

THE CLOUD WITH A SILVER LINING

Attracting one of the world's fastest-growing web companies is just the latest stage in Bahrain's bid to become the Middle East's leader in digital tech, says **David Prosser**

When Amazon Web Services (AWS) let it be known that it was interested in opening a regional hub in the Middle East, Khalid al-Rumaihi, CEO of the Bahrain Economic Development Board, knew he had to be proactive to win the bid. He quickly assembled a delegation of ministers and senior officials and got on a plane to Seattle, Amazon's home base, to pitch Bahrain as a venue to the leaders of the global cloud computing giant.

"[We told them we are] a country that looks at cloud as an entire national policy," Rumaihi explains. "We've introduced laws that have made the cloud very attractive not only for our residents, but also for countries and companies that choose to put data here."

The pitch went well, and AWS will open its Middle East regional office in Bahrain this year. Teresa Carlson, AWS's vice president of the worldwide public sector business, says the decision was an easy one.

"They took down blockers like crazy," she said at last year's AWS summit, praising the kingdom for

reforms in the telecoms sector that are attracting multiple digital businesses there.

From Bahrain's point of view, AWS's arrival in the country not only represents a significant inward investment coup, but also provides an important piece in the jigsaw as it seeks to become the Middle Eastern leader in digital technology.

Already, consultant KPMG has singled it out as having the most liberalised and competitive technology sector in the region, with the lowest costs for metrics such as cross-border internet connectivity.

That reflects the efforts of the government, which has recognised for some time that becoming a digital economy is key to unlocking greater entrepreneurialism and boosting economic growth.

An important element of this is the government's cloud-first policy, committing it to evaluating cloud-based services during any information and communication technology procurement process.

"They've done all their homework, and they're already moving workloads into the cloud," added Carlson in an interview with

SiliconANGLE at the event.

"They've looked at security design and compliance practices, and said, 'We're moving – we're not waiting'."

The potential is for Bahrain to become the Silicon Valley of the Middle East – and to extract value from data in exactly the same way that oil has generated wealth for the Arab world over the past 90 years.

The government has been busy doing the groundwork for this digital transformation. The new Personal Data Protection Law promotes the efficient and secure processing of big data for commercial use, as well as providing a framework for transferring data across borders.

Throughout the kingdom, digital technologies underpin a more innovative approach to business and economic growth. Crowdfunding now provides a source of alternative finance for start-ups and small- and

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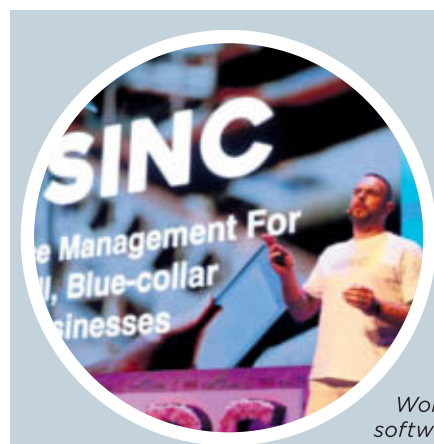
Above: AWS's Teresa Carlson. Top right: Khalid al-Rumaihi, CEO of the Bahrain Economic Development Board

medium-sized enterprises, thanks to regulation passed in 2017 by the Central Bank of Bahrain to enable the launch of these online platforms. Beehive Bahrain, the latest such platform, launched this month.

According to the chief executive of Bahrain's Information and eGovernment Authority, Mohammed Ali al-Qaed, further public and private sector collaboration will deliver additional benefits.

"These essential partnerships... pave the way for our kingdom to move forward in line with the strategic goals of our 'Economic Vision for 2030'," he says.

Cloud will be at the centre of this work, he explains, with tangible gains already having been realised: "Our businesses have tremendously reduced infrastructure costs, with shorter and less complex procurement cycles, sparing us time, effort and resources."



Workplace software specialist Sinc

Business was launched in Bahrain in 2017, even though its two founders are New Zealanders. The company has hired Bahraini developers to produce its employee management solutions and does all its engineering in the kingdom.

"We met Startup Bahrain at a trade show in Hong Kong and we moved to Bahrain just a few months later," recalls Sam Dolbel, one of Sinc's founders.

Dolbel says the support his business has received has been critical in getting it off the ground.

"The Tamkeen support programmes are amazing," he says. "I have not seen anywhere else in the world where there is this much support for early stage start-ups. We have been flooded with mentors offering assistance, while an accelerator such as Flat6Labs can also help with tasks, such as getting the company set up, and securing visas and work permits."

A fertile ground for start-ups

A combination of generous funding schemes and liberal tax laws is helping Bahrain to lure entrepreneurs, which is good news both for them and for the local workforce

Bahrain has worked hard to position itself as the home of start-up technology businesses in the region – offering swift access to funding and venture capital.

At the heart of efforts to foster a culture of entrepreneurialism is government's labour fund, Tamkeen.

Working in tandem with the Bahrain Economic Development Board (EDB), Tamkeen offers a range of funding and practical support to start-ups, while also ensuring the local population are the employees of choice for new businesses.

The cloud computing technologies that Amazon Web Services (AWS) have pioneered (see above) are crucial to many of these new enterprises.

"Cloud computing offers businesses access to the power and performance of an enterprise-grade IT infrastructure without the maintenance cost of owning their own hardware," says Dr Ebrahim Mohammed Janahi, CEO of Tamkeen.

Eye-catching Tamkeen initiatives have included a cloud-computing support programme that funds start-ups – covering 100 per cent of costs for the first 18 months – as they work towards AWS certification.

Other developments have seen the award of three grants to encourage accelerators to set up in Bahrain. The three winning organisations, Flat6Labs, Brink and Nest, are now up and running, working to help a range of start-up businesses get off the ground.

They operate alongside Startup Bahrain, which promotes innovative new businesses in the kingdom. However, Tamkeen is just one element of the start-up ecosystem that the government has developed in recent times.

Another crucial plank in its strategy has been to develop a sympathetic tax and regulatory system. Businesses based in Bahrain pay no corporation tax, and there is no personal income tax, wealth tax or tax on capital gains.

There are also no restrictions on the repatriation of capital, profits or dividends by overseas owners of businesses in Bahrain, and 100 per cent foreign ownership is allowed. Overall, the government estimates that operating costs for businesses are 30 per cent lower than those of its regional neighbours.

Access to finance is also crucial for entrepreneurs. The Al Waha Fund, launched by the Bahrain Development Bank and EDB, has \$100 million (£75

million) to invest through venture capital funds supporting start-ups in the kingdom and the wider region.

It has already deployed \$45 million of that firepower. At the AWS summit EDB CEO Khalid al-Rumaihi explained a crucial distinction: "We said: 'The government shouldn't invest in start-ups, but let's create a fund of funds that will invite venture capitalists to base themselves here, but we won't tell them how to invest!'"

The government is also keen to encourage a more entrepreneurial mindset. A new bankruptcy law came into force in November 2018. It is modelled on the Chapter 11 insolvency legislation in the US, which gives businesses in financial difficulty respite from creditors as they restructure under court supervision. The aim is to encourage greater inward investment and to encourage more risk taking by Bahraini start-ups and SMEs.

Rumaihi considers Bahrain a hub of entrepreneurialism for the entire region. "In a small country, start-ups allow you to grow beyond your borders, and technology encourages our entrepreneurs to think beyond Bahrain, and to scale very quickly." **DP**