



● The new Khalifa bin Salman Port



● The Al Ezzel plant

sound fiscal policy...

BD1,398,925,000, compared to BD1,463,917,000 for next year.

Total state expenditure for the two-year budget was initially estimated at BD4,275,676,000 - BD2,082,948,000 for this year and BD2,192,728,000 for next.

Recurrent expenditure in the two fiscal years was put at BD3,665,676,000 - BD1,777,948,000 for this year and BD1,887,728,000 for next.

The original budget allocated BD610 million for projects - BD305m for each year.

A total of BD44m is being evenly deducted over the two years from Bahrain's oil revenues to be pumped into the Future Generation Reserve Fund.

The 2009-10 budget carries a deficit of BD1,412,834,000, with an estimated BD684,023,000 this year and BD728,811,000 for 2010.

However, the government requested an additional BD333m to the budget to meet shortfall in funding for national projects, such as the nationwide highways improvements, which was backed by parliament last month.

MPs also approved an extra BD25 million on top of the requested BD333m, as well as agreeing to raise the BD900m loan ceiling for the government, allowing it to borrow another BD1 billion.

The ministry's fundamental priorities for the fiscal years 2009-2010 are:

- 1) Augmenting non-oil revenues to levels sufficient to cover a significant amount of public expenses.
- 2) Manpower expenditure review and gradual decrease to globally accepted levels.
- 3) Restructuring government subsidies in a way that ensures they reach deserving beneficiaries.
- 4) Supporting housing services and enhancing partnerships with the private sector.
- 5) Supporting the public education sector and the use of modern educational techniques.
- 6) Enhancing the quality of the healthcare sector;
- 7) Preserving the environment and supporting the fisheries sector;
- 8) Proceeding with the privatisation strategy while giving priority to privatization projects with solid feasibility studies.
- 9) Increased budgetary allocations to infrastructure projects, particularly roads, bridges, ports, sewerage, as well as maintenance works.
- 10) Encouraging training and professional empowerment.
- 11) Encouraging youth and sports projects.
- 12) Other priorities such as encouraging economic and administrative initiatives, enhancing e-government, and supporting projects relating to women's empowerment and childcare.

Privatisation is a key element in Bahrain's economic future and the Finance Ministry is working to encourage the private sector to play

a more vital role in the economic and social development process.

It is enabling it to become more involved in vital sectors and services, so as to benefit from its know-how, expertise and marketing capabilities, with the government taking more of a supervisory and regulatory role.

The move from the government being a service provider to regulator has proved extremely successful, particularly in the sectors of telecommunications, transport, power generation, water supply and ports.

There are also moves to partner with the private sector in infrastructure development and the creation of affordable housing.

A major step in this direction was the announcement of the financial close of Al Dur Independent Water and Power Project (IWPP), despite a challenging context marked by the constraints of the global financial crisis.

IWPP is the largest privately-owned industrial project in Bahrain and represents a crucial asset to power and water generation in the Kingdom.

Project agreements for the development of IWPP were signed on August 28 last year.

With an estimated value of more than \$2 billion (BD756m), the project is the largest of its kind in Bahrain.

The project is located at Al Dur area on the south-eastern coast of Bahrain and developed on a build, own, operate (BOO) basis.

The private sector has already contributed to the electricity and water sector in Bahrain through the construction of Bahrain's first Independent Power Plant (IPP), Al Ezzel, and the enlargement of Al Hidd Power and Water Station.

Meanwhile, the ministry has signed and is negotiating a number of bilateral and multilateral agreements and memoranda of understanding with a view to bolstering co-operation with other countries in areas relating to finance, economy and investment.

Such agreements provide a legal framework for this co-operation and enhance the competitiveness of the national economy.

The main types of agreements signed are:
1) Agreements on the Promotion and Protection of Investment, which aim to promote and protect foreign direct investment.

2) Conventions on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, which aim primarily to eliminate the double payment of taxes.



● Shaikh Ahmed

3) Memoranda of Understanding on Economic, Trade, and

Technical Co-operation, which aim to create appropriate conditions to develop co-operation in these areas on the basis of mutual benefit and reciprocal interests.

4) Agreements on Reciprocal Exemption with respect to Taxes on Income arising from the Business of International Air Transport, which aim to establish a reciprocal exemption from taxes on income, profits and gains derived from the operation of aircraft in international traffic.

5) Free Trade Agreements, which aim to increase trade through eliminating customs and restrictions on goods and services.

Additionally, protocols amending existing agreements and conventions on the avoidance of double taxation were signed this year with a number of countries such as France, Belgium and Singapore.

The protocols include new articles allowing competent tax authorities in the two sides to exchange relevant tax information.

They ensure good governance in tax matters and compliance with the standard on Exchange of Tax Information set by the Organisation for Economic Co-operation and Development (OECD), which was endorsed by the G-20 Summit in London in April this year.

The ministry is also involved in meetings of the Gulf Co-operation Council (GCC) Financial and Economic Co-operation Committee.

Economic co-operation is one of the main pillars of the joint work of the GCC. On December 2007

The GCC Common Market was launched on December 4, 2007 and came into force as of January 1 last year, in accordance with the Economic Agreement which was adopted by the GCC Supreme Council on December 31, 2001.

Article (3) of the Agreement states that GCC natural and legal citizens will be accorded, in any member state, the same treatment accorded to its own citizens, without differentiation or discrimination, in all economic activities.

The Common Market was followed by the signing of the GCC Monetary Union Agreement earlier this year, setting forth the details of the new single currency.

The GCC Customs Union was launched in January 2003, which was preceded by the establishment of a Free Trade Area among member states in 1983.

Bahrain, along with other members of the Arab League Economic and Social Council, is pursuing the implementation of the executive programme of the Greater Arab Free Trade Area, which came into force on January 1, 2005. According to the programme, other member states' commodities are treated like national commodities in terms of rules of origin, standards and specifications, sanitary and security protection conditions, and local taxes and fees.

Also emphasized is the removal of all kinds of non-tariff barriers (NTBs).

Bahrain's economic interest and influence extend far beyond its own or the region's borders and as such it plays a key role in global affairs.

Shaikh Ahmed was declared chairman of the World Bank/International Monetary Fund (IMF) Development Committee, at its 80th meeting, held in Istanbul, Turkey, on October 5.

He warned in an address to delegates that, despite a hint of recovery following the global economic crisis, developing countries need the predictable and substantial support of the international community for a range of policy imperatives, without which they would be unable to sustain their efforts to reduce poverty and accelerate their development.

"Without this support, their progress towards the achievement of the Millennium Development Goals (MDGs) by 2015 will be further compromised," he said.

Shaikh Ahmed was also chosen as Finance Minister of the Year 2009 for the Middle East and North Africa.

Within the progressive implementation of the e-government strategy adopted by the government, the Finance Ministry is administering a set of financial management applications in ministries and public entities.

These applications and their associated data are collectively referred to as the Financial Management Information System (FMIS), which plays a crucial role in dealing with the financial aspects of government policies and projects and developing integrated systems for government finance.

The ministry is seeking full transparency in the dissemination to the public of data relating to government finance and works in compliance with the standards of the IMF General Data Dissemination System (GDSS).

Given the vital role of human resources in the development process, improving the efficiency of technical and administrative staff in financial, economic sectors is a major priority.

The ministry's annual training plan comprises a wide range of modern training programmes and workshops in accounting, administrative affairs and computer technology.