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## INVEST

### FOREIGN DIRECT INVESTMENT

The Kingdom of Bahrain is very open to foreign investment and has one of the highest FDI stock-to-GDP ratios in the region. According to UNCTAD's [World Investment Report 2023](#), FDI in Bahrain increased by 9.7% year on year in 2022, to USD 1.95 billion. In the same period, the FDI stock reached USD 35.4 billion, around 79.8% of the country's GDP. According to governmental data, FDI inflows in 2022 were dominated mostly by electricity, gas steam & air conditioning supply, manufacturing and financial & insurance activities sectors. Kuwait was the main investor, followed by the UAE and Guernsey. Data from the Bahrain Economic Development Board show that the agency secured USD 1.7 billion in FDI projects in 2023. In the same year, the financial services sector saw unprecedented investment, showcasing its robustness and capacity to attract top global players, overtaking oil and gas to become Bahrain's leading economic contributor, comprising 17.5% of real GDP. The ICT sector also garnered significant investment interest, with manufacturing following closely behind.

Bahrain enjoys an open and attractive economic and regulatory environment for international companies looking for a gateway to Gulf and Middle East markets. The country has the lowest corporate and personal taxes in the Gulf, without any restrictions for free trade zones. Foreign business ownership is fully permitted in more than 95% of all economic activities, eliminating the need to resort to a local partner in most cases. There are no limitations on the repatriation of capital, profits, or dividends, except for income generated by companies in the oil and gas sector, which are subject to a 46% tax rate on profits. The excellence of the country's logistical infrastructure is also a major factor of attraction. Moreover, Bahrain offers a large, highly skilled pool of financial workers, a regulatory structure that is both advanced and internationally well-regarded, and a physical connection to Saudi Arabia – by far the largest economy in the Gulf. Beside a strong regional competition, FDI in Bahrain have been limited by the slow advancement of the privatisation programme and a rigid labour market. The absence of true reconciliation between the Sunni monarchy and the predominantly Shiite opposition constitutes a hindrance to FDI. Moreover, new emerging trade centres in the Gulf increased the competition to become a regional financial crossroad. Overall, Bahrain is a significant economic hub in the Gulf Cooperation Council (GCC) area and offers one of the most accommodating investment climates to draw in foreign companies. The national currency is freely transferable and tied to the U.S. dollar. Bahrain ranks 67th among the 132 economies on the [Global Innovation Index 2023](#) and 54th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	1,021	1,779	1,951
<b>FDI Stock</b> <i>(million USD)</i>	31,705	33,484	35,436
<b>Number of Greenfield Investments*</b>	24	30	30
<b>Value of Greenfield Investments (million USD)</b>	1,044	1,007	2,242

Source: UNCTAD - Latest available data.

*Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

Country Comparison For the Protection of Investors	Bahrain	East Asia & Pacific	United States	Germany
<b>Index of Transaction Transparency*</b>	8.0	5.9	7.0	5.0
<b>Index of Manager's Responsibility**</b>	4.0	5.2	9.0	5.0
<b>Index of Shareholders' Power***</b>	5.0	6.7	9.0	5.0

*Source: Doing Business - Latest available data.*

*Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.*

## WHAT TO CONSIDER IF YOU INVEST IN BAHRAIN

### Strong Points

The advantages of Bahrain in terms of attracting FDI include:

- A largely English-speaking educated and skilled population;
- A tradition of cultural openness based on trade and the country's strategic location in the northern Gulf, with good communications links with Saudi Arabia and an easy access to other Gulf markets;
- Operating costs among the most competitive in the region;
- The most attractive tax regime in the Gulf;
- A solid reputation in the regulation of financial services;
- Excellent quality of life;
- Relatively (in a regional context) diversified economy, with oil, manufacturing (including aluminum and petrochemicals) and financial sectors;
- Financial and other support from larger regional states, particularly Saudi Arabia.

### Weak Points

The potential factors hindering foreign investment include:

- The period of political and civil upheaval that hit in Bahrain in February 2011 and resulted in sporadic outbreaks of unrest fueled by demands for political and social reforms and questions such as housing, employment and sectarian discrimination, all based on tensions between the ruling Sunni minority and the Shia majority;
- Regional instability, including potential for contagion stemming from events in Iran, Iraq and/or Syria;
- The use of official travel bans, which prohibit an individual from leaving the country until a business project or a dispute is resolved; periodically, foreign companies have also experienced difficulties in obtaining work permits and residence visas for expatriate employees due to the policy of promoting the employment of Bahraini citizens;
- Corruption or government intervention in tenders and disputes can be an impediment to FDI;
- Despite economic diversification, there is still a high dependence on oil revenues, directly (own output) and indirectly (regional influence);
- Sharply deteriorated public finances since 2015.

### Government Measures to Motivate or Restrict FDI

The Government of Bahrain has a generally liberal approach to foreign investment and actively seeks to attract investors and foreign companies in a competition to be the most attractive country in the Middle-East. Various measures have been taken in this direction, such as the formation of a Supreme Council for privatization in the spring of 2001, the creation of the [Bahrain Mumtalakat Holding Company](#) in 2006, whose role is to manage all

public investment, and the creation of the Bahrain Investors Center (BIC), designed as a "one stop shop" and providing all business services, licensing and registration. However, the labour policy of "Bahrainization", a quota system which requires employers to hire a minimum percentage of Bahrainis, can cause potential delays and confusion when issuing work permits and renewals.

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## INVESTMENT OPPORTUNITIES

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### Tenders, Projects and Public Procurement

[Tenders Info](#), [Tenders in Bahrain](#)

[DgMarket](#), [Tenders Worldwide](#)

### Finding Assistance For Further Information

#### Investment Aid Agency

[Economic Development Board of Bahrain \(EDB\)](#)

#### Other Useful Resources

[Bahrain eGovernement Portal](#)

[Bahrain Ministry of Foreign Affairs website](#)

[Ministry of Industry, Commerce and Tourism of Bahrain](#)

[Bahrain's labour market regulatory authority](#)