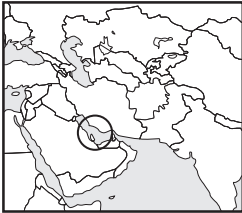


Scarce transparency in services policies



It is expected that Bahrain, with increasing poverty and unemployment, will soon be the first Gulf Cooperation Council state to legislate privatisation. After beginning in a few sectors, such as transportation and sanitation, privatisation is expected to gain momentum and be extended to the ports and electricity production.

The Kingdom of Bahrain is a founding member of the WTO. As a developing country, it was given a period of adjustment and exceptions under the GATT before being completely integrated into the WTO. As a member of Gulf Cooperation Council (GCC), a regional political and economic block whose members (except Saudi Arabia) are WTO members, Bahrain's integration within GCC keeps pace with the WTO as the two organisations require the implementation of similar steps.

Lack of transparency in transportation privatisation

The State has declared its intention to privatise many state enterprises and services. It is expected that Bahrain will soon be the first GCC state to legislate privatisation. After beginning in a few sectors, such as transportation and sanitation, privatisation is expected to gain momentum and be extended to the ports and the production of electricity.

The State privatised the Public Transport Corporation in 2002 for which the Ministry of Transport chose a provider of the service without receiving a monetary offer, an action which is contrary to transparency and the public interest. It became known that the joint venture includes local business officials and a Malaysian company. It is expected that most Bahraini drivers currently employed by the Public Transport Corporation will be dismissed and partially replaced by foreign drivers, thus adding to the serious unemployment problem. No official study on the effect of privatising transportation has been done. Public transport fares are likely to triple, with the promise of better service, such as air-conditioning, and more frequent buses.

The privatisation of sanitation services undertaken by the Central Municipality Corporation in Muharaq, the second largest city, is a pilot scheme for the total privatisation of this sector. As result of the privatisation, garbage truck drivers were dismissed (with compensation), adding to the ranks of the unemployed. However, garbage is now collected earlier than before, and more garbage containers have been provided, including special ones for recycling. Recycling of glass bottles and paper, undertaken by an NGO, resulted in employment of some Bahraini workers, boosted the economy, and benefited the environment as a result of privatisation.

Telecommunications: will rates go down?

The State has also liberalised the telecommunications sectors. The national communication company, BATELCO, has been a monopoly for decades, but the government declared that this sector will be opened to competition in a few months. There have been complaints that BATELCO charges higher rates than similar companies in the GCC for telecommunications services. It is yet to be seen whether liberalisation will result in lower rates.

Quality of education may suffer

In 2002, the government licensed several private universities and colleges, along with the official university (the University of Bahrain), the Nursing College, and the GCC university (the Gulf University). The Bahrain Training Institute is the largest in the country. Private specialised institutes also exist.

In September 2001, HM the King ordered the reduction of university fees (around USD 1,327) to 25% of their former cost, and exempted poor students, making university education affordable to wider sectors of the population. However, with more than 20,000 students and the same facilities and staff, the quality of education may suffer. This year the Faculty of Law opened, and more schools are expected to follow. The fees for the National Training Institute were also slashed. In addition, more government and private sector funds have been allocated for training, which will contribute to alleviating unemployment and poverty.

Oil: restructuring and dismissals

The restructure and merger of the two national oil companies in 2002 (BAPCO and BANOCO) is expected to result in the dismissal of hundreds of workers. The restructuring of GULF AIR (GCC carrier) has already resulted in the dismissal of more than 150 employees while the merger of two local domestic banks has also resulted in the dismissal of tens of the staff. These layoffs are examples of a wider trend that will prevail as a result of integration within the WTO and GCC Custom Union.

The professed thesis is that privatisation, restructuring and mergers will produce more efficient and competitive firms in a global free-market economy. This remains to be seen.

Increased poverty and unemployment

Until now no official poverty line or measurement has existed, and thus the percentage of the population living in poverty is not officially reported. Some economists estimate that the minimum income for a decent standard of living for a family of six is BHD 309/month (USD 820). The Social Insurance Fund statistics show that many Bahrainis earn less than BHD 120/month (USD 318). This is below the minimum wage guideline adopted by the Ministry of Labour for some sectors of the economy and the minimum wage at the government sector, which is BHD 150/month (USD 398). Consequently, this segment of the population is under the poverty line as suggested from official wage statistics.

According to such different sources as the Ministry of Labour and Social Affairs, the organisations, especially women's groups, and the charity funds, the amount of people living in poverty has increased, which the government has acknowledged. The king realised the inadequacy of the assistance provided to the poor and ordered the establishment of permanent funds (BHD 25 million - USD 66.25 million) for the assistance of widows, orphans and the temporarily unemployed.

To reduce the burden of lower income people, HM ordered the slashing of public housing loans to 50% and electricity bills for the past two years to 50% for those with limited income. These steps are designed to alleviate the burden of impoverished people. Recently, HM ordered a study to be conducted on whether Bahraini workers employed by companies completely or partially owned by the government are entitled to own shares in the firms as well as share in their profits. During October of 2002, aid benefactors from the Ministry of Labour were granted shares worth 30% of Alseef Mall. Currently, the government is considering making the Labour Ministry's minimum wage guideline an official legal requirement.

Unemployment and unwillingness to accept employment contribute greatly to poverty, as Bahrain lacks a social security system for the unemployed. Because of this, the toughest problem is high unemployment, currently estimated at 15% among the Bahraini workforce. This is in contrast to the fact that foreign labour constitutes two thirds of the workforce. There is consensus that not all foreign workers are needed, as there is open or not declared unemployment among them, especially among the Asians. The Asian workforce competes with local workers and pushes salaries downward. Consequently, many unemployed Bahrainis will not accept prevailing salaries and therefore prefer unemployment. Currently, the foreign workforce is 65% of the total labour force. The Ministry of Labour and the Directorate of Immigration authorise the employment of Asian workers, who are willing to work for lower wages. However, many importers inflate their needs and secure monthly fees from the foreign worker. ■

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