

THE KINGDOM OF BAHRAIN

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Moving Bahrain forward by implementing \$32 billion on projects

The kingdom of Bahrain is strengthening its position as a hub for international businesses in the Middle East by investing in interconnected transport infrastructure.

In February 2019, the courier giant FedEx Express signed up as the anchor tenant for a \$58.5-million, 25,000-square-meter new cargo area at Bahrain International Airport (BIA).

"This demonstrates the kingdom's strong international reputation as a regional hub for businesses in the Middle East. Our island nation is a gateway to the Gulf Cooperation Council (GCC) market including the transforming Saudi Arabia, which is only 25 minutes away by causeway," said Bahraini Minister of Transportation and Telecommunications Kamal bin Ahmed Mohammed.

FedEx Express is not the only firm moving to the archipelago in the Arabian Gulf. In fact, in the first nine months of 2018, foreign direct investment into Japan's fifth-biggest trading partner increased by 138 percent. In addition to Bahrain's strategic location, investors are drawn by its well-coordinated policies and incentives for building the private sector, cost competitiveness and a highly

trained workforce — all of which are contributing to an economy that is growing at 3-4 percent a year.

Perhaps Bahrain's biggest draw is its infrastructure. It has always been good, which is why leading logistics companies such as DHL have used Bahrain as a base for their Middle East operations since the 1980s. But now the kingdom is investing a record \$32 billion into new infrastructure projects, including ones that will further expand and connect the country's transportation network both locally and internationally.

The minister explained the strategy behind this investment: "Without moving goods and people — be it by air, land or sea — efficiently and effectively, the kingdom cannot compete. To enhance our competitiveness, the government is increasing Bahrain's connectivity, which will facilitate growth in all of our economic sectors. We could not fully develop our potential in logistics, tourism and manufacturing, for example, if we did not have an excellent transportation and logistics network."

At the heart of this expanding network is BIA, which is currently undergoing a \$1.1-billion modernization program, described by Mohamed Yousif Al Binfalah, CEO of its operator Bahrain Airport Company (BAC), as "the kingdom's key gateway to the world."

This year will see BAC complete the construction of a state-of-the-art new passenger terminal building four times the size of the current facility, increasing BIA's capacity to 14 million passengers a year. Once that is complete, other aspects of BIA such as its runway will be upgraded, said Al Binfalah: "Between now and around 2021, every single infrastructural element in this airport will be new."

Within approximately five years, an extensive new light-railway system that could cost up to \$2 billion to construct will further improve connectivity between the airport and the rest of Bahrain. This metro, which will use driverless trains to move 43,000 people an hour, will consist of six



Kamal bin Ahmed Mohammed
Minister of Transportation and Telecommunications

lines covering 109 kilometers and allow optimal interconnections between all of the country's key locations. "We assigned a Spanish consultant,

IDOM, to help us plan the routes that we needed, the phasing of the development and the technology we should use," stated the minister.

"The government has now started the next stage of its light-rail project. In February 2019, we launched an international tender to appoint a consultant to manage the tendering process for the development of the first phase of the metro system — two lines that are 32 kilometers long in total with 20 stations. We hope to make an appointment this summer," he said.

The gateway to the Gulf region

When it comes to moving goods around the kingdom and further afield, just 13 kilometers away from BIA is another important node in Bahrain's transport network: Khalifa bin Salman Port, a first-class transshipment hub for the world's largest ocean vessels. Between the air and seaport is a third vital facility: the in-demand Bahrain Logistics Zone, which is also being expanded.

The government now intends to build a 70-kilometer-long railway to connect these three nodes to the GCC rail network, which is progressively linking the transport systems of all Gulf countries. Goods and passengers will be able to travel

seamlessly by train throughout the region via a planned second causeway between Bahrain and Saudi Arabia.

"The King Hamad Causeway will make our economic, political and trade relations even stronger," noted the minister, who added that a tender had been released for the \$3.4 billion project, which is likely to be carried out under a public-private partnership.

Alongside the rail line, the proposed causeway includes four road lanes, which will further improve connectivity to Saudi Arabia by reducing vehicle traffic on the existing King Fahd Causeway over which more than 2 million people travel every month.

As Bahrain's transport infrastructure becomes increasingly robust and integrated, it is no wonder that logistics and cargo operators are among the many foreign investors looking to use Bahrain as a regional business hub.

The minister said: "We are currently negotiating with two companies, in addition to FedEx Express, wishing to operate warehouse space at BIA's new cargo area. I do not think any other countries offer the connectivity between air, sea and land transport that Bahrain does."

The Bahrain Airport Modernization Program

The \$1.1 billion project will be inaugurated in 2019, increasing airport capacity to 14 million passengers a year.

The launch of Bahrain International Airport's (BIA) brand-new 210,000-square-meter passenger terminal building in 2019 will reinforce the kingdom's central position in Middle Eastern air transportation. Four times larger than the current facility, it will be capable of processing 130,000 air traffic movements a year and will have a handling capacity of 4,700 bags an hour. It will increase BIA's capacity to 14 million passengers a year and is built to the highest technological standards, ensuring a safe, secure and seamless airport experience.

The extra space is needed to accommodate the growing number of passengers and airlines using the airport. "BIA was last expanded in 1994 to meet a capacity of four million passengers but we have been running the airport at twice that for

quite some time," said Mohamed Yousif Al Binfalah, CEO of the airport's operator and managing body, Bahrain Airport Company (BAC). In fact, around nine million travelers and 624,000 flights were received in 2018 — up 7 percent and 4 percent from 2017, respectively. This not only reflects an increase in visitors arriving for business and leisure, but also BIA's growing reputation among airlines for its low charges.

The Airport Modernization Program has come to fruition in record time, said Al Binfalah: "If you compare it with recent airport developments in our region, you'll be surprised how fast-tracked it has been. We appointed design consultants in 2014, mobilized a contractor in 2016 and are now just a few months away from realizing our efforts."



Mohamed Yousif Al Binfalah
CEO
Bahrain Airport Company

BAC is a part of the Gulf Air Group Holding Company, which was founded in 2010 to consolidate the aviation assets of Mumtalakat, the kingdom's sovereign wealth fund. Al Binfalah puts the Airport Modernization Program's speed and quality down to collaboration within the group and with external stakeholders.

An exceptional airport terminal

"BAC is agile and has worked closely with its partners to create a modern platform. For example, air-bridge stands are being increased from seven to 12 and have been designed in partnership with the kingdom's national carrier, Gulf Air," he noted.

Gates are not the only thing expanding, he said: "Everything is being enhanced, including check-in counters, border controls, security, retail areas, food and beverage options and lounge capacity. We are also investing heavily in the latest digital systems to provide a very high level of service. For instance, we will probably be the first in the region to use some

new security-screening technologies." The terminal's 25,000-square-meter new cargo area will also be equipped with cutting-edge systems to enhance e-commerce and express-cargo operations. FedEx Express has taken 9,000 square meters in this area, where space is being snapped up quickly as logistics companies recognize the opportunities offered by BIA's modernity, connectivity, competitiveness and proximity to the Gulf's largest economies.

The new airport also brings exciting opportunities in another of the kingdom's growing sectors, tourism. BIA recently became more accessible through Gulf Air's code-sharing agreement with Thai Airlines, which will link Tokyo, Bangkok and

Bahrain. In addition, BIA's increased capacity means it will be able to welcome more flights and leading airlines to the country.

The new passenger terminal building has been designed to reflect the hospitality, heritage, history, art and culture that Bahrain is known for. Said Al Binfalah: "We have a lot to offer and BAC would love to develop charter flights with partners in countries like Japan. Even after the completion of the Airport Modernization Program, we still won't have the biggest terminal in this region — that's not what we are trying to do. Our goal is to operate a friendly and efficient airport that delivers high-quality services and an exceptional travel experience."

"Everything is being enhanced, including check-in counters, border controls, security, retail areas, food and beverage options and lounge capacity."

Mohamed Yousif Al Binfalah, CEO, Bahrain Airport Company

Sitting at ACI Asia-Pacific

The CEO of Bahrain Airport Company, Mohamed Yousif Al Binfalah, has been elected as one of three new regional board directors for the Airports Council International.

In 2019, the CEO of Bahrain Airport Company (BAC), Mohamed Yousif Al Binfalah was elected as a director of the Asia-Pacific Regional Board of the Airports Council International (ACI), a global body which represents the world's airports and works closely with prominent aviation organizations to develop standards, policies and recommended practices.

Al Binfalah is the first Bahraini to become a director of the regional board, where he will sit alongside 24 other aviation leaders. The board represents the interests of over 600 airports in 49 countries, which

account for over 90 percent of the region's commercial air traffic.

"Getting the opportunity to serve on the board, in one of the fastest-growing regions for aviation traffic, will allow BAC to share knowledge and best practices with the world's leading airports," said Al Binfalah. Several of Al Binfalah's BAC colleagues are already members of regional and global ACI committees in areas of key concern for aviation: airport information technology, human resources, economics, operational safety and the environment.

Minister of Transportation and Telecommunications Kamal bin Ahmed Mohammed said having BAC staff in these prominent roles showcases Bahrain's reputation as an important aviation hub. Congratulating Al Binfalah, he said: "This result is a point of pride, which reflects the ability and talent of Bahraini nationals and international confidence in the Bahraini professionals working in the aviation sector. This demonstrates the kingdom's unlimited potential to lead the aviation sector toward new levels of excellence."



Empowering local talent

The Tahleeq and Ajwaa training and development programs are placing citizens at the heart of Bahrain's development.

The Bahrain Airport Company (BAC) is committed to building the skills of Bahraini citizens and helping them to reach their full potential. Currently, an impressive 80 percent of BAC's employees are drawn from the local population and the goal is to increase that to 90 percent by 2021. But operating its new, state-of-the-art passenger terminal building will require expertise in specialized aviation fields. "Since 2010, we have invested heavily in developing our human talent — it is one of our big success stories," said BAC Chief Executive Officer Mohamed Yousif

Al Binfalah. At the center of this success is the Tahleeq program, a milestone training and development initiative aimed at shaping the future leaders of Bahrain's aviation industry.

Launched in 2014, the four-year plan equips participants with advanced skillsets required as part of Bahrain's Airport Modernization Program through both theoretical and practical training, and mentoring from international specialists. "We have recruited at least 80 Bahraini graduates through this program," he noted.

In addition, the Ajwaa program, which is run

in partnership with U.K.-based air-traffic management company Serco IAL, is realizing the potential of tomorrow's air-traffic professionals.

BAC's investment in Bahraini skills goes much further than these two programs, however. In collaboration with international experts like Germany's Fraport AG Frankfurt Airport Services Worldwide, all of BAC's and its stakeholders' employees are receiving comprehensive training to familiarize them with the passenger terminal's new systems ahead of its opening.

"We will continue to invest in local talent to develop the kingdom's next generation of aviation leaders and we believe the sector as a whole will benefit from our investment," said Al Binfalah.

شركة مطار البحرين
bahrain airport company

EXPANDING TO BRING NATIONS CLOSER

The Airport Modernization Program (AMP) is a two-phased venture that will elevate the infrastructure, facilities and services of Bahrain International Airport. It will transform BIA into a world-class hub and strengthen cooperation between Bahrain and Japan in supporting economic diversification efforts.

bahrainairport.com

Beyond oil

The Bahrain Economic Development Board is creating an environment to boost investment and talent in order to embrace the 'Fourth Industrial Revolution'.

Although the outlook is bright for the Bahraini oil industry, the kingdom has no intention of straying off its very successful path of diversification and embracing the Fourth Industrial Revolution by combining Bahrain's traditional strengths with emerging technologies.

"So successful have we been that, over the last 15 years, non-oil sectors have grown from 60 to 80 percent of gross domestic product (GDP)," said Minister of Finance and National Economy Shaikh Salman bin Khalifa Al Khalifa.

This growth, accompanied by a dramatic rise in non-oil foreign direct investment (FDI), has recently taken on additional impetus. In 2018, the kingdom attracted about \$830 million from 92 international companies that will create over 4,700 jobs — figures up 17, 15 and 57 percent respectively on 2017.

"2014's global drop in oil prices contributed to a push for diversification. It was a blessing in disguise as it forced government, citizens and companies to change and move forward," said Khalid Al Rumaihi, CEO of the Bahrain Economic Development Board (EDB), the public agency with overall responsibility for attracting investment.

According to him, Bahrain's diversification strategy is focused on five sectors: "I think the Arab world missed the first three industrial revolutions, we must make sure we grab the fourth one. So, finance is our largest non-oil sector and we are



Khalid Al Rumaihi
CEO, Bahrain Economic Development Board

seeing fantastic momentum in fintech. We have similar momentum in three other focus areas — technology, manufacturing and logistics. And the last priority, tourism, generated about half of our FDI in 2018."

These priority sectors play to Bahrain's strengths, the biggest of which is that everybody, from the highly skilled citizens to government leaders,

works together as "Team Bahrain" to advance the small country's economy. "It's not just a slogan. Companies have easy access to decision makers including ministers. That is rare," stated Al Rumaihi.

At the heart of Team Bahrain is the EDB, which was formed in 2000 and works with government and investors to create and support a forward-centric business climate. Through 22 worldwide offices and numerous initiatives, the agency assists companies at every stage of an investment project by, for example, helping to find premises, introducing Bahraini talent and opportunities, and explaining legislation.

"The EDB has been very successful in reaching out to some of the largest companies in the world," added Al Rumaihi.

The ideal starting point in any sector

EDB's CEO explained how it achieved this: "Investors are smart and they want to make money. For each of the five sectors, we have a value proposition, a narrative and the facts to back it up." He begins by telling international businesses why they need to operate in the Middle East and North Africa (MENA) region: "It has a young, consuming population of around 300 million and a GDP of about \$4 trillion."

"Once they understand the importance of being a first mover in MENA, that's when we explain



Sophia the Robot at the 3rd Middle East and Africa FinTech Forum on 21 February 2019 in Bahrain. The forum was attended by over 800 delegates.

Bahrain's strengths as a regional gateway." For all sectors, those strengths include a competitive cost of doing business; high quality of life; a government looking to shrink its role in favor of the private sector; enabling infrastructure; business-friendly legislation; and well-educated, innovative local talent.

Bahrain is also developing a startup ecosystem to boost talent and ideas. Earlier this year, the Al Waha Venture Capital Fund of Funds closed \$100 million in funds that will support technology startups. This groundbreaking fund is managed by the Bahrain Development Bank (BDB), which was set up by the government in 1992 to support entrepreneurship and promote investment.

"The Al Waha initiative aims to attract international venture-capital funds that can boost the startup ecosystem in Bahrain and the region, although investments can also be made elsewhere in the world," explained Sanjeev Paul, BDB's CEO. Additionally, BDB helps entrepreneurs through a program called Rowad, said Paul: "This provides coaching and mentoring, puts them in touch with other entrepreneurs, and assists them to present their ideas to local and international investors. We also run two incubators."

To further build Bahrain's startup environment, BDB is now forming international links, he said: "We want our startups and those in other countries to exchange ideas, set up companies together and help each other to expand into the other's regions. We have not reached out to Japan yet, but it is definitely something we should look at."

All of the BDB's Shariah-compliant services are open to foreign entrepreneurs setting up operations in Bahrain, which an increasing number are doing, according to Paul: "Bahrain is a great gateway to a stable region. When international businesses arrive here they find that the network of institutions that Bahrain has created for them are extremely helpful. The fact that Amazon Web Services has chosen Bahrain as its first regional base shows the kingdom's potential. I think that is

a game changer for the future of our private sector." Bahrain's strengths in manufacturing, logistics and as an export base are becoming increasingly clear to businesses like global food giant Mondelez International, which in 2018 made its second major investment in the country it uses as its MENA hub: a \$90 million state-of-the-art biscuit factory that is the size of 30 soccer pitches.

"I think the Arab world missed the first three industrial revolutions, we must make sure we grab the fourth one."

Khalid Al Rumaihi
CEO, Bahrain Economic Development Board

Recent investors in tourism, on the other hand, include hotel developments from Abu Dhabi's Eagle Hills and Dubai's Jumeirah, and one of the Gulf's largest retailers, Saudi Arabia's Jarir Bookstore, will anchor a new \$37 million retail complex.

Al Rumaihi gave a few reasons why tourism investments are picking up steam: "Some beautiful hotels will come up in the next few years, we have our new exhibition center, plus Gulf Air and the Bahrain Tourism and Exhibitions Authority are reaching out to more markets and operators. As with all five of our priority sectors, we have the team, we have a great narrative and we have momentum behind us."



Why Bahrain?

- 100 percent foreign ownership in almost all sectors
- Gateway to the \$1.5 trillion Gulf Cooperation Council (GCC) market
- Bahrain ranks 15th globally in the use of virtual social media networks
- 89 percent of the information and communication technologies (ICT) workforce holds either a bachelor's or a master's degree
- 90 percent of the ICT workforce is fluent in English and Arabic, and Bahrain ranks first in the Middle East and North Africa and sixth worldwide for languages
- Strategic location: 30-minute drive to Saudi Arabia; Khalifa Bin Salman Port has the fastest clearance time anywhere in the GCC; and the east- and most direct access to all of the GCC's airport hubs, with one-hour flights from Bahrain International Airport
- Eighth globally for business fundamentals in the Agility Emerging Markets Logistics Index
- 114 nationalities are now eligible for e-visa applications
- An investor's visa with a temporary commercial registration for 90-day visits can be applied for online
- Bahrain ranks first, for the second year, in the InterNations Expat Survey and fifth in HSBC's 2018 Expat Explorer Survey for expat satisfaction

Pioneering in fintech

The agile regulation of the Central Bank of Bahrain and the extensive network of Bahrain FinTech Bay have attracted flagship innovators such as Amazon Web Services to the kingdom.

"Bahrain has developed an extensive fintech ecosystem to future-proof financial services sector and further transition the country into an innovation-driven economy," said Khalid Saad, CEO of Bahrain FinTech Bay (BFB), the leading hub for fintech in the Middle East and North Africa region and a key part of that ecosystem.

Enabling Bahrain to become a global fintech center is a pioneering regulatory framework for the technologies established by the Central Bank of Bahrain (CBB), probably the region's most respected and robust financial regulator.

The framework includes CBB's dedicated fintech and innovation unit, a regulatory sandbox, and regulations for crypto assets, crowdfunding, open banking and digital advice. "We work with the industry to design best-in-practice legislation and regulations, and we act quickly to deal with changes in the business environment," said Rasheed Mohammed Al Maraj, CBB's governor.

To further promote technology, "We have licensed two digital banks to set a new scene for Bahraini banking," Al Maraj stated. The CBB is also one of the supporting partners of BFB, which was set up in 2018 as a public-private partnership by the Bahrain Economic Development

Board and FinTech Consortium, an ecosystem builder that operates BFB and similar hubs worldwide. BFB incubates, accelerates and provides office space to 40 startups with varied geographical origins, which benefit from a network of local and international companies that have moved to Bahrain to join the new ecosystem. "We have nearly 100 partners including Microsoft, Cisco, American Express, Amazon Web Services, Facebook, Visa, Mastercard and Finastra that contribute know-how and some sit on our advisory board," said Saad.

BFB is also building connectivity with other centers of excellence, he noted, "We have a memorandum of understanding with the FinTech Association of Japan, for example, and are exploring collaborations with them as we

"Bahrain has developed an extensive fintech ecosystem to future proof our financial services sector."

Khalid Saad, CEO, Bahrain FinTech Bay

continue to develop the next generation of fintech leaders."

Another creating leaders is investor and accelerator Flat6Labs Bahrain, a 50-50 partnership between Egypt-based Flat6Labs and businesswoman Sabah Al Moayyed. "The labor fund, Tamkeen, funds us to invest in companies from any country and sector. We are looking for gems from places like Japan that want to move to the Gulf for funding," said Rayaan Sharif, managing director of Flat6Labs Bahrain.

To date, Flat6Labs has run two successful accelerator cycles, he said: "For example, we seed-funded Inagrab, software for retailers. It has got a second round and is close to securing much more." Wider opportunities for innovators include additional accelerator programs from organizations such as American Express Middle East and Hong Kong's Nest, and funding from, among others, the Bahrain Development Bank's \$100 million Al Waha Fund of Funds. "Bahrain has other advantages for technology companies," stated Sharif: "The biggest is the cost of doing business. Next is great regulation, and ease of access to decision makers and clients. Bahrain opens doors."

Leading the world in aluminum

Aluminium Bahrain has expanded its capacity to become the world's largest single-site aluminum smelter.

In 2019, Aluminium Bahrain B.S.C. (Alba) will fully bring online a major expansion of its production site that will make it the world's largest single-site aluminum smelter. "We will generate an extra 540,000 metric tons a year (mtpa) of the metal, giving us a total capacity of over 1.5 million mtpa, and it will add more than \$1 billion to our revenues in 2018 of \$2.4 billion," said Alba's CEO, Tim Murray.

Alba's aluminum smelting — a process in which the metal is extracted from its oxide, alumina — represents one of the kingdom's earliest successful diversifications beyond oil. Founded in 1968, the company was privatized in 2010, with 69.38 percent now owned by the sovereign fund Muntalakat, 21.62 percent by Saudi Arabia's SABIC and 10 percent by the general public.

Over the years, the Alba plant has seen a number of expansions and, prior to the latest, it had five production lines. The latest expansion, "Line 6 Expansion Project," puts the company in pole position to take advantage of a deficit in aluminum. "Demand is growing by about 3 percent a year and there is currently a world deficit of

"We will generate an extra 540,000 metric tons a year (mtpa) of the metal, giving us a total capacity of over 1.5 million mtpa."

Tim Murray, CEO, Aluminium Bahrain

around 2 million mtpa. To illustrate, that is the same amount that Japan imports a year. Outside of China, Alba is the only major expansion project in the pipeline," Murray stated.

To take advantage of the increasing demand, \$2.5 billion was raised to finance Line 6 Expansion Project from various sources including Nippon Export and Investment Insurance. Commissioning started, ahead of schedule, in December 2018 and it will be fully operational in the third quarter of 2019.

The new line is fitted with cutting-edge equipment, the CEO said, "Fuji Electric did a great

job supplying us with critical equipment, for example."

As with the rest of Alba's plant, it is also very safe — by the end of April 2019, the smelter had exceeded 39 million hours of operations over two years without a lost time injury.

In addition to capacity, Alba has two main advantages over its global competitors. The first is in something all smelters consume in massive quantities: energy.

"We use Bahraini natural gas and have five power stations, the newest of which uses highly efficient turbines from General Electric," he noted. This leads to Alba's other advantage: cost, which it maintains at a competitive level by running an annual cost-savings "Titan" program that targets all aspects of its operations.

Half of Alba's new production will be exported in the form of ingots, billets, foundry alloys and slabs to the U.S., Europe and Asia, including Japan. The remainder will be used within Bahrain to build added value through downstream industries. The government has set aside land for these new sectors and some Japanese companies have expressed an interest.

Murray explained why: "Aluminum, automotive and other manufacturers setting up in Bahrain can use our liquid metal and save on remelting costs, the logistics are good, as is access to other Gulf countries. Plus, Alba's production is state of the art in all respects — it is a top-tier aluminum smelter."

The bank getting closer to customers

The National Bank of Bahrain is leading a transformation in the banking sector.

Bahrain has been an important financial center since the 1970s and, at 17 percent of gross domestic product, financial services is the kingdom's second-largest sector after oil. "It is a historic hub," said Jean-Christophe Durand, CEO of the National Bank of Bahrain (NBB): "By which I mean pioneering. Bahrain started with a vision to turn the kingdom into the region's financial bridge to the world. Today, some of our neighbors also have financial centers, but what still differentiates Bahrain's is innovation. The country is creating a different type of banking industry."

Established as Bahrain's first bank in 1957, NBB is the kingdom's leading provider of retail and commercial banking services, and is at the forefront of the sector's advance. Listed on the kingdom's stock exchange, about 45 percent of NBB is owned by private and institutional shareholders, while the rest is held by Bahrain's sovereign fund and Social Insurance Organisation.

The bank is currently modernizing and diversifying — a process that is producing sustained growth: in 2018, its net profits grew by 14.8 per-

"This will help us attract new young professionals and entrepreneurs and further enhance our service quality to our existing client base."

Jean-Christophe Durand, CEO
National Bank of Bahrain

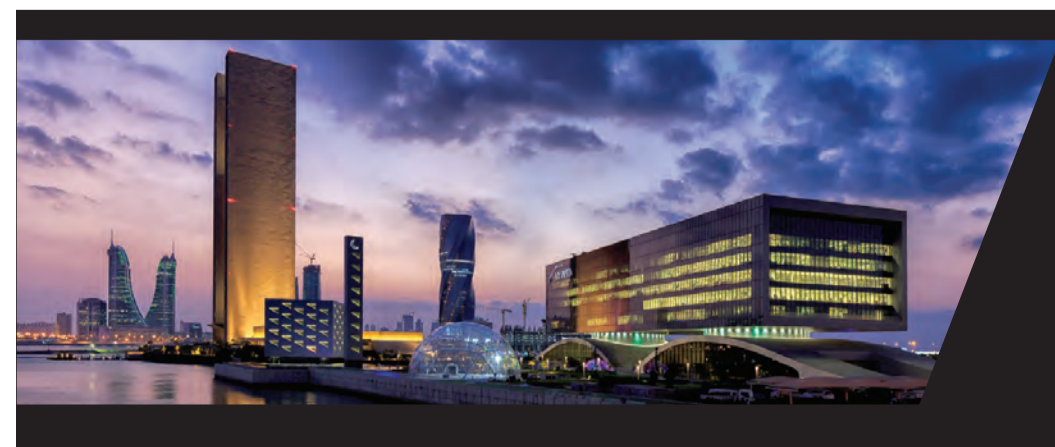
cent to a record \$186 million. Durand believes a significant proportion of NBB's continued success is due to Bahrain's strengths as a financial hub: "We have a good regulator, the Central Bank of Bahrain, which is very much aware of the sector's transformation, and there is a close relationship between the regulator, government and financial institutions. A further major strength is the caliber of the kingdom's experienced banking talent. It is second to none in the region."

One way NBB is looking to diversify is through strategic expansion in regional markets. "In the

near term, our first objective is to grow our presence in Saudi Arabia and the United Arab Emirates. As a Bahraini bank, we have a real advantage in those countries leveraging long-held relationships between us. We have always been a strong local bank and will now replicate our model, and use our infrastructure and teams to succeed in other markets," said the CEO.

NBB is also open to expanding by non-organic means, he stated, "I see potential in acquisitions and partnerships with complementary businesses in countries or product areas where we need to acquire knowledge." Another of NBB's diversification strategies is to embrace technologies by digitalizing its internal processes and introducing more digital products, services and platforms.

As part of its focus on banking technologies, NBB became a founding partner of the kingdom's fintech hub, Bahrain FinTech Bay. This partnership underscores NBB's commitment to innovation and to advancing its products and services in areas such as payments, transfers, electronic know-your-customer and open-banking systems that it can adapt to suit its clients in collaboration with developers of these technologies. "This will help us attract new young professionals and entrepreneurs and further enhance our service quality to our existing client base," explained the CEO.



The leading FinTech Hub in the Middle East & Africa

Bahrain FinTech Bay is the gateway to the Middle East, dedicated to enabling, fostering and ultimately building the complete FinTech ecosystem in the region, driving innovation and future-proofing Bahrain's financial services industry

100+
Global Partners

40
Residents

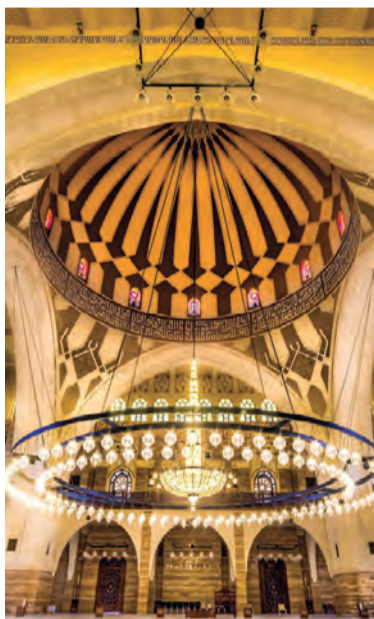
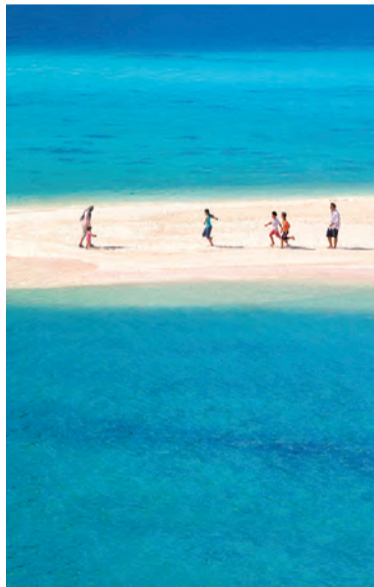
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Bahrain offers everything a tourist could wish for, including cultural events in its cosmopolitan capital of Manama, Formula One racing, first-class hotels and restaurants, ancient historical sites and world-beating diving experiences.



Ours, Yours...

With its rich heritage, talented population and a master plan for the future, Bahrain is attracting investors and tourists.

Located in the heart of the Arabian Gulf, Bahrain's economy is growing faster than any other in the Gulf region. "We have had an average growth in gross domestic product (GDP) of 3 to 4 percent for four years and are optimistic that this growth will continue," said Minister of Industry, Commerce and Tourism Zayed R. Al Zayani.

This achievement stems from it being the first of the region's oil economies to diversify away from hydrocarbons, he commented. "Bahrain has always been a pioneer. Diversification started in the 1960s, manufacturing now represents around 15 percent of GDP and financial services about 17 percent. We also adapted quickly to the modern age by implementing Bahrain's Vision 2030, our strategy for creating a robust and diverse economy for the future." Boosting the private sector and foreign direct investment (FDI) are key to this strategy. "The government wants to step out of the operational side. We have revisited all of our laws and regulations with one simple aim — making Bahrain easier to do business in. Only 2 percent of activities are now restricted to Bahraini ownership, for example — it is the most liberal regime in the region," Al Zayani said.

"We have revisited all of our laws and regulations with one simple aim — making Bahrain easier to do business in."

Zayed R. Al Zayani
Minister of Industry, Commerce and Tourism

The government has also made the kingdom more attractive by strengthening transport infrastructure to allow investors to take advantage of its position as a gateway to the Gulf with many free-trade agreements. Current projects include a \$1.1 billion new terminal at Bahrain International Airport that will open this year and there are plans for a second road link to Saudi Arabia.

The economy has also been strengthened through fiscal policies. The country's budget deficit was reduced by 35 percent in 2018 from 2017's \$3.55 billion and 2019's introduction of a 5 percent value-added tax should bring further improvement. These policies are having the desired effect. In the first nine months of 2018, FDI grew by 138 percent

and 80 percent of GDP came from the private sector last year.

The kingdom's ongoing development plans offer huge potential to Japanese companies, according to the minister: "We have strong trade relations with Japan but I would like to see more investments and joint ventures between us. There are opportunities in all sectors although we are focused on tourism, information and communication technologies, finance and banking and manufacturing and logistics."

Tourism is at the forefront of development

The first of those sectors, tourism, is Bahrain's fastest-growing industry. "Today, we have 12 million visitors a year, 5.9 percent more than in 2017, and tourism's direct contribution to GDP is above 6.5 percent. In 2015, it was 4.6 percent. The average number of nights spent in Bahrain has also gone up over that period from 2.3 to 2.9," said Bahrain Tourism and Exhibitions Authority (BTEA) Chief Executive Officer Shaikh Khaled bin Humood Al Khalifa, who oversees the agency responsible for promoting, overseeing and providing investor services for the sector.

Bahrain's growing popularity comes from a unique blend of well-preserved historical sites from its 5,000-year-old civilization, culture and authenticity, as well as the cosmopolitan and tolerant nature of the country, explained the CEO, "Where else in the world can you find a Muslim mosque, a Hindu temple, a Jewish synagogue and a Christian church within 2 kilometers of each other?"

However, he added: "Our number one asset is the Bahraini people. That is why BTEA created the marketing slogan 'Bahrain. Ours. Yours.' — to highlight our hospitality." BTEA is promoting this slogan as part of its ambitious plans for the sector's continued growth. "We have built a strategy around four As: attractions, accommodation, awareness and accessibility. And the first thing we had to do was make sure our attractions were right," the CEO noted.

In line with the global trend in tourism away from sightseeing and toward unique experiences, the CEO noted: "Bahrain is building the full experience. We are the only country where you can enjoy traditional pearl diving, for instance. For shoppers, we have new developments and the souk, which is over 150 years old.

"We also host large sporting events like the Iron Man Triathlon and Formula One motor races. In addition, medical, educational, cultural and ecological tourism all exist here."



Zayed R. Al Zayani
Minister of Industry, Commerce and Tourism



Shaikh Khaled bin Humood Al Khalifa
CEO, Bahrain Tourism and Exhibitions Authority

Bahrain is also building new attractions — nearly \$400 million is thought to have been invested in the sector in 2018 and that figure is predicted to rise by 6.9 percent a year for the next decade. One important project is the exhibition center that will be the largest in the region and will further position the kingdom as a leading hub for meetings, incentives, conferences and exhibitions. "It will be completed in 2021 and we already have a team dedicated to bidding for major international events," said the CEO.

"Our number one asset is the Bahraini people. That is why BTEA created the marketing slogan 'Bahrain. Ours. Yours.'"

Shaikh Khaled bin Humood Al Khalifa
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In January, Bahrain announced that it was planning to construct the world's largest underwater theme park as well. Containing a decommissioned Boeing 747 among its many attractions, the 100,000-square-meter diving site will also provide a haven for coral and other marine life.

To accommodate an influx of tourists, five substantial beachfront projects are in the pipeline, which will contain hotels and additional facilities. "For instance," stated the CEO, "A \$550-million upscale waterside development on Diyar Al Muharraq, an archipelago of seven man-made islands, should be ready next year."

Until recently, the vast majority of tourists enjoying these attractions would have come from other Gulf countries. But BTEA is creating wider awareness of the kingdom's appeal, he said: "We have opened offices in Saudi Arabia, Kuwait, the U.K., France, Germany, Russia and India so far, which have been successful. We launched our London office in 2016, for example. In 2018, we sold almost 9,800 packages to Bahrain worth over \$13 million through that office, and have established relationships with 49 tour operators and travel agencies."

In addition to the international airport expansion, partnerships like this are making the country more accessible. BTEA works closely with Gulf Air, the expanding national carrier, to create targeted packages in collaboration with international tour operators and hotel groups based in Bahrain, such as Abu Dhabi's Rotana.

"We want to reach out to Japan and Southeast Asia — it makes sense because we are part of Asia — but we do not have any direct flights between us yet. The impact is immediate when there are direct flights. In Russia, we opened an office in 2017, started charter flights in 2018 and now have two flights a week from Moscow carrying 440 passengers," said the CEO. Initiatives like this will continue to be introduced, he stated: "Bahrain is full of potential and it offers what the world's tourists are looking for. Now we are connecting the dots."



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Bahrain has put in place a network of organizations that are boosting the private sector and turning the kingdom into a hub for both entrepreneurs and established businesses.

Bahrain is focused on advancing its private sector and making it the key driver of an increasingly diverse, competitive, entrepreneurial and knowledge-based economy.

To foster the development of its own citizens and businesses, as well as boost the local economic environment for foreign investors, the government has created an extensive and collaborative ecosystem of business-friendly organizations that are mandated to encourage private-sector enterprises of all sizes and realize the potential of those that set them up and their employees.

This strategy is working — in just the last three years, the number of Bahraini startups has grown by 46 percent.

At the heart of this ecosystem is Tamkeen, the Bahrain Labor Fund, which empowers individuals and businesses through grants, financial assistance and programs for business development, in addition to offering wage-support initiatives.

"Tamkeen was founded in 2006 after the government had considered what was needed to reform the economy," said Chief Executive Dr. Ebrahim Mohammed Janahi, who noted that central to the organization's mission is investing in the development of human resources and Bahrain-based businesses that contribute to economic growth.

That investment has had a significant impact. Since its establishment, Tamkeen has injected \$3.1 billion into supporting Bahrain's private sector and has launched over 300 programs and initiatives. Thirty-eight percent of citizens working in the private sector have benefited from its training programs, while 53 percent of active businesses have received support.

"What Tamkeen has done has been amazing for the nation. It's been a huge success. To begin with, some in the business community were unsure about Tamkeen's potential but now they are very much in support of what we do," stated Janahi.

"Tamkeen is a success story for Bahrain because we work with small, medium, large and even micro level enterprises and, at the same time, we do a lot for individuals. Internationally, it is quite unique to reach out to both groups," he added.

The majority of the authority's budget for 2018 was allocated to training and wage support, according to Janahi. "We have invested significantly to make sure that Bahrainis have the right skills and professional qualifications to make them



Dr. Ebrahim Mohammed Janahi
Chief Executive, Tamkeen

the right and affordable choice for companies in the country."

Tamkeen's training programs target every stage of an individual's career or a business's development, and cover a multitude of subjects including skill and career progression, entrepreneurship, funding and financing, with many being sector or employer specific. For example, it has recently supported courses created especially for staff of Citibank and Amazon Web Services, a technology

"We have invested significantly to make sure that Bahrainis have the right skills and professional qualifications to make them the right and affordable choice for companies."

Dr. Ebrahim Mohammed Janahi, Chief Executive, Tamkeen

company that opened a regional base in Bahrain in 2018. This wide variety of initiatives all have one thing in common, however: a focus on customer centricity, improving quality and delivering results.

Transformational initiatives

In 2018, Tamkeen increased the support it gave companies to pay employee salaries by 182 percent in comparison with 2017, resulting in the

generation of 8,712 new jobs for Bahrainis within the private sector. In a bid to create even more employment opportunities, the organization has now extended this wage-support program, which provides any startup with the financial means to hire staff from the local population.

"Tamkeen's program covers any new graduate that is taken on as an employee in the private sector," explained Janahi. "We will support 70 percent of their salaries for their first year of employment and 30 percent for a further six months."

This wage-support program, along with all of Tamkeen's other initiatives, are open to companies from any country, he said. "They can be Japanese, British, American, Singaporean or German — we don't look at the nationality of the owner. As long as they are commercially registered in Bahrain they are treated exactly like a Bahraini company and get all the incentives a Bahraini businessperson can get.

"I would advise international companies to come and see for themselves how Bahrain's system works; how Tamkeen and other entities offer their combined support to investors; and how our initiatives address their needs."

To ensure Tamkeen's initiatives continue to address its current and future clients' needs, the authority reviews and adapts its strategy every three years.

"Every year, we hold a consultation forum, which brings the owners of around 500 enterprises and organizations together. We listen to their feedback about what they want, process those opinions and use them to develop our operational plan," Janahi explained.

As a result of this process, Tamkeen's 2018-2020 strategy is focused on transformation, he stated: "All our programs need to make an impact and serve the needs of companies in Bahrain but we

also want to transform ourselves into the best possible entity for the benefit of our private sector."

This focus requires Tamkeen to react quickly to emerging sectors and technologies. "For example, as part of our 2018-2020 strategy development we looked hard at what new services we needed to provide to cater to companies in the fintech sector," said Janahi.

One of those new services was launched in



Tamkeen, the Bahrain Labor Fund, is transforming the startup scene in the Middle East

February 2019 in conjunction with the sector's largest hub in the region, Bahrain FinTech Bay. The FinTech Talent Program is the first training and development initiative for the emerging technologies in the Middle East.

It was created in partnership with global experts in the subject such as the U.S.'s Georgetown University and should position the kingdom as a center of excellence for fintech skills and entrepreneurs.

Investing in startups

As part of Tamkeen's 2018-2020 strategy, "We are taking a new and expanded approach to the organization's investment activities by venturing into investments that enable us to become an even more active participant in the national effort to create a competitive and resilient economy," he stated. These enriched initiatives will allow the organization to further develop the private sector, said Janahi. "Our investment pillar will provide a diverse set of solutions to help improve access to finance for businesses at all stages of growth, including startups, and will support the emergence of new business sectors within the economy. In this regard, Tamkeen's investment initiatives will mainly bridge investors with relevant invest-

ees. This will be done through multiple strategic investment projects, carried out in collaboration with relevant stakeholders, that will support the acceleration of businesses."

A major example of this new strategy came in May 2018, when Tamkeen became one of the most significant limited partners in the \$100-million Al Waha Venture Capital Fund of Funds. Managed by the Bahrain Development Bank, this fund is already boosting the technology startup ecosystem, with 45 percent of it having been allocated to various venture capitalists.

Another way in which Tamkeen is investing in the economy is through a support program for cloud computing launched in September 2018. Through this plan, Tamkeen covers the costs to businesses of cloud services from Amazon Web Services for a period of 18 months. "We think that enabling access to enterprise-grade technological infrastructure is crucial for enhancing our businesses' competitiveness in a changing market," Janahi explained.

"At Tamkeen, we seek to keep pace with the dynamic changes in the economy and design the most appropriate solutions in line with the opportunities," he added, noting that the authority believes accelerators are an excellent solution

for enhancing the kingdom's entrepreneurial ecosystem.

For this reason, in 2018, Tamkeen partnered with Egypt-based Flat6Labs to launch the Flat6Labs Bahrain accelerator program. Through this plan, Tamkeen will invest in more than 40 local and international startups over the next three years, with each receiving \$30,000 in seed funding and mentorship-driven support.

As a result of Tamkeen's initiatives, as well as those of many other organizations in Bahrain, the kingdom's reputation for supporting talent is now so strong that it was chosen as the location for the 11th Global Entrepreneurship Congress in 2019. The event was held in April as a collaboration between Tamkeen and the Global Entrepreneurship Network, probably the world's most important entrepreneurial platform.

The successful congress brought together more than 3,000 leading entrepreneurs, investors, researchers and economic policymakers from over 170 countries, and shone an international spotlight on the talent that the authority is helping to nurture, said Janahi. "With Tamkeen's history of proactively developing and enacting programs designed to empower Bahrainis and new enterprises, we were perfectly placed to host this important event."



Contributing to the Kingdom of Bahrain's economic growth since 2006

Tamkeen - the Labour Fund - is a national initiative established in the Kingdom of Bahrain in 2006 with the aim of investing in the development of human resources and economic growth. It offers extensive support solutions and services for both individuals and businesses to promote business development and opportunities for growth.

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