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HIGH LEVEL EVALUATION AND ASSESSMENT OF INDUSTRIAL
LICENSING, REGISTRATION, PROTECTION AND SUPPORT
AT THE MINISTRY OF DEVELOPMENT AND INDUSTRY,
THE DIRECTORATE OF INDUSTRIAL DEVELOPMENT

SI/BAH/90/802

THE STATE OF BAHRAIN

Technical report: Advice to the Ministry of Development and
Industry (MODI) on required licensing, registration,
protection and promotion of industry in Bahrain*

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.

ABSTRACT

**HIGH LEVEL EVALUATION AND ASSESSMENT OF INDUSTRIAL LICENSING,
REGISTRATION, PROTECTION AND SUPPORT AT THE MINISTRY OF DEVELOPMENT
AND INDUSTRY,
THE DIRECTORATE OF INDUSTRIAL DEVELOPMENT**

SI/BAH/90/802

Main objective of the Consultant's activity was to propose alternative solutions for handling the issues of licensing, registration, protection and support in the State of Bahrain.

During the Consultant's stay in Bahrain (30/11/1993 to 10/1/1994), then valid laws, rules and procedures concerning the activities mentioned above were reviewed and discussed with competent officials of the Industrial Development Directorate at MODI and with other Authorities.

After a detailed analysis of the existing practice and its main features and shortcomings, new procedures and related documentation have been prepared. The proposed procedure and forms respect both the need of larger freedom for investors intending to establish industrial companies in Bahrain and the requirements of the Government in the domain of the industrial development regulation.

Also have been proposed changes in the organizational chart of the Industrial Development Directorate.

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INTRODUCTION

The overall objectives of the State of Bahrain and of the Ministry of Industry and Development (MODI) are the diversification and expansion of the manufacturing base while creating, simultaneously, new employment opportunities for Bahraini nationals.

The most important factor predetermining the future structure of Bahraini industry is with no doubt the insufficiency of industrial land which, at present, is the major obstacle in the realization of almost any land-demanding project, and growing shortage of water. To settle with the two limiting factors asks for immense financial means that are not readily available and must first be gradually generated by convenient industries.

Another significant factor of international and, hopefully, temporary character, is the lack of really unified rules within the member countries of the Gulf Cooperation Committee (GCC) with regard to investing, its promotion and support, customs tariffs and protection policy in general, and to many other domains. At present, the conception of the GCC free trade zone, its aims, form and strategies are not yet precisely defined and each country practices more or less different approach in the above domains and related technical procedures. It is therefore difficult to enforce new legislation in individual member countries that would be coherent with the future (still unknown) unified GCC rules.

In order to accomplish the industrial development objectives of Bahrain, proper methods must be defined, tools found and institutions established that would assure, a.o.:

- development of small- and medium-size industries
- expansion of services
- removing obstacles to foreign investment
- compatibility with GCC rules
- monitoring of existing enterprises
- protection and support of local industries.

In response to a letter of MODI to UNDP of 26 November 1989, UNDP started a project ref. SI/BAH/90/802 with the aim to provide high policy advice to MODI and its Industrial Development Directorate (IDD) on selecting the best alternative on how to handle the evaluation, licensing, registration and monitoring of industrial units, and on protection of and support to Bahraini industries.

The first part of the project consisting in the preparation of an analytical report on project methodologies for project evaluation has been executed by UNIDO consultant Mr. Olof H. CAU (see his report ref. DP/ID/SER.B/717 of 17 June 1993).

Attention of the author ("the Consultant") of the present report has therefore been concentrated on:

- the critical analysis of now valid regulations and procedures used by IDD in licensing, registration and monitoring of industrial units,
- the rules and methods used in protecting and supporting local industries, and
- proposing more adequate rules and procedures including changes in the IDD organizational chart.

In addition to the main goals and guidelines as set forth above, account has been taken of the necessity:

- to propose simple and unbureaucratic rules easily understandable by applicants and practicable by IDD staff while still providing enough information for planning purposes and monitoring the development of the industry,
- to achieve the right balance between "laissez faire" and regulation.

Detailed analysis has shown that major improvement of existing methods can only be made when and if relevant laws and implementing rules governing the industry of Bahrain are amended and closer cooperation among existing governmental bodies and institutions engaged. Relevant comments and ideas are submitted in Chapter Conclusions and Recommendations.

I. LICENSING, REGISTRATION, INFORMATION AND MONITORING

A. General

The above activities are being executed in accordance with the laws governing the industry in the State of Bahrain, namely:

- Legislative Decree No. 6/1984 governing the organization of industry,
- Ministerial Resolution No. 1/1986 implementing the regulations as laid down in Degree No. 1/1984.

Until several months ago, there have been no other written rules or instructions at IDD that would define the tasks of each particular department (Section or Desk) and their mutual links nor manuals setting down the procedures and steps to follow. General knowledge of the procedures is transmitted basically at regular meetings of Section and Desk Heads and by oral tradition.

Also available are forms for licensing and registration applications, and licence and registration certificates. The contents of the forms has been several times modified since the enforcement of the above laws to make the former more adequate to changing needs and growing experience.

In summer 1993, an internal instruction (IDD Policy & Procedure No.3) relating to licensing was issued modifying to some extent the present practice and introducing a new application form. The instruction is however not known at the Section and Desk level, and hence not followed.

The description of IDD structure as well as the tasks and functions of the Desks and Sections is given in Mr. Cau's report and need not be repeated in full. The Consultant will therefore limit himself to a short enumeration of each department activity, their mutual links, and to some important aspects on which conclusions and recommendations will later be based.

For the sake of clarity, it is reminded that IDD is divided into 8 sections of which 5 (usually called Desks) are specific industry oriented, 2 are responsible for licensing/protection and registration/information, and the last one covers promotion of Bahraini industry both in abroad and at home and executes certain financial analyses. The five Desks have until recently been headed by an adviser whose post is now vacant. The remaining 3 Section Heads are subordinated directly to the Director of IDD.

It should be noted that all activities of MODI are executed and assistance granted at no fee for potential investors.

The analysis made hereinafter deals with each specific activity one after the other rather than to keep strictly to the structure of IDD.

B. Industry related Desks

The five Desks now cover following industries:

- aluminium (4 persons)
- petrochemical and plastics (3)
- food and pharmaceuticals (3)
- engineering (3), and
- crafts (3 + 1 temporary).

The Engineering Desk is however also being allocated files relating to other industries such as construction, paper, furniture etc. The remaining files that cannot or have not been allocated by the Licensing Committee to any specific Desk are processed by the Licensing Section.

According to the interviewed Desk Heads or specialists, in addition to general tasks resulting from the responsibility of MODI for the development of the Bahraini industry as a whole, the Desks perform or are expected to perform following activities:

- permanent collection of data relating to the particular industry both in Bahrain and other GCC member countries as well as, to the extent of possible, in the world,
- market analyses,
- search for new promising industrial projects,
- promotion of the industry in abroad (in cooperation with 4 foreign experts-residents in Germany, France, the UK and the USA), assisting the Promotion and Financial Analyses Section,
- supplying necessary information to potential investors and entrepreneurs starting with providing them market information through technical and financial advising related to the particular applicant's project, and ending with demanding potential foreign suppliers worldwide for offers of manufacturing equipment and machinery,
- monitoring existing industrial units,
- supplying necessary information and data to respective Sections as needed for the purpose of licensing, registration and protection as well as to any other ministerial departments or external authorities.

As can be seen, the scope of the Desk activities is very broad and covers literally everything an entrepreneur may need starting with opportunity studies, development planning, market research, statistics etc. and ending with detailed advice to and cooperation with every single entrepreneur.

On the other hand, it must also be mentioned that the Desks are only rarely in time-consuming contact with big oil, aluminium and petrochemical companies that enjoy large competences and independence, and that their task is to some extent facilitated by the small size of the State of Bahrain and of its developing economy, by the rules obliging every industrial unit to promptly deliver data the Desks may ask for, and, regrettably, also by ignorance of potential investors who often are not aware of assistance MODI can render them if asked for it.

Under somewhat different angle appears the role and responsibilities of the Crafts Desk. This sector is also handled by the Ministries of Information, of Education, and of Labour and Social Affairs but there is hardly any coordination and common approach among them.

The Desk has been concentrating on cooperation with local women clubs, several schools and on organization of training courses. Some complaints have been formulated with regard to the shortage of financial means and decreasing support of MODI which is attributed to the sector's limited impact on national economy although its development could in some geographical areas and to some extent alleviate the problem of women unemployment.

It should be stated that the crafts sector is virtually non-existing and its creation is complicated by the scarcity of local natural raw materials used elsewhere (such as straw, basket wickers, potter's clay or even brass sheets etc.) and hence by the lack of tradition. Much more vigorous support would have to be given, solid development programme set forth and financial means allocated if a viable and benefits bringing crafts industry were to be established.

C. Licensing and registration

The two functions are executed by 3 specialists (1 for licensing and 2 for registration). The registration personnel is however also responsible for supervising the exports of the garments industry which is oriented mainly to the USA and regulated by means of quotas and special licensing system. This activity has no connection with the industrial licensing subject matter of this report.

The licensing and registration procedures as now practiced are shortly summarized hereunder:

- the Licensing Section (LS) or the appropriate Desk to interview the applicant, to supply him necessary information relating mainly to the market situation, number of competitors, licensing, registration and re-registration procedures, assistance and support granted by MODI etc.
- the applicant to fill in the licensing application form and file it with LS
- the industrial Desk to comment on it and write a report to be submitted through LS and the Head of LS at the nearest weekly session of the Licensing Committee (a body established for that purpose within MODI)
- the Licensing Committee to approve/disapprove the application and to confirm (or change) the allocation of the file to the appropriate Desk
- Section and Desk Heads are briefed on the Licensing Committee decisions
- if approved by the Licensing Committee, the application is given a serial number by the LS and a "preliminary licence" valid for 3 months is issued
- the LS to write standard letters addressed to the Ministry of Health, Municipality and other competent authorities demanding their "No Objection Certificates (NOC)"; it is however the applicant who delivers the letters and returns the NOCs back to the LS
- on submission of NOCs, the LS issues a "final licence" whereby a time period is fixed (usually 12 to 18 months or as proposed by the applicant) during which the production should be started; should it not be so, the licence can be extended for another period
- copies of NOCs and of the licence certificates are sent by the LS to the Ministry of Commerce and Agriculture (MC&A) to support the applicant's request for the registration at MC&A
- the applicant to fill in, within 60 days from the commencement of the production, a registration application form and submit it to the Registration and Information Desk which issues the registration certificate and gives the application another (registration) number
- the registration is valid for one year only and must be renewed at the basis of another application to be submitted by the entrepreneur within 30 days after expiration of the current term; a new registration certificate is then issued keeping however the original registration number.

According to the law, the same licensing and registration procedures (although limited to MODI only) should be followed for any "modification 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". Disobeying the rule may result in removal of the licence.

Such a broad formulation could prevent entrepreneurs from adapting flexibly their manufacture to the changing needs of the market and limit their competitiveness. In practice however, only modifications of capacity and/or output are being registered when (and if) applications for the registration renewal are submitted.

Resolution No.1/1986 implementing Decree No.6/1984 uses in its Article 1 much more restricted formulation stipulating that a licence must be obtained if any person wishes "...to effect any change in an existing industrial establishment as regards its capacity, output or industrial objectives....".

Following remarks must further be added:

1. Contrary to Decree No. 6/1984, the definition of "industrial establishment" as laid down therein is no more strictly respected. As result of an agreement between MODI and MC&A, the units engaged in such operations like blending, packaging etc. where no machines are used as well as "small" workshops of carpenters, taylors, shoemakers and the like are no more considered to be industrial establishments and hence no licence and registration at MODI are granted to such entrepreneurs.

As "small" are seen such units that employ a "limited" number of workers (sometimes up to 15) or produce on order only without having a permanent subcontracting deal with another company.

The decision as to what is or not an industrial establishment seems to be rather subjective as no fixed criteria are laid down.

2. Other discrepancies between the law and the practice have been found, resulting from either ambiguity of the wording of legal texts or from their low practicability.

3. Provided all NOCs from competent authorities are granted, a licence is hardly ever refused at the level of MODI. Main reason of refusal could theoretically be saturation of the market by products the applicant intends to manufacture or perhaps too obvious unfeasibility of the project.

With regard to easily understandable shortage of accurate market data and sometimes even lack of professional experience of IDD's officials in certain domains, their views, recommendations and decisions tend to be subjective. In practice however, if an applicant, after being informed of such facts that could potentially jeopardize the success of his project, still insists on its implementation, the licence is granted.

4. In principle, the licence is granted for such activity as the applicant may ask for. It can therefore happen that one entrepreneur is licensed to manufacture wooden chairs only (and must therefore ask for another licence should he wish to produce tables, too) while another one is registered as manufacturer of "products made of wood" and thus authorized to manufacture any product in which wood is used as the main raw material.

5. No checking is made, at MODI, of the applicant's professional skills and experience relating to the envisaged production. School certificates and documents evidencing the applicant's experience have however to be submitted by the applicant to MC&A when asking for registration there.

6. No difference is made between a Bahraini and a foreign applicant except that applications submitted by foreigners are passed on by the Licensing Committee to the Minister of MODI for final approval.

D. Information

The Information department (2 persons) has recently been attached to the Registration Desk which is currently one of the main data sources relating to both newly established and existing companies.

It collects and process any available information relating to the industrial sector as a whole. The database has access to equivalent bases in the USA (Dialog), Saudi Arabia and Qatar, and expects to be soon able to use the services of the UNIDO database INTIB.

Data are supplied to any applicant, to different Government bodies, to GCC member countries etc.

A library has also been established and managed by the Information department which is freely accessible to interested parties.

Again, all information is provided free of charge including data MODI might have acquired from other databases against a fee.

In order to assess better the role and necessity of the Information department at MODI, a visit to the Central Statistics Organization (CSO) was effected. Following relevant information have been received:

- Data for statistical purposes are being collected mainly:

- through population census carried out at 10-year intervals (the last one was made in 1991)
- from sectoral ministries
- through ad hoc surveys carried out for specific purposes;
- Statistical abstracts and foreign trade statistics are published yearly; the abstracts represent a summary of data supplied by the Ministry of Finance and National Economy (MOFNE) while data on foreign trade are gathered through on-line connection with the Customs Office;
- No systematic monitoring of registered companies is yet carried out and the companies are not obliged to supply regularly any data on their activities to CSO;
- An ad hoc industrial survey covering the whole industrial sector has however been made in 1993 and its results will be published in the beginning of 1994; however inaccurate or incomplete in some areas the survey may appear, it will certainly reflect best the present situation on the production side and as such it should be then used in the daily work of both Information and industrial Desks.

E. Monitoring

At present, there is no systematic monitoring of existing industrial units and of their activities. The main source of information are therefore data taken from the licence and registration application forms and supporting documents as well as from registration renewals when the applicants are asked for updating original data. MODI officials have however the right to inspect any establishment licensed under Decree No. 6/1984 and check for accuracy of particulars entered into the registry.

Similarly, an inspection on spot is usually made if an entrepreneur asks for protection through levying special customs tariffs on competitive imports or for support by means of customs duties exemption.

On spot inspection is performed by any involved department at its choice. The criteria whether to perform or not an inspection may be the nature of the business, its importance, size or complexity, degree of the applicant's experience, doubts or suspicion of the MODI officials as far as the correctness and completeness of presented data is concerned etc.

Inspection and personal checking are considered to be mainly a source of additional information on one side and a means of assistance and education provided to entrepreneurs on the other side. In practice, no fine or sanction has probably ever been

imposed on an entrepreneur on the ground of supplying false or incorrect data or of any other violation of valid laws.

It is no doubt that although such approach can create tolerant and sometimes even cooperative environment, it can hardly provide a reliable source of continuous, correct and complete data as necessary for rational and right decision-making at any level.

II. PROTECTION AND SUPPORT

A. General

Under "protection" and "support" are usually understood such means, tools and methods that are used by the State to support the creation and further development of a specific industry(-ies) and to protect both newly established and already existing businesses against either too strong or even unfair competition coming from other countries.

In sensible domains, such as agriculture, steel and textile industry, both supporting and protecting tools and methods are often used in the same time.

The use of such means is usually a delicate matter as it almost always interferes with the interests of other countries on one hand and reduces positive aspects of a free competition on the other hand.

What is perhaps even more important is the socio-economic impact of such measures on the national economy and its harmonic development, and adequate attention must therefore be paid and analysis carried out before the decision on whether to use or not the specific protection or support (P/S) measure is made.

P/S measures and methods should not be applied without context with other tools regulating the national economy development. If they are to be used efficiently and purposefully, following basic conditions must be fulfilled or available:

- P/S policy must be an integral part of the country's strategic development program,
- a system capable of continuous monitoring and evaluating basic industrial output data and shortcomings on national level should be established,
- the results achieved through P/S measures must also be continuously monitored and evaluated and remedial steps taken if necessary.

As P/S tools, measures falling within the scope of customs policy, foreign exchange regulation, tax and credit policy, import and export licencing procedures, direct and indirect subsidies, transport tariffs, export risks coverage and others are currently used worldwide.

In the State of Bahrain, the tools of tax and foreign exchange nature can not be applied as there are no personal, corporate or other taxes imposed and local currency is freely convertible with no limiting regulations.

Moreover, there is already an impressive package of specific incentives (the Human Resource Development Support Program for the Manufacturing Sector is the latest package enforced in January 1993) available for companies fulfilling certain basic criteria, in addition to other advantages of general character such as low rents, cheap utilities and others, also supporting to a great extent both new and existing manufacturers.

In the same time, as the country depends heavily on foreign trade, every support should be given in order to promote not just any industry but especially those oriented on export or capable to export.

B. Protection and support procedures at MODI

1. General

Protection and support are governed by following regulations:

- Legislative Decree No. 11/1985 with Respect to the Protection and Support of National Industry (as amended by Decree No. 16/1987)
- Prime Ministerial Edict No. 21/1987 with Respect to Unified Rules for Giving Priority in Government Purchases to National Products and Products of a National Origin in the Arab Gulf States Cooperation Council,
- Legislative Decree No. 6/1989 with Respect to Protection of Industries of a National Origin, and
- Prime Ministerial Edict No. 8/1989 with Respect to the Unified Rules for Protection of Industrial Products of a National Origin of the Gulf Cooperation Council Member States.

A "national industrial establishment (national industry)" means any industrial establishment in which the share of Bahraini or GCC member States nationals, being natural or corporate persons, is no less than 51% of the basic capital (Decree No. 11/1985).

A "national product" is defined as every product which is manufactured in Bahrain and is deemed to be a national product subject to the laws of the State of Bahrain (Edict No. 21/1987).

A "product of a national origin" is a product in which the added value arising from its manufacture in a GCC State is not less than 40% of its final value, and which has been manufactured by a national industrial establishment (Edict No. 21/1987).

Particular protection and support methods are not prescribed although some of them are explicitly enumerated in Decree No. 11/1985:

- levying protective customs duties on (competitive) imported industrial products,
- restrictions imposed on imported products,
- customs duties exemption relating to capital machinery, plant, equipment, raw materials and semi-manufactured products,
- export duties exemption (note: no export duties are however imposed in practice)
- preference given to national and national origin products in deliveries for the Government and its institutions.

An applicant can only qualify for protection/support if he meets several conditions set forth in Articles 5 and 6 of Decree No. 11/1985 including the minimum share of value added, the obligation to provide training of Bahraini employees, and others. Some conditions are however of general nature only, such as "maintaining high standard of quality", "proper exploitation of the factors of production", obligation "to meet reasonable proportion of local consumption" etc. which leaves a lot of space for subjective decision-making.

In practice are the demands considered with tolerance, exceptions are made even from the loose rules, and P/S applications are almost never refused.

It should be noted that while Decree No. 9/1989 and Edict No. 8/1989 do explicitly refer to the "Unified Standard Rules for Protection of Industrial Products of a National Origin in the GCC Countries", some of the member States practice somewhat different approach in the matter of protection and support which is a serious obstacle for the unification of P/S rules within the GCC member States.

It has also been found that no protection at the level of the GCC member States for a Bahraini product has ever been asked for; a first case should be the application for protecting aluminium products made by BALEXCO which is said to be now under study.

2. Procedures as now practiced

There are now 3 different application forms used for both protection and support:

- Application for Industrial Protection/Support - New Industries (attached must also be economic/technical feasibility studies, projected profit and loss account, balance sheet and cash flow statement)
- Application for Renewal of Protection/Support
- Application for Industrial Protection/Support (for established companies).

Except for the protection renewal application, the remaining forms are quite detailed and the applicant is expected to give all data relating to the company, product(s) in question, machinery, raw materials and components, labour, market situation, turnover, the company's and competitors' product prices, production costs etc. The ministerial staff is expected to compute a whole set of ratios assessing the company's financial situation, profitability, managerial skills etc.

In the domain of protection, the sole method used is the increase of the customs tariff applied on imported competitive products up to 20% (instead of 10% as usually applicable on industrial products) which has been applied in ten cases since protection has been introduced in Bahrain (and never, as mentioned above, at the level of the GCC member countries). The rate of 20% is recommended as optimum one although other rates could theoretically be used if demanded by the applicant or proposed by MODI and approved by the Council of Ministers (Article 4.1 of Decree No. 11/1985). (NOTE: Edict No. 8/1989 regulating the protection of industrial products of national origin sets the maximum rate to 25% (Article 7.1) while cases of dumping are to be handled case by case).

Similar situation is in the domain of support where only customs duty exemption is made use of. Total number of exemptions granted is 61 at the date of 25/12/1993.

Granting support is a relatively simple procedure at MODI. Once the application form duly filled in (which may sometimes require repeated meetings of the MODI specialists with the applicant), the appropriate industrial Desk checks for correctness of data given therein and makes a report of 3-5 pages summarizing the findings of the Desk. A shorter summary is then written by the P/S specialist, who also often visits the applicant's factory in order to find more details or to check the submitted data. The reports are then presented for consideration to the National Industry Protection and Support Committee (NIPSC), established by and handling in accordance with Edict No. 13/1985 and relevant Decrees No. 11/1985 and 16/1987.

NIPSC, after checking the legitimacy of the demand and its impact on national economy, prepares a report containing the NIPSC's recommendation and hands it over to the Minister of Finance and National Economy for his final decision (here again, the practice deviates from the law as according to Decree No. 11/1985 the reports of NIPSC should be referred to the Minister of Development and Industry who should pass them to the Council of Ministers for final decision).

If the applicant is a foreign company (i.e. not national in the sense of the law), its application is passed directly to MOFNE for decision.

Main obstacle at the level of MODI seems to be the volume of information asked from applicants, and the lack of uniformity of the Desks reports. In practice however, many applicants simply do not submit all data, but the support they ask for is still being granted.

NOTE: MODI does in no way participate in the calls for tenders relating to the deliveries of goods destined for Governmental authorities unless it would need to do so for its own needs.

III. PROMOTION

The scope of tasks of the Promotion and Financial Analyses Section (PFAS) is quite large. Both in abroad and at home, it should arise the interest of potential investors to establish industrial units in Bahrain and provide them not only with detailed information on any and all facts an investor may want to know before making a decision but also help them (especially local investors who usually need more assistance) to implement their projects.

Should these broadly outlined tasks be really fulfilled, PFAS would double, at international level, the Bahrain Marketing & Promotions Office (BMPO). On national level, practical assistance to beginners is rather provided by industrial Desks that are in daily contact with interested parties and established companies.

Appart from conceptional unclarity, PFAS suffers from the lack of financial means which prevents it for inst. from participating in trade fairs, exhibitions, conferences and similar events both in abroad and at home, from investing into promotion and publicity campaigns, brochures, boards etc., and from organizing other activities relating to promotion.

With the staff of 3, the promotion department of PFAS is therefore now concentrating mainly on the organization of seminars, giving lectures at schools, preparation of or assistance in preparation of publicity material and support of BMPO in its industry oriented activities. At present, PFAS prepares for inst. an updated investment guide.

The financial analyses department's (1 specialist) main functions are the preparation and follow up of the IDD budget, ad hoc financial analyses as may be requested by other ministerial departments, other ministries or GOIC, assistance to industrial Desks in the assessment of feasibility studies of potential investors or applicants for protection or support, review and evaluation of monthly reports of companies with State share, supplying data to GOIC etc.

Interviewed persons have stressed the need of better coordination within MODI (the same type of work is executed by two or even more departments) and the establishment of a team specialised in evaluation of feasibility studies, preparation of project profiles and similar tasks. The team would have to be trained at GOIC, for instance.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

In addition to what follows, let the Consultant be allowed to formulate one general remark: a Ministry should not simultaneously be responsible for setting up macroeconomic rules at highest level and managing the development of the allocated sector on one side and for teaching and assisting every individual entrepreneur in the establishment and management of the latter's company on the other side as it is now the case of MODI. For such task can the Ministries hardly ever have enough qualified staff and MODI should therefore intensively promote the idea of establishing appropriate institutions that would organize and assure the necessary education of broad public on professional level.

1. Licensing and Registration

The establishment of industrial units (as defined in Decree No. 6/1984) in the State of Bahrain is at present conditioned by obtaining first an industrial licence (granted in two steps - as preliminary and final) from MODI, a registration certificate from MC&A, and a registration certificate from MODI if and when the production has really started. The final industrial licence and the commercial registration can further only be granted if No Objection Certificates from other relevant bodies are available, and a convenient industrial site assured.

The availability of industrial land and water is of utmost importance which, in fact, predetermines the basic orientation and extent of industrial development in Bahrain, and as such must be given adequate attention in the licensing procedure, too.

The functions of MODI and IDD in particular are multiple: they encompass basic industrial planning at macroeconomic level (together with MOFNE), promotion of Bahrain as convenient location for both local and foreign investors, collection of statistical data on industrial branches as well as on particular units or even products, general and even detailed market studies and research, granting every assistance to often inexperienced potential entrepreneurs in establishing and managing their businesses, etc., to quote just the major tasks.

With regards to the number and complexity of the tasks of IDD, the licensing and registration procedures (in combination with the registration at MC&A) seem to be inadequately and unnecessarily time-consuming and complicated.

2. Information

The Information department as such works satisfactorily and has sufficient access to different sources of data. It is not directly involved in licensing or registration procedures although these procedures do provide the department with some basic information on both new and already existing industrial establishments.

Major problem however appears on the whole-national level where no uniform system gathering and processing economic information has yet been established which limits substantially the availability and quality of data for MODI and any other planning and controlling body in the country.

3. Monitoring

At present, monitoring of both new and existing industrial units is done by the extraction of data from licensing and registration application forms, during registration renewal procedures, by personal ad hoc on spot inspection, by processing data gathered through population census and their projection for intermediate periods, and through ad hoc surveys organized by CSO.

There are no specific rules in force relating to the matter, no sanctions on the grounds of incorrect or false information are imposed in practice, and the collection of data and checking for their accuracy depends to a great extent on personal approach of the IDD officials.

4. Promotion

The Promotion and Financial Analyses Section (PFAS) is meant to be primarily a department specialized on promoting industrial activities in Bahrain. In fact, it serves more as a consultative organ for the BMPO, and, without appropriate financial means, can hardly develop any initiative of its own.

Its financial part does the work it is expected to, but again often in duplication with other departments and not systematically. It is also felt that profound training in certain specialized domains is needed.

The role of PFAS is not clearly defined and its working capacity does not seem to be used in an optimum way. As indicated in Recommendations hereunder, the Consultant is of the opinion that the PFA's role should be changed basically.

5. Protection and Support

The role of MODI is to gather data considered to be important in the process of granting protection or support, to evaluate them and to formulate a recommendation as to whether to satisfy or not the applicant's requirement, and to defend the MODI's position at a session of NIPSC.

Applications for protection are very rare, and in the domain of support, only customs duty exemption is asked for and usually recommended by MODI for final approval by MOFNE. Final decisions are made by MOFNE that is also solely responsible for granting any other type of supporting incentives as offered in the State of Bahrain.

The data and information acquired by means of application forms are quite exhaustive but the need and even usability of some of them for the purpose of protection/support are questionable. The complexity of the forms does however not seem to be a major obstacle for applicants.

Now valid rules regulating protection and support as laid down mainly in Decree No.11/1985 are both broad and detailed enough, even if sometimes contradictory and not fully respected, to permit MODI and MOFNE to be flexible and selective when considering the entrepreneurs' applications.

B. Recommendations

1. Licensing, Registration, Monitoring and Promotion

Recommendations as submitted hereunder have taken into account or are based on:

- the existing obligatory registration at the Ministry of Commerce & Agriculture
- the existence of the Central Statistics Organization and other governmental bodies and institutions that also gather data on national economy and promote, in different ways and at different levels, its development
- the interests and requirements of MODI to the extent that they are justified in order to rightly implement its role in the domain of industry

- the necessity to really support and not to hinder the establishment of new small and medium industrial businesses
- simplicity and rapidity of the licensing procedure.

Following basic rules or requirements respecting the criteria as laid down above and a detailed procedure are proposed:

i. At governmental level:

- To agree upon the simplified licensing procedure relating to industrial companies as outlined hereunder, and to modify now valid legislation accordingly;
- To decide on the establishment of obligatory reports on industrial activities performed and achievements attained by industrial companies, the reports to be submitted at regular intervals, at least however once a year;
- To clearly formulate, in the appropriate laws and regulations, sanctions imposable on companies not complying with the rules as laid down in such laws and regulations, and to insist on their application.

ii. At the level of MODI:

- To respect strictly the principle that an industrial licence should be granted to everybody unless serious reasons make it impossible or conditional
- To abolish preliminary licensing, registration and registration renewal procedures and to maintain the licensing procedure only;
- To grant a licence for an indefinite period unless the applicant expressly asks for a definite period of time;
- Should the Consultant's recommendation relating to the reporting obligation of all companies (see above) be not accepted or not realizable in a short time, then to introduce, instead of registration renewal procedure, the obligation for all licensed industrial companies to report yearly on their activities (exception could of course be made for small companies); in sensible industries the report intervals could of course be shorter, e.g. 6 months (another criterion for the use of shorter terms could be high number of employees, or high yearly turnover etc.);
- For modifications of or in the licensed establishment, the permission of MODI should only be asked for if the proposed change relates to:
 - any data concerning the applicant, the shareholders, the company and the company's or its manufacturing facility's sites
 - the requirements for new land or strategic raw materials
 - the reduction of the original share of Bahraini employees
 - the type of product/s for which the licence has been granted.

Note: Modifications relating to common raw materials and utilities, machinery and equipment, manufacturing methods, production capacity and output etc. need not to be submitted for approval.

- To establish the post of Deputy Director of IDD who would be responsible for organization, coordination, long term planning and other activities in the field of licensing, protection and support, information and promotion (the industry related Desks being managed by another Deputy Director as it is in fact the case now), and who would relieve the IDD Director of a part of both routine and control activities;
- To create necessary conditions for the industrial Desks to be really able to concentrate themselves on monitoring the development, needs and perspectives of their respective industrial branches, on advising potential investors on all aspects relating to the specific industry, on assisting them to choose such projects that would be technically feasible and that would fully fall within the limits of national industrial objectives;
- To strengthen the links between the Information Desk and CSO as the best organized source of information;
- To abolish the Registration Desk while increasing the number of specialists in the industrial Desks;
- To entrust the Protection Section with granting export licences for products whose export must be regulated due to quotas in importing countries (such as garments at present);
- To modify the present structure of the industrial Desks in such a way that the Desks cover all industries falling under the definition of an "industrial establishment" as laid down in Decree No. 6/1984; the industry allocation to be conform with the International Standard Industrial Classification (ISIC) which is already used by CSO, Human Resources Development Support Program and by other State or public institutions;
- To review, in cooperation with other relevant Ministries, the role of the Crafts Desk; should it remain within MODI, which the Consultant does however not recommend, the Desk should be attached to another industrial Desk;
- To entrust the Promotion and Financial Analyses Section with advisory function oriented on potential small and medium size entrepreneurs in the domains of project evaluation, market research, opportunity, pre-feasibility and feasibility studies, management techniques, quality control techniques etc. If accepted, industry related Desks would be relieved from a substantial burden and could perform more efficiently their main role which should be, in broad terms, the implementation of the country's main industrial development objectives and strategies.

One specialist of PFAS can still continue in cooperating with and supporting the promotional activities of BMPO and be, in the domain of promotion, a liaison officer between BMPO and IDD.

- To provide for extensive training of PFAS specialists so that they become real professionals in financial analysing, evaluating of feasibility studies, preparation of project profiles and similar activities;
- To consider, at the Licensing Committee sessions, only such applications for industrial licence where:
 - new industrial land, important volume of water or strategic raw materials are needed
 - the envisaged number of employees exceeds for inst. 25
 - the proposed share of Bahraini employees is under 20%
 - the basic capital exceeds ... thousand BD
 - the foreign capital is equal to or exceeds 51%
 - the company's objectives could have serious impact on the market or relate to sensible domains or State interests such as defence, social matters, public order etc.

NOTE: The criteria quoted above are given as example only and other and/or other limits can be formulated if considered by MODI to be of importance. Care should however again be taken that such criteria or limits be not too many or too severe as this would be contrary to the free market rules and unnecessary bureaucracy would be re-introduced.

- To employ, to maximum extent, specialists with previous practice in industry or in consultant companies specialized in project evaluations, feasibility studies, industrial management and similar ones.

For detailed draft of the licensing procedure see Annex No. I.

For a proposal of a new IDD organizational chart see Annex No. II.

2. Protection and Support

The Consultant's recommendations are based on following facts and requirements:

- There is, at present, no strategic development programme available that would define not only main objectives formulated in general terms but also development priorities, mutual interrelations among specific national economy sectors, available financial means, time factors etc., all this also respecting the objectives of the GCC States zone;
- Main general objectives are the diversification of the Bahrain economy and the creation of sufficient number of jobs for Bahraini nationals;
- Protection measures are, by definition, product- or even industry branch-related and their impact is therefore much higher than that of a support measure which is beneficial, basically, to the applicant only;
- No major amendments to now valid Decrees and Edicts are necessary;

- The rules and procedures have to offer sufficient space and freedom to entrepreneurs, to generate the right and sufficient information while being simple and unbureaucratic;
- Applications forms to be standardized and made to maximum extent uniform with similar forms used by other Authorities in Bahrain.

In view of the above mentioned, following rules and procedures are proposed:

- The MODI staff to invite the applicants to consider, and to propose, of the former's own initiative, a larger palette of protection/support measures (for their list see Annex No. VII) in order to promote more efficiently such particular domains as may from time to time appear to be the most important, such as Bahrainization, industry diversification, export intensification etc.;
- To reduce the extent of data asked from applicants;
- To introduce a new, simplified protection/support application form (see a draft in Annex No. III) where data and information really needed for P/S purposes would only be required
- The applications to be treated directly by a P/S specialist (and not by the Desks as it is the case now) who may of course ask the industrial or Information Desks for additional information if necessary;
- To introduce a standardized form for the P/S specialist's report (see a draft in Annex No. IV).

A list of criteria usable in the evaluation of protection/support applications is given in Annex No. V and a proposal of protection/support procedure is given in Annex No. VI.

3. General remarks

In conclusion, the Consultant wishes to submit following ideas of general nature (although also related to the tasks he was given), as he believes that they merit some attention of the competent Authorities:

- Any licensing, protecting and supporting procedures can only function well and efficiently and really contribute to the achievement of the set up goals if they are an integral part of a complete and often sophisticated system of macroeconomic measures covering all fields of the economic life of a society.

If it is not so, each system and measure, however elaborated and complex it may be, brings rather disappointment than satisfaction, becomes soon obsolete and unefficient, often without understanding the reasons of its failure.

- As the task number one appears therefore the elaboration of a detailed programme of industrial expansion based on previous thorough and profound analysis, with clearly defined development priorities and alternative solutions. Thereafter, proper ways and means assuring the achievement of the objectives as laid down must be proposed, tasks allocated to appropriate institutions disposing with necessary competence, and the implementation of individual steps continuously controlled in order to assure the necessary back-coupling so that remedial measures can be taken if deviations or malformations appear.

Without such a programme, no proper regulation and selection on the Government level can be made (and licensing, protecting and supporting certainly are or should be the means of regulation and selection).

- Technology transfer is generally recognized to be the most useful, efficient and less expensive tool of industrial development; condition thereof is that technology transfer is given adequate priority order, is effected professionally and within certain limits purposefully defined by the State; it seems that this tool is not yet duly appraised and made use of in Bahrain.
- A solid and complete system of technical norms and standards should be introduced in order to increase the quality of locally made products and to facilitate their acceptance by foreign markets on one side, and to enable control of the quality of imported products and their compatibility with local standards on the other side.
- Accelerated introduction of a system permitting the Central Statistics Organization to monitor the activity of industrial and other units would create a necessary basis for objective analyses and decision-making.
- Legislative system should be completed, contradictions in the legal norms removed, adequate penalties for the violation of laws laid down and the penalties really asserted; any tolerance in this context is harmful.
- Permanent pressure should be exercised on companies with State participation in order to develop and extend sub-contracting as one of important means for the diversification, technology transfer, job creation etc.
- The process of Bahrainisation would be probably more efficient if:
 - specific incentives aimed at Bahrainisation alone were offered and not only granted as a package as it is the case of the Human Resources Development Support Program,
 - work permits for unskilled or semi-skilled foreigners were granted with less tolerance than it is now the case,
 - not only incentives but also penalties were envisaged (for companies not employing Bahraini nationals to the prescribed extent!) as this tool regrettably seems to be more powerful than sole incentives.

**LICENSING PROCEDURE
(Proposal)**

1. The Licensing Desk (LD) to receive the Applicant, to inform him of the licensing procedure and to give him a written summary of the licensing procedure and the appropriate licensing application form.

NOTE: No difference should be made between so called "small" and other industries in order to make the licensing system compatible with the classification used by CSO and with the registration system at MC&A.

To use a simplified application form (see Annex No.VIII) for small businesses defined for instance as those employing less than 5 persons, using only simple machines and tools and not demanding new land for workshop construction.

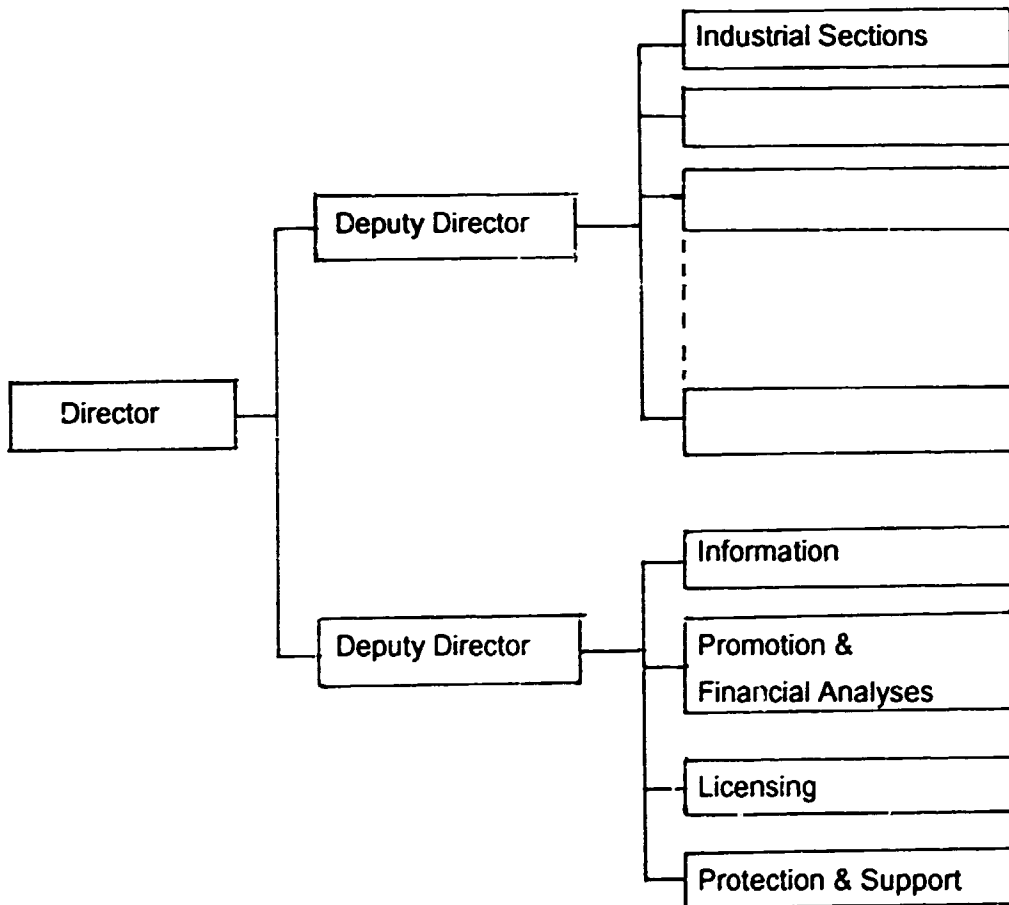
To use an extended application form for other businesses (see Annex No. IX).

2. The appropriate industrial Desk (ID) to discuss with the Applicant his project, to give him all available relevant information on the market situation, similar or identical products manufacturers in Bahrain and GCC member countries, on probable bottle-necks connected with the project, on the State support, incentives, restrictions and regulations etc., and to assist the Applicant to fill in the application form if needed.
3. The Promotion Desk (PD) to advise the Applicant, at the latter's request, on financial aspects, project evaluation methods, preparation of an appropriate feasibility analysis etc.
4. The Applicant to provide No Objective Certificates (NOC) from all relevant bodies and to submit them, together with the application form duly filled in, to LD.
5. LD:
 - to check the correctness and completeness of submitted data and documents and, if everything is found in order, to give the application a serial number (NOTE: the numbers can be accompanied with capital letters designating the relevant Industrial

Desk - for inst. E 32 where E would be for Engineering Desk - which would also facilitate computer processing);

- to re-discuss with the Applicant the project if data and application form found not in order;
 - to fill in the Licence Certificate and pass it to the IDD Director for signature;
 - to hand the Certificate over to the Applicant by hand or registered mail (together with one copy to be submitted by the Applicant to MC&A);
 - to pass one copy of the application form to the Information Desk for data processing.
6. For projects to be submitted to the Licensing Committee (see Recommendations), the LD to prepare a short report on the project summarizing the reasons why it should be considered by the Licensing Committee and giving other data as may be necessary for the LC's decision.
 7. The Information Desk to follow up, at intervals set forth by law or by MODI, the arrival of regular company reports (see Recommendations), using simple software indicating automatically the companies whose report is missing, and to inform the appropriate ID of the missing report.
 8. ID to remind such companies of their duty and potential sanctions using standard form reminder letters (unless personalized letters are for some reason necessary);
NOTE: Two reminders are recommended, each allowing, say, 2-week grace period. After vain expiration of the second grace period the licence should be removed.
 9. LD to formally revoke the licence and to inform thereof the Applicant, the appropriate ID, the Information Desk and MC&A.
NOTE: The revocation of the industrial licence needs not to result in the revocation of the commercial registration as the company in question may still perform other activities for which it either has a valid industrial licence or does not need any licence.

ORGANIZATIONAL CHART OF IDD
(Proposal)



APPLICATION FOR PROTECTION/SUPPORT *)

(Draft)

NOTE: The draft hereunder proposes the contents of the application only and not its graphic presentation.

PART I - DATA USED FOR BOTH PROTECTION AND SUPPORT

1. Date of application
2. Name of the Company
3. Person authorized to represent the Company
4. Legal status of the Company
5. No. of the industrial licence
6. No. of the commercial registration
7. Full address of the Company
8. Telephone, telex and fax
9. Full address of the factory location (if different from the Company site)
10. Telephone, Telex and Fax
11. Capital total

Of which: equity:	loans:
Of which: Bahraini:	of which: Bahraini:
foreign:	foreign:
12. Manufacturing programme
13. Type of manufacture (Horizontal Expansion or Downstream or Pioneering - for definitions see the Human Resource Development Support Program)
14. Labour total

Of which:	Bahraini:	foreign:
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Specify how the percentage of Bahraini nationals is intended to be increased in the next future giving also indicative time schedule:

Specify training opportunities envisaged for Bahraini nationals:

*) To delete what not applicable

15. The Company's products for which protection/support is required:

To indicate for each product:

sales in the last 3 years (in units and BD)

projected sales in the next year (in units and BD)

16. Market and financial information:

The Company's unit production costs BD

The Company's unit Ex Works sale price..... BD

Value added..... %

The Company's unit retail price (if products are sold by the Company itself)..... BD

Competitors' unit sale price on Bahrain market..... BD

Sales to: local market..... %

export..... %

Estimated local market size..... BD

Estimated Company's share on the local market..... %

17. Quality

Standards and norms used in the production:

Compare the Company's products quality with competitors' equivalent products:

18. Have the Company already enjoyed any protection/support privilege in the past? If so, specify the measures adopted and their impact on your production and sales.

PART II - IF SUPPORT IS REQUIRED

19. Explain verbally why support is being required and submit any documents justifying the need of support.

20. Specify the required support measure (cross the required method):

- customs duties exemption for raw materials and/or components

- customs duties exemption for machinery and equipment

- refund of customs duties already paid

- other

(NOTE FOR MODI: For the list of common protection/support methods see Annex No. VI.)

21. Specify raw materials/components/machinery/equipment on which the support should be applied:

Item	Source	Yearly quantity (units)	Yearly value (BD)
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PART III - IF PROTECTION IS REQUIRED

21. Explain verbally why protection is being required and submit any documents justifying the need of protection
22. Specify the required protection measure (cross what applicable):
 - levying of protective customs duties on competitive imported products
 - restricting the import of competitive products
 - other
 (NOTE FOR MODI: For the list of common protection measures see Annex No. VII.)
23. Specify precisely against what products or type(s) of products the protection measure should be used (indicate volume of import, sources and prices /retail prices or prices CIF Manama/)
24. Specify who else, in addition to your Company, would benefit from the protection (name major local producers of products similar to yours)

Date:

Applicant's signature:

For Official Use only:

Application considered at NIPSC meeting on.....

Protection/Support granted on.....

under registration No.....

Attended by:

NOTES FOR APPLICANTS

Before submitting the application, please read carefully what follows:

1. Protection and Support measures are regulated by Legislative Decree No. 11/1985 as amended by Legislative Decree No. 16/1987, Prime Ministerial Edict No. 21/1987, Legislative Decree No. 6/1989 and Prime Ministerial Edict No. 8/1989 which, among other, specify the conditions under which protection or support can be granted.
2. Protection or support are limited to one year from the date of granting only. Should the reasons justifying protection or support still persist after the expiration of the said period, a new application for its extension must be submitted giving updated information and data. The extension application shall be filed with the Ministry of Development and Industry 30 days before the expiration of the current period at the latest.
3. Customs duties exemption may only be granted for raw materials, components, machinery and equipment used to significant extent in the manufacture of supported products.
4. Applicants may be asked to submit documents and calculations evidencing the correctness of data given in the application.
5. Without prejudice to any other legal penalty, the Applicants violating the stipulations laid down in the valid laws or disobeying the conditions under which protection or support have been granted shall be deprived of all or some of the privileges provided for on the basis of this application.

NOTE FOR MODI: If deemed necessary or useful, the Notes for Applicants may also explain how to answer some of the more complicated questions.

GUIDELINES OF A REPORT ON SUBMITTED PROTECTION/SUPPORT APPLICATION**(To be submitted to NIPSC)****(Draft)**

1. Date of application
2. Applicant (Company name and address)
3. Product(s) for which Protection/Support is required
4. Required Protection/Support measure(s)
5. Has any P/S been already granted? If so, indicate when, kind of P/S granted and product(s) on which applied and what results the P/S measure has brought
6. Short summary describing the applicant's company, its experience, perspectives, importance for national economy, reliability, merits as well as negative factors on its account, if any
7. Expected or possible impact of P/S if granted (both positive such as substitution of import, increase of export, new jobs creation for Bahrainis, quality amelioration, increase of productivity etc., and negative, such as support or creation of a monopole manufacturer and limitation of competition, risk of unjustified sale price increase, tension in relations with exporting countries whose export to Bahrain would be regulated, substantial losses of customs duties income etc.)
8. Standpoint of IDD, be it positive or negative; to give reasons supporting the IDD's recommendation

Encl.: Application

Date:

Attended by:

Director of IDD:

CRITERIA USABLE IN EVALUATION OF PROTECTION & SUPPORT APPLICATIONS

Hereunder is a list of criteria that can be used in the evaluation of protection and support applications. Each criterium can be given a different weight factor (number of points) depending on what are the main targets of industrial development policy on the date of application, and new criteria may be added if new priority aspects of economic or social interest appear.

1. Criteria for evaluation of support applications

- degree of consistency of the Company's production with the industrial development programme and its present targets
- local capital share in the Company's basic capital
- share of Bahraini labour and staff in the total manpower
- increase/decrease of Bahraini employees during the Company's existence
- training programme for Bahraini employees {both carried out and envisaged}
- product(s) quality compared to other competitors products
- degree of the market saturation with similar products
- can supported products eventually substitute imports?
- supported product(s) related net profit (in % of sales) achieved before and expected after support is granted
- value added as defined by valid rules
- local raw materials and locally made components used for the product(s) manufacture (kind and value in % of production costs)
- value of support (in BD) - for inst. amount of non-imposed customs duties
- impact of precedent support (if any) on the Company's sales
- impact of support granted on the product sale price (as envisaged by the Company)
- other specific reasons given by the Company justifying support
- the Company's general reputation and perspectives for the future.

2. Criteria for evaluation of protection applications

- degree of consistency of the product(s) with the country's economic and social goals, industrial development programme and its short term and long term targets
- weight (importance) of the industry to be protected in comparison with other industries and sectors (its socio-economic value, importance from the State budget point of view, expected future role and perspectives etc.)
- expected impact of protection in terms of future growth of the protected industry, sale price development, market consumption growth, import substitution and hence higher

exploitation of local resources, growth of income from increased customs duties or surtaxes etc.)

- potential risks if protection granted such as creation of a monopole producer, limitation of free competition, unjustified sale price increase, potential deterioration of inter-state relations with exporters' countries
- compatibility of protection with the policy principles of GCC countries
- will protection granted have effect on one or a few manufacturers only or on a greater number?

Although further protection-related criteria mentioned hereinafter concern mainly the Applicant's Company, they should be used, wherever reasonably applicable, on the whole industry concerned:

- local capital share in the Company's basic capital
- share of local labour and staff in total manpower
- increase/decrease of Bahraini employees during the Company's existence
- training programme for Bahraini employees (both carried out and envisaged)
- product(s) quality compared to imported products
- can protected products eventually substitute imported products?
- protected product(s) related net profit (in % of sales) achieved before and expected after protection is granted
- value added as defined by valid rules
- local raw materials and locally made components used for the product(s) manufacture (kind and value in % of production costs)
- impact of precedent protection measure on the Company and the related industry as a whole
- other specific reasons justifying application of protection measures.

**PROTECTION AND SUPPORT PROCEDURE AT IDD
(Proposal)**

1. Applicant to visit the P/S specialist who explains the P/S procedure, measures applicable etc. and hands the Applicant over the P/S application form.
2. Applicant to consult, if needed, with the appropriate industrial Desk the market situation and other aspects related to the particular product.
3. Applicant to submit the application to the P/S specialist who checks it for completeness, asks for additional data and explanation if necessary, formulates the IDD's standpoint while taking account of the national industrial objectives and actual needs, and writes a report for NIPSC.
4. NIPSC to pass its judgment, to formulate its findings and recommendations and to hand them over to MOFNE for final decision.
5. MOFNE to inform MODI of its decision and MODI, in its turn, to inform the Applicant of the result. The P/S specialist to give the approved application a serial number and to inform thereof the Information Desk.

SHORT LIST OF COMMON PROTECTION AND SUPPORT MEASURES

The present list is in no way exhaustive nor does it represent any recommendation to use any specific measure or all of them. The choice of the appropriate measure should always be made carefully and after profound study and consideration.

It should also be noted that the application of P/S measures is usually processed and decided by the Ministries of Commerce (Foreign Trade) and/or Finance and Economy rather than by those industry-related.

A. PROTECTIVE MEASURES

1. Customs tariffs

- infant industry duties - to protect new industries
- preferential - valid either for specific products or for import from specific countries
 - contingent duties - special (lower) tariffs are used for imports up to a certain value (contingent), and normal rates for imports exceeding the set-up limit
 - differential duties - supporting for inst. transport of goods by a specific means of transport or on a specific route or from a specific country or group of countries
 - offsetting duties - to offset subsidies granted in exporting countries on some products
 - surtax - additional charge (fee), usually of temporary character imposed as protection against the fall of imported product prices and the resulting reduction of value-based customs duties.

2. Import licencing policy

A set of measures obliging local importers to obtain first an import licence, which can be quite complicated, time consuming and financially demanding matter, thus in fact limiting unwanted import.

3. Measures in the domain of foreign exchange

There is no need to specify these measures as there are no foreign exchange restrictions in the State of Bahrain.

4. Measures of legal and administrative character

Although these measures are not meant to be of protective or supporting nature, indirectly, they often function as such and can be used (or misused) for such purpose:

- use of a specific (local) law, currency, payment and credit conditions etc. may be obligatory in import contracts
- regulations relating to the technology transfer and industrial property rights
- regulations relating to unfair competition, antitrust laws
- regulations on quality and standards applied on imported goods
- regulations relating to public order, State defence, religion etc.

B. SUPPORT MEASURES

1. Tax policy

In Bahrain, applicable only to a limited extent (for inst. in the domain of depreciation rates) as there are no income, cooperate and value added taxes.

2. Internal price policy

- delivery of raw materials from the State reserves, utilities, land etc. at subsidized prices
- providing specific services such as legal, financial and technical consultancy free of charge or at reduced rates

3. Credit policy

- State guarantees (provided free of charge or at reduced rates) of export credits
- State financial subsidies granted to private banks guaranteeing export credits
- granting favourable loans to foreign importers of local goods

4. Customs

- no duties on imported raw materials and components destined for the local manufacture of goods destined for export or even local market
- refund of duties already paid
- customs duties vacancies for a definite period of time
- total or partial reduction of customs duties imposed on goods not manufactured locally, or on specific equipment destined for inst. for hospitals, tourism, construction of communications etc.

APPLICATION FOR INDUSTRIAL LICENSE (SMALL BUSINESSES)

(Draft)

NOTE: The draft hereunder proposes the contents of the application only and not its graphic presentation.

1. Date of application
2. Proposed name of the company
3. Owner of the company
4. Person authorized to represent the company (if different from the owner)
5. Legal status of the company
6. Commercial registration number (if any)
7. Full address of the company
8. Telephone, telex, fax
9. Full address of the factory (workshop) location (if different from the company site)
10. Telephone, telex, fax
11. Manufacturing programme
12. Labour total

of which:	Bahraini	foreign:
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Date:

Applicant's signature:

FOR OFFICIAL USE ONLY:

Application approved and registered under No.....

Date:

Attended by:

Signed by (Head Licensing Desk):

APPLICATION FOR INDUSTRIAL LICENSE
(Draft)

NOTE: The draft hereunder proposes the contents of the application only and not its graphic presentation.

1. to 12. Same as in the application form for small businesses (see Annex No. VI).

13. Capital total

of which: Bahraini: foreign:

14. Land requirements (if any, indicate location, area required and how is the availability of land assured)

15. Main raw materials required (indicate also yerly quantity and source)

16. Utilities requirements (yearly consumption)

17. Expected date of production start-up

18. Targeted output (in units and BD)

19. Targeted markets (local - foreign)

Date:

Applicant's signature:

FOR OFFICIAL USE ONLY

Application approved and registered under No.

Date:

Attended by:

Signed by (Director of IDD, if application approved at the Licensing Committee. or Head Licensing Section in other cases)

LIST OF PERSONS MET

MINISTRY OF DEVELOPMENT AND INDUSTRY

Mr. Hamza Mohammed Nour Elzubair, Legal Adviser
Industrial Development Directorate
 Mr. Sager S. Shaheen, Director
 Mr. N. Ravi Shankar, Adviser
 Mr. Jan Baylund, Adviser
 Mr. Osama Al Khalida, Adviser
 Mr. Yousif Ali Hassan, Head, Protection & Licensing Section
 Mr. Fuad A.J. Zainal, Senior Financial Analyst, Protection Dept.
 Mr. Rashid M. Al Fadhel, Specialist, Licencing Dept.
 Ms. Fatima Abdul Khaliq, Specialist, Registration Dept.
 Mr. Mohammed Saad Harmes, Specialist, Information Dept.
 Mr. A. Saleh Juma Abdulla, Head, Aluminium Industries Desk
 Mr. Khalid Rabia Hussain, Senior Economist, Aluminium Industries Desk
 Mr. Abdul Rahim A. Fakhro, Specialist, Petrochemical & Plastic Industries
 Shaikh Hesham M. Al Khalifa, Head, Engineering Industries Desk
 Ms. Aisha K. Matar, Head Crafts Industries Desk
 Ms. Rima M. Al Salah, Adviser, Crafts Industries Section
 Shaik Hmood Khalifa Al Khalifa, Head, Promotion & Financial Analyses
 Mr. Mohammed Sayyad, Economist, Promotion & Financial Analyses Section
 Mr. Abdul Kareem Ahmed Al Rashid, Financial analyst, Prom. & Fin. Analyses
 Ms. Fatima Yussif Al Hassan, Head, Food & Pharmaceutical Industries Desk

MINISTRY OF FINANCE AND NATIONAL ECONOMY

Dr. Dhafer Ahmed Alumran, Director, Evaluation & Economic Research

CENTRAL STATISTICS ORGANIZATION

Mr. Mohammed Essa Al Jazzaf, Chief, Economic Statistics Section
 Mr. Mohammed F. Abdulata, PhD., Statistics Adviser



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

JOB DESCRIPTION

SI/BAH/90/802/11-51/J12102 Rev. 1

- Post title:** Consultant in industrial licensing, registration and protection.
- Duration:** 1.5 months
- Date required:** As soon as possible.
- Duty station:** Manama, Bahrain
- 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, prepare an analytical report on procedures, rules and regulations practiced by the Directorate, including shortcomings as perceived by the industrial community and its representative bodies, and recommendations regarding remedial action. In particular, the expert is expected to perform the following activities:
- 1) Review all relevant information including pertinent laws, rules and regulations concerning registration, licensing and protection of industries locating in Bahrain.
 - 2) To discuss with Government representatives, GCC representatives (or liaise with GCC Riyadh) on measures and criteria for balanced growth of industry in Bahrain and within the GCC co-operation framework.
 - 3) Discuss with industry (including representative bodies) their problems with the currently practiced licensing, registration / ..
~~and protection systems.~~

Applications and communications regarding this Job Description should be sent to:

Project Personnel Recruitment Branch, Department of Industrial Operations
UNIDO, Vienna International Centre, P.O. Box 300, A-1400, Vienna, Austria

- 4) To elaborate methodologies for project evaluation within the above framework.
- 5) Prepare comprehensive alternative solutions for handling the issues of registration, evaluation, licensing and protection in Bahrain.

Qualifications: Industrial economist/engineer with experience in industrial regulation.

Language: English, Arabic an asset.

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 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.