



Kingdom of Bahrain: The Human Capital Advantage

Workshop on sharing views and experiences on “economic diversification and transformation” and “just transition of workforce and creation of decent work and quality jobs” in the context of sustainable development

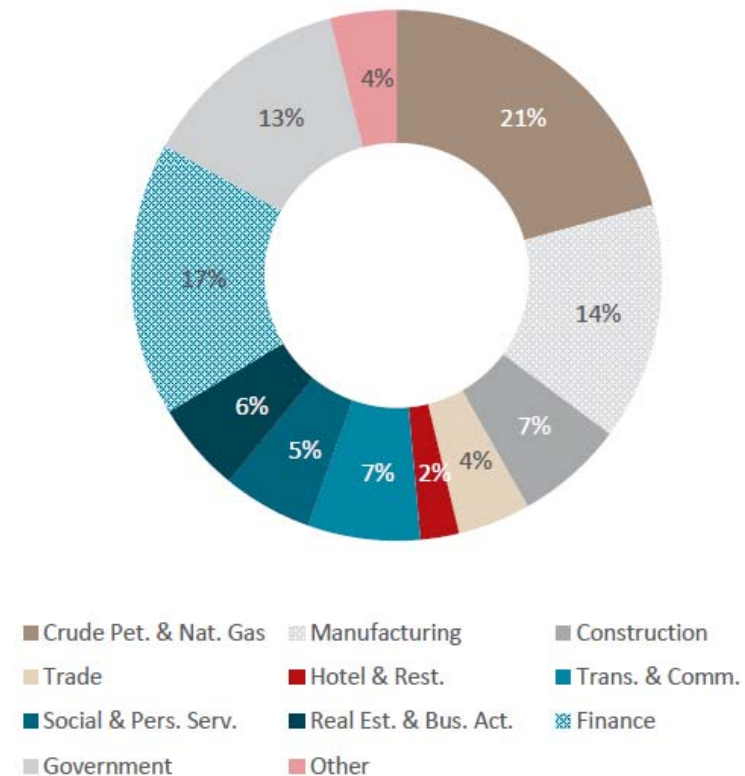
Doha, October 3 2016

Vision 2030



- Bahrain's Economic Development Board launched the Economic Vision 2030 in 2008, aimed at *inter alia* reducing Bahrain's high dependence on oil & gas
- Though Bahrain has focused on economic diversification, fossil-fuel products remains an important part of the economy
- Non-oil sector increased from 60% to 79% of real GDP over last decade

Real GDP composition, 2013

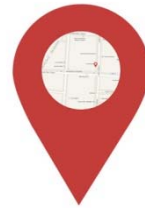


Bahrain's unique value proposition



Human Capital

- Educational outcomes consistency exceed GCC averages
- Experienced workforce in all sectors



Strategic Location

- History as a hub
- Small size creates natural cluster of logistics facilities
- Convenient access to GCC/Regional markets

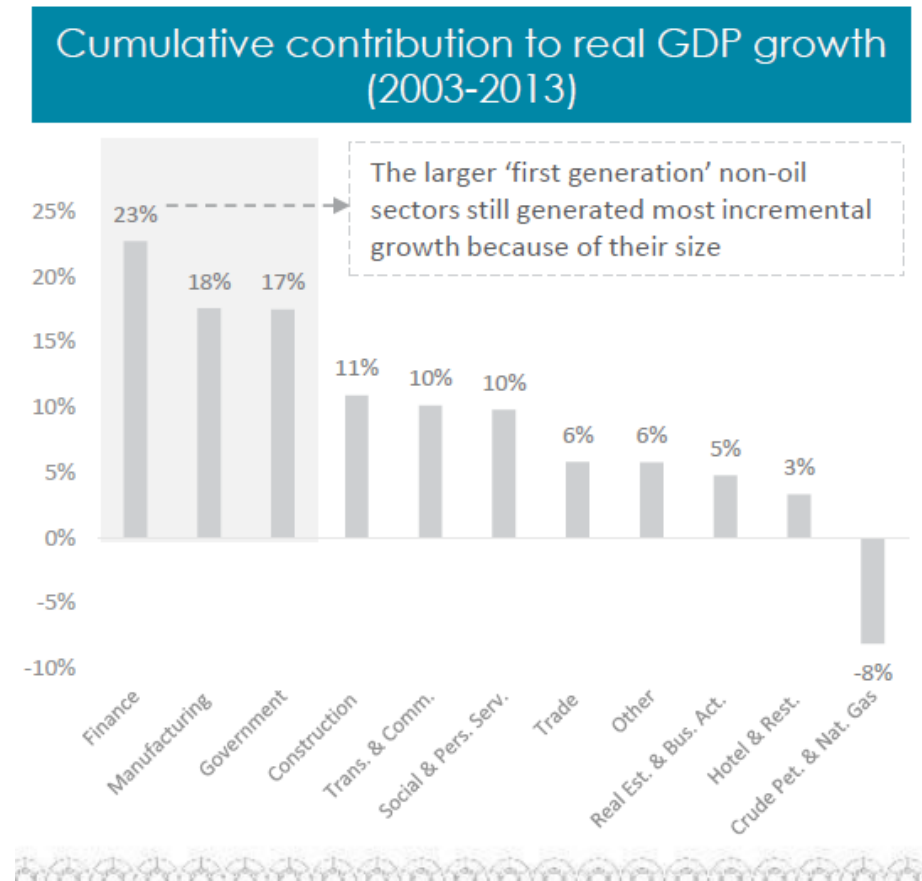


Business & Living

- Mature and predictable regulatory env
- Locally registered treated as GCC companies
- 100% foreign ownership

The diversification story is evolving further and further away from oil...

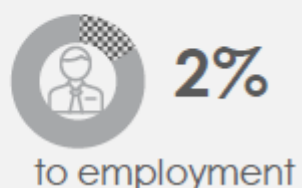
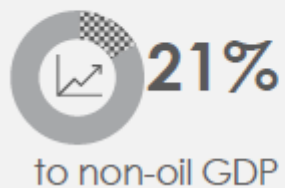
- The largest non-oil sector was created by the first stage of diversification. This relied on hydrocarbons to drive manufacturing as well as to generate liquidity and government revenues
- Smaller sectors that are not even indirectly oil-depend have grown much faster over the past decade



Sectorial contributions to non-oil GDP and employment



In 2013 Financial Services contributed



Financial Services sector performance against average non oil growth (2003-2013)



In 2013 Manufacturing contributed



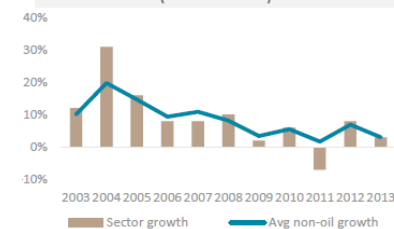
Manufacturing sector performance against average non oil growth (2003-2013)



In 2013 Tourism contributed



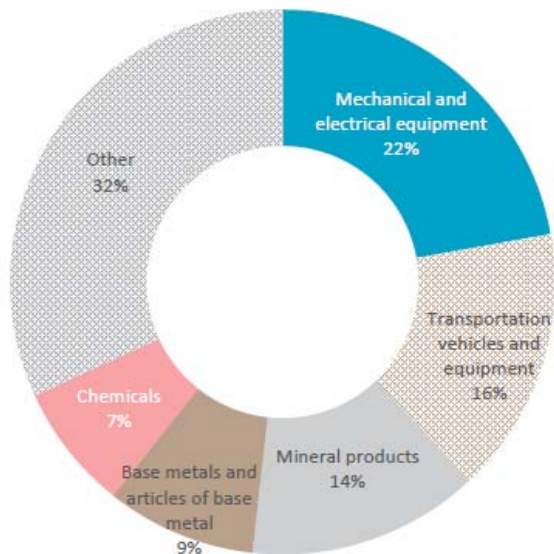
Tourism sector performance against average non oil growth (2003-2013)



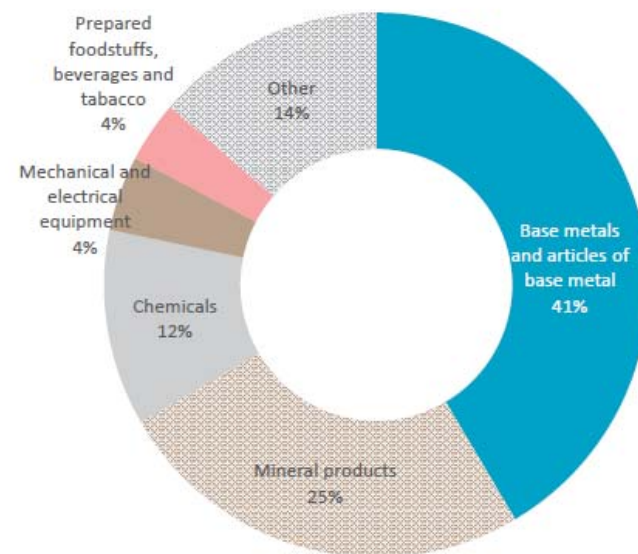
Trade patterns also illustrate opportunities for import substitution

- Low skilled manufacturing responsible for 82% of non-oil exports in 2012

Composition of non-oil imports 2012



Composition of non-oil exports 2012



The challenges of accelerating manufacturing diversification

- Though a region-wide problem, this is of particular issue in Bahrain given the country's first-mover position and evolving economic value proposition
- Energy-intensive industry has been a logical diversification avenue for the region but tends to increase emissions. Bahrain led the way here with local industries Bapco, Alba, GPIC, etc.

Two-fold challenge



- i. How do you drive efficiency and modernization in these companies when the resource pricing environment remains heavily subsidized, the subsidies are often seen as a competitive advantage, and protecting these companies constitutes a national priority?

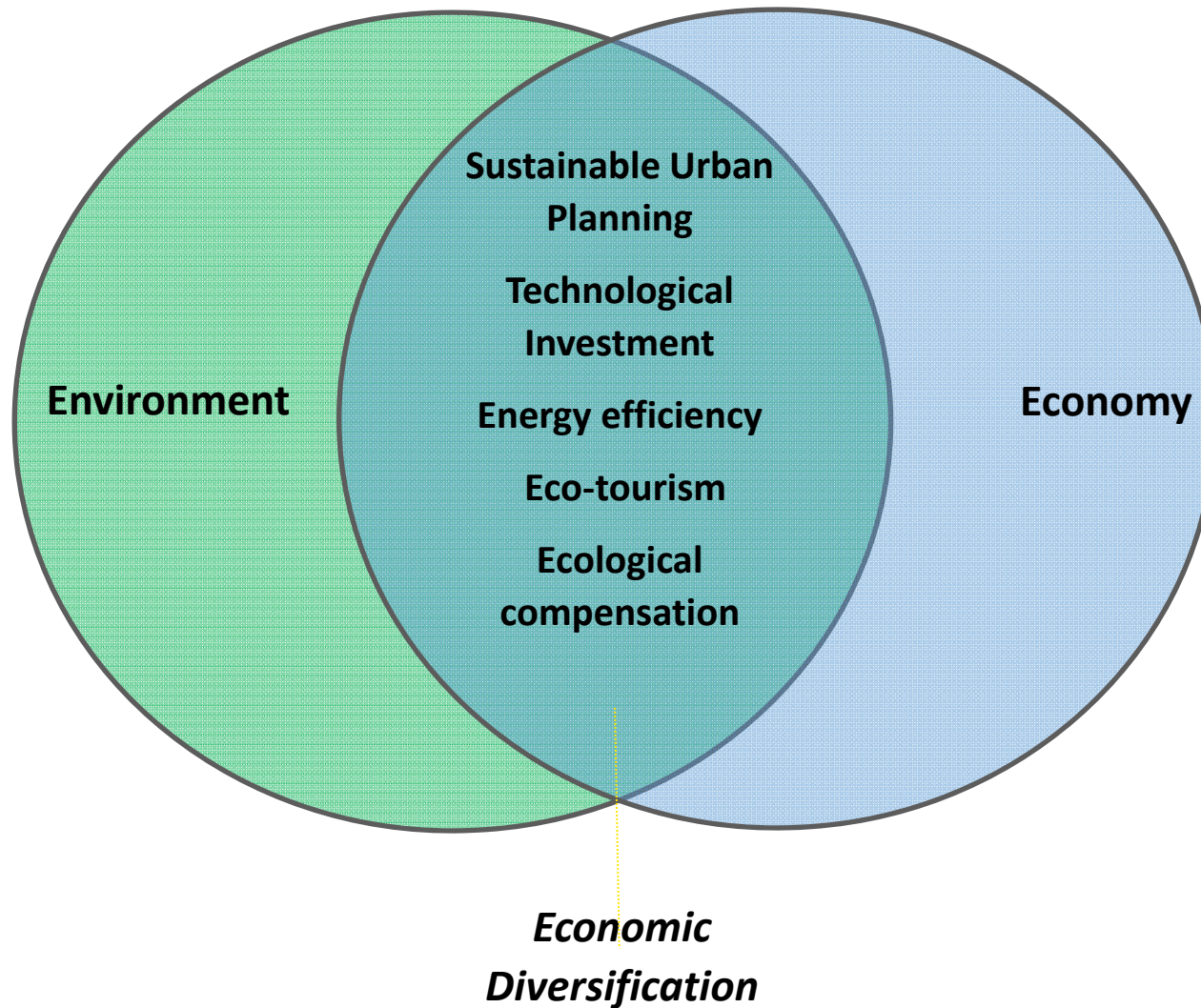
- i. What do you do when your primary value proposition is no longer about cheap energy? Is there a way of protecting the brands by re-engineering these companies in ways that would better align them with the new value proposition?

The Human Capital Advantage



- Human capital in Bahrain has driven growth of the service sector of the economy. It has capitalized on the country's demographic strength and locational advantage in a way that has simultaneously reduced the weight of sectors emitting pollutants
- Increasing the relative value added from human capital could pave the way to a solution in which Bahrain can progress sustainably, which can diversify the economy while have mitigation co-benefits

Environment and Economy: a transformative relationship





Thank you

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