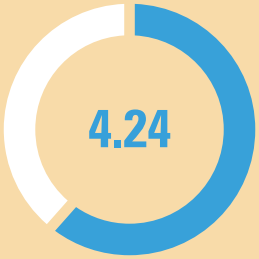
UNITED NATIONS
الاسكوا
ESCWA

Shared Prosperity Dignified Life

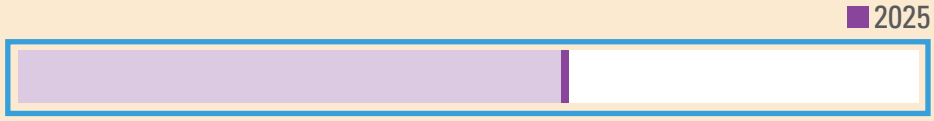
Country profile
BAHRAIN

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



Developed

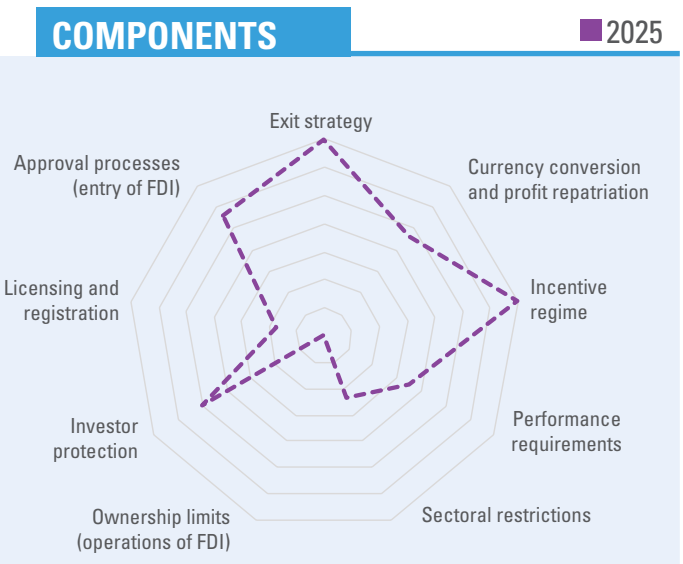
FOREIGN DIRECT INVESTMENT



Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

COMPONENTS	2025
Approval processes (entry of FDI)	5.60
Licensing and registration	1.75
Investor protection	5.00
Ownership limits (operations of FDI)	0.00
Sectoral restrictions	2.33
Performance requirements	3.50
Incentive regime	7.00
Currency conversion and profit repatriation	4.67
Exit strategy	7.00

COMPONENTS



ELEMENTS



Note on methodology: The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

2020 EDITION

Basic

Foreign direct investment framework assessment

Macroeconomic enabling environment lens

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



Macroeconomic policies



Investment regulatory framework



Incentivization schemes



Bilateral treaties



Banking regulations

This country profile is prepared based on the legal and regulatory framework in force as at April 2025.

This country profile assesses the foreign direct investment (FDI) framework of Bahrain based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

Foreign direct investment in Bahrain is not governed by a dedicated or comprehensive foreign investment law of general application. Instead, foreign investors are subject to the general commercial and corporate legal framework applicable to all business entities.

Approval processes

This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.

Regulatory supervision of commercial establishments and foreign-owned entities in Bahrain falls within the mandate of the Ministry of Industry and Commerce pursuant to Commercial Companies Law No. 21 of 2001, as amended, and Legislative Decree No. 7 of 1987 concerning the Commercial Register, which require companies to register and obtain the necessary licenses prior to commencing activities.

At the policy and investment-promotion level, Decree No. 9 of 2000 and its amendments established the Bahrain Economic Development Board. Article 3 mandates the Board to propose investment policies, facilitate investor procedures, attract foreign capital, and provide opinions on major investment projects. These functions are coordinative and facilitative and do not constitute licensing or regulatory authority.

International agreements acquire the force of law upon ratification and publication. Arbitration Law No. 9 of 2015 provides for the recognition and enforcement of foreign arbitral awards, thereby enabling enforcement of treaty-based investor protections.

Companies incorporated in Bahrain, including foreign-owned entities, possess full juridical capacity to contract, borrow and provide guarantees pursuant to Commercial Companies Law No. 21 of 2001, as amended.



Licensing and registration

This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Bahrain, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.

Foreign investors conduct business activities through locally incorporated companies established in accordance with Commercial Companies Law No. 21 of 2001, as amended, and registered in the Commercial Register.

Sector-specific ownership and licensing conditions are established under Decision No. 40 of 2021 and its amendment, which regulate the commercial activities of companies wholly or partially owned by non-Bahraini partners. Under article 4(bis), exemptions from the prescribed ownership ratios may be granted for the activity of an authorized distributor, subject to specified conditions and, where applicable, the approval of the Council of Ministers. Under article 5, companies wholly owned by non-Bahraini partners may be licensed to undertake the activities set out in table 4 of the decision, provided that the Bahrain-incorporated entity maintains a minimum capital of 100,000 Bahraini dinars (BHD) (or equivalent), the parent company records aggregate revenues of at least 750 million euros (or equivalent), and the group operates in at least ten markets. These requirements apply selectively and on an activity-specific basis rather than constituting general capital thresholds applicable to all foreign investment.

Licensing and registration procedures are streamlined through the "Sijilat" electronic portal operated by the Ministry of Industry and Commerce, which enables online company incorporation, licensing and commercial registration for all investors, including foreign-owned companies.



Investor protection

This assessment component reviews the legal protections available to foreign investors in Bahrain, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.

Investor protection in Bahrain is supported through international treaty commitments and domestic arbitration legislation. Bahrain has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) and to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), thereby enabling the recognition and enforcement of foreign arbitral awards and investor-State arbitration decisions within the domestic legal system.

At the legislative level, Arbitration Law No. 9 of 2015 incorporates the United Nations Commission on International Trade Law (UNCITRAL) Model Law. Article 1 provides that the provisions of the Model Law shall apply to any arbitration conducted in Bahrain or abroad, provided that the parties agree to such application. Article 3 designates the High Civil Court as the authority responsible for exercising the functions referred to in article 6 of the Model Law, including those relating to the recognition and enforcement of awards. The law requires that its provisions be interpreted with due regard to its international origin, to promote consistency with international arbitration standards.

Ownership protections are reinforced under Decision No. 40 of 2021, which permits companies owned wholly by non-Bahraini partners to hold up to 100 per cent foreign ownership in most commercial activities, subject to conditions specified in the tables annexed to the decision.

Legislative Decree No. 30 of 2009 establishes the Bahrain Chamber for Dispute Resolution as an independent institution competent to hear economic, financial and investment disputes. The decree further allows parties to agree to submit their disputes to the Bahrain Chamber for Dispute Resolution for arbitration as an alternative to national courts.



Ownership limits

This assessment component examines the extent to which Bahraini legislation imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.

Foreign ownership of companies in Bahrain is regulated under Decision No. 40 of 2021 concerning the commercial activities of companies owned wholly or partially by non-Bahraini partners. Article 1 permits foreign participation in the activities listed in the annexed tables, subject to specified ownership ratios and conditions. While many activities allow up to 100 per cent foreign ownership, certain activities remain subject to Bahraini majority participation. In particular, the tables require Bahraini ownership of at least 51 per cent for selected infrastructure and transport-related activities, including road and railway construction services. Accordingly, foreign equity limitations apply on an activity-specific basis.

Legislative Decree No. 2 of 2001 with respect to the ownership by non-Bahrainis of constructed properties and lands establishes the governing legal framework. Article 1 limits ownership by non-Bahrainis to areas and conditions determined by resolution of the Council of Ministers. Article 2 permits wholly foreign-owned commercial, industrial, tourism, banking and financial companies licensed in Bahrain to acquire land and built property for the purpose of establishing economic projects, subject to prescribed conditions. Decision No. 43 of 2003, as amended, specifies the designated residential, investment, tourism and industrial zones where such ownership is allowed. Accordingly, full acquisition of immovable property by foreign investors is geographically restricted.



Sectoral restrictions

This assessment component reviews sector-specific regulations that affect foreign direct investment in Bahrain, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.

Market entry in Bahrain is generally governed by Law No. 31 of 2018 concerning the promotion and protection of competition. The law establishes rules to prevent anti-competitive practices, abuse of dominance, and restrictive agreements, and applies equally to domestic and foreign market participants. The legislation does not introduce investment screening or preferential treatment based on nationality and therefore provides a neutral competitive framework conducive to market access.

Sectoral participation of foreign investors is regulated under Decision No. 40 of 2021 concerning the commercial activities of companies owned wholly or partially by non-Bahraini partners. Certain activities are reserved exclusively for Bahraini nationals as specified in table 1 annexed to the decision, including postal services.



Performance requirements

This assessment component examines whether Bahraini investment legislation or policies impose performance-related obligations on foreign investors, such as requirements related to employment, skills

development, export promotion, or compliance with social and labour standards.

In Bahrain, labour market and workforce localization measures apply to all employers, including foreign-owned companies, pursuant to Law No. 19 of 2006 which establishes the Labour Market Regulatory Authority and empowers it to regulate work permits and implement national employment policies. Under this framework, Bahrainization requirements prescribe sector-specific ratios for the employment of Bahraini nationals and link compliance to the issuance of foreign worker permits. These measures constitute general labour market conditions of application rather than investment-specific performance obligations.

However, no legislative provisions were identified that impose export performance or local content requirements on foreign investors. The legal framework also does not provide for a formal evaluation of the opportunity costs, effectiveness or efficiency of foreign direct investment strategies.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Bahrain, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying the competent authorities responsible for administering and implementing these incentives.

Incentives are regulated through sector-specific legislation, notably the Gulf Cooperation Council (GCC) Unified Industrial Regulatory Law (Industrial Organization System), which applies exclusively to industrial projects, irrespective of investor nationality. Accordingly, foreign investors may benefit from such incentives only when their investments qualify as industrial activities.

Within this framework, article 16 grants priority access to benefits and exemptions for certain industrial projects, particularly those oriented towards local production, exports or projects of economic significance. Article 17 specifies the types of exemptions available, including full or partial customs duty exemptions on inputs, tax exemptions (including income tax), and exemptions on export duties. Article 18 provides additional advantages, such as land allocation, preferential leasing of industrial facilities, and the provision of utilities and energy at subsidized or promotional rates. Article 20 authorizes export-promotion incentives in accordance with applicable regulations.

From an institutional perspective, articles 17 and 18 empower the competent minister or authority to grant these incentives, article 25 assigns supervisory and monitoring responsibilities to the competent administration. Article 29 authorizes the withdrawal of granted benefits or exemptions in cases of non-compliance.

Accordingly, the incentive regime constitutes a sector-specific industrial framework, rather than a comprehensive or FDI-specific incentive system applicable to all forms of foreign investment.



Currency conversion and profit repatriation

This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Bahrain, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.

In the absence of a dedicated foreign direct investment law in Bahrain, no specific legislative or regulatory provisions were identified that restrict or prohibit the conversion of currency or the transfer of funds by foreign investors. Accordingly, foreign investors are not subject to statutory exchange control limitations under the existing legal framework.

The Central Bank of Bahrain constitutes the principal authority responsible for regulating, supervising and

overseeing financial institutions and foreign investment-related capital activities pursuant to Legislative Decree No. 64 of 2006 promulgating the Central Bank of Bahrain and Financial Institutions Law, as amended.

Exit strategy

This assessment component assesses the legal framework governing the exit of foreign investors from the Bahraini market, focusing on provisions related to divestment, liquidation, mergers and acquisitions.

Pursuant to the Commercial Companies Law No. 21 of 2001, as amended, shareholders may transfer or dispose of shares, liquidate companies, and recover invested capital in accordance with the procedures governing dissolution and liquidation. The same law further provides a structured legal framework regulating mergers and acquisitions, thereby facilitating corporate restructuring and market exit under general company law provisions.

RECOMMENDATIONS

- Provide a consolidated and unified legal framework clarifying the principal rules, rights, obligations and competent authorities applicable to foreign investment, in order to reduce regulatory fragmentation and enhance legal certainty.
- Introduce legally defined economic evaluation criteria, including cost-benefit or impact assessments, for projects benefiting from public incentives or preferential treatment.
- Establish a clear legal framework specifying whether export-promotion incentives are available to foreign investment projects beyond the industrial sector and the conditions governing their eligibility.
- Adopt implementing regulations that define objective eligibility criteria and approval procedures for incentive schemes to ensure transparency and equal treatment.