirates are not sitting idle waiting for potentially interested entrepreneurs to approach them. Actually, all of them offers a package of attractive incentives and consequently, a fierce competition has developed over the past years on attracting investors to their respective countries.

In the case of Bahrain, it has to be acknowledged that, unfortunately, several of the incentives in their package are on the high side when compared with the other five member states as explained more in detail in the next chapter.

Moreover, some of the rules and regulation governing for instance the establishment, promotion, inspection and protection of new industries might be seen as too restrictive by prospective entrepreneurs.

It was therefore felt by the Government and MODI that it was imperative to review rules and regulations governing the performance of the Industrial Development Directorate (IDD) and also examine and analyse the factors limiting or even hindering the Directorate to perform its functions in the way it is desired by the Government, enterprises and industrialists in the country.

Consequently, the UNIDO adviser assigned to this project has

focused his attention to and has scrutinized the prevailing rules, regulations and operational procedures involving mainly these three existing sections of the IDD:

- Licensing and Protection
- Registration and Information
- Promotion and Finance

In this context, the adviser has also looked into evaluation procedures for new industries before a licence is granted and reviewed the ongoing programme on industrial incentives. The latter involving even the incentives offered by the Directorate of Industrial Areas being a part of the package offered by the State of Bahrain to potential industrialists.

Being the smallest market among the six countries forming the Gulf Cooperation Council (GCC), it is possible and even desirable from the investors viewpoint that part of their planned industrial production could and should find export channels primarily geared to the GCC markets. Consequently the UNIDO adviser felt that even this approach by MODI should be looked into, specifically as far as promotional/supporting activities and incentives offered to exporting establishments are concerned.

NB. Monetary figures for Bahraini Dinars mentioned in this report, are based on the exchange rate per November 2nd 1992 of:

BD 1.0 = US\$ 2.65

US\$ 1.0 = BD 0.378

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II. BACKGROUND INFORMATIONS

In order to assist the undoubtedly growing number of new ventures in the country, the Government has established several channels where interested parties could receive all necessary informations and be assisted in the best possible fashion. As far as the industrial enterprises are concerned four of these channels are of most interest for this UNIDO assignment:

- A. Ministry of Development and Industry (MODI)
which includes the:
 - Industrial Development Directorate (IDD) with its
 - Information and Registration Section
 - Promotion and Financial Analysis Section
 - Protection and Industrial Licensing Section
 - Directorate of Industrial Areas (DIA)
- B. Bahrain Marketing and Promotion Office (BMPO)
- C. Bahrain Development Bank (BDD)
- D. Chamber of Commerce and Industry (CCI)

Furthermore, the rules and regulations governing the Gulf Cooperation Council (GCC) approach to the industrialization process among member countries has been looked into.

Specifically, the investigations covered agreements on i.e. custom duties, imports, exports and re-exports of goods as well as incentive programmes put on stream by the various countries in order to attract local and foreign investors.

A. The Ministry of Development and Industry (MODI)

A detailed and updated organization chart for the Ministry is at present not available but attempt has been made to draft an Organogram because it is important to know the various functions in the Ministry and specifically those related to the directorates directly connected with this assignment.

The Minister of MODI, H.E. Yousuf Ahmed Al-Shirawi, has been made in charge of two distinct functions:

- Industrial Affairs (IA)
- Civil Aviation Authority (CAA)

Living the CAA aside, not being part of the assignment, under the Industrial Affairs wing, the Minister is assisted by the Under-Secretary Sh. Isa bin Abdulla Al Khalifa and the Assistant Under-Secretary Abdulla Al Thawadi and overall in charge of the five established Directorates:

1. Industrial Development Directorate (IDD)
Headed by: Mr Sager S Shaheen
2. Directorate of Industrial Areas (DIA)
Headed by: Mr Dennis McCarthy
3. Directorate of Administration and Financial Affairs (DAFA)
Headed by: Mr Jousuf Ali Al-Khaja
4. Directorate of Coordination and Information (DCI)
Headed by: Mr Abdul Nabi Mansoor
5. Directorate of Oil Affairs (DOA)
Headed by: Mr Rashid Al-Dhubaib

Only the first two Directorates will be dealt with in this report with a peripheric look at the Directorate of Coordination and Information.

1. Industrial Development Directorate (IDD)

The IDD is divided in eight (8) Sections or Desks each of them with a Section Head as follows:

- 1.1 Aluminium Industries: Mr Faisal Chebab
- 1.2 Petrochemicals and Plastics: Abdul Raheem Fakhro
- 1.3 Engineering : Mr Akbar Jaffari
- 1.4 Food & Pharmaceuticals: Mrs Fatima Al-Hassan
- 1.5 Craft : Sh. Hisham Al-Khalifa.

The Director is assisted on these five sections by an adviser, Mr Brian Garven appointed as Manager of Industrial Operations.

The remaining three Sections are:

- 1.6 Registration and Information: Mr Fuad Hassan Bushager
- 1.7 Promotion and Financ. Analysis: Mr Abdul Aziz Al-Kaabi
- 1.8 Protection and Industrial Licenses: Mr Jousef Hassan

The heads of these sections are reporting directly to the Director, the post as coordinating advisor been vacant.

IDD has also something called the Industrial Development Centre situated at the ground floor of the MODI's building where some of the products manufactured in Bahrain are on display. The IDC is not attached to any of the section and it is not recognized as a section per se.

It was established in 1989 on the recommendations of an UNIDO advisory team (Project BAH/85/002 and BAH/87/009) but when the then Directorate of Registration and Protection was re-organized in the Industrial Development Directorate, the IDC was left aside for the time being.

The more detailed background informations in this chapter will now focus on the three last sections of IDD, namely 1.6, 1.7 and 1.8, according to the job descriptions of the UNIDO adviser.

1.6 Registration and Information Section

The main objectives of this section are:

- Register in the Industrial Registry the various types of the industrial establishment who has received an industrial licence and issue a Certificate of Registration.
- See that the registred enterprises annually review their licences.
- Keep data-based records on these enterprises and make selected statistical informations available to interested parties through the publication of a Statistical Bulletin.
- Follow up the performance of the enterprises through regular inspections enforcing the "Laws Governing Industries in Bahrain" of 1984 and set forth in the Legislative Decree No 5 Chapter Two "Industrial Registry" and Chapter Three "General and Final Provisions". (See ANNEX I).

The Information and Registration Section is manned by a team of six officers with a Head of Section. Two are in the Registry and four are in charge of the Information including the Library.

The Registration Unit

No registration fees are asked for by MODI for the industrial registration but the section is facing difficulties in collecting necessary informations from the enterprises needed for a renewal of the registration. According to Chapter 17, the renewal should be made by the industrial establishment to the Industrial Registry thirty days after the elapse of one year

from the date of registration or the last renewal.

For the Registry this is apparently a time consuming exercise and not very successful. It seems that beside the provision on penalties made in Chapter 29, the industrialists are reluctant to follow the law feeling that the Government is interfering in their business. Also, they are expected to fill in several other forms from various ministries i.e. Ministry of Health, Labour, Finance, Commerce etc. many times asking the same questions as IDD.

Moreover, they are reluctant to hand over informations which could by "mistake" fall in the hands of competitors, even if according to article 27, the officers in charge are to maintain confidentiality in these matters.

This applies specifically to chapter 28 where it is stated that authorized officers from the Registry are allowed to inspect the establishments and have access to their records and documents. This in order to ascertain their fitness to operate in accordance with the granted licence.

However, the officers of the Registration Section are fortunately quite flexible and nobody has so far been fined for not strictly following the re-registration rules.

The time needed for registration is laudable short. For instance, provided the only two pages long registration form (See ANNEX II a and b) is duly completed with all necessary details and supported by evidence asked for, the company could be registered the same day.

The "fast-track" for licensing and registration, newly established, is for 7 days. This provided following is submitted to the Ministry of Commerce and Agriculture

- Complete Registration form
- Memorandum and articles of Association

- Board Resolution to establish a company in Bahrain
- Registration Fee (varies pending on the kind of company to be established)

To complete registration formalities, applicants should provide within 90 days:

- Memorandum and articles of Association
- Most recent Audited Financial Statements
- Power of Attorney and Specimen
- Bank references
- Approval from MODI for manufacturing industries

A booklet entitled "Formalities for Company Registration" has also been made available.

The Information Unit

All kind of statistical data are available and its database is also assisting the Licensing Section in keeping records of the applications received and/or approved before the actual registration take place.

It is interesting to note, for instance, that:

- Up to date (December, 1992), 232 manufacturing enterprises have been registered in Bahrain.
- They employed a total of 12.897 people divided in

Bahrainis : 5.149

Non-Bahrainis : 7.748

It seems that it is easier to recruit Bahrainis for administrative work than it is for technicians and general works labourers.

- Administration: 52.12 % BAH vs 47.88 % NON
- Technical : 15.31 % BAH vs 84.69 % NON
- Labour : 20.81 % BAH vs 79.19 % NON

Undoubtly a modus operandi has to be found in order to attract more bahrainis in the latter two disciplines.

Besides the fact that it might be difficult to find a skilled bahraini worker, while it is easier to "import" one, other two main reasons for this state of affairs might be, firstly, that the salary remuneration with attached fringe benefits is higher for bahrainis and secondly, if hired manpower is not performing according to expectations, it is far more difficult to dismiss a Bahraini worker than an expatriate.

The data programme is also capable of release informations, on request from interested prospective entrepreneurs, about the number of industries producing a specific product in Bahrain, the number of employees, if the companies are exporting their products etc.

For the purpose of evaluating an application, the Licensing Section, could also receive more detailed informations about the companies turn-over, production capacity and other relevant issues.

Besides the purely data based informations on existing industries the Information Unit seems to have no other functions to perform such as for instance needed pre-and post investment information services aiming at both established and potentially interested industrialists in Bahrain.

In the light of this need, a team from UNIDO (Project BAH/85/002 and BAH/87/009 - Coan & Kelly) recommended in 1989 that an Industrial Information Centre (IIC) should be established within the Ministry of Development and Industry. In view of the changes that were taking place in the Ministry concerning both its st-

ructure and staffing, an advisor from IDA in Ireland (Susi Glienke: Review of the Operation of the Industrial Information Centre) strongly recommended the implementation of this project in a report dated April 1991

The IIC was supposed to play a key role in the industrialisation process in Bahrain, but its role and function has been lost, not many people know about its existence and the situation is just drifting with no direction or management.

1.7 Promotion and Financial Analysis Section

This section has been established with the aim of firstly promote the State of Bahrain to potential overseas investors and secondly to attract Bahrainis national in investing into the industrial sector in their country. At a later stage the financial analysis desk was added because the Ministry of Finance did not agree to form a specific Financial Analysis Section.

The Promotion Unit

In this context the activities of the promotion desk could be summarized as follows:

- Arranging and assist local manufacturers in participating in exhibition and trade fairs, both locally and abroad.
- Produce promotional material such as brochures, leaflets and videos.
- Organise seminars for existing and to-be entrepreneurs
- Promote the State of Bahrain as the best solution investor could choose when contemplating the establishment of a manufacturing unit marketing their products in Bahrain, to the GCC, the Middle East and possibly other countries around the globe.
- Assist foreign delegations in founding their way

around in Bahrain as part of the promotional activities.

- Promote the law that allows the Central Stores Directorate to purchase, under certain defined conditions, equipment and products manufactured by Bahraini establishments.
- Promote products manufactured by the Bahrainis small and medium scale industries to be purchased by the large companies such as Balco, Alba and others.
- Promote Bahrainis service industries to apply and get sub-contracts from the larger industrial establishments.

As part of promoting Bahrain abroad and attracting investment in industries to Bahrain, two consultants, Mr Michael Foley and Mr Olof von Lindequist, are working the European markets on a full-time basis. Mr Foley is looking after opportunities in general covering all kind of industries while Mr Lindequist is specialised in aluminium down-stream industries. They are both acting from their respective bases in Europe but are under the supervision of the Manager for Industrial Operations and not directly attached to the Promotion Unit.

For the same purpose, one additional promotion advisor, Shaik Fahed bin Ahmed Al Khalifa, from the Promotion Unit has been made in charge of the Far East, focusing mainly on the Japanese market.

The Promotion Unit of the IDD is supposed to take care of the promotional activities of all kind of industries under the jurisdiction of MODI, but larger industries such as aluminium, petrochemicals and engineering are usually carrying out activities of their own, promoting investors in down-stream production lines through the assistance of the various specialised Sections at the IDD.

Small and medium scale industries remain therefore the main target groups of the Promotion Unit and it can be appreciated that these groups are usually the ones who badly need assistance of all kind, specifically from the very start of their operations or even before.

Very few efforts has been made in promoting bahrainis products at the Central Stores Department of the Ministry of Finance and National Economy. The same applies for promotive actions to ascertain that larger companies in the aluminium, engineering and petrochemical sector are purchasing a fair part of their yearly requirements from well established bahrainis small and medium scale industries.

The Financial Analysis Unit

Attached to the Promotion Unit, there is a Financial Analysis Unit which besides assisting in the formulation of the two-years budget for the Ministry also has other tasks to perform:

- Analyse and evaluate project profiles
- Analyse and evaluate financial reports
- Analyse and evaluate applications for protection
- Analyse and evaluate feasibility studies
- Assist in preparing pre-feasibility and feasibility studies

However, it seems that potential investors are not aware of the assistance which could be extended to them by MODI and the Industrial Development Directorate. For instance, in the 1991/1992 years budget BD 15.000 were earmarked for financial assistance for market research and feasibility studies but was unutilized.

In the budget for 1991/1992 the Unit suggested/recommended that additional allocations should be made for promotional activities and when accepted most of them were, for one reason or another, not utilized :

- Advertising (Posters, brochures, leaflets). Two brochures produced: The first was "Bahrain, Service Centre of the Gulf" and the other " Bahrain, at the world's business crossroad". Moreover one infor-

mation booklet named "Bahrain. Location for Investment". Allocation BD 2.500/year. Not fully utilized.

- International exhibitions: Budget allocation BD 4000 for 1991 and BD 5.000 for 1992. Not utilized.
- Local exhibitions and seminars: Budget allocation is BD 2.000/year but over the past two years only one one day promotional seminar was held, on attracting investors, under the auspices of UNDP and UNIDO.

The budget is made for the Ministry of Development and Industry for a period of two years from January to December but allocation of funds ends in November. The ongoing budget will end December 1992. The new budget, covering 1993-1994, has been presented but not yet approved.

The Unit, which consist in one financial analyst and two economists is at present not up to the level of being capable of preparing project profiles or making comprehensive feasibility studies, but can assist a potential industrialist on finding suitable consultants capable of professionally carry out such assignments. GCIC in Doha, Bahrain been one of its members, could assist the Unit, but a contact has not yet being made.

1.8 Licensing and Protection Section

The laws governing industry in Bahrain states (See ANNEX I) in Chapter One "Industrial Licences" that a licence is compulsory for any industrial establishment having the principal objectives of converting raw materials into fully manufactured or semi-manufactured products or turning the latter products in fully manufactuerd products. This should also include blending, assembly, packing or packaging of products through the use of mechanical power.

This section has a staff of four officers including the Head of Section. Assistance for activities involving the evaluation of applications for protection is extended

mainly by the Financial Analysis Unit and the different specialized units such as the Aluminium, Food, Pharmaceuticals, Consumer Goods, Petrochemicals and Plastics etc.

The Licensing Unit -----

It is interesting to note that the law says that when issuing a licence, the following should be taken in consideration according to Article 9:

- The country's economic needs and the possibility of local consumption and export
- Requirements of the country's development programmes
- The objectives of the establishment should not be contrary to public order or public interest
- The capacity of the local market as regard the setting up of an establishment similar to existing establishments.

Environmental issues are not listed (but should be taken care of the Ministry of Health) and it is very seldom an application for a license is rejected, resulting in too many establishments manufacturing the same item for an extremely small market. As an example it can be mentioned that fifty licences were granted for the manufacturing of aluminium window and door frames. These to cover the tiny Bharaini market.

Article 10 really interferes with plans the management and the owners might have on how to professionally run their enterprise. It is stated that:

" No modifications shall be made to a licensed establishment without the consent of the Ministry of Development and Industry. An example of such modifications shall include everything affecting the establishment's facilities whether inside or outside the establishment, or the method of operating its machinery, or the kind of know-how used therein, method of manufacture, addition of a new activity or increasing

the mechanical power used"

Actually, according to Article 12, the establishment could be closed and the industrial licence terminated by an administrative order if the establishment is "Contravening the condition of the licence", for instance one or more of the events listed in Article 10, without the consent of the Ministry of Development and Industry.

However, as in the case of the Registration Section, no establishment has so far been closed down for not following these specific aspects of the law.

Over the past year rules and regulations governing the application for an industrial licence have been made more straight forward, cutting down the time needed to a minimum. A licensing committee is to meet once a week considering the application for a temporary licence. If the application is granted the applicant is given 90 days to prepare all necessary formalities previously listed in this report under the paragraph describing the Registration Unit.

The application for an industrial licence is carried out on one page form only (See ANNEX III) and after that all required formalities have been satisfactory completed, such as lease or acquire an industrial plot, permission granted for the industry by the Ministry of Health on the plans for the factory, manpower requirements from the Ministry of labour, etc. a final license for one year is issued to the applicant.

With the industrial licence, the company can now apply to be registered at the Ministry of Commerce and Agriculture and automatically receive a Commercial licence within a few days.

The company has now one year and thirty days time to start production and within this period it has to ask the Ministry to be formally registered.

The number of licences issued during the past years shows that there is a clear increase, even if a modest one, from the investors side in the willingness to esta-

lish industrial ventures in Bahrain. Following are the figures for 1989-1992:

- 1989 : 59 Final licences
- 1990 : 62 "-
- 1991 : 80 "-
- 1992 : 50 "-

The figures for 1992 are for licences issued up to September 25th. This could be compared with the 1991 years figures of 20 for the same period.

Statistical figures which started to be issued in May, 1991 shows that only three foreign companies established themselves in Bahrain in 1991 and nine in 1992 (up to October) either as joint ventures or with 100% foreign ownership:

- August 1991 : Garments manufacturing - 100% ownership from Saudi Arabia
- October 1991 : Sweet Water Treatment - Bahrain/Kuwait joint venture
- November 1991: Pipes and fittings - 100% ownership from Jordan
- January 1992 : Aluminium wheels - Bahrain/German joint venture
- February 1992: Aluminium Foil -

- July 1992 : Leather Garments, bags etc - Bahrain/Pakistan - Joint venture
Painting, ink etc. - 100% ownership from Saudi Arabia

Garments - Bahrain/Shri Lanka Joint Venture

- September 1992:Plastics (bags, consumer goods) 100% ownership from Saudi Arabia

Plastic bottle lids - Bahrain/USA/
Germany - Joint venture

Exhibition stands in aluminium -
Bahrain/ Finland - Joint Venture

- October 1992 : Alu-sheets for offset printing -
100% ownership from Sudan.

These figures shows that much more efficient promotional work has to be carried out in order to cope with if the aims of the Ministry on attracting foreign companies to Bahrain.

The Protection Unit

To receive protection in the form of for instance higher import duties for ready made products, is a more complicated affair as it should actually be.

The unit has a form for the applicant to fill in and when returned assistance on evaluation of the application is sought to the different desks at the IDD such as food and pharmaceuticals, aluminium, engineering etc. The Financial analysts at the Promotion and Finance Section could also be involved in the evaluation process if required.

If the application is positively processed a high level committee, the National Industry Protection and Support Committee (NIPSC) appointed by the Cabinet will make its recommendation to the Ministry of Finance and National Economy who will approve or reject the application.

At present the maximum protection which can be approved is 20% on custom duties and the application has to be renewed and evaluated every year.

The Committee could also approve the restriction of imports similar to national industrial items for a specific period of time.

However, the company must assure that at least 20% of the value of the goods exports, is produced in Bahrain. This is for the first three years from the date of commencing protection and such percentage must be raised to more than 40% after five years from this date.

It is the Protection Unit job to check and evaluate the creditability of received statements with the assistance from the Financial Analysts and other parties in the IDD, before the application is handed over to the Committee.

If the company is an exporter to any or all the GCC countries it can apply on exemption from import duties in the receiving countries. However the company has to be owned 100% by Bahrainis or GCC countries citizen and in the case of joint ventures a maximum of 49% ownership could be foreign but at least 51% has to be Bahraini or GCC capital.

There is unfortunately not clear uniform rules among the GCC member countries about this kind of protection and some of the custom authorities in the neighboring countries too often create problems for Bahraini producers/exporters asking for import duties to be payed.

An other kind of protection is that of giving preference in tenders and purchases of the Government Central Stores and state owned institutions to national industrial products. This, even if the value is in excess of similar imported items by a maximum of 10% provided that such products meet the standard specifications as to kind and quality.

Producers are complaining that these rules are not followed and that on many occasions specifications are made in such a manner that it is impossible for them to be competitive. Assistance extended from the Ministry of Development and Industry in order to promote specific products to specific projects has been mentioned as extremely limited.

The rules and regulation with respect to the protection and support of national industry is illustrated more in detail in the Legislative Decree No 11 (See ANNEX J11).

2. Industrial Areas Directorate (IAD)

At present the IAD is in charge of nine industrial areas in different locations in Bahrain and on different stages of infrastructure development. These areas are as follows:

2.1 Mina Sulman Industrial Estate

The industrial estate is centrally located in Bahrain. Developed twenty years ago by the first tenants who reclaimed parts of the estate from the sea. Roads, street lights, electricity and water has been provided by the Government which is also going to complete all necessary infrastructure services (drainage, sewerage) during 1992/1993.

Total area = 74.5 hectares

2.2 North Sitra Industrial Estate

This area contains a number of enterprises which could be relocated to less developed sites thereby making fully serviced sites available for more sophisticated manufacturing industries.

The sand and aggregate importers at North Sitra also have to be relocated since their operations are not compatible with other industrial activities on the estate. The IAD has suggested that a purpose built area for sand, aggregate and other building materials be constructed on Qassar Al Qulva.

Total area = 114.7 hectares

2.3 South Alba Industrial Estate

South Alba is not centrally located and road transport

tation of goods to the main commercial port of Mina Sulman is long. A planned infrastructure development programme is scheduled to start in 1993 and is expected to be completed some two years later.

Due to its proximity to the Aluminium Smelter and the possibility of transporting molten aluminium to the estate, the area could be attractive for aluminium downstream industries

Total area = 69.7 hectares

2.4 Ma'ameer Industrial Estate

Ma'ameer is a conglomerate type of industrial estate grown up over the years with basic infrastructure installed. Large areas of this estate are occupied by construction related industries such as asphalt plants concrete block manufactureres etc resulting in a very dusty area.

Total area = 50.1 hectares

2.5 South Hidd Industrial Estates

IAD is planning to develop land east and west of the ASRY highway. The area north and east of ASRY and GIIC has been master planned and the proposed industrial area will add approximately 640 Ha of land to the Government's industrial land bank. This is a long term project which is currently being financially assessed in conjunction with the new port development.

Immediately, the IAD plans to develop an area west of ASRY Hwy (near the Hayundai plant), to provide land for (primarily) marine related industries. This area will be approximately 39 Ha.

2.6 North Refinery Industrial Estate

This estate is more or less equal to Ma'ameer and only the basic infrastructure services are being installed.

Total area = 30.0 hectares

2.7 Sitra Roundabout

Sitra roundabout west of North refinery Industrial Area and has only basic services and many varied industries, mainly car repair/service plots and construction companies.

Total area = 9.8 hectares

2.8 Arad Industrial Area

This is more a service oriented industry area rather than an industrial estate. There are 83 different establishments operating there and it is an attractive area because of its vicinity to the Bahrain International Airport. The Government has earmarked BD 1 Mill. in order to improve roads, footpaths, sewers etc.

Total area = 8.0 hectares

2.9 Muharrag Causeway Industrial Area

This industrial area is a small area tentatively built on the side of the main Manama to Muharrag Causeway. No control exists over the development due to the very restricted land available and the Government has not made any provision for further development.

Total area = 2.0 hectares

The Government's industrial land bank is almost depleted with only a few plots available for rent to new projects. To solve this critical problem of no land for future industry in Bahrain, IAD is currently discussing the possibility of additional land with the Physical Planning Directorate of the Ministry of Housing.

For instance, there are thirty plots being allocated long time ago (the allocation of some has been made about 20 years ago) but not utilized and at present laying idle. In the "good days" when plenty of land was available some people asked for and have been allocated 2 - 3 plots. Maybe they have in due course utilized one, awaiting for the chance of starting new ventures on the remaining in the future.

The IAD has newly received the permission to reclaim the unutilized plots for allocation to new enterprises and has proposed new terms and conditions for the industrial lease agreement and a different approach to rents. One suggestion is that the new companies will have to pay full rent for the first year when signing the five years contract and then two additional years will be given to them free of charge. All different proposals have been suggested by MODI and are currently being reviewed by MoFNE.

This as an incentive to reduce costs over the construction period of the factory and allowing the entrepreneurs to start production and sales before paying the rent in full.

However, the tenant has to start construction works during the first year and if not, IAD has the right to re-claim the land. This provided the company has not asked for an extension, giving satisfactory evidence on the cause for the delay.

It has also been suggested by the IAD that rents should be reviewed every five years with the minimum being the existing rate and the maximum 25% for the next 5-years period or the cumulative rate of inflation over the previous five years whichever is the lowest.

The rent costs have also been streamlined in order to be in line with the rents in other GCC states and following rates have been suggested:

- North Sitra Industr.: Annual base rent : 500 fils/sq.m.
Estate surcharge water front property :
700 fils/sq.m.

- Mina Sulman Industr.: Annual base rent : 500 fils/sq.m.
Estate surcharge for waterfront property:
200 fils/sq.m.
Incentive: until the Government has
completed infrastructure works,a
discount on rent is allowed at 40%
for the period Jan.1,1992 to Dec.31
1993.

- South Alba Ind.Estate: Annual base rent: 400 fils/sq.m.
Incentive: Until such time the
Government has completed all infr-
structural works,a discount on rents
is allowed at 25% for the period
Jan.1,1992 to Dec.31,1993.

- Ma'amer,North Refinery
and Sitra Roundabout:Same condition as for the Alba
South Industrial Estate.

- Arad Industrial Area :Annual base rent: 500 fils/sq.m.
Incentive: Until such time the
Government has completed all
infrastructure works,a discount on
rent is allowed at 40% for the
period Jan.1,1992 to Dec.31,1993.

- South Hidd West :Annual base rent: 500 fils/sq.m.
Incentive: Until the Government has
completed all infrastructural works,
a discount on rents is allowed at
40%.

- Kasserat Rock Crusher
Area :Annual base rent: 25 fils/sq.m.

- Muharrag Causeway :Annual base rent: 500 fils/sq.m.

Dahrain has officially not yet established an Export Proc-
essing Zone (EPZ) of high standards and it is therefore
difficult to attract industries manufacturing/assembly
for exports only.

Besides North Sitra and Mina Sulman industrial estates, most of the other areas are of sub-standard from an international viewpoint and will hardly attract foreign investors even if plots were made available.

Scarcity or lack of industrial plots to be provided to prospective investors is a major bottleneck for the time to come. However, the IAD has prepared and final plans have been made in developing the area adjacent to IAD's headquarter at Sitra Industrial Estate, called the Pilot Industrial Area of about 500 x 1000 meters.

Provisions have been made to provide ready built factories in a modular design capable of accomodating both larger, medium and small scale industries of various sizes. The project, costed at BD 4 Mill. (US\$ 14.8) was not approved by the Ministry of Finance mainly for lack of funds. This attitude has to be regretted because of the fact that if Bahrain want to attract investors in the manufacturing sector, it is imperative that investments in infrastructure such an estate of international standards has to be promoted with a minimum of delay.

Various plots are apparently available in an area djacent to South Albas Industrial Estate where IAD already operate a policy of preference to downstream aluminium projects. If made available this will increase the number of plots for the promotion of the down stream project in the aluminium sector. In this case plots and infrastructure such as water, electricity drainage and sewerage should be provided, living into the actual construction works to interested enterprises.

A larger project involving reclamation of land at South IDD with a new port has been considered and some provisional works have been carried out. The total area to be developed will cover about 600 hectares but it has been suggested that the work should be carried out in three phases, the first one involving an area of 200 hectares.

Summarizing, it can be said that at present there exist, undoubtedly, scarcity of available plots and they will be all taken up by the beginning of 1993. In addition to proposals for new industrial areas in South Midd, the IAD has identified 13 parcel of land, apparently not earmarked for a particular purpose and consequently could be developed in industrial plots. This provided, however, that the

Government and the Ministry of Housing agree to such use.

Until such decision is taken and the IAD land bank built up again, the situation remains critical with an increasing number of applications for land and a decreasing number of plots to lease to industrial investors.

B. Bahrain Marketing and Promotion Office (BMPO)

The BMPO was established by the Government at the beginning of 1992 having as its main objective to promote Bahrain as the gateway to the Middle East and the regions natural distribution and services centre.

Obviously, one of their major aims is to attract investment to Bahrain being in industries, commerce or tourism. An other, not less important task is to find overseas markets for Bahrainis products, find suitable new products, make contacts with joint venture and technology transfer partners and act as an overall link between Bahrain and other countries around the globe.

In order to establish a direct contact with relevant government organisations and the private business community, it is planned that the Board of Directors will be established with the participation from the Ministry of Development and Industry, The Ministry of Commerce and Agriculture, the Ministry of Finance and National Economy, the Bahrain Development Bank as well, as representatives from commercial banks and private sector enterprises.

Future activities will also include the establishment of offices in carefully selected locations, covering the european, the north american and the far-east markets. Highly qualified trade commissioners will be appointed to the various offices assisting headquarter in Manama to promote Bahrain to the outside business world.

The BMPO trade offices will cooperate with Bahrainis Embassies in their area but will be set up as independent bodies.

C. Bahrain Development Bank B.S.C. (BDD)

The bank started operating at the beginning of 1992 with a paid in capital of BD 10 Mill. (US\$ 37.Mill.) and a commitment by the Government to arrange for additional fundings of BD 40 Mill. (US\$ 150 Mill.) over a 10 years period.

The BDD can consider funding enterprises in specific sectors such as manufacturing, agribusiness, tourism, transportation, fisheries, undersea, distribution and service activities.

Both infant and established enterprises will receive the attention from the BDD and there are no limitation in financing enterprises with 100% foreign ownership. An important restriction is, however, that the companies employes a minmum of 20% Bahraini nationals the first year and that the workforce at the end of the first five years should be at least 60% of the total. At least for the time being, this could be a difficult goal to achieve.

The Banks security requirement are similar to those of the commercial banking sector but grace and loan repayment periods are longer and interest rates much lower.

Maximum loans are BD 500.000 and up to a maximum of 50% of project costs and the Bank expect that 20-25% of project costs to be financed by equity.

Help with feasibility studies, business plans or general business advice can be provided via the Management Consultancy Unit. Initial consultancy is free of charge, but formal consultancy assignment fees may be required depending on whether or not the Bank is able to make equity or loan investment.

The Bank can assist in:

- Project Finance

- Loans on Fixed Assets/Guarantees
- Loans on Working Capital/Bridging
- Small Business Support
- Equity Investment

Loans on fixed assets are based on prime rate less 3%. For working capital, prime rate less 2% and for small business support, prime rate less 4%.

Practically, loans on fixed assets for Bahraini owned companies will be 4% per annum while for non-bahraini owned enterprises the rate will be 5%. In both cases the loans could be given for a period up to eight years. As far as the working capital loans are concerned, the core portion of the loan will be extended at the same rate and time factor as per the fixed assets loan. The variable part of loan, however, will be extended for only three years at an annual interest rate of 10%.

The step taken by the Government in establishing a development bank in Bahrain was very important and will undoubtedly assist quite a good number of potential entrepreneurs to invest in industrial establishment in Bahrain.

D. Bahrain Chamber of Commerce and Industry (BCCI)

The Bahrain Chamber of Commerce and Industry is a private organization and its main objectives are to protect the interests of its members. Promote economic and financial activities, support the commercial and industrial sectors. Study economic projects and draft laws and legislations referred to it by government authorities, to comment on them and offer recommendations and suggestions to its members and the concerned authorities in all matters pertaining to economic, financial and production matters.

The Chamber's duties and functions are those usually adopted by the international chamber of commerce and industry of which the Bahraini Chamber is a member:

- Registering the names of traders and commercial and industrial establishments.
- Issuing certificate of origin to locally manufactured products.
- Attesting certificates of origin.
- Certifying invoices of goods.
- Legalising commercial, industrial and financial agencies and contracts.
- Verifying the signatures of outhorised signatories.
- Certifying the designations and character of delegates and commercial and industrial companies.
- Legalising copies of documents maintained at the Chamber.
- Attesting all other commercial, industrial and financial certificates.
- Registering arbitration awards.

The Chamber has eight Committees of which the third is the Industry Committee.

This Committee is led by a Chairman, appointed from the office of the Chamber, a Deputy Chairman who is the General Manager of Gulf Petrochemical Industries (GPIC) and the Board of Directors consist of seven members from the Bahrain industrial community.

The objectives of the Industry Committee is to:

- Study all matters related to industry referred to the Chamber and offering suggestions.
- Publish directories about industrial establishments.
- Issuing an annual report about the country's industry.
- Examine matters assigned to it by the Board of Directors or the Secretariat.
- Coordinating between the industrial sector and the competent government authorities.
- Explore and identify means and methods of supporting and encouraging the industrial sector and protecting national industries.
- Study legislations and laws promulgated by the Government on all matters related to industry and give suggestions and advice.
- Participate in Gulf, Arabic and International industrial conferences, seminars and federations.

According to quite a few members of industrial establishments interviewed during the assignment, it seems that the Chamber and the Industry Committee are not committing themselves and acting up to the required standards. Bureaucratic procedures and lack of interest from its board members have been mentioned as some of the problems.

This is apparently also reflected by the fact that among about a total of 38,000 registered establishments in Bahrain, only 3,000 are members of the Chamber of Commerce and Industry.

E. The Arab Gulf Cooperation Council (AGCC)

For a Bahraini industrialist exporting his production to the member states of the GCC, the fundamental idea of forming a common market with same rules and regulation was very appealing.

Unfortunately, almost all of the six members, the Sultanate of Oman, the United Arab Emirates, Qatar, Kuwait and Saudi Arabia still have their own rules. This applies to, for instance, custom formalities and custom duties.

Among others, Saudi Arabia has difficulties to accept official papers issued by government authorized bodies, that a certain company is owned by Bahrainis, that the exported products are manufactured to at least 40% of its value in Bahrain and consequently should enter Saudi Arabia free of import and custom duties.

The GCC has started discussions with the European Economic Community in order to be accepted as an economic entity and a common market for the six states. So far without success, one of the reasons being not having common custom duties and acceptable rules on free trade.

Moreover, even subsidies and incentives to industries differs widely from state to state and while several attempts have been made from the GCC headquarters in Riyadh to normalize the procedures, investigations made in October, 1992 by MOFNE, gives following facts:

Total cost incentives: GCC average = 4,6% of costs

Bahrain average: = 0.2% of costs

Bahrain figure are overestimated.
Actual estimate should be 0.4%

Electricity in US cents/kwh

Oman	5.2	Bahrain	3.17	UAE	2.04
Qatar	1.65	S.A	0.99	Kuwait	0.54

Land Rentals in US cents/sq.m.

Oman	130	Bahrain	245	UAE	145
Qatar	27	S.A.	2	Kuwait	54

Cost related incentives in total costs

	Total costs - US\$ M.	Cost incen. US\$	As a %
Bahrain	107.12	4.45	4.15
Kuwait	90.31	13.69	15.16
Oman	98.32	10.53	10.71
Qatar	90.2	17.79	19.72
Saudi	89.17	17.87	20.04
UAE	98.81	13.53	13.69

One additional interesting investigation was carried out: taking the plasticv industry as an example:

Impact of tariff protection and cost incentives per ton of output in US\$.

	Gain due to Tariff Prot.	Gain due to Cost Reduct.	Total Gain	Advantage over Bahr.
Bahrain	81	32	113	---
Kuwait	243	106	349	3.1
Oman	81	101	182	1.6
Qatar	64	149	213	1.9
Saudi	81	78	159	1.4
UAE	16	150	166	1.5

In attracting investors, Bahrain has to "compete" first and foremost with the United Arab Emirate, specifically the aggressively marketed and very well managed Jebel Ali Free Zone. Secondly with Saudi Arabia and its large and also well managed industrial estates/free processing zones.

However, as mentioned in other parts of this report, the review of the incentive programme and the recommendations made in the chapter "Conclusions and Recommendations" are meant of aiming at reducing the gap and not for Bahrain "to be the best" in the Gulf.

III CONCLUSIONS AND RECOMMENDATIONS

Some of the rules and regulations governing the development of industry in Bahrain has been made more flexible and attractive to both foreign and bahrainis investors over the past years. It seems that the Ministry of Finance and Economic Affairs has opened the door a few fractions allowing the Ministry of Development and Industry to enter and have proposals on improvements on the investment climate accepted.

For instance two very important steps were taken in establishing the Bahrain Development Bank and the Marketing and Promotion Office. These two institutions will allow the Ministry of Development and Industry to attract a larger number of foreign companies to settle in Bahrain and promote the operation of both foreign and local industrialists in implementing their project through agreements on soft loans for both fixed assets and working capital.

Another very important step was taken when the Ministry of Development and Industry and the Ministry of Commerce and Agriculture were allowed to streamline the procedures for licencing and registration of new enterprises cutting the necessary time down to a minimum.

The UNIDO consultant has, as the main objectives of his assignment, looked into the general strategi of industrial development in Bahrain and focused his attention into the performance of three section established under the Industrial Development Directorate. Also, investigations were carried out about connecting activities preformed by i.e the Industrial Areas Directorate and the actual package of industrial incentives approved by the Government.

The conclusions reached and the recommendations made are spelled out in the following paragraphs.

A. THE INDUSTRIAL DEVELOPMENT DIRECTORATE (IDD)

Conclusions

As shown in the attached TABLE I there are, in all, eight desks or sections under the guidance of the Director of IDD. The activities carried out of five of these desks are however coordinated by an adviser who is reporting directly to the Director of IDD.

The remaining three desks are independent sections and the head of these sections are reporting separately to the Director. There is no coordinating and advisory function between the Section Heads and the Director. The Director is an efficient but extremely busy man and consequently he can hardly spend the necessary time in managing the operations of these three sections.

Moreover, the three sections seems not to be working as efficiently as desired and there is no real coordination and cooperation among these sections and between the sections and the rest of the directorate(s). Their capability of assisting for instance to-be exporters or extending a total package of informations to investors potentially interested in establishing manufacturing industries in Bahrain, is extremely limited.

Complaints among the established small and medium scale enterprises are that very little, if any, informations, promotional or supporting activities are to be expected from the Industrial Development Directorate or its Promotion and Information Section. The only time when they hear from IDD is when they have to re-register.

Recommendations

In the light of the aforesaid and on what has been mentioned in the previous Chapter II "Background Informations" it is recommended that the organisation of the three section is streamlined as shown in the organogram on TABLE II. Implementing these changes it seems, at least for the time being, that there is no need of employing additional personnel if those available are appropriately trained.

1. Licensing and Registration Section

=====

- 1.1 Licencing and Registration should form one section, mainly because the registration unit works as a direct follow up of the activities carried out by the licencing unit and the latter could utilize the very efficient computerized data programme set up by the registration unit. (the licencing unit has no computers).
- 1.2 There is no need to change the rules governing the procedures for application of an industrial licence or for the registration. The forms are quite straight forward and the time involved is laudable short.

However, before a priliminary licence is issued, a careful analysis and evaluation should be carried with the assistance from the Financial Analysis and Evaluation Section (see paragraph 3). Also, the opinion about a new licence should be sought from the desk in charge of a specific product range i.e. food, engineering etc.

The capability of the applicant and/or his partners of running the proposed enterprise should also be taken into account and carefully investigated.

- 1.3 It should be avoided that a licence is issued for a product which is already manufactured in Bahrain in such quantities, by several enterprises, capable of covering 100% of the requirements from the market. Even if it is appreciated from the consumers viewpoint that healthy competition makes prices attractive, an additional producer could create heavy financial problems for both himself and the others and at the end of the line, the consumer will not benefit from such a situation.
- 1.4 Export oriented industries should have highest priority, specifically industries outside the main exporting sectors, metal and chemicals, at present exporting 92% of the total.
- 1.5 Activities connected with applications for protection, should be handled by the Promotion and Support Section (see paragraph 2) being a purely supporting activity.

1.6 One year after that an industry has been approved and the final licence issued, an officer from the Registration Unit should pay a visit to the establishment in order to :

- control that the industry has been set up according to the specifications and agreement in the licence.
- Provided this has been achieved, the officer should assist the company to fill in the necessary form for a registration. The registration procedures should be carried out within a week and a certificate issued.
- A report on this visit should be issued by the officer to the Head of Section spelling out the status of the visited company, progress made, if rules and regulations have been followed (in negative cases suggest remedial actions), if any specific additional assistance from IDD is asked for involving, for instance, the Promotion and Support Section. This report should be kept confidential.

1.7 There is no need for the companies to re-register after one year and thirty days, as according to the law, if no changes has taken place over the period. It will be sufficient if they re-register only when/if drastical changes occurs such as:

- Asking for protection for their products against similar imported items.
- To be exempted from import duties from the GCC, if not yet exporters according to the licence.
- When adding new products to the existing range or when increasing the capacity of producing the present ones and consequently maybe asking to be exempted from custom duties for additional machinery and raw materials.
- When employing more Bahrainis and ask for the incentives connected with this action.
- If applying for a plot in one of the industrial estates or changing adress.
- When the industry wants to utilize any of the available incentives and in this connection ask for the support from IDD.

Furthermore, it will be suggested that the Promotion and Support Section should visit the enterprises (see paragraph 2.) and in this connection the re-registration formalities could be carried out, if necessary.

The Information Unit at present being a part of the Registration Section, should be transferred to a new section called Industrial Information Section (see paragraph 4)

2. Promotion and Support Section

=====

This section will have two main functions:

- Promotional activities to attract more industries to Bahrain.

- Supporting activities to established industries.

The Finance Unit previously attached to the Promotion Section, should be made a separate section called Financial Analysis and Evaluation Section (see paragraph 3).

As previously mentioned in Chapter II, the performance of the Promotion Section is not up to the required standards.

Very little has been carried out in the past as far as promotional and supporting activities are concerned. There are some vague plans to print stickers and poster and it has also been talks about signboards at the airport arrival lounge but so far nothing has been implemented.

2.1 Promotion Unit

The Unit should work aggressively in promoting investment with both foreign and baharainis capital in new industrial manufacturing establishment at the small and medium scale level.

In doing the job, lots of day-to-day activities should be discussed and a programme presented to the Director with attached time schedule and needed financial commitments. For instance:

- Participation in international trade fairs both in the GCC states and overseas. Coordination and cooperation with the Marketing and Promotion Office and the Chamber of Commerce and Industry is essential and should be assured.
- Participation in trade fairs at the Bahrain International Exhibition Centre and receive permission to set up a year around stand exhibiting Bahraini products. The Centre is utilized also for seminars and conferences at international level and constitute, therefore, an excellent opportunity of promoting Bahraini industries.
- Review and up-date the "Made in Bahrain Catalogue", print posters, stickers and hand-outs of international standards. The go-ahead should be given for the installation of signboards at the airport.
- Give highest priority to companies having in mind to settle in Bahrain manufacturing/assembling exportable products. The products should be of high value, and Bahrain should not try to attract labour intensive projects, competing with low-cost countries in Asia.
- Cooperate with the Chamber of Commerce and Industry and specifically participate in seminars and meetings arranged by the CCI, when foreign trade delegations visit Bahrain. Many times companies looking for markets in Bahrain and/or the Middle East could start with a sales office to test the market. A second phase might be an assembling plant and a third phase producing part of the products in the country.
- Arrange and jointly with the Chamber of Commerce and Industry organise and participate in visits arranged with the aim of promoting Bahraini industrial products to the markets in the GCC states, the Middle East and overseas.
- Work out strategic plan of action for future further development and industrial activities.
- Arrange seminars jointly with the Information Centre (see paragraph 4) inviting potential investors when a

range of new products have been evaluated as of possible interest for the Bahraini and other markets.

- Promote the establishment of sub-contracting firms as specialized service industries to the large type of industries.
- Promote BOT-projects (built-Operate-Transfer) schemes for project implementation and financing.
- Extend advisory services, promoting industries contemplating of entering the complicated export business.

2.1 Support Unit

This unit should operate supporting mainly the existing industries in Bahrain:

- Extend post-investment advisory services to established industries.
- Practically, two officers from the Unit, one economist and one engineer, should visit the establishments perhaps starting with those employing 15 people or more. There will always be some problems, specifically in management, marketing and production to be solved. Maybe advice could be given on the spot and if not they would be solved either in house or with the assistance from independent consultants.
- Assisting in conducting market research and analysis when introducing new products in both the local and the GCC markets. At least one officer from the Unit should attend training programmes in this kind of marketing activities. The officer should also be capable of evaluate market research reports presented to the licensing unit.
- Report to the Registration Unit if any changes has taken place in the visited industries and also about the performance of the establishment in general terms.
- Report to the Information Centre if the visited or any contacted establishment wants specific informations.

- Assist in marketing activities such as printing of leaflets and brochures, advertising, how to have loans approved for starting up new production lines, etc.
- Carry to and discuss on the visits, new product ideas from i.e. the Information Centre and evaluate their own ideas, if any.
- Evaluate and advise on action to be taken either for the survival or for the closure of "sick" industries.
- Organize training programmes for the entrepreneurs on topics such as marketing, management, quality control, the GCC markets, production planning, accounts and bookkeeping, packaging etc. in cooperation with the Information Centre.
- Analyse and evaluate applications dealing with the incentive programme (including protection) and be part of an Industrial Incentive Committee formed by MODI with the participation from IDD and MOFNE. (see Paragraph C. Industrial Incentive Programme in this Chapter).

Interviewed entrepreneur gave the impression that they would appreciate if the Ministry show interest in their operation, obviously without interfering, and could discuss and possibly even solve some of the problems they are facing in the day-to-day running of the establishments. As the situation is at present they feel that no assistance and support of any kind is extended to them by the Ministry of Development and Industry.

3. Financial Analysis and Evaluation Section

=====

This section should concentrate in:

- Analyse and evaluate feasibility studies presented by investors asking for an industrial licence.
- Assist either directly or through the appointment of specialized consultants in conducting pre-feasibility and feasibility studies.

- Analyse, evaluate and comment on project profiles presented to IDD by potential investors.
- Assist either directly or through independent consultants in working out specific profiles or adapt existing ones to Bahrain conditions and to the requirement of the industrialist.
- Extend financial advice to enterprises either directly or through the request from the Support Unit.
- Work out appropriate cash-flows on the request of enterprises for new production lines.
- Evaluate the financial aspects of an enterprise that is floundering and elaborate on recommendations for remedial actions to be taken.
- Evaluate financial reports from industries asking for protection, on behalf of the Support Unit.
- Assist the Industrial Incentive Committee through the Support Unit of the Promotion and Support Section to analyse and evaluate applications from enterprises asking to be approved for incentive utilization (see paragraph C. Industrial Incentive Programme).

It is essential that at least two of the officers/economists at present at the Promotion and Finance Section, are sent to training courses on i.e. evaluation of industrial projects, on preparing feasibility studies and on project profiles analysis.

4. Industrial Information Centre

As previously mentioned, on two occasions, in 1989 and in 1991, recommendations were made on the establishment of an Industrial Information Centre (ICC). The recommendation was rejected by the Ministry of Finance and Economic Affairs but the consultant highly recommend that the project is revived and the Centre established.

It will be functioning as one-stop-shop where all kind of information on industrial development activities should be

concentrated and were interested parties could gather wanted informations on the establishment of a manufacturing enterprise in Bahrain.

Specifically, the IIC have to perform following duties:

- Inform on rules and regulations governing the establishment of a manufacturing or assembling unit in Bahrain and assist in preparing the informations needed for the application on an industrial licence.
- Assist in receiving necessary permits from the various authorities involved.
- Assist through cooperation with the Directorate of Industrial Areas in applying for an industrial site in an industrial estate.
- Inform about the support IDD can extend specifically to infant industries, and the package of incentives the Government is prepared to give to an investor in Bahrain.
- Advise on new products which could be developed in Bahrain for the local as well as for export.
- Extend informations specifically on the Bahrain and the GCC markets as far as i.e. established production units for specific products, market size, import statistics etc.
- Assist in finding suitable agents/importers for investors products and advise on how to attack different markets.
- Provide industrialists with brochures, leaflets, posters promoting Bahrain products abroad.
- Advise on different marketing strategies and on how to conduct efficient market studies and research activities.
- Inform about the existense of training courses in Bahrain conducted by both the IDD but also by other ministries and institutions.
- Provide information on Joint-Venture schemes.
- Provide pre-and post investment advisory services to both new ventures and established industries.
- Produce a quarterly Newsletter to be widely distributed in Bahrain and abroad giving information on what is going on in Bahrain on the industrialization process as well

as promote Bahrain as a suitable location for industrial establishments.

- Assist in establishing business plans and help with project appraisal.
- Advise on consultants and sources of finance specifically promoting the newly established Bahrain Development Bank.
- Liase with the Marketing and Promotion Office, also newly establish, in activities aiming of attracting manufacturing enterprises to Bahrain, providing all kind of requested informations.
- Inform specific producers about government and larger industries upcoming procurement contracts.
- Inform the industries about possible changes in laws, rules and regulations.
- Be made in charge of the development of the Library and inform the industry about existing publications and new arrivals. Promote the library as a source for useful informations.
- Cooperate with GOIC in Doha, Bahrain being one of the founding members, on project profiles, feasibility studies, publications etc.
- Develop useful contacts with the media in Bahrain and cooperate in the promotion of Bahrainis industries. In this context organize and put on stream a countrywide "Buy Bahrain" campaign promoting consumer goods produced in the country.
- Assist in preparing industrial censuses, specific annual surveys, diagnose the manufacturing small and medium scale industrial sector and report to the Director.
- When the incentive programme has been approved by the Government, print a booklet giving all detailed informations about what kind of incentives investors can expect and how the procedure are for receiving them.

Having in mind the very busy time schedule of the Director of the Industrial Development Directorate, it is highly recommended that his day-to-day needed involvement in the running of the four suggested sections should be alleviated.

With a heavy load of daily commitments, it has not been possible for the Director to lead all the activities of the existing three sections and this might be one of the reasons for complaints from the industrial community in the private sector, that the Ministry of Development and Industry is not appropriately acting, as expected, as a supporting and promoting government body for the small and medium scale industrial sector.

When the three sections are re-organized into suggested four, the number of activities to be performed will increase many folds and so must undoubtedly be the workload of the Director.

Various possibilities have been looked into on how to alleviate this workload and at the same time increase the efficiency of the four sections. One has been to add the fourth section to the five existing desks under the presently appointed advisor, the Manager of Industrial Operations. The idea was discarded at an early stage main reason been that the adviser has to concentrate full time on managing the activities of the five desks. To add more activities will disrupt the smoothly ongoing activities of the five desks. The advisors time cannot be committed in re-organizing the four sections and implement their suggested additional activities.

One more possibility was studied and that was to keep and re-organise the existing three desks but to transfer the Industrial Information Centre to the Directorate of Coordination and Information. Even this idea was discarded for two main reasons: Firstly, the IIC should be attached to and coordinate its operation with all other sections/desks within the directorate dealing with industrial development. Secondly, the Directorate of Coordination and Finance is dealing with 14-16 of the larger mainly state owned enterprises collecting financial and statistical data, assisting in carry out financial reports from these industries and report to H.E the Minister. To add an Information Centre to these activities has not been regarded as a suitable proposition.

Therefore, it is recommended that a new post as adviser/co-ordinator should be created as shown in TABLE II, possibly with the financial and technical assistance from UNDP/UNIDO.

The advisor will definitely alleviate the work of the Director, organizing and managing the four sections, setting up short and long-term strategic plans, carrying out the deve-

lopment and the implementation of the suggested activities, coordinate the work of the four sections, spread information about ongoing activities to other directorate in MODI and to ministries and institutions involved in industrial development activities, etc.

A two-way communication and information system could be established between the private industrial sector and the Ministry of Development and Industry. All parties would benefit from such an arrangement.

The adviser will carry out his work in close cooperation with the Director and all presented plans, before their implementation, will have his approval. Periodical, short reports, summarizing activities performed during the period and action to be taken in the next, should be issued to the Director and discussed.

Obviously, before elaborating on the costs involved in the recommended modus operandi of the four sections, the changes suggested and the activities to be carried out by the personnel at the different sections must be discussed and in principle approved.

At this stage, recommendations are made for the following funds to be made available to the four sections. It is also highly recommended that UNDP/UNIDO should be approached for discussions on their possible technical and financial contribution to this project:

- Feasibility studies through consultants.
- Market surveys and research activities (in Bahrain and in the GCC via consultants.
- Training programmes for officers at the four sections.
- Training programme on entrepreneurship development.
- Participation in national and international trade fairs.
- Updating of the library, acquisition of periodical technical and financial news magazines.
- Produce a quarterly newsletter.

- Connecting IDD with GIDC's data information programme.
- Designing, printing and distribution of posters, stickers, leaflets, setting up the signboards at the airport, etc.
- Prototype manufacturing for new product ideas, Laboratory and quality control tests.
- Promotional campaigns i.e. "Buy Bahrain".
- Establish a permanent stand at the Exhibition Centre
- Establish an appropriate Industrial Information Centre at the premises at the ground floor of the MODI's building and provide appropriate equipment.

It is firmly believed that the recommendations made in this chapter will improve the performance of the Industrial Development Directorate as well as of the existing industries, the infant or pioneering enterprises in their first crucial steps toward success and professionally assist in the promotion of new investment in Bahrain.

An in-house review should be made by the Director and advisors to the IDD of the present organizational structure and staffing levels and needs. Special emphasis should be placed on communication links between the different sectors and desks.

B. THE DIRECTORATE OF INDUSTRIAL AREAS (DIA)

The Directorate is reporting directly to AUS of MODI and is supposed to work closely with the Industrial Development Directorate. The IAD has been made in charge of developing and managing the industrial areas and estates in Bahrain.

Conclusions.

As mentioned in the previous chapter II "Background Informations", there are possibly 4-5 plots left in the industrial areas and by the end of 1992 they will be all allocated to various industries, leaving not a single site available for new industries.

Having in mind the promotional efforts which will be carried out by the Industrial Development Directorate as well as the Marketing and Promotion Office in the years to come, it is imperative that adequate sites are made available to both foreign and local investors.

The Government must realize that without investment in this area, funds ploughed in promotional activities in order to attract investors to settle in Bahrain will be more or less wasted. To tell the investors that the Government will make a plot available if and when they come to Bahrain, will make them to take the first flight out.

Even if a recession is going on in the industrial world, this is the right time for Bahrain to invest in appropriate infrastructure and in projects such as industrial estates, in order to be ready when times changes and companies have more money to invest.

Recommendations.

Consequently, it is recommended that in order to make the promotional work of the Industrial Development Directorate more efficient and that of the Directorate of Industrial Areas a real challenge in developing additional high standards industrial areas, following activities should be carried out:

- About thirty plots have been allocated long time ago, some about twenty years ago and other anything between three and twenty years. These plots, not being developed by the tenants and laying idle, should be immediately taken back by DIA. Adequate funds should be made available in order to develop their infrastructure, such as water, drainage, electricity, sewerage and roads where it is deemed necessary and the plots made available to interested parties latest by the end of 1993 (allocation earlier).
- The IAD's suggested new rules concerning lease of industrial plots, explained in Chapter II, having the tenants to pay full lease for the first year and giving them two years (should be extended to three-see paragraph C.) free of charge should be accepted by the concerned authorities. Also, the rule stating that if the tenant has not started the construction works within one year then the IAD has the right

to re-allocate the plot, should be accepted and implemented without delay.

- Government plans to develop the area adjacent to DIA's headquarters into a Pilot Industrial Estate are well advanced and all drawing for division of plots and factory buildings in a modular design, have been completed. The Estate will be of international standards and it has been earmarked for the accomodation of larger, medium and small scale industries. It is recommended that the calculated needed funds of about BD 4 Mill (USD 14.8) should be made available as a matter of priority, in order to have planning and construction work started at the beginning of 1993 and completed by mid 1994.

It is also recommended that part and possibly later on, the whole area of this estate should be made a Free Zone (Export Processing Zone - EPZ) attracting mainly high technology manufacturing/assembling plants aiming at exporting 100% of their production.

- The additional available area of about 200 hectares in South Alba, adjacent to the smelter, should be handed over by the Government to DIA and developed to accomodate, mainly, aluminium down-stream projects. The plots, with ready infrastructure, should be made available by the end of 1993.
- Preliminary investigations have been carried out for the development of a new port and a new industrial area at South Jidd. The land is in shallow waters and has to be reclaimed in order to establish the industrial area. On the other hand, the raw-material needed for this project would be taken from the site where the general cargo port and the industrial area port is planned, deviding the investment between the Port Authorities and the Ministry of Development and Industry.

The total costs for the project will require quite heavy investment because the total area to be dredged is of roughly 600 hectares. Consequently, it can not be expected that the Government could give the go-ahead in a foreseeable near future. The masterplan for the proposed industrial area in South Jidd clearly also envisaged the implementation in several stages in order to ease the financial burden on the Government and only develop land as and when it is needed for industrial use.

C. INDUSTRIAL INCENTIVES PROGRAMME

Conclusions

The Government has previously introduced an incentive programme assisting specifically infant industries to enter the market without having too heavy financial commitments.

It was however soon realised that these incentives were merely on the high side when compared with those extended by other member states of the GCC. Obviously, Bahrain should not try to compete but the gap should be reduced in such a manner that an investor feels that the difference will not hurt his projected cash-flow.

In the light of this, the Government is in the process of reviewing the package of incentives and below the consultants recommendations are listed:

Baharanization

With a recognized figure of 15% of the male population been unemployed and a large amount of school graduates entering the labour market every year, it is imperative that attractive incentives should be put forward to industrialists in order to reduce the dependence of expatriate labour force and make the employment of bahraini nationals more attractive.

The industries are at present reluctant on employing bahrainis because they can recruite foreign labours already trained in specific works and at a lower cost that unskilled baharaini will fetch. To train a new labourer is an expensive excercise not only time consuming but the trainee will also waste raw-materials, produce low quality not marketable products, etc.

Besides this fact, it is also widely recognized that it is extremely difficult for an industrialist to dismiss an employed bahraini when not performing according to expectations.

It is therefore recommended that companies should set up in situ training programmes, both practical and theoretical, for new Bahraini employees and the Government should pay up to 50% of their salaries (that is, 50% of the minimum salaries according to rules) over a period not exceeding three years. The fourth year 25% will be paid by the Government and thereafter the employee will be 100% at the expenses of the company.

These recommended rules should apply to all medium and small scale industries in the private sector, either they are already established or just started and not be depending on the number of Bahraini or expatriate labourers already on their payroll. As soon they employ additional Bahrainis the rules should apply.

However, the Government through the Ministry of Labour should grant the company the possibility of dismissing a Bahraini employee within the first year, with a two months extra salary, if found not suited for the specific job assigned to him. On the other hand, if the employee performance has been accepted, his salary should be increased by a minimum of 10% after the first year.

If this recommendation is approved it is envisaged that enterprises will be encouraged to employ Bahrainis and as a result, the participation rate of national manpower will increase.

Industrial Areas/Estates

Rents

As it has been recommended in section B. Directorate of Industrial Areas, the by DIA suggested rents spelled out in Chapter II should be accepted as fair and competitive but some minor changes should be accepted:

- The suggested general rents per sq.m of 500 fils (USD 1.90) and of 700 fils (USD 2.90) on waterfront properties should be approved with the exception for the attractive near the port sites at Mina Sulman Industrial Estate where the rent

should be BD 1.0/sq.m (USD 3.70).

- The by the DIA recommended grace period of two years, after that the first year lease has been payed, should be extended to three years.

Electricity

The 16 fils/kwh charged to industries at present should be reduced to 6 fils (US cents 1.6) per kwh. The rates should be fixed for a period of 5 years and renewed with a maximum increase of 10% (pending on inflation rates) for another 5 years period.

Usually, the electricity, like water and sewerage is brought by the authorities to the side of the industrial plot and it is at the costs of the tennant to install a sub-station with transformer and to carry out necessary in house installations. The costs involved in the installation of the sub-station are quite high and according to informations, could be up to BD 20.000 (USD 75.000) or even more, pending on the size of the transformer.

This is a substantial investment during the starting up operations of an establishment and it is therefore recommended that the authorities should give the company one year grace period and then split the costs in installments over a four years period. This will allow the company to start production and receive revenues before the payment is due.

Tariff Protection

Should be restrictive but pending on the approval from the Industrial Incentive Committee (see below), it is recommended that a maximum of 20% should be given for selected products the first three years and reduced to 10% for an additional two years period. The 10% protection rate could be extended, on demand from the industry, for maximum another two years period.

This rule should not be restricted to infant industries only but established enterprises could apply for protection as well when, for instance, a similar product is imported with clear dumping tendencies on its price structure.

Pre-investment incentives

As long as facilities and knowledge are not available at IDD, funds are to be made available to cover the costs for outside consultants for the following activities. However, 50% of the costs should be payed by the entrepreneur/investor:

- Feasibility studies/project profiles.
- Market research and analysis.
- Prototype manufacturing, laboratory tests.

Incentives to export industries

A new establishment or an existing one entering the tough export markets, should receive support from the Government at least at the first stage of their efforts. Following is recommended:

- Free custom duties on machinery entering Bahrain for a specific approved and licenced project (custom duties are not to be payed and then refunded).
- Free custom duties on imported raw-materials and/or semi-finished products for industries set up and licenced with the purpose of exporting 100% of their production. (custom duties not to be payed and then refunded).
- Custom duties to be payed for imported raw-materials and/or semi-finished products by companies only partially exporting their production. Custom Authorities to refund the duties on the imported raw-materials and/or semi-finished products when evidence is presented (invoices, letter of credits, bill

of lading, etc) that they are integrated in the exported products.

- This pay and refund system will also apply to goods entering the country for the purpose of being re-exported. Goods arriving to Mina Sulman and/or the Airport awaiting transshipment should obviously pay no custom duties.
- 20% rebate on handling costs for export goods at Mina Sulman and at the Airport. This rule should apply for the first five years of the company's export operations and reduced to 10% for the next 5 year period.
- 40% rebate on freight costs for goods delivered via Mina Sulman, the Airport or trucking companies, for the first three years. The subsidy rate to be reduced to 20% for an additional two years period, renewable for two more years.
- Export credit facilities and export guarantee schemes at present not available in Bahrain, should be worked out and made available to exporters by the Bahrain Development Bank at subsidized rates i.e. 50% of the costs usually applied internationally by commercial banks.
- An export promotion committee should be formed at IDD to evaluate an exporting company's request of attending an international trade fair. If the company's capability of exporting their goods and if their products have been evaluated to be marketable in a specific country (Quality, appearance, price structure etc.), the company should receive a 50% rebate on the costs for a stall and 50% rebate on airticket and accommodation for one company representative

The above mentioned incentives will surely encourage the establishment of new export oriented industries and, also, have existing one to contemplate the feasibility of giving their products a try on selected export markets.

It is recommended that an "Industrial Incentive Committee" should be formed at MODI with the participation of IDD and MOFNE in order to analyse and evaluate a company's formal application for the utilization of required incentive. In the case of new industries, the application should be submitted

on a specific form simultaneously with the application for a licence. This will allow the Licensing and Registration Section to coordinate the evaluation of the application with the Industrial Incentive Committee.

The committee is to approve or reject (totally or partly) the application and its decisions are final.

In 1991, the Government introduced several new laws reflecting government policy of providing more adequate incentives to foreign companies:

- 100% foreign ownership and no sponsorship requirements for exempt (offshore) companies carrying business only outside Bahrain.
- 100% foreign ownership for limited liability company which will engage in business in Bahrain if the company is either for industrial purposes or to be a regional base and conduct operations outside as well as inside the country.
- Reduced the minimum capital requirements for the exempt and the limited liability companies.

Furthermore, following additional incentives were introduced in the 70-80's and are still in force:

- No personal, corporate or withholding tax.
- No restriction on repatriation of capital, profits, royalties or wages.
- Freedom of movement of foreign exchange

Having then in mind that Bahrain has:

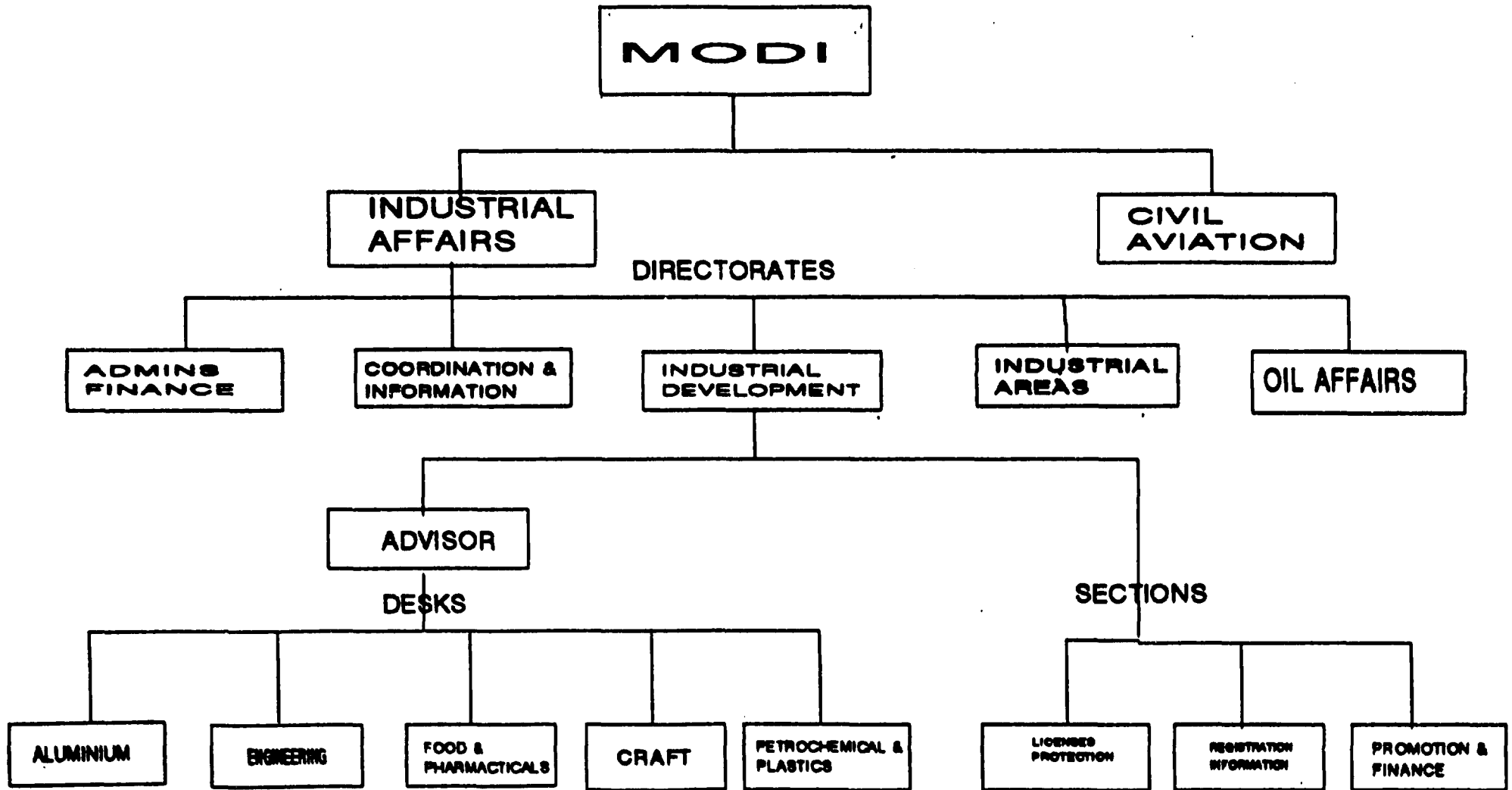
- been made the Middle East's foremost financial centre with 18 commercial banks, 51 offshore banking units, 21 investment banks, 2 specialised bank and 47 representative offices.
- a well advanced and sophisticated insurance sector with 12 branches of foreign insurance companies, 42 exempt insurance companies trading offshore and 9 Bahraini com-

panies.

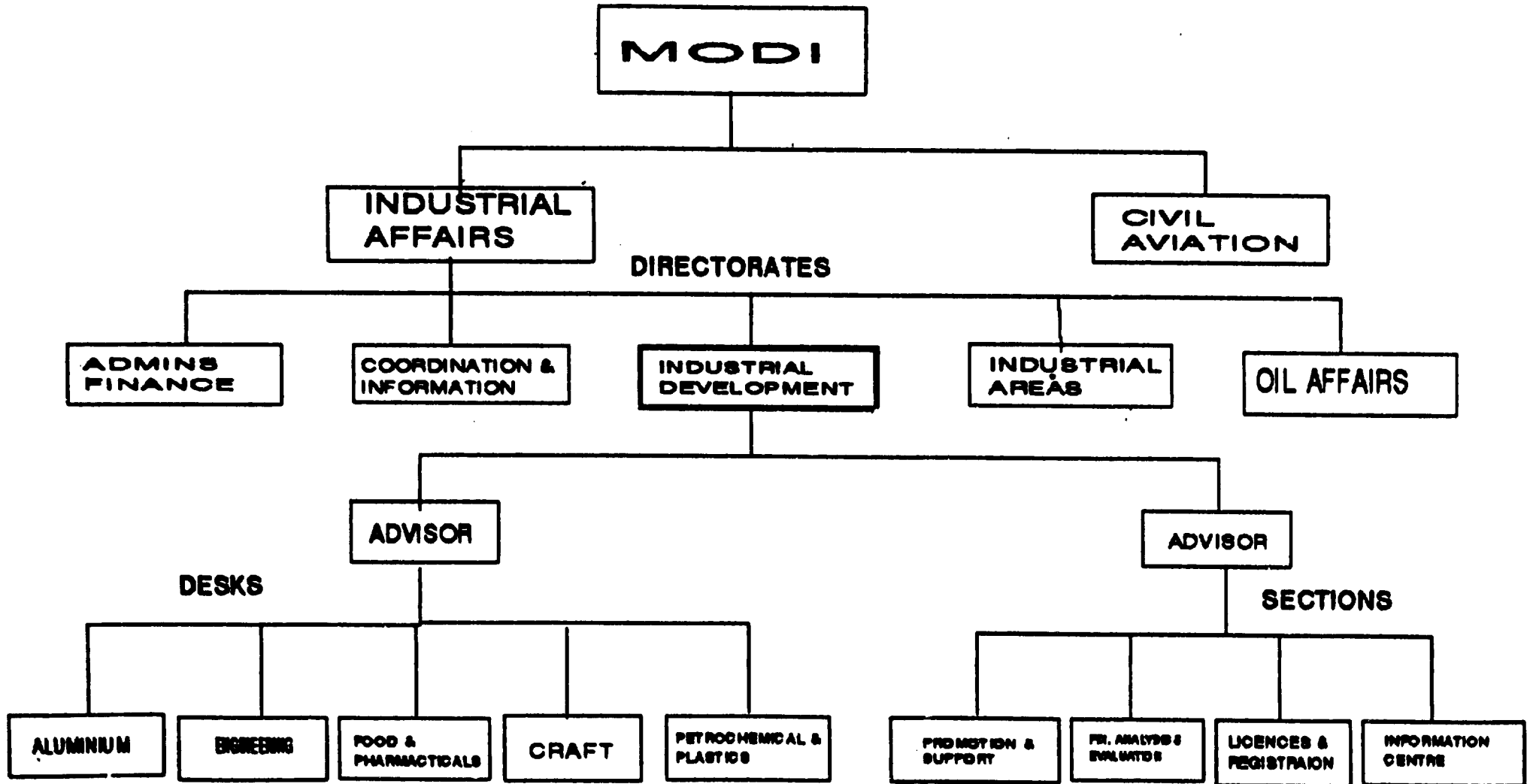
- freely convertible currency formally linked to the SDR with the US\$ as intervention currency.
- one of the best telecommunication systems in the world.
- well developed infrastructure, mature legal system, full protection and registration for trade marks, patents and intellectual property rights.
- an internationally recognised arbitration centre; and
- suitability of time zones, Bahrain been placed on the crossroad between East and West.

it must be recognised that taking into consideration all the incentives listed in this chapter, the recommended practical pre-and post-investment support extended by the Ministry of Development and Industry, Bahrain well developed infrastructure in general and the highly sophisticated crime-free social and living environment, the country should be the most attractive choices for potential investors.

ORGANOGRAM MINISTRY OF DEVELOPMENT AND INDUSTRY (MODI)



ORGANOGRAM MINISTRY OF DEVELOPMENT AND INDUSTRY (MODI)



STATE OF BAHRAIN
MINISTRY OF DEVELOPMENT AND INDUSTRY

LAWS GOVERNING INDUSTRY IN BAHRAIN

A. CHAPTER ONE - Industrial Licences

Article 1

For the purpose of enforcing this Act, an industrial establishment is defined as every establishment having the principal objects of converting raw materials into fully manufactured or semi-manufactured products or turning the latter products into fully manufactured products. This shall also include the blending, assembling, packing or packaging of products through the use of mechanical power.

Article 2

It shall not be permitted to set up or manage an industrial establishment to which the provisions of this Act apply or to enlarge it, to move it or alter its principal objects except after obtaining a licence from the Ministry of Development and Industry, in which he shall specify the terms and conditions under which the licence is granted.

Article 3

As from the effective date of this Act, the licences referred to in the preceding Article shall not be granted except to Bahraini persons and companies incorporated in accordance with the provisions of the Commercial Companies Act.

Article 4

An application for a licence shall be filed with the

Directorate of Industry at the Ministry of Development and Industry on the form to be prescribed by order of the Minister of Development and Industry accompanied by such necessary drawings and documents evidencing the validity of the details required under the terms of the resolutions to be issued for the implementation of this Act. If the applicant is an already established company such company shall provide evidence of its incorporation in accordance with the provisions of the Commercial Companies Law.

Article 5

The Ministry of Development and Industry shall, upon the recommendation from the Directorate of Industry, make a decision on the application for the licence referred to in Article 2 within 60 days from the date of filing the application and completing all documents and studies relating thereto.

Article 6

Subject to the conditions to be made by any other government authority with the intention of preserving security, public health and environment, the Minister of Development and Industry shall, by ministerial resolutions determine the conditions applicable to each type of such establishment.

Article 7

The Directorate of Industry may introduce technical modifications it deems fit to the drawings and specifications before issuing the licence. The applicant shall be bound to effect such modifications at its own expenses on the specified date. If one year elapses from the specified date without effecting the said modifications, the applicant shall be deemed to have relinquished his application.

Article 8

A licence issued for an establishment shall specify a period of time for commencing execution of the works, which period shall not be more than one year and may be extended by a resolution from the Minister of Development and Industry for

such period as he deems fit at the request of the applicant concerned should the latter give acceptable reasons for the delay.

Article 9

For issuing a licence following shall be taken into consideration:

- a) The country's economic needs and the possibility of local consumption and export.
- b) Requirements of the country's development programme.
- c) The objects of the establishment shall not be contrary to public order or public interest.
- d) The capacity of the local market as regard the setting up of an establishment similar to existing establishments.

Article 10

No modifications shall be made to a licenced establishment without the consent of the Ministry of Development and Industry. An example of such modifications shall include everything affecting the establishment's facilities whether inside or outside the establishment, or the method of operating its machinery, or the kind of know-how used therein, methods of manufacture, addition of a new activity or increasing the mechanical power used.

Article 11

In case of sale, lease or assignment of all or part of the establishment and in the case of fully or partially ceasing to operate, the person concerned shall be bound to give notice thereof to the Ministry of Development and Industry stating the reason for the situation. Failure to comply with such procedures shall result in depriving the establishment of all or some of the privileges granted by the State to such industrial establishment.

Article 12

The Minister of Development and Industry may, upon a recommendation from the Undersecretary of the Ministry of Development and Industry, terminate any industrial licence or close the establishment by an administrative order at the occurrence of the following events:

1. Setting up, expanding, relocating, or altering the principal objectives of an individual establishment without a licence.
2. Cessation of the establishment's operations for one year without justifiable reasons.
3. Notifying the Directorate of Industry by registered letter of the desire of the establishment's proprietor to cease the operations of the establishment.
4. Demolition of the establishment premises, even if they are rebuilt.
5. Modification of the establishment without obtaining the consent of the Ministry of Development and Industry.
6. Contravening the condition of the licence.
7. Failure to start construction within the period specified in the licence.

Cancellation of the licence pursuant to the events referred to in this Article shall not prevent the person concerned from seeking the issuance of a new licence should the conditions thereof be fulfilled.

Article 13

An applicant for a licence or a licensee shall have the right to appeal against the decision rejecting the application for a licence, cancellation thereof or closure of the establishment before the High Civil Court within sixty days from the date of notifying it/him of such decision.

Article 14

The provisions of this Chapter shall apply to the industrial establishments which are specified by the Minister of Development and Industry's resolutions.

Article 15

Industrial establishments already in existence on the effective date of this Act shall, within 3 months from its coming into effect, apply to the Ministry of Development and Industry for the registration thereof in accordance with the required terms and conditions.

B. CHAPTER TWO - Industrial Registry

A Registry shall be established at the Ministry of Development and Industry for the registration of various types of industrial establishments which are subject to the provision of this act.

Article 17

Proprietors of establishments which are subject to the provisions of this Act shall apply to the Ministry of Development and Industry for registration in the Industrial Registry within two months from the date of commencing actual production, and such registration shall be renewed within thirty days after the elapse of one year from the date of registration or the last renewal thereof.

The Executive Regulations shall determine the particulars to be recorded in the aforesaid Registry and the requirements of applications for registration and renewal and manner of filling them.

Article 18

The Ministry of Development and Industry shall deliver to the establishment a certificate of registration with the Industrial Registry, renewal of registration or altering particulars thereof within 30 days from filing an application and completing the particulars.

Article 19

Proprietors of industrial establishments and officers responsible for the management thereof shall notify the Ministry of Development and Industry in writing of any alteration to the particulars registered in the Industrial Registry within 90 days from the date of such alteration subject to the terms and the conditions to be determined by the Executive Regulations.

Article 20

In the event of contravening the provisions of Article 17 and 19, the Minister of Development and Industry may, upon a recommendation from the Directorate of Industry, close the establishment by an administrative order.

Article 21

An establishment shall be struck of the Registry in any of the following events:

- a. Upon an application from a concerned party owing from the liquidation thereof.
- b. If it finally ceases production.
- c. Issuance of a judicial decree for the removal thereof.

Article 22

A concerned party may appeal to the Minister of Development and Industry against the decisions taken in pursuance of the provisions in this Chapter within 60 days from his notification of the decision appealed against.

Article 23

A committee shall be formed by resolution from the Minister of Development and Industry the membership of which may include representatives from relevant ministries and other governmental departments. The said committee shall be responsible for deciding on the appeals referred to it by the Minister of Development and Industry pursuant to the preceding Article. The committee shall decide on the appeal within 60

days from the date of reference thereof and its decision shall be supported by reasons. Once confirmed by the Minister of Development and Industry, the committee's decision shall be final, and the appellant shall be notified in writing on the committee's confirmed decision. The Executive Regulations shall determine the committee's terms of reference and the procedures to be followed for handling the appeals.

Article 24

A person whose appeal has been dismissed may re-appeal against the resolution dismissing his appeal before the High Civil Court within 60 days from the date of receiving notice of the said resolution.

Article 25

The Ministry of Development and Industry shall publish a statistical bulletin for the registered industrial establishments. The bulletin shall contain particulars determined by Executive Regulations.

Article 26

The Ministry of Development and Industry shall register the industrial establishments the proprietors of which have failed to apply for registration thereof with the Industrial Registry and shall update and alter the particulars contained in the said Registry.

Article 27

Save for the particulars contained in the statistical bulletin provided for in Article 26:

- a. The officers in charge of enforcing the provisions of this Act shall maintain the confidentiality of the particulars contained in the Industrial Registry.
- b. Third parties may obtain registration certificate of the particulars contained in the Industrial Registry pursuant to a resolution from the Minister of Development and Industry to that effect.

C. CHAPTER THREE - General and Final Provisions

Article 28

The authorised officers at the Ministry of Development and Industry who are designated by a resolution from the Minister of Development and Industry shall have the right to inspect the establishments which are subject to the provisions of this Act and have access to their records and documents to ascertain their fitness to operate in accordance with the licence granted thereto and the accuracy of the particulars recorded in the Industrial Registry.

Article 29

Without prejudice to any severe penalty specified under any other law, any person who contravenes the provision of Articles 7, 11, 15, 17 and 19 of this Act shall be punished with a fine of not less than BD 100 and no more than BD 500. In the event of the second contravention, the Court shall order the closure of the establishment for a period not exceeding three months. For the third contravention the Court shall order the establishment to be closed finally.

Article 30

Without prejudice to any severe penalty specified under any other law, any person who provides or gives false information with the intent to obtain an industrial licence or registration with the Industrial Registry shall be punished with imprisonment for a period not exceeding one month and with a fine not less than BD 100 or with any of them.

Article 31

Without prejudice to any severe penalty specified under any other law, every civil servant who is in charge of enforcing the provision of this Act and who contravenes Article 27 (a) thereof shall be subject to disciplinary penalties prescribed under the civil service regulations.

Article 32

The Minister of Development and Industry shall issue Executive Regulations and resolutions required for the implementation of the provisions of this Act.

Article 33

The Ministers, each in his respective capacity, shall implement the provisions of this Act which shall come into force after six months from the date of its publication in the Official Gazette.

Signed : Hamad bin isa Al Khalifa
Deputy Amir of the State of Bahrain

Issued at Rifaa Palace
on 22 Rajab, 1404 Hijra

corresponding to 23 April, 1984



استمارة تسجيل
REGISTRATION FORM

١ - اسم المنشأة : NAME OF ESTABLISHMENT:

٢ - اسم صاحب المنشأة : Name of Owner :

النسبة %	الجنسية	حصة الاسهم
Percentage	Nationality	Shareholders

٤ - المدير المسؤول : Director :

٥ - العنوان المسجل : FAX NO. : TLX NO.: TEL: P.O. BOX :

٦ - الوضع القانوني : Legal Structure :

٧ - موقع المصنع : Project Location :

٨ - سنة الانشاء : Date of Production : Year of Est. : تاريخ بدء الانتاج :

٩ - رقم السجل التجاري : C. R. No. :

١٠ - هيكل رأس المال : Capital Structure

المجموع	أخر	خليجي	محلي	
Total	Others	G.C.C	Local	
				- الراسمال المدفوع Paid Capital
				- الراسمال المقترض Borrowed Capital
				- مجموع رأس المال Total Capital

١١ - الطاقة الانتاجية : Production Capacity

الوحدة	الطاقة	الطاقة	المنتجات
Units	الفعالية	القصى	Products
	Capacity	Capacity	
			- ١
			- ٢
			- ٣
			- ٤

STATE OF BAHRAIN
MINISTRY OF DEVELOPMENT AND INDUSTRY
INDUSTRIAL DEVELOPMENT DIRECTORATE
P.O. BOX 1435 BAHRAIN
TEL. (973) 291511 FAX (973) 290302



دولة البحرين
وزارة التنمية والصناعة
ادارة التنمية الصناعية
ص. ب. ١٤٣٥ البحرين
تلفون ٢٩١٥١١ فاكس ٢٩٠٣٠٢

استمارة طلب الحصول على ترخيص صناعي
APPLICATION FOR INDUSTRIAL LICENSE

- ١- اسم مقدم الطلب :
- ٢- الجنسية: رقم الجواز / والبطاقة
- ٣- عنوانه :
- ص ب : P O Box :
هاتف : Tel. No. :
فاكس : Fax no. :
- ٤- رقم السجل التجاري ان وجد :
- ٥- طبيعة النشاط الصناعي :
- ٦- الموقع المقترح للمشروع :
- ٧- رأس المال :
- المصرح به :
- المدفوع :
- اجمالي رأس المال :
- Total capital :
- ٨- الطاقة الانتاجية :
- ٩- عدد العاملين : بحرينيون غير بحرينيون
- ٩- No. of Employees : Bahrainis : Non Bahrainis :
- ١٠- مصدر المواد الخام :
- ١١- المدة المطلوبة لتنفيذ المشروع :
- ١٢- التاريخ المتوقع لبدء الانتاج :
- ١٢- السوق المستهدف :
- ١٤- نوع المنتجات :
- اسم صاحب الطلب/ المدير :
- توقيعه :
- تاريخ الطلب :
- تاريخ الاستلام :

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

B A H R A I N

JOB DESCRIPTION

SI/BAH/90/802/11-52/J12103

Post title: Consultant/economist, specialist for evaluation of industrial projects, specialist in the Middle Eastern Region

Duration: 1.0 months

Date required: overlapping with 11-51

Duty station: Manama

Purpose of

project: To provide high policy advice to the Ministry of Development and Industry, the Directorate of Registration and Protection to choose the best way to handle evaluation and licensing of new industries, registration and inspection of all industrial units, and protection of and support to Bahraini industries.

Duties:

The expert will, in close co-operation with the Directorate of Registration and Protection, Ministry of Development and Industry, and the consultant specialized in industrial regulation in the Middle Eastern Region, prepare an analytical report on methodologies for project evaluation relevant to Bahrain and the framework of GCC co-operation.

In particular, the expert is expected to perform the following activities:

- 1) Discuss with Ministry of Development and Industry the general strategy for industrial development in Bahrain;
- 2) Together with team leader discuss with GCC representative (or liaise with GCC Riyadh on) the framework of regional development including measures and criteria for balanced growth of industry in Bahrain within the frame of GCC co-operation;
- 3) Elaborate appropriate project evaluation criteria and adjust project selection criteria to conform with outlines given under 1+2 above;
- 4) Discuss with consultant on industrial regulation alternatives of how to reflect identified criteria in the law, rules and regulations governing industrial licensing, registration and protection/support;
- 5) Prepare a report on findings and recommendation of possible alternative solutions for further use of consultant 11-51.

Language: English, Arabic an asset.

Qualifications: Industrial economist with experience in evaluation of industrial projects and selection methodologies.

Background

information: The Government of the State of Bahrain is keen to diversify its manufacturing base to lessen its dependence on oil and natural gas. The overall objective of the ministry of Development and Industry is to diversify the industrial productive base. One issue in context with the creation of a conducive industrial environment is the area industrial licensing and regulation handled by MODI, the Directorate of Registration and Protection. The subject project is to look into current practices, laws, rules and regulations currently in operation in Bahrain guiding local and foreign investors to locate their units in the country, and is to elaborate alternate ways of regulating industrial location and operation. The right balance between a state of "laissez faire" and heavy regulation has to be found to ensure balanced growth in Bahrain on the one side, and adherence to industrial law on the other side.