

## **Law Number (57 ) for the Year 2006**

### **Establishing the Labour Fund**

**We, Hamad bin Isa Al Khalifa      The King of the Kingdom of Bahrain**

Following perusal of the Constitution;

And of the Law Concerning Employment in the Private Sector, promulgated by Law Decree number 23 of 1976, and amendments thereto;

And of Law Decree number 39 of 2002 Concerning the Public Budget;

The Shura Council and House of Representatives have adopted the following law and we have given our assent and promulgated it:

#### **Chapter One: Definition**

##### **Article 1**

##### **Definitions**

For the purposes of this Law, the following words and phrases shall have the meaning shown opposite each, unless otherwise dictated by the textual context:

**The Kingdom:** The Kingdom of Bahrain

**The Minister:** The minister referred to in Article 2 of this Law

**The Fund:** The fund established pursuant to this Law.

**Board of Directors or the Board:** The Fund's Board of Directors formed pursuant to the provisions of Article 5 of this law.

**The Chairman:** The chairman of the Board of Directors.

**The Chief Executive:** The Fund's chief executive appointed under the provisions of article 10 of this Law.

**The Audit Committee:** The committee specified in Article 21 of this Law.

## **Chapter Two: Establishment of the Fund, its objectives, functions and competences**

### **Article 2**

#### **Establishment of the Fund**

A- A public authority to be known as "The Labour Fund" shall be established as a juridical person and shall have financial and administrative independence and shall submit to the oversight of a minister to be named by Royal Decree.

The Fund shall have all the privileges enjoyed by ministries, government agencies, and public institutions and authorities in the Kingdom.

### **Article 3**

#### **Objective of the Fund**

The fund shall endeavour to meet the following objectives:

- 1- Contribution to the development and strengthening of the national economy.
- 2- Contribution to the development of the private sector to make it the engine of economic growth in the Kingdom.
- 3- Increase the efficiency and productivity of Bahraini labour and their ability to compete in the labour market.
- 4- Creation of an environment conducive to making Bahraini labour the preferred choice for employers.
- 5- Creation of an environment conducive to increasing Bahraini women's inclusion in the labour market.
- 6- Creating new and suitable job opportunities for Bahraini labour.

### **Article 4**

#### **The Fund's functions and competences**

A- The fund shall exercise all the functions and competences required for achieving its objectives. Such functions and competences shall especially include the following:

- 1- Provision and support of training and qualification programs for Bahraini labour to increase their efficiency and productivity and ability to compete in the labour market. .

2- Increase the relative advantage of Bahraini Labour in comparison to other foreign labour.

3- Provision and support of social programs and projects connected to the growth and development of the labour market.

4- Contribution to the removal of obstacles that limit women's participation in the labour force.

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5- Support and provision of programs to enhance the private sector's ability to increase economic activity in the Kingdom.

6- Provision of easy loans to citizens for the establishment and financing of private small and medium enterprises.

8- Support and provision of consultative and financial services for employers in order to increase the efficiency and productivity of workers.

9- Support and provision of programs that prepare employers to follow the labour market growth and development plans and programs.

10- Support of research and studies of the Fund's areas of activity and enhance the utilisation of their results.

11- Ownership of movable and real estate assets, the management and investment of any of the Fund's resources, the conclusion of contracts, and the execution of all acts and functions that achieve the objectives for which the Fund was established.

12- Borrowing any funds necessary for the achievement of the Fund's objectives and the conduct of its functions and competences pursuant to the provisions of this Law.

B- A- The Fund shall exercise its functions and competences efficiently, effectively, transparently, impartially, appropriately, and in compliance with the government's directions concerning the labour market and economic and social development plans.

C- The Fund may assign some appropriate functions to any government body, or to any persons, committees or non-government bodies of appropriate ability and experience.

## **Chapter Three: The Board of Directors**

### **Article 5**

#### **Formation**

A- The Fund shall have a Board of Directors which shall be formed by Royal Decree and shall comprise nine Directors, including the Chairman, as follows:

- 1 – Two Directors nominated by the Council of Ministers.
- 2- One Director nominated by the Economic Development Board.
- 3- Three Directors nominated by the Bahrain Chamber of Commerce and Industry.
- 4- A Director nominated by the Bahraini Bankers Society.
- 5- Two Directors nominated by the General Federation of Bahrain Trade Unions.

Nomination of Directors shall ensure they have the appropriate abilities and experience.

B- If either of the parties mentioned in Clauses 3 and 5 above fails to nominate candidates within a reasonable period to be set by the Minister, a Board of Directors may be formed upon the Minister's nomination of candidates belonging to the party concerned.

C- The tenure of Directors shall be four years, renewable once for a similar term. However, in the case of the first Board of Directors, the tenure of the Chairman and four of the Directors shall be four years, while the tenure of the remaining Directors shall be three years. The Royal Decree forming the Board of Directors shall determine the tenure of each of them.

D- The Board of Directors shall elect a deputy chairman to substitute for the Chairman in the event of his absence or incapacity, or the vacancy of his office, and the deputy chairman shall continue to occupy the Chairman's office until the his tenure expires.

E- If the office of a Director becomes vacant for any reason, a replacement shall be appointed by means of the same instrument and method stipulated in Paragraphs A and B of this Article, and the new Director shall complete the tenure of his predecessor. If the remaining term is less than one year, the replacement Director's tenure may be renewed two successive times.

F- Directors shall not be relieved of their office prior to the expiry of their tenure except by a Royal Decree pursuant to a request from the Board of Directors, issued by majority

vote, and provided that such a Director has gravely contravened the requirements of or failed to fulfil the duties of his office, or has violated his duty of integrity and good conduct.

G- Membership of the Board of Directors may not be combined with directorships of the Labour Market Regulation Agency, or with any other position with the Fund or the Labour Market Regulation Agency.

H- The remuneration of the Chairman and Directors shall be determined by Royal Decree.

## **Article 6**

### **Functions and competences**

A- The Board of Directors shall be the highest authority controlling the affairs of the Fund, setting the policies it follows and supervising their implementation and it may take any steps it deems necessary for the fulfilment of its functions and competences, including:

1- Issue codes, regulations and directives and adopt the measures required for the implementation of the provisions of this Law.

2- Develop a code governing the investment of the Funds assets to ensure that investment pursues a safe investment policy that avoids speculation in the financial markets or investment in high risk investment instruments, that as much investment as possible is in the local market, and that sufficient liquidity is available to meet the Fund's obligations and finance its activities. Such a code shall be adopted by Royal Decree.

3- Adopt the Fund's organisational structure and issue a code regulating the affairs of Fund's employees, including the issuance of the procedures and rules for their appointment and promotion and transfer, setting their remuneration and bonuses, stipulating the procedures and rules connected to disciplining them, and other matters related to them without being bound by the Civil Service codes. Such a code shall determine the Fund's work ethics and values, and the circumstances, terms and conditions related to the disclosure of financial interests.

4- Adopt the Fund's annual plan before the beginning of each financial year. Such a plan shall especially include the objectives, policies and priorities the Fund seeks to achieve during the year, the mechanisms for their achievement, and the way in which its funds shall be invested.

The Fund shall, immediately upon adoption of such a plan, publish a summary thereof in the Official Gazette and a minimum of two daily local newspapers, one published in Arabic and the other in English, and publish the full plan by any of

the means specified by the Board of Directors so as to make its perusal available for all.

5- Monitor compliance with the provisions of this Law and the Royal Decrees, codes, regulations and directives issued in implementation thereof.

6- Determine the beginning and end dates of the Fund's financial year.

7- Adopt the Fund's draft annual budget and its final audited account.

8- Accept conditional and non-conditional grants and aid subject to compliance with the provisions of the law.

9- Approve borrowing provided it complies with the provisions of Article 22 of this Law.

10- Review the regular reports submitted by the Chief Executive concerning the Fund's business and making the necessary decisions in connection thereto.

11- Adopt the general plan for investing the Fund's assets and approve the areas of their utilisation pursuant to their investment controls.

12- Exercise its other functions and competences under the provisions of this Law or the codes, regulations and directives issued in implementation thereof.

B- The Board of Directors, prior to adoption of the annual plan and the general investment plan, conduct consultations with the public and the bodies concerned to seek their views regarding the drafts of the said plans.

The Board of Directors shall issue regulations concerning such consultations that shall guarantee the public's and competent authorities' access through a single point of information provision to details of the ongoing consultations and the views expressed.

B- The Board of Directors may assign any specific function to one or several committees of its members, or to the Chairman or the Chief Executive.

## **Ararticle 7**

### **Meetings**

A- The Board of Directors shall meet at least four times a year and the Chairman may at any time invite it to an extraordinary meeting.

The Chairman shall invite the Board of Directors to an extraordinary meeting, to be held fifteen days after his receipt of a reasoned written request from the Minister or a

minimum of two Director or the Chief Executive or from the external auditors appointed under the provisions of Pragraph A of Article 19 of this Law.

B- Notice of invitations to convene a meeting shall in all events include a statement of its purpose and shall enclose the meeting's agenda.

C- The Chief Executive shall attend all the meetings of the Board of Directors except under the circumstances set out in the internal codes. The Board of Directors may invite to attend its meetings any person of experience or interest whenever it deems it necessary to engage them in discussion and obtain their views. No such invitee shall be qualified to vote [at such a meeting].

D- The Board of Directors shall appoint a secretary who shall prepare the agenda for the Board of Directors' meetings and record their minutes, maintain all documents related to the Board of Directors, and exercise all other functions related to the Fund's business assigned to him by the Board of Directors.

## **Article 8**

### **Quorum and Voting**

A Board of Directors' meeting shall achieve quorum upon attendance of the majority of its Directors, who must include the Chairman or his deputy, and the Board of Directors' resolutions shall be adopted by the majority of the votes of attendees in cases when this Law or the internal codes require a special majority. If votes cast are equally split, the side on which the meeting's chair cast his vote shall prevail.

## **Article 9**

### **Conflicts of Interest**

When the Board of Directors discusses any issue in which a Director has a direct or indirect personal or other financial interest in conflict with the requirements of his office, such a Director shall disclose such an interest in writing upon learning of the meetings' intention to dicuss the issue concerned. Such a Director may not participate in the Board of Directors discussions of or vote on the said issue.

## **Chapter Four: The Chief Executive**

### **Article 10**

#### **Appointment to and vacation of the Office**

A- The Fund shall have a Chief Executive appointed by Royal Decree for a three year term upon the recommendation of the Board of Directors. The appointment of the Chief Executive may only be renewed twice for a similar term.

B- In the event of the Chief Executive's office falling vacant for any reason a replacement shall be appointed by means of the same instrument and manner set out in the preceding Paragraph.

C- The Board of Directors may issue a decision to appoint a Deputy Chief Executive whose functions shall include executing the duties of the Chief Executive in the events and for the durations stipulated in the codes. The resolution appointing the Deputy Chief Executive shall be published in the Official Gazette.

D- In the event of the vacancy of the Chief Executive's position and the failure to appoint a Deputy for him pursuant to the above Paragraph, the Board of Directors shall resolve to designate the Chairman or his nominee from among the Directors or Fund staff to carry out the duties of the Chief Executive on an interim basis. Such a resolution shall be published in the Official Gazette.

## **Article 11**

### **Functions and competences**

A- The Chief Executive shall represent the Fund before the courts and in its relations with other parties and shall be accountable to the Board of Directors for the technical, administrative and financial conduct of the Authority pursuant to the provisions of this Law and the codes, regulations and directives issued in implementation thereof, and he shall specifically directly perform the following functions:

- 1- Manage the Fund, direct its affairs and supervise the conduct of its business and of the Fund employees, who shall adhere to his instructions, directions and orders.
- 2- Implement the resolutions of the Board of Directors.
- 3- Put in place and monitor the Fund's system of operation in compliance with the controls set by the Board of Directors.
- 4- Prepare the Fund's draft budget and a report thereon and submit both to the Board of Directors.
- 5- Prepare the Fund's final accounts and a report thereon and submit both to the external auditor within one month of the end of the Fund's financial year.
- 6- Prepare a draft of the Fund's organizational structure and submit it to the Board of Directors.
- 7- Implement the Fund's annual plan.

8- Prepare and submit to the Board of Directors regular quarterly reports on the Fund's activities, the conduct of its business and its achievements pursuant to the set plans and programs, as well as on the performance impediments and solutions proposed to avoid them, unless the Board of Directors decides on a shorter period for submission of such reports.

9- Prepare an annual report on the Fund's activities during the past financial year in compliance with the form and method stipulated by the Board of Directors. He shall submit such a report, backed by a copy of the Fund's audited accounts for the same year, to the Board of Directors within a maximum of one month of the date of the Audit Committee's submission of its report referred to in Paragraph C of Article 21 of this Law.

A summary of the annual report referred to in the above Paragraph and a summary of its audited accounts shall, immediately upon their adoption by the Board of Directors, be published in the Official Gazette and a minimum of two daily local newspapers, one published in Arabic and the other in English, and the full annual report shall be published by any of the means specified by the Board of Directors so as to make its perusal available for all.

10- Exercise other functions and competences delegated to him under the provisions of this Law or the codes and regulations and directives issued in implementation thereof, or assigned to him by the Board of Directors.

B- The Chief Executive may, under the rules set out in the internal codes, delegate in writing any employee of the Fund to exercise some of his functions so as to ensure that the Fund's business is performed in the appropriate manner.

## **Article 12**

### **Salaries**

The Board of Directors shall decide the salary due to the Chief Executive, including bonuses and other benefits.

## **Article 13**

### **Resignation**

The Chief Executive may resign his office pursuant to a written request submitted by him to the Board of Directors at least three months prior to the date set therein for his resignation.

The resignation shall be accepted by Royal Decree pursuant to a Board of Directors' recommendation.

## **Article 14**

### **Relieving from office**

A- The Chief Executive may be relieved of his office by Royal Decree prior to the expiry of his term in pursuance to a recommendation from the Board of Directors if he has seriously violated the requirements of or failed to fulfil his duties, or has violated the duty of integrity and good conduct.

B- The Board of Directors shall enable the Chief Executive to express his defences prior to relieving him of his office and record such defences in a separate report. In the event of issuing a recommendation to relieve the Chief Executive, the latter shall continue to fulfil his tasks and exercise his authority until a Royal Decree is issued releasing him of his office unless the Board of Directors resolves otherwise.

## **Chapter Five: Oversight by the Minister**

### **Article 15**

#### **Oversight by the Minister**

A- The Fund shall submit to the Minister regular reports of its activities and the progress of its business and achievements, and stating the performance impediments and steps taken to avoid them. The Minister may ask the Fund to provide him with any data, information, resolutions, minutes, records or reports required for his oversight of the Fund's activities.

B- Without prejudice to the Fund's independence in exercising its functions and competences pursuant to the provisions of this Law, the Minister shall monitor its compliance with the provisions of this Law and the government's directions with regards to the labour market and the extent of its efficient and effective fulfilment of its functions within the limits of available financial resources.

C- If the Minister finds that some of the Fund's activities contravene the provisions of this Law or the directions of the government with regards to the labour market, or it has not efficiently and effectively exercised its functions, he shall notify the Board of Directors in writing of his findings and views on the matter and the Board shall study and endeavour to implement the Minister's proposals provided they do not contradict the Fund's functions and competences under the provisions of this Law.

## **Chapter Six: Financial Affairs and Auditing**

### **Article 16**

#### **The Fund's Budget**

A- The Fund shall have an independent budget prepared as a business budget and it shall be adopted by the Board of Directors. The surplus of the Fund's budget shall be brought forward from one year to the next.

B- The Chief Executive shall prepare the Fund's draft budget for the new financial year and submit it to the Board of Directors at least three months prior to the end of the current financial year.

C- The Board of Directors shall adopt the budget prior to the beginning of the financial year. If the financial year starts without the Fund's budget being adopted, the previous year's budget shall be used until the new budget is adopted.

## **Article 17**

### **The Fund's resources**

A- The Fund's resources shall comprise the following:

- 1- The amounts assigned to the Fund derived from the fees for foreign labour employment permits.
- 2- The budget allocated to it by government.
- 3- The conditional and non-conditional grants and aid accepted by the Board of Directors.
- 4- The returns on investing the Fund's assets.
- 5- The loans made for the Fund.

B- The Fund's assets shall be considered public assets for the purposes of the application of the provisions of the Penal Code.

## **Article 18**

### **Disbursement of the Fund's resources**

Pursuant to the provisions of this Law, the Fund's resources shall be utilised for the following purposes:

- 1- Funding the Fund's activities.
- 2- Meeting the Fund's administrative and operating costs.

## **Article 19**

## **Account Auditing**

A- The Board of Directors shall, at the beginning of each financial year, appoint an external auditor or more with international standing to audit the Fund's accounts and the Board shall set the auditor's annual fees. Such an external auditor shall not have audited the Fund's accounts for more than three years during the five years preceding his appointment.

B- The Fund may not assign any tasks other than account auditing to the external auditor during his term as auditor.

C- The external auditor shall, within a maximum period of three months after the end of the financial year, audit the Fund's accounts and prepare a report on those accounts in accordance with the internationally accepted accounting standards. Such a report shall include all data and information showing the true financial position of the Fund, including:

1- A statement with regards to whether the Fund has put at the disposal of the external auditor all the documents, records, books, data and information he considers necessary to fulfil his task.

2- A statement whether the budget and final accounts accord with actuality, and whether they have been prepared in accordance with internationally accepted accounting standards.

3- A statement with regards to whether the Fund keeps regular accounts in accordance with applicable norms.

4- A statement with regards to whether the inventory of the Fund's assets has been conducted in accordance with applicable norms.

5- A statement with regards to whether the data contained in the Chief Executive's reports accord with the data contained in the Fund's books and records.

6- A statement with regards to any infringements revealed to the auditor in the course of conducting his duties, and whether such infringements remain extant.

D- The external auditor shall submit his report on the auditing of Agency's accounts to the Minister and the Audit Committee within three months of the end of the financial year.

## **Article (20)**

### **Performance Audit**

A- The Board of Directors shall assign one or more external auditors of international standing to conduct a full audit of the Fund's performance at least every three years and whenever deemed necessary at the discretion of the Minister or the Board of Directors.

Performance audit means conducting an objective formal examination of the performance, programs and activities of the Fund for purpose of preparing an independent assessment and determining the degree of accuracy and compliance of the Fund's activities. Such an audit shall include an economic audit, an efficiency audit, and a program audit in accordance with internationally accepted benchmarks and principles of performance audits.

B- The external auditor shall submit to the Audit Committee a report of the outcomes of his work and his recommendations within a period to be set by the Board of Directors provided such periods shall not exceed six months of the date of his commencement of the audit task.

C- The Fund shall publish the performance reports by appropriate means so as to make their perusal available to all.

## **Article 21**

### **The Audit Committee**

A. The Board of Directors shall form a committee to be known as "the Audit Committee" comprising three directors and a minimum of two none-directors of ability and expedience

The committee shall oversee the conduct of the financial and performance audits and shall ensure compliance with the provisions of this Law and the codes, regulations and directives issued in implementation thereof.

B- The Audit Committee shall prepare a report of the outcomes of its work and recommendations to be submitted to the Minister and to the Board of Directors within:

1. One month of the Audit Committee's receipt of the external accounting auditor's report referred to in Paragraph D of Article 19 of this Law, in regards to the audit reports of the fund's accounts.
2. A time specified by the Board of Directors, in regards to the audit reports of the fund's accounts.

C- The Board of Directors shall decide the steps and procedures to be taken in connection with the content of the reports.

## **Article 22**

### **Loans**

The Fund, following co-ordination with the Ministry of Finance and approval of the Council of Ministers, may borrow any amounts required for the achievement of its objectives and exercise of its functions and competences pursuant to the provisions of this Law without prejudice to the procedures governing the obtaining of public loans.

## **Chapter Seven: Sundry Provisions**

## **Article 23**

### **Disclosure of financial interest**

The Chief Executive and all employees specified in the Fund's employee codes shall submit, upon their appointment, every three years thereafter, and upon their end of service, a statement of all movable and real-estate property owned by them and their sources, whether such property is held in their own name or in the name of their wives or minor children.

The Chief Executive shall submit his said statement to the Chairman, and other employees shall submit their statements to the Chief Executive.

Such statements shall be confidential and may only be perused in the cases and in accordance with the terms and conditions specified by the Fund's employee codes.

## **Article 24**

### **Provision of data and other matters to the Fund**

A- All private and public bodies in the Kingdom shall supply the Fund with the data, information or statistics it requests in connection with its activities within a reasonable period of time specified by the Fund.

B- Any relevant body in violation of the provisions of the above Paragraph shall be fined a minimum of one hundred dinars and a maximum of five hundred dinars, and the penalty shall be repeated for each violation.

**Article 25**

**Cancellation**

Any provision contravening the provisions of this Law shall stand invalid.

**Article 26**

**The implementation of the provisions of the Law**

The Prime Minister and ministers, each within his scope of competence, shall implement the provisions of this Law, which shall come into effect as of the day following the date of its publication in the Official Gazette.

**King of the Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

**Promulgated at Al-Riffa Palace**

**12th August 2006**