

1-1 Preamble:

The Fifth Five-Year Plan (FFYP) (1996-2000) is characterized by its historical importance in the Omani development process. This importance is primarily attributable to the fact that this plan represents a crossroads and a watershed between two highly important stages of economic and social development in the Sultanate. The plan commences in the wake of the successful development experience, during which the Sultanate has successfully laid the fundamental basis of the economic and social transformation, owing to the wise leadership of His Majesty Sultan Qaboos bin Said, the Sultan of Oman.

The Fifth Five-Year Plan is considered as the first step towards future horizons, depending on our own renewable resources so as to achieve sustainable development. This process will occur within the framework of a clear and specified vision, based on the achievements realized. The Plan aims to maintain, at the minimum, the current level of per capita income in real terms and will strive to double it by 2020, while maintaining Omani values and traditions.

Secondly, the importance of this plan is attributable to the inevitable changes in the role of government in Oman's economy, from a dominant role necessitated by the requirements of the previous stage, to the role of strategic guidance of an economy that depends on a dynamic private sector. Till now, the government has had to assume most of the burden of transforming the country's economy from a traditional to a modern economy. This involved the production of necessary goods and services, as well as government participation in several production companies. In addition, generous subsidies had to be provided in order to enable the private sector to take initiatives and become self-sufficient.

This strategic transformation in Oman's development process needs the formulation of a clear vision for the take off towards the 21st century. Within the framework of such vision, Oman's economy will be able to shift from an economy that depends on government initiative and spending, oil resources and expatriate labour as the main engines of economic activity, to an economy that depends on private initiatives, national labour, and renewable resources that lead to achievement of sustainable development, and an improvement in the living standard of the Omani citizen. This transformation necessitates changing the development planning concepts and approaches, so as to shift the planning role from detailed planning of investment projects and program's, to addressing the main problems. The latter can be achieved through the formulation of policies and the establishment of basic principles and program's necessary for the achievement of the desired vision.

In the light of the importance of detailed diagnostic data, information, and studies for formulation of the future directions, this chapter aims at discussing the procedures made to support the information base, economic modeling, and the preparation of necessary evaluation studies for Oman's development process. This chapter also reviews the measures taken to formulate the Vision for Oman's economy: Oman 2020 and the preparation of the Fifth Five-Year Plan (1996-2000), which represent the phased programme for implementation of policies approved within the framework of that vision.

1-2 Measures Taken to Support the Information Base and Economic Modeling:

As part of the measures taken for development and upgrading the development planning approach during the preparation of the Fourth Five-Year Plan, Development Council Resolution 30/89 was issued following the 5th meeting on 4th May 1996. This stipulates that planning should be more comprehensive in terms of involving sectoral and regional aspects and that it should be based on specific directions, objectives and policies. Since the availability of comprehensive and correct data and statistics is considered to be one of the most important requirements of planning, evaluation and follow-up, a set of procedures was compiled in order to build and upgrade the information base. The most important of these procedures are as follows:

1-2-1 The General Census for Population, Housing and Establishments 1993:

After 18 months of preparations, the Ministry of Development carried out the first Census for Population, Housing and Establishments in the first half of December 1993. The use of modern techniques to carry out the Census enabled the preliminary results to be published at the end of December of the same year. The final results were published in January 1995. This was followed by the publishing of a considerable amount of detailed data, in addition to the provision of specialized data for several government authorities, such as the Ministry of Health and the Ministry of Education. These authorities will utilise this data in evaluating the performance of their plans and in establishing their necessary program's for future activities.

There is no doubt that the economic statistics and information provided by this census represent the backbone of the formulation of future directives of the various social and economic sectors, and the evaluation of the implementation results of the Plan.

On the other hand, this census is considered as the primary pillar for supporting and strengthening the database, since it enables upgrading and editing the frames of household and production surveys. This will improve the quality of survey outputs in terms of precision and comprehensiveness. It will also assist with upgrading the approach of evaluating and monitoring the plans. In addition to this, the census results were utilised in order to determine the number of representatives of the various wilayats for the membership of the Majlis Ash'Shura in its second term, which commenced in 1995.

The Ministry also intends to conduct a large group of social surveys during the Fifth Five-Year Plan period. This will include gathering information on family, employment, individual income levels and associated areas. The objective is to broaden the scope of database and improve its quality.

1-2-2 Updating National Accounts Estimates:

In view of the need to record the country's national income developments, production, savings investments and consumption processes in a better way, a comprehensive review of Oman's National Accounts System was carried out. A modern system has been developed, based on field surveys, which conforms with the 'System of National Accounts' produced by the United Nations in 1993. A UN specialist was involved in the initial process, followed by an expert from the Swedish Bureau of Statistics, who assisted the relevant staff of the Ministry to complete the system. This occurred between July 1993 and July 1994.

The preparation of GDP estimates has recently been completed, as per the various economic activities and expenditure terms, using the New System. The GDP estimates were prepared, according to this system, for a period covering the years 1980-1994, using a customized computerized system. The objective is to utilise these estimates in the preparation of the economic and social indicators at the macro level for the next stage. This requires precise data on previous years. The New System has also been utilised in the formulation of the Fifth Five-Year Plan estimates, and in the evaluation of the Fourth Five-Year Plan (1991-1995). The cooperation with the Swedish Bureau of Statistics is still continuing, in order to upgrade the system, so as to bridge any gaps or deficiencies resulting from past experience, and also to update the system to cope with the new requirements.

It is worth noting that, in 1993, the Sultanate was the first Arab country to adopt the new System of National Accounts. It is also considered as one of the pioneering countries in the adoption of the system at the international level.

1-2-3 Completion of a National Information and Documentation Centre:

The National Centre for Economic and Social Information was established in order to provide information in a form that meets the requirements of the Ministry of Development and other government authorities. Relevant information is essential for the formulation of the development plans, the facilitation of enhanced monitoring, and the efficient evaluation of these plans. The aim is also to meet the needs of private sector and research institutions. Specifically, the centre is concerned with the following:

- a. Collecting, processing, and maintaining documents and available data in economic and social fields in the Sultanate.
- b. Selective collection of information and documents published by the international organisations which deal with economic and social development. The information and documents shall be retained after subjecting them to technical processing.
- c. Utilizing of techniques and advanced technology for establishing a comprehensive database, an advanced information system, and facilitating access to this information and data for beneficiaries.
- d. Establishing of a modern library and a centre for economic and social documents. Both the library and the centre shall provide their services to interested parties.
- e. Constructing an information network. This network will be internally linked with the Ministry, while locally it is to be linked with several government authorities, and at a second stage with several international networks (internet).
- f. Publishing monthly and yearly statistical bulletins.

A contract was signed between the Ministry and the Regional Information Technology and Software Engineering Centre (RITSEC) in order to benefit from its technical expertise in this field.

1-2-4 Economic Surveys:

Since 1990, the Ministry of Development has conducted an annual survey that includes establishments with a labour force of more than 100, in addition to the collection of data pertaining to all activities of banks, oil and insurance companies, and hotels operating in the country. The data on medium and small scale establishments is collected using the sample survey method.

The main objective of these surveys is to obtain detailed data on production size and costs, investment and employment (Omani and non-Omani), salaries and wages, for the various economic activities in the Sultanate. This information can be utilized in the preparation of national income accounts and to comprehend economic and social development in various fields.

In co-operation with a specialized international consultancy, the Ministry is currently carrying out the formulation of appropriate proposals for expanding the scope, and improving the quality, of these surveys in order to upgrade the available database on the national economy.

1-2-5 Agricultural Census:

In 1993, the Ministry of Agriculture and Fisheries carried out a comprehensive agricultural census with the aim of obtaining detailed information concerning agriculture, animal resources, and demographic data about those engaged in the agricultural sector. Important data and information was gained from this census. The data included information on the size and type of agricultural holdings and their classification based on crop type; data concerning agricultural families and labour; the areas of location, and livestock resources according to type.

The information obtained is considered to be of prime importance. This information was utilised in improving GDP estimates of agriculture and livestock production. The agricultural census has also provided necessary frames for annual agricultural surveys, which help the understanding of the progress in this important economic sector. In addition, the census has provided the information necessary to assist in designing appropriate policies that ensure the development and upgrading of the agricultural sector.

1-2-6 Industrial Census:

The first industrial census in the Sultanate was carried out in 1994 by the Ministry of Commerce and Industry. The census covered 1,520 establishments listed in the industrial register. In 1995 the Ministry conducted the second census, which included 1,416 listed establishments, in cooperation with the Japan International Cooperation Agency (JICA). In this census data was collected concerning production, costs of production, investment and employment for all these establishments. According to the Ministry of Commerce and Industry programme, this census will be followed by annual surveys.

The first industrial census results have contributed to improving both GDP and value added estimates of industry activity in particular. This census has also provided a comprehensive and precise framework for the industrial sector which will enable carrying out annual surveys of their activities.

1-2-7 Designing a Macroeconomic Model:

During the preparation of the Fourth Five-Year Plan the conventional economic model, entitled the World Bank Revised Standard Model, was utilized to ensure the articulation of objectives, balances and various sectors to each other.

As part of the continuous upgrading of the Plan's preparation and follow-up process, the Ministry of Development, in co-operation with Wharton Econometric Forecasting Associates, prepared a macroeconomic model for the Sultanate. In addition, a number of the Ministry Staff in this field were trained.

The macroeconomic model has provided the Ministry with the following technical features:

- a. Created equilibrium between main planning balances. These planning balances are as follows: State General Budget, Domestic Product Balance, Investment and Saving Balance, External Current Account Balance, and Balance of Government Revenue and Expenditure.
- b. Ensured inter-connection between production and services sectors of production, consumption, investment and saving.
- c. Preparation of scenario forecasting alternatives for the macro economy. This shall be based on several assumptions and different indicators that help in selecting the appropriate option within the available resources and approved policies.
- d. Illustration of the impact of the current and proposed economic, financial and fiscal policies on various economic and social activities, thus helping to evaluate such policies and select the most appropriate among them.

In 1996, the Petroleum Finance Company, which is one of the specialized international consultancy houses, was contracted to assist the Ministry to develop and upgrade the macroeconomic model, in addition to training the staff to conduct research and analyse various development issues.

There have been positive developments in terms of quality and quantity of data, statistics and information available on all economic and social activities, and the mechanisms available for its treatment and analysis. Despite this, it is necessary that the development and updating process continues during the next stage. The objective is to give more flexibility to evaluation, follow up and amendment of plans according to the extracted results. With this in mind, a specialized department was established in the Ministry for the development and updating of models. This on-going process was proposed in order to achieve an integrated macroeconomic model that formulates the development directions, economic policies, and promotes research and analytic capabilities; whilst, at the same time, responding to the evaluation of domestic and external developments.

1-3 Methodology of Evaluating Oman's Development Process (1970 - 1995):

The completion, in 1995, of twenty five years of development efforts under the leadership of His Majesty Sultan Qaboos bin Said, witnessed substantial transformations in all economic and social fields. In order to formulate a clear vision for the next quarter of a century (1996-2020), several steps were taken for the preparation of detailed studies to carry out a thorough review of the development process, so as to utilise the results of such studies in formulating clear and specific future directions. These were also based on current achievements and the primary basis available for the country. The steps taken can be summarized as follows:

1-3-1 Studies on the Evaluation of Oman's Development Process:

- a. In May 1994, at the request of the Ministry of Development, the World Bank completed the preparation of its report entitled 'Sustainable Growth and Economic Diversification'. The report provided detailed discussions of the achievements realized during the previous twenty three years (1970-1993). It also included a set of proposed corrective measures which would enable the country to meet current and future challenges, with the aim of achieving sustainable development and economic diversification.
- b. In May 1994, within the framework of its annual consultations with the government of the Sultanate regarding the country's financial and fiscal positions, the International Monetary Fund (IMF) suggested a group of measures related to the economic adjustment process, which the IMF believes should be adopted in order to avoid the impacts that will result from continuing the current expenditure policies.
- c. In July 1994, the Ministry of Development prepared a detailed report entitled 'The Proposed Programme for the Achievement of Economic Balance and Sustainable Growth within the next stage of the Development Effort'. The report was concerned with Oman's development process, the economic and social achievements and the continuous development process from 1970-1993, under the wise and prudent leadership of His Majesty Sultan Qaboos bin Said, Sultan of Oman.

The report reviewed development conditions and challenges during the 1990's. It also included a comprehensive and precise proposal concerning corrective measures that should be adopted and their basic factors. In addition to the recommendations of the World Bank and IMF stated in their above mentioned reports, this report included a set of proposed objectives, policies, and program's for the next stage beginning with the Fifth Five Year Plan. These objectives, policies and program's aim at overcoming constraints hindering realization of high growth rates, diversification and the development of national income sources. They also aim at setting the appropriate framework for the take-off towards the 21st century, by adopting a gradual, informed approach.

- d. In October 1994, the Ministry of Development prepared a detailed memorandum concerning the results of evaluating production sectors and a number of service sectors during the last two decades. The memorandum discussed the level and size of private sector contribution to these sectors, and the measures that should be taken to develop these sectors through promoting and furthering the private sector role in the next stage up to 2020.

1-3-2 The Steps Taken for Reviewing and Discussing the Studies Prepared on the Evaluation of the Developing Process:

- a. The proposed programme prepared by Ministry of Development, was submitted to His Majesty the Sultan on 30th of Muhram 1415 AH (9.7.94), so as to seek the prudent directives of His Majesty regarding the main issues stated in the programme. The main directives stated in the programme, subject to certain amendments, were then approved by His Majesty the Sultan.
- b. The Honourable Council of Ministers reviewed 'The Proposed Programme for the Achievement of Economic Balance and Sustainable Growth within the next stage of Development Efforts', during the sessions of the 25th and 27th of December 1994. This review resulted in a set of recommendations concerning the financial framework of the Fifth Five-Year Plan. These were then submitted to His Majesty the Sultan. On the basis of directives from His Majesty, and the recommendations of the Honourable Council of Ministers, the Fifth Five-Year Plan was then formulated.

1-4 Preparation of the Vision for Oman's Economy : Oman 2020 :

Under the wise and prudent leadership of His Majesty the Sultan, Oman has been able to witness remarkable and significant achievements within a short period of time. These achievements were realized despite the unfavourable and rapidly changing regional and international conditions prevailing during that period. As the achievements realized represent the basic foundations for the take-off towards sustainable development, the continuity of the development needs vision and clearly defined objectives towards to which, within a specific period of time, all resources and means should be allocated. In compliance with the prudent directives of His Majesty the Sultan, certain decisions were taken. The necessity of preparing the required studies for carrying out a comprehensive evaluation of production and services sectors was essential. The aim was to identify several sectors that can be considered as leading ones. Such sectors contribute to broadening the country's economic base, and their revenues may substitute for those of oil in future. In order to formulate a clear vision for Oman's economy up to 2020, the following measures were taken.

1-4-1 In its sixth meeting for the year 1994, held on 21.5.1414 AH (26.10.94), the Development Council reviewed the memorandum prepared by the Ministry of Development, regarding performance evaluation results of production and service sectors during the previous two decades. The proposed measures for development of these sectors during the next stage and up to 2020 were also reviewed. The Development Council then issued its resolution No. 79/94. (Annexure 1)

1-4-2 During the period January - March 1995, working groups consisting of the officials from the relevant ministries, formed as per the above mentioned resolution, prepared a set of detailed sectoral reports, with the aim of formulating a vision for Oman's economy. The reports took into account the detailed studies prepared in relation to the evaluation of Oman's development process (stated in 3-1). The detailed sectoral reports prepared by the working groups are as follows:

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| 1. Global Changes | 8. Industrial Sector |
| 2. Oil Sector | 9. Tourism Sector |
| 3. Gas Sector | 10. Trade Sector |
| 4. Minerals Sector | 11. Banking Sector |
| 5. Agriculture Sector | 12. Insurance Sector |
| 6. Fisheries Sector | 13. Securities Market Sector |
| 7. Water Resources Sector | 14. Information Technology and Telecommunications Sector |

The Ministries concerned with human resources have prepared the following detailed reports:

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| 1. Higher Education (Scholarships) | 5. Labour |
| 2. Higher Education (Sultan Qaboos University) | 6. Education |
| 3. Health | 7. Technical Education & Vocational |
| 4. Civil Service | Training |

These 21 reports were prepared in coordination with the Ministry of Development in some cases, and in cooperation with the World Bank and other specialists. All these reports focused on the following main issues:

1. Results achieved in each sector during the years 1970-1993.
2. Constraints of sector growth.
3. Basic factors and potentialities available for the sector - domestically and abroad.
4. Policies and mechanisms that should be adopted in order to fully utilise the sector potentialities.

1-4-3 During the period December 1994 - June 1995, and in accordance with the Development Council resolution stated above, the Ministry of Development prepared detailed reports on the main issues affecting and affected by the performance of the macroeconomy. These reports were prepared in coordination with the ministries concerned, taking into account the sectoral reports mentioned in 1-4-2. The detailed reports on the main issues, prepared by the Ministry of Development, are as follows:

1. Sustainable Development and Macroeconomic Framework:

This report is the result of the development and updating of the previously prepared report entitled 'Economic Balance and Sustainable Growth within the Next Stage of Development Efforts'. It discussed the results achieved throughout two decades of development work; the most important challenges facing Oman's economy; the policies and mechanisms that should be adopted in order to achieve the proposed vision; the strategy for economic balance and sustainable growth, and its primary dimensions. The report also discussed briefly the issues related to human resources development, economic diversification and private sector development, which were discussed in more detail in the other main reports.

2. Human Resources Development:

This report discussed the following elements:

- a. The Development Strategy and the achieved results (1970-1995).
- b. The Challenges Facing Human Resources Development.
- c. The Vision for Human Resources.
- d. Human Resources Development Strategy (1996-2000):

- Primary dimensions
- Policies and mechanisms

3. Economic Diversification:

The 'Economic Diversification' report discussed the following main elements:

- a. Analysis of achieved results in the field of national income sources diversification during the previous twenty-five years.
- b. The challenges posed by the 14 sectoral studies stated in 1-4-2.
- c. The rapid changes at the global level and their impact on the country's economy.
- d. The vision for economic diversification.
- e. The economic diversification strategy and its primary dimensions.
- f. Policies and mechanism of economic diversification.
- g. The GDP structure in 2020.

4. Private Sector Development:

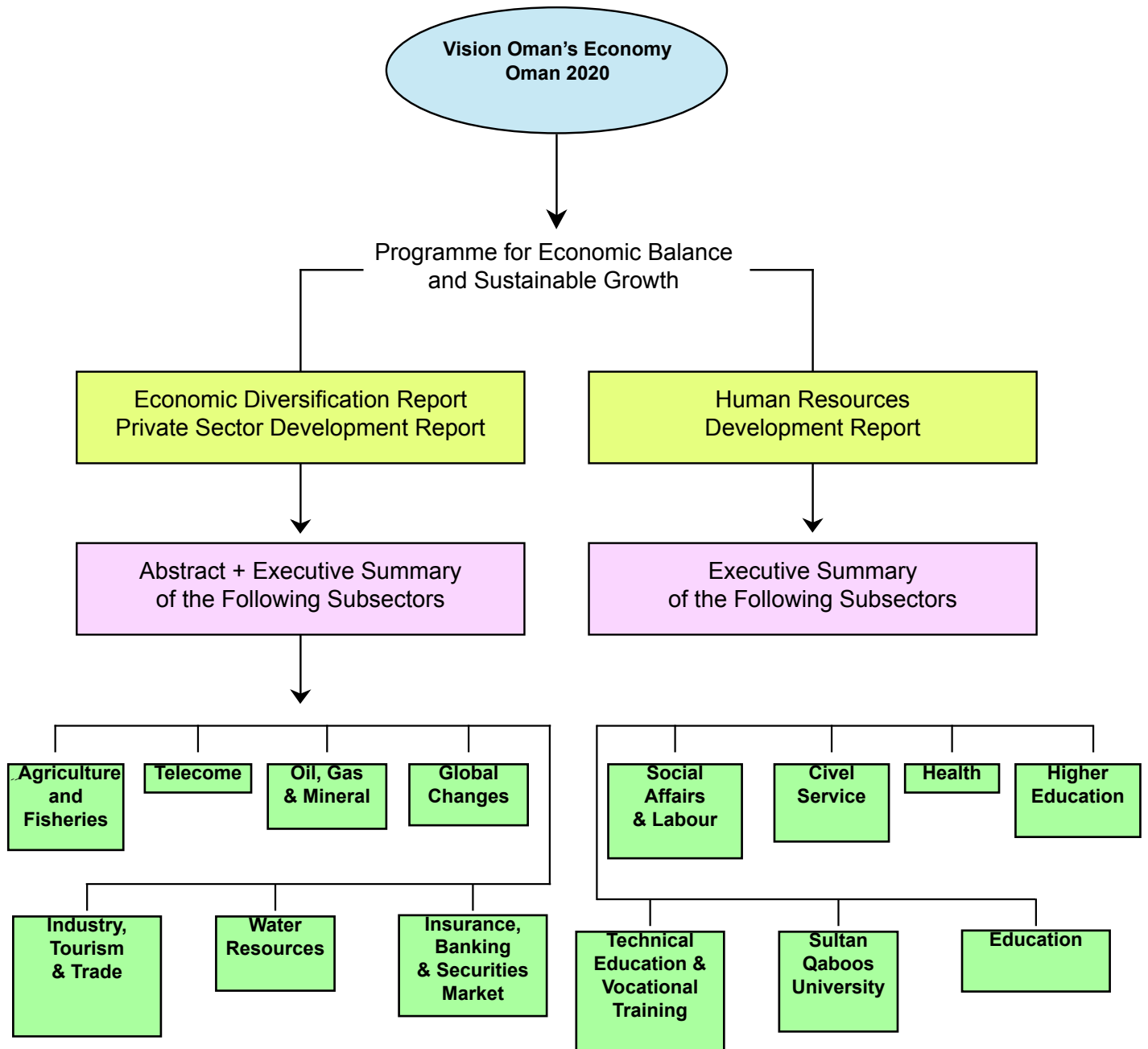
The report entitled 'Private Sector Development' discussed the following elements:

- a. Review of the development strategy, and analysis of the results achieved during the previous twenty-five years.
- b. The main challenges of private sector development.
- c. The vision for private sector development.
- d. The strategy and dimensions necessary for the achievement of the vision for private sector development.
- e. Policies and mechanisms that should be adopted in order to achieve the vision for private sector development.

Figure 1-1 below illustrates the preparation process of the sectoral reports and the main four reports required to formulate the Vision for Oman's economy: Oman 2020.

Figure 1-1

The Preparation Process
of the Sectoral and Main Reports
in order to Formulate the Vision for Oman's Economy



1-4-4 The detailed proposals of the Vision for Oman's economy and its supporting policies must be based on a general framework of the country's future development direction and on its main dimensions. Consequently, the members of the Committee for the Formulation of the Vision for Oman's Economy, and a number of ministers, held a meeting on 19 March, 1995. The objective of the meeting was to formulate the Vision for Oman's Economy: Oman 2020. By the end of the meeting, the participants finalised a 'Statement on the Vision for Oman's Economy: Oman 2020'.

After introducing some amendments to the Vision statement, the Honourable Council of Ministers approved it in the Council meeting on May 23rd, 1995.

On 23 of Zul Heja, 1415 AH (23.5.95), His Majesty the Sultan approved the Vision statement after making a number of amendments to the text.

The primary dimensions of the Vision were then included in the Fifth Five-Year Plan.

1-4-5 During the period February-May 1995, the seven ministerial committees, formed as per the Development Council Resolution 79/94, reviewed and evaluated the sectoral reports prepared by the working parties and produced these reports in their final form. The ministerial committees are as follows:

1. Communications and Global Changes
2. Petroleum, Gas and Minerals
3. Agriculture and Fisheries Sector
4. Banking, Insurance and Securities Markets
5. Water Resources
6. Industry, Tourism, and Trade Sector
7. Human Resources and Macroeconomy

Each committee is chaired by the Minister concerned with the sector. The representatives of the other ministries are at the Under Secretary level. The committees also include members from the Majlis Ash'Shura and the Oman Chamber of Commerce and Industry. The formation of such committees, with this high level and broad participation of all concerned bodies, aims at broadening the participation base for preparation of the study, review and evaluation of the experience of previous years and the formulation of a Vision for Oman's economy up to the year 2020.

Hence, the collective effort exerted by various sectors of the Omani Community reflects the significant importance and attention attached to this national project. It also confirms an important and basic principle: the need for absolute consensus concerning the future directions of Oman's economy.

1-4-6 The Main Committee (The Committee for the Formulation of the Vision for Oman's Economy: Oman 2020) was chaired by His Excellency, the Deputy Prime Minister for Financial and Economic Affairs and Deputy Chairman of the Development Council. The committee included 14 Ministers as members. During the period February - May 1995, the main committee reviewed and evaluated the proposals of the ministerial committees and approved the reports in their final form. Accordingly, the reports were then approved as medium and long term plans for the concerned sectors, to be implemented starting from the Fifth Five-Year Plan, so as to achieve the vision for these sectors.

The Main Committee has also reviewed and evaluated the previously mentioned four main reports.

1-4-7 In order to present the draft statement of the Vision for Oman's Economy (formulated by the various ministerial committees) to a wider audience in Oman, the Honourable Council of Ministers and the Development Council approved the organising of the Vision Conference for Oman's Economy: Oman 2020. It was also felt that a conference of this nature would provide examples of planning experience from other countries. The Main Committee undertook the supervision of the preparation for this conference.

The Vision Conference was held on the third and fourth of June 1995. In addition to the members of the above mentioned ministerial committees, the participants in the Conference included a number of the members of the Council of Ministers, the Advisors, the members of the Majlis Ash'Shura, and a group of international experts selected from the Arab industrial, south Asian, and Latin American countries, and international economic organizations.

Two open sessions and three closed sessions were held during the conference period. Participants in the closed sessions included a number of Ministers, the Advisors, the members of the Majlis Ash'Shura, members of the Oman Chamber of Commerce and Industry, and the international experts. The four main reports, in addition to the draft of the Vision statement for Oman's economy: Oman 2020 were discussed during these sessions.

Many recommendations were made by the conference, which helped in formulating the final draft of the Vision for Oman's Economy: Oman 2020, and its associated policies and mechanisms.

1-4-8 The Honourable Council of Ministers assigned three successive sessions on the 10th, 12th and 13th of June, 1995 for the discussion of the main reports, the policies and mechanisms stated therein, in addition to the recommendations emanating from the closed sessions held during the Conference. The Honourable Council compiled a set of recommendations concerning these reports, which were then submitted to His Majesty the Sultan.

1-4-9 His Majesty Sultan Qaboos bin Said, Sultan of Oman, presided over two successive sessions of the Honourable Council of Ministers on the 11th and 14th of June 1995. During these sessions, His Majesty the Sultan approved the proposed policies and mechanisms stated in the main reports on the achievement of the Vision for Oman's Economy. As previously stated, His Majesty ordered the introduction of several amendments to the reports, in addition to the recommendations made by the Honourable Council.

1-5 The Procedures Made for the Preparation Process of the Fifth Five - Year Plan (1996-2000)

- 1-5-1** While presiding over the Honourable Council of Ministers Session No. 19/94 on 12th July 1994, His Majesty the Sultan issued royal directives to form a Ministerial Committee for Planning Affairs. This was to be chaired by the Advisor to His Majesty the Sultan. The objective of the Committee was the study of government expenditure, and the recommendation of measures that should be adopted by the civil units in order to conform with the allocations available for civil current expenditure in the Fifth Five-Year plan.

In July 1995, the recommendations of the committee were forwarded, after their approval, to the concerned ministries in order to be taken into account at the time of making their estimates and proposals for the Fifth Five-Year Plan.

- 1-5-2** As per Resolution No. 71/94, issued in its fifth meeting for the year 1994 (Annexure 2), the Development Council approved the basic principles of privatization of government services related to production and service sectors. These principles were issued as guidelines to be observed by the various government ministries and units during the privatisation of certain sectors under state control.

- 1-5-3** In preparation of the investment programme of civil ministries for the Fifth Five-Year Plan, the Development Council issued Resolution No. 80/94, during its sixth meeting for the year 1994, on 21.5.1415AH (26.10.94). The resolution defines a group of principles for the preparation of the investment plan by the civil ministries. These principles represent guidelines to be adopted when preparing such plans (annexure 3).

- 1-5-4** Based on the discussions of the Honourable Council of Ministers in December 1994 regarding the proposed programme for achievement of economic balance and sustainable growth within the next stage, an amount of O.R.514 million shall be allocated for civil development expenditure during the Fifth Five-Year Plan.

- 1-5-5** The Development Council held its sixth meeting on 10.4.1416 AH (6.9.95). This reviewed a number of alternatives presented by the Ministry of Development regarding the distribution of the financial allocations available for civil development expenditure among the different ministries and government bodies. The Development Council issued Resolution No. 53/95, which stipulates that the available funds, O.R. 514 million, shall be distributed in a way that ensures the allocation of 40% of the amounts approved for the new projects in the Fourth Five-Year Plan for the ministries and government units. The costs of administrative buildings shall, however, be excluded from their allocations at the time of calculating their respective share.

The following elements shall be taken into account when selecting development projects for the Fifth Five-Year Plan:

- a. Priority shall be awarded to the projects issued according to royal directives.
- b. Priority shall be given to a number of projects included in the Fourth Five-Year Plan and not yet implemented, such as the projects of ports, roads, water, and industrial estates.
- c. Priority shall also be given to the projects concerned with the approved policies and mechanisms for achievement of the Vision for Oman's Economy.
- d. Special importance shall be attached to the projects related to human resources development as per the directives approved in this regard.
- e. Efforts shall be concentrated on the projects that are directly concerned with providing and upgrading the services extended to the citizens by the government.
- f. The importance of keeping and maintaining the existing facilities and services.
- g. There shall be no provision for establishing new buildings for the government administrations.

1-5-6 In its sessions held on 9th, 10th and 15th of October, 1995 and 28th of December, 1995 the Honourable Council of Ministers approved the general framework of the Fifth Five-Year Plan and its investment programme.

2-1 Preamble:

The first Chapter reviewed the methodology for the formulation of the Vision for Oman's Economy and the Preparation of the Fifth Five-Year Plan (1996-2000). This chapter will review the strategy for achieving economic balance and sustainable growth.

As mentioned earlier, the Fifth Five-Year Plan represents the first executive programme for the achievement of the primary dimensions of the Vision for Oman's Economy: Oman 2020, according to the policies and mechanisms approved for that purpose.

The strategy of economic balance and sustainable growth, and its related dimensions, policies and mechanisms, represent the foundation stone for achieving the Vision for Oman's Economy. The said strategy is assisted also by the following three main strategies:

1. Human Resources Development
2. Economic Diversification
3. Private Sector Development

Accordingly, this chapter will review the Vision for Oman's Economy, its primary dimensions, the strategy of economic balance and sustainable growth and the challenges facing their achievement, in addition to the most important basis of the Vision. The three chapters that follow, however, discuss the dimensions, policies, and mechanisms associated with the aforementioned main strategies.

2-2 The Vision for Oman's Economy: Oman 2020

The primary aim of the Vision for Oman's Economy in the next quarter of a century is to, at least, maintain the current level of per capita income in real terms, and to strive to double it by 2020. This may be achieved through treating the Fifth Five-Year Plan period (1996-2000) as a transitional stage during which the government will attempt to achieve a balance between revenues and expenditure by the end of the Plan. The Vision also aims at providing suitable conditions for economic take off. The government will strive to use the proceeds of oil and gas for sustainable economic diversification and it will accept full responsibility for promoting basic health, education and training for Omani citizens, in addition to adopting policies which promote their standard of living. Accordingly, to achieve the objectives approved in the Royal Decree No.1/ 96, the primary dimensions upon which future policies shall be based are as follows:

1. Development of human resources, and upgrading Omanis skills and competences to keep abreast with technological progress; to manage the dynamics of this progress in a highly efficient way; and to face the ever-changing domestic and global conditions.
2. Creation of a stable macroeconomic framework aimed at the development of a private sector capable of the optimal use of human and natural resources of the Sultanate in an efficient and ecologically- sound way.
3. Encouraging the establishment of an effective and competitive private sector; and consolidation of the mechanisms and institutions that will foster shared visions, strategies and policies between the private sector and Government.
4. Providing appropriate conditions for the realization of economic diversification, and striving toward the optimal use of natural resources and the geo-strategic location of the Sultanate.
5. Enhancing the standard of living of the Omani people; reduction of inequality among regions and among income levels of various groups; and ensuring that the fruits of development are shared by all citizens.
6. Preserving the achievements accomplished in the past twenty-five years, safeguarding and developing them, along with the completion of some of the necessary basic services.

2-3 The Major Challenges Facing Oman's Economy in the Effort to Achieve Economic Balance and Sustainable Growth:

Oman's economy is facing several challenges. These challenges should be addressed in order to avoid negative impacts that may result from continuing the current policies, and also to prepare for achieving the Vision for Oman's Economy: Oman 2020.

The need to develop and upgrade the efficiency of the current policies has increased due to the global changes witnessed at the end of the 1980's, and the emergence of a new international order. The latter is centered around economic, commercial and technological competition and is based on market mechanisms, economic liberalization and the promotion of the private sector role.

Accordingly, the most important challenges facing Oman's economy, (in order to achieve sustainable development through efficient integration into the global economy and to cope with the rapid developments in the technological field) can be summarized by the following:

1. The increasing deficit in the general budget; a decline in financial reserves; levels of public debt that must not be exceeded; and instituting a mechanism for achieving equilibrium in the public finance.
2. The dependence of the national economy on a single depletable source (oil), which is affected mainly by external economic and political factors.
3. The expected gradual decline in the oil reserve in the coming twenty-five years.
4. The prominence of the government role in the goods and services production fields, which limits the opportunities available for the private sector in these fields.
5. The lack of certain laws and systems for the provision of a suitable environment for the growth and diversity of private sector activities.
6. The weak integration between the oil sector and other production and services sectors. All production and services sectors are characterised by low efficiency and poor quality, which reduces their ability to compete at international level.
7. The poor production efficiency in government systems and the inefficient utilization of available resources.
8. The low levels of private saving and investment rates and the increasing consumption tendencies.
9. The existing disequilibrium in the labour market, including the low level of national labour participation and the expansion in the employment of expatriate labour.
10. The poor productivity of human resources, the low status of some professions and handicrafts, in addition to their insignificant participation in the national economy.
11. The incapability of national labour to cope with the rapid developments in the technological field.

2-4 Most Important Factor on which the Vision for Oman's Economy: Oman : 2020 Based on

After reviewing the major challenges facing Oman's economy as it attempts to achieve balance and sustainable growth, this section reviews the potentials available to the Sultanate. The utilisation of these will qualify it to enter the twenty-first century as one of the modern countries in the advanced world. The most important potentials are the following:

1. The presence of wise leadership, as represented in His Majesty Sultan Qaboos bin Said, who has a far sighted view on all issues, and the great capacity to deal with potential developments and events.
2. The Sultanate enjoys political stability, social harmony and security all over its lands. It follows a free market policy and respects individual property rights.
3. The natural resources available and the strategic geographical location of the Sultanate.
4. Oman is considered one of the countries that provides a suitable and encouraging climate for foreign investment. This is particularly true after the reformulation of laws and regulations relating to this during 1994. The modern history of the Sultanate clearly bears out this fact. Most of the oil producing countries have nationalized oil companies, while the Sultanate, in contrast to this, did not nationalize these companies. This has led to the inflow of direct foreign investments which accounted for 50% of private gross domestic capital formation during the past two decades.

2-5 The Strategy of Achieving Economic Balance and Sustainable Growth:

The challenges facing Oman's economy have been discussed and diagnosed. Based on this and the potentials and basis available to the Sultanate, the approved strategy for economic balance and sustainable growth has been formulated. In order to realize the Vision for Oman's Economy: Oman 2020, which has been reviewed in paragraph 2-2 above, the strategy is based on the following primary dimensions:

1. First Dimension:

Provision of a stable macroeconomic framework, including the achievement of financial equilibrium in the State General Budget; avoidance of inflationary pressures and working towards stabilizing the nominal exchange rate of the Omani Rial with the maintenance of its convertibility.

2. Second Dimension:

Upgrading the government role in the basic fields and reducing its role in the production and services fields.

3. Third Dimension ⁽¹⁾:

Development of human resources, upgrading the potentialities and skills of the Omanis to cope efficiently with the technological progress and manage the changes that take place within it, and to develop the expertise necessary to face continuously changing local and global conditions.

4. Fourth Dimension ⁽²⁾:

Provision of suitable conditions for economic diversification, and to work towards the efficient utilization of the available natural resources and to utilise the favourable geographical location of the Sultanate.

5. Fifth Dimension ⁽³⁾:

Development of a private sector capable of efficiently utilizing the Sultanate's human and natural resources through means that are efficient and environmentally sound. In addition, the promotion of the means and institutions, strategies and mechanisms shared between private sector and the government.

(1) Chapter Three reviews the detailed dimensions related to this dimension.

(2) Chapter Four contains more details about this dimension.

(3) Chapter Five contains more details about this dimension.

6. Sixth Dimension:

Raising the living standard of the Omani citizen; ensuring that all citizens benefit from the fruits of the development process; working towards reducing variation among regions and the different income categories and; the encouragement of self reliance and local development subsidies.

7. Seventh Dimension:

Intensification of the Omani economy's integration into the global economy. This can be done through the encouragement of a free flow of goods and production factors and the promotion of the Sultanate's economic relations in a way that conforms with its interests.

2-6 Approved Policies and Mechanisms for Achieving Economic Balance and Sustainable Growth:

Section 2-5 provided a review of the dimensions upon which the strategy of economic balance and sustainable growth will be based at the macro level during the next stage. This section however, reviews in greater detail, the policies and mechanisms that shall be adopted so as to implement each one of the dimensions of the designed strategy.

2-6-1 First Dimension: Provision of a Stable Macroeconomic Framework Through:

2-6-1-1 The Achievement of a Balance between Public Revenues and Uses starting from the Fifth Five Year Plan (1996-2000):

a. Achievement of Fiscal Balance in the State General Budget:

1. Fiscal balance should be achieved as of the beginning of the Fifth Five Year Plan (1996-2000), and it should be continued in the following plans, together with working towards the realization of a surplus in the State General Budget of not less than 3% of GDP.
2. In case actual oil revenues during the years of the Plan (1996-2000) are less than the estimated revenues, then expenditure items should be reviewed in order to conform to the proportionate drop in oil revenues.

b. Rationalization of Government spending through the following:

1. The general budget preparation should fully observe the annual fiscal framework, adopted in the Five Year Plans, in regard to revenues and expenditure. The approved allocations should not be considered for any increase, except once in the middle of the fiscal year, and this should be done according to a Royal Decree.
2. Any increase in public expenditure approved in the State General Budget or its amendments above amounts planned in the fiscal framework of the Five Year Plans, should be financed from the resources of the State General Budget as a whole, without withdrawals from reserves or increasing the public debt. It should not come from the reserves of individual ministries.
3. Upgrading of current laws and regulations such as the Financial Law and Civil Service Law in order to reduce and simplify financial procedures. This simplification relates to the approval of budgets, making amendments and transfers between the different items and conducting revision and auditing before disbursement.

It also relates to the administrative procedures pertaining to personnel affairs such as recruitment, promotion, training etc. The object is to provide flexibility for the different government units, and to reduce the procedures of supervision and central control.

4. The delegation of authority to the regional administrations and directorates in a way that will help provide the necessary flexibility for improvement in the level of performance, and the reduction of centralization of the administration.
5. Enhancing the role of financial control in order to enable it to identify any defects or violations and to submit these to the authorities concerned so that appropriate action may be taken.

6. The introduction of certain amendments to the law and the system of tenders. This is to ensure granting more authorization to the ministries concerned to invite and announce tenders, by raising the maximum limit of local tenders to O.R. 250,000.
7. The reduction of the government's role ⁽⁴⁾ in production and services sectors of a commercial nature particularly in the sectors of electricity and water, sewerage, posts, telecommunications and alternative roads. The cost of these can be covered through the proceeds of selling- off these services.
8. The distribution of investment expenditure according to specific economic and social bases, guided by the rules specified by the Development Council as per the Council Resolution No. 80/94 ⁽⁵⁾.

c. Developing non-oil revenues through the adoption of the following basis:

In view of the necessity to gradually reduce reliance on oil, it is necessary to increase non-oil revenues, whether taxable or non-taxable, so as to raise their contribution to not less than 60% of gross revenues by 2020. In order to achieve this goal, it is recommended that the following general principles are considered when imposing any new fees or taxes.

1. The Financial Affairs Council ⁽⁶⁾ should decide upon proposals submitted by the various ministries and government bodies regarding the imposition or raising of fees , direct or indirect taxes, and to submit the same to the Honorable Council of Ministers for approval.
2. The merger and unification of the various fees imposed by one body or authority into one composite fee, where possible.
3. The objective of imposing charges on basic public services provided by government should primarily be the rationalization of consumption.
4. Any determination of a possible tax on individuals, or increases that might be introduced in the percentages of profits tax on Omani establishments should be linked to the objectives of increasing non-oil revenues in terms of importance and share in gross government revenue.
5. When imposing any new fees or taxes or increasing existing rates the following should be considered.

(4) The Policies and mechanisms related to this policy are discussed in Chapetr Five.

(5) Resolution issued by the Development Council in its sixth meeting for the year 1994, held on 21.5.1415 AH corresponding to 26.10.1994 regarding the Investment Plan (Annex No. 3 of Chapter 1).

(6) As per the Royal Decree No. 6/96 the Financial Affairs Council and the Natural Gas Council were merged and accrodglingly the Council of Financial Affairs and Energy Sources was established.

- a. Differentiating between income and social security groups.
 - b. Linking the size and amount of fees with collection costs. This is to ensure that the cost of collection is not higher than the revenue obtained from imposing the fees.
 - c. Studying the different impacts of these fees to ensure that they do not disrupt the other economic and social policies.
6. Emphasizing the improvement of the efficiency of collecting revenues and the amendment of procedures and systems to achieve this end.
 7. Investigating the possibility of collecting all fees and taxes through commercial banks. Appropriate mechanisms should be designed to enable any individual or establishment to pay the fees and taxes at any commercial bank, and also to obtain the application forms for these services from the banks.
 8. Government departments that provide public services to the community and deal directly with the public, should consider opening their departments after the official working hours. This would accommodate the needs of those committed to official working hours.

2-6-1-2 Supporting Government Savings and Building Financial Reserves:

Increasing public savings and investments will lead to the achievement of the diversification objectives, the reduction of reliance on oil resources, and the avoidance of decline in living standards after the exhaustion of these resources. In order to raise the level of public savings the following policies have been approved:

1. To refrain completely from withdrawing any amounts from the SGRF as of the start of the Fifth Five Year Plan unless a Royal Decree is issued based on a recommendation by the Council of Minister approving the withdrawal.
2. To transfer all surplus oil receipts, i.e. those resulting from an oil price above US \$ 15 and up to US \$ 17 a barrel, to the SGRF. This is considered as the minimum level which should be raised in case of a significant increase in oil prices.
3. To transfer to the SGRF all government revenues resulting from the sale of government assets to the private sector or privatization of the projects related to service and production sectors.
4. To work towards increasing government reserves so that by the end of the Fifth Five Year Plan, they will be equal to the maximum ceiling of public debt, determined at O.R.1, 500 million.
5. To specify a minimum level for the balance of the fund. This should be done so that the revenues of its investments can provide 25% of the annual gross public revenues by 2015 (the year expected to witness the gradual decline in oil production rates).

6. To observe the currently adopted systems in order to achieve the maximum revenues out of the fund resources. These systems should take into consideration the nature of the resources; the necessity of minimizing the risk to the lowest possible limit; continuance of the policy of monitoring the fund performance, and the periodic upgrading of this policy.
7. To observe the currently specified maximum limit of the domestic and external public debt of O.R.1,500 million and not to exceed this limit.
8. To prepare monthly reports regarding the transactions of the oil reserve fund, in the same style as the reports and accounts of the SGRF, and to enter the financial position of the fund in the government accounts. This is in order to promote the financial position of the State.

2-6-1-3 Continuance of the Current Monetary Policies of Promoting the Macroeconomic Framework through the following:

1. Utilizing the interest rate as a basic and primary instrument for achieving optimum distribution of available resources among the different uses, and for promoting private savings.
2. Supporting the value of the Omani Rial, and maintaining its convertibility. This should be done through maintenance of adequate reserves of foreign currencies, the volume of which should not be less than the amount required to cover the country's imports for six months.
3. Avoiding inflationary pressures by continuing the current policy of not issuing money as an instrument for financing the deficit of the State General Budget.
4. Conducting a periodic review of the feasibility of continuing to peg the Omani Rial to the US Dollar and to consider the possibility of pegging it to more than one currency.
5. Working to achieve equilibrium in the current account of the balance of payments in order to maintain the stability of the Omani Rial.

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2. In case actual oil revenues during the years of the Plan (1996-2000) are less than the estimated revenues, then expenditure items should be reviewed in order to conform to the proportionate drop in oil revenues.

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1. The general budget preparation should fully observe the annual fiscal framework, adopted in the Five Year Plans, in regard to revenues and expenditure. The approved allocations should not be considered for any increase, except once in the middle of the fiscal year, and this should be done according to a Royal Decree.
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3. Upgrading of current laws and regulations such as the Financial Law and Civil Service Law in order to reduce and simplify financial procedures. This simplification relates to the approval of budgets, making amendments and transfers between the different items and conducting revision and auditing before disbursement.

It also relates to the administrative procedures pertaining to personnel affairs such as recruitment, promotion, training etc. The object is to provide flexibility for the different government units, and to reduce the procedures of supervision and central control.

4. The delegation of authority to the regional administrations and directorates in a way that will help provide the necessary flexibility for improvement in the level of performance, and the reduction of centralization of the administration.
5. Enhancing the role of financial control in order to enable it to identify any defects or violations and to submit these to the authorities concerned so that appropriate action may be taken.
6. The introduction of certain amendments to the law and the system of tenders. This is to ensure granting more authorization to the ministries concerned to invite and announce tenders, by raising the maximum limit of local tenders to O.R. 250,000.

7. The reduction of the government's role ⁽⁴⁾ in production and services sectors of a commercial nature particularly in the sectors of electricity and water, sewerage, posts, telecommunications and alternative roads. The cost of these can be covered through the proceeds of selling- off these services.
8. The distribution of investment expenditure according to specific economic and social bases, guided by the rules specified by the Development Council as per the Council Resolution No. 80/94 ⁽⁵⁾.

c. Developing non-oil revenues through the adoption of the following basis:

In view of the necessity to gradually reduce reliance on oil, it is necessary to increase non-oil revenues, whether taxable or non-taxable, so as to raise their contribution to not less than 60% of gross revenues by 2020. In order to achieve this goal, it is recommended that the following general principles are considered when imposing any new fees or taxes.

1. The Financial Affairs Council ⁽⁶⁾ should decide upon proposals submitted by the various ministries and government bodies regarding the imposition or raising of fees , direct or indirect taxes, and to submit the same to the Honorable Council of Ministers for approval.
2. The merger and unification of the various fees imposed by one body or authority into one composite fee, where possible.
3. The objective of imposing charges on basic public services provided by government should primarily be the rationalization of consumption.
4. Any determination of a possible tax on individuals, or increases that might be introduced in the percentages of profits tax on Omani establishments should be linked to the objectives of increasing non-oil revenues in terms of importance and share in gross government revenue.
5. When imposing any new fees or taxes or increasing existing rates the following should be considered.
 - a. Differentiating between income and social security groups.
 - b. Linking the size and amount of fees with collection costs. This is to ensure that the cost of collection is not higher than the revenue obtained from imposing the fees.

(4) The Policies and mechanisms related to this policy are discussed in Chapetr Five.

(5) Resolution issued by the Development Council in its sixth meeting for the year 1994, held on 21.5.1415 AH corresponding to 26.10.1994 regarding the Investment Plan (Annex No. 3 of Chapter 1).

(6) As per the Royal Decree No. 6/96 the Financial Affairs Council and the Natural Gas Council were merged and accordingly the Council of Financial Affairs and Energy Sources was established.

- c. Studying the different impacts of these fees to ensure that they do not disrupt the other economic and social policies.
- 6. Emphasizing the improvement of the efficiency of collecting revenues and the amendment of procedures and systems to achieve this end.
- 7. Investigating the possibility of collecting all fees and taxes through commercial banks. Appropriate mechanisms should be designed to enable any individual or establishment to pay the fees and taxes at any commercial bank, and also to obtain the application forms for these services from the banks.
- 8. Government departments that provide public services to the community and deal directly with the public, should consider opening their departments after the official working hours. This would accommodate the needs of those committed to official working hours.

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3. To transfer to the SGRF all government revenues resulting from the sale of government assets to the private sector or privatization of the projects related to service and production sectors.
4. To work towards increasing government reserves so that by the end of the Fifth Five Year Plan, they will be equal to the maximum ceiling of public debt, determined at O.R.1, 500 million.
5. To specify a minimum level for the balance of the fund. This should be done so that the revenues of its investments can provide 25% of the annual gross public revenues by 2015 (the year expected to witness the gradual decline in oil production rates).
6. To observe the currently adopted systems in order to achieve the maximum revenues out of the fund resources. These systems should take into consideration the nature of the resources; the necessity of minimizing the risk to the lowest possible limit; continuance of the policy of monitoring the fund performance, and the periodic upgrading of this policy.
7. To observe the currently specified maximum limit of the domestic and external public debt of O.R.1,500 million and not to exceed this limit.
8. To prepare monthly reports regarding the transactions of the oil reserve fund, in the same style as the reports and accounts of the SGRF, and to enter the financial position of the fund in the government accounts. This is in order to promote the financial position of the State.

2-6-1-3 Continuance of the Current Monetary Policies of Promoting the Macroeconomic Framework through the following:

1. Utilizing the interest rate as a basic and primary instrument for achieving optimum distribution of available resources among the different uses, and for promoting private savings.
2. Supporting the value of the Omani Rial, and maintaining its convertibility. This should be done through maintenance of adequate reserves of foreign currencies, the volume of which should not be less than the amount required to cover the country's imports for six months.
3. Avoiding inflationary pressures by continuing the current policy of not issuing money as an instrument for financing the deficit of the State General Budget.
4. Conducting a periodic review of the feasibility of continuing to peg the Omani Rial to the US Dollar and to consider the possibility of pegging it to more than one currency.
5. Working to achieve equilibrium in the current account of the balance of payments in order to maintain the stability of the Omani Rial.

2-6-2 Second Dimension: Strengthening the Government Role in the Field of Basic Services and Reducing its Role in the Production of Commodities and Services:

The present trend aims at providing a balance between revenues and uses. This requires the reduction of spending, and the activation of the private sector role. As a result, there is a need to reconsider the government role in the non-traditional fields, while promoting its role in the fields which are its primary responsibilities. The role of government, in the coming stage, should be concentrated in the following fields:

1. Providing and upgrading the basic services (defence; security; justice and judiciary; public administration; other basic services like education; health; infrastructure, and the provision of social security to vulnerable groups).
2. Promoting a free market system. This is in order to distribute resources efficiently, support economic stability and encourage the equitable distribution of national income.
3. Improving the standard and quality of basic health services and primary education; ⁽⁷⁾ working towards upgrading the efficiency of public utilities through introducing costing systems and performance control methods, and imposing some charges on the beneficiaries (taking in to consideration, the groups on social security and fixed income).
4. Improving the social security system.
5. Improving efficiency and performance of government bodies by:
 - a. Supporting their capabilities in the fields of evaluating investment projects and program's the conducting of economic analyses to increase their capability to utilize economic criteria for performance evaluation, and determining the priority of projects funded by the state general budget.
 - b. Reviewing organizational structures in order to avoid duplication in the different bodies.
 - c. Determining the optimum size of the labour force in view of the job classification and description for each unit.
 - d. Reducing the gaps between the merits of the public and private sectors.
 - e. Linking the salaries of government employees to the job and to the grade and the elimination of linking between the grade and qualifications.

(7) The details have been discussed in Chapter 3 which deals with Human Resources Development.

6. Conducting a comprehensive review of the mechanisms and means adopted for the promotion and motivation of private sector activities.⁽⁸⁾ This is in order to ensure their efficiency and also to adopt more efficient mechanisms that would help in achieving the future Vision for the Omani Economy.
 - a. To prepare a comprehensive list of all government subsidy types, their calculation bases, and training methods.
 - b. To appoint one of the specialized consultancy houses to prepare an in- depth study concerning the types of subsidies and incentives needed, in order to investigate their effectiveness, efficiency and the possibility of achieving the desired objectives.
7. Upgrading information systems and data-bases in government departments, and designing a sound policy regarding the approach of acquiring and developing information technology in the country.

(8) Chapter Five discusses the detailed policies and mechanisms connected to this policy.

2-6-3 Third Dimension: Human Resources Development ⁽⁹⁾ and Upgrading the Skills of Omanis to Cope with the Technological Advance with High Efficiency:

Human resources development will be one of the most important dimensions of the Sultanate's development strategy. Achievement of the future vision will depend, to a large extent, on the success in implementing the human resources development policies. 'The Human Resources Development' report includes detailed policies and mechanisms designed for this purpose. The most important of these are the following:

1. Formulating a clear population policy, in the shortest possible time, so as to provide a balanced growth rate between population and the current rate of economic growth.
2. Providing high quality primary health care for all nationals through a system characterized by efficiency and cost effectiveness.
3. Providing free basic education for all nationals through an efficient and cost effective system, and to work on improving the quality of basic education. This can be achieved by allocating additional teaching hours for modern sciences (such as mathematics, physical sciences, and computer) and working towards the teaching of English language from the first year of primary education.
4. Providing and encouraging technical education and vocational training for all stages of general education. This is in order to meet labour market demands for different technical specializations.
5. Adopting advanced systems for technical education and vocational training that enable institutions to cope with the rapid technological developments.
6. Working to provide university education and post-graduate studies according to the market needs, whether public or private.
7. Providing employment opportunities for interested Omanis. It is also necessary to train and qualify them according to the needs of the labour market.
8. Increasing the share of the participation of women in the labour market.
9. Working gradually towards the elimination of the disparity between the public and private sectors.
10. Working towards increasing the cost of expatriate labour in line with the real cost to the national economy. This can be done by imposing additional charges on the recruitment of expatriate labour. This is expected to help in rationalizing and increasing the opportunities available to national labour.

(9) Chapter Three discusses an integrated set of the policies and mechanisms approved for the development of these resources.

11. Creating an integrated information system concerning the labour market. Such a system should allow the designing, monitoring and evaluation of policies, and should provide the necessary information for students to determine their choices in an objective way it will also provide those seeking employment with information about available opportunities.
12. Encouraging the establishment of private health, educational and training institutions. These will provide their services directly or indirectly to the public, thus reducing the pressure on government services, and providing sufficient alternatives for society to choose from.

2-6-4 Fourth Dimension: Preparing the Appropriate Conditions for the Realization of Economic Diversification of the Available Natural Resources and the Distinguished Location of the Sultanate:

The achievement of sustainable development requires, primarily, the diversification of the production base of the Omani economy. This is in order to reduce reliance on oil and increase dependence on the other production activities. The national income sources will thus diversify from a single non-renewable source to many renewable sources.

Accordingly, the approved policies for achievement of the economic diversification vision can be summarized by the following:

1. The provision of a suitable climate for the success of diversification strategies by amending the real exchange rate, through provision of fiscal balance and building up the SGRF assets (Treatment of the aforementioned 'Dutch Disease', the impact of which was discussed in the Economic Diversification Report).
2. The encouragement and motivation of the participation of local and foreign private sectors in the exploitation of natural gas (current amounts are estimated to be about 16 tcf), in addition to working towards the achievement of the maximum possible value added in the Sultanate by establishing industries that depend on using the natural gas as basic input.
3. The concentration on export industries and services, which are based on the comparative advantages of the Sultanate, the most important of which are the geographical location and the availability of natural resources.
4. The promotion of linkage between all the production and services sectors, in order to achieve, domestically, the maximum possible amount of value added.
5. The adoption of a high value-added strategy through concentration on industries and services that depend on capital-intensive techniques and advanced technology.
6. The adoption of a strategy of development of small-and-medium-scale enterprises through the utilization of available financial instruments, such as, taxes, incentives, and credit facilitation.
7. The integration of the Omani economy into the global economy, so as to benefit from economies of scale and the merits of technological advances.
8. The completion of infrastructures, particularly those contributing to the development of small-and-medium-scale enterprises, such as communications and information technology. There are also the requirements for linking the Omani economy with the regional and international markets through international telecommunications and sea ports.

2-6-5 Fifth Dimension ⁽¹⁰⁾ : Development of a Private Sector:

Most of the policies previously mentioned in this report, including the policies of diversifying the economic base, will certainly assist in strengthening the private sector role in the economy. The report on 'Private Sector Development' has reviewed the details of the approved policies and mechanisms for the achievement of this goal. The most important of these are as follows:

1. The undertaking of the setting-up of a basic and appropriate time schedule by the Financial Affairs Council for the sale of assets owned by the government. These assets are represented by shares in companies and the assets of certain establishments. Consideration should be given to the capacity of, and impact on, the Muscat Securities Market (MSM). The Financial Affairs Council should supervise the follow-up and implementation of these bases and the time schedule after the approval of these by the Honorable Council of Ministers.
2. The observation of the basic principles specified by the Development Council, as per Resolution No. 71/94, for the privatization of production and service sectors in which the government formerly invested. These include electricity, water, telecommunications and highways. The principles should be applied to all projects targeted for privatization.
3. The development of legal and organizational frameworks related to private sector activity, in particular those connected with the facilitation of investment and commercial licensing.
4. The gradual reduction of the different types of government incentives to the private sector. Future subsidies should be connected to the achievement of specified targets and have precise specifications.
5. The development of the financial sector and the upgrading of its efficiency through increasing participation in the Muscat Securities Market (MSM) and the development of the banking sector, as well as the other financial services.
6. The upgrading of infrastructure in order to solve the current constraints in the fields of electricity, water and ports.
7. The development of policies and mechanisms currently being adopted to encourage foreign investments, particularly in new activities and those involving technology transfer.
8. The development of the administrative and technical skills of Omanis in order to enable them to play leading roles in the private sector.

(10) Chapter Five reviews in detail the policies and mechanisms pertaining to this dimension.

2-6-6 Sixth Dimension : Raising the Standard of Living of the Omani Citizen and Ensuring that all Citizen Benefit from the Fruits of the Development Process:

The government of His Majesty the Sultan is keen to see that all the Omani people benefit from the fruits of development. Therefore, the continuous efforts of development aim at raising the living standards of Omani nationals and the provision of the basic needs for the lower income bracket. Based on this objective, the Sultanate's efforts to achieve the Vision will concentrate on utilizing the following set of policies :

1. To continue the provision of social security necessary to vulnerable groups and to protect them against any negative impacts that may result from the application of this program in the short term.
2. To consider, when imposing new fees or taxes or raising their current rates, the protection of social security groups against these fees and taxes. The variation in income between the different social groups should also be considered.
3. To pay special attention to families on social security regarding the provision of health, educational services and vocational training.
4. To encourage self reliance and support local development in order to narrow the gaps in living standards between the various regions and income groups.
5. To promote policies and mechanisms which realize equal opportunities for all individuals in the community.

2-6-7 Seventh Dimension : Intensifying the linkage between the Omani Economy and the Global Economy :

Recent developments in the global sphere have made the world more economically and commercially linked. These developments offer wide opportunities for the Sultanate to overcome the limited domestic market, as well as enabling it to benefit from its distinct geographical location and to promote integration into the global economy. The most important policies that can help the Sultanate benefit from these world conditions are.

1. Encouraging the free flow of goods, capital and technology and the support of the policies aimed at promoting this.
2. Raising the efficiency of the Omani economy, thus enabling it to compete internationally, and upgrading the skills of the national labour force so as to raise the ability to interact with modern technologies.
3. Joining the World Trade Organization (WTO) and strengthening economic relations with GCC states and other economic blocks in accordance with the interests of the Sultanate.

2-7 Quantitative and Qualitative Indicators of the Vision for Oman's Economy in 2020 at the Macro Level:

A set of assumptions has been postulated, which were derived from the mechanisms associated with the approved strategy policies for economic balance and sustainable growth, in order to realize the Vision for Oman's Economy: Oman 2020. Also approved were the measures for addressing the challenges underlined by the economic performance analysis results, in addition to the impacts and movements imposed by domestic and global changes on Oman's economy in the next quarter of a century. Table 4-1 shows the projections of the Vision for Oman's Economy: Oman 2020. Like all estimates calculated through the use of long term economic models, the indications of these estimates are not only reflected by their precision, but they also display the trend of future change in macro indicators and the extent of their conformity with the economic expectations. These estimates also reflect the accuracy, consistency and viability of the proposed policies.

On the other hand, these estimates aim primarily at indicating the importance of establishing necessary macroeconomic bases that are sufficient to fulfill the objectives of economic balance and a sustainable growth strategy. Special consideration is given to the diversification of income sources, private sector development and human resources development. The aforementioned estimates are considered as preliminary indicators, to be subjected to further checking, on a yearly or periodic basis and during the preparation of each five year plan, in the light of the results achieved each year.

The main features of Oman's economy at the macro level until 2020 have been extracted, based on the following:

- The approved policies and mechanisms for achieving the Vision for Oman's Economy.
- The analysis of available social and economic data, indicators and variables concerning previous years.

The aforementioned features of Oman's economy, shown in Table 2-1, are as follows:

1. Structure of Public Finance:

Government revenues are expected to increase in such a way that fiscal balance will be achieved before the year 2000. Accordingly, there will be no need to withdraw from the SGRF balance. Thereafter, the volume of revenues is expected to increase at a rate higher than that of the uses. Hence, a surplus in the state general budget will be achieved, and it may reach up to 2% of GDP by 2020.

2. Reserves (Government Savings):

Applying the policy of transferring oil revenues resulting from an increase in oil prices above \$15 per barrel and up to \$17 to the SGRF, will lead to the increase of the stock of the fund at an increasing rate throughout the next twenty-five years. This will be from less than US \$ 3 billion in 1995 to about US \$ 25 billion in 2020.

3. External Balances:

In 2000, surpluses in the current account throughout the projection period (1996-2000) will replace the current deficit, estimated in 1995 to be about 7.2% of GDP. These surpluses shall remain at this level up to 2020.

The preliminary estimates indicate the continuous increase of non-oil exports from 9.4% of GDP in 1995, to about 13% in 2020. Accordingly, non-oil exports will gradually replace oil exports. The latter are expected to decrease from 31.7% of GDP in 1995, to 10% in the year 2020. Goods imports will also gradually decrease from 34.5% in 1995, to 20% in the year 2020.

4. Saving Structure:

As a result of the approved policies and as indicated by primary data, the Gross Domestic Consumption is expected to decrease from 78.8% of GDP in 1995, to 68% of GDP in 2020, due, in particular, to the decrease in government consumption. Accordingly, Gross Domestic Saving will increase from 21.2% in 1995, to 32% in 2020, as a result of the increase in government saving in particular.

5. Investment Structure:

As a result of the possible increase in the savings rates, the total investments in the Omani economy are expected to increase from 14.5% of GDP in 1995, to 34% in 2020.

The increase in total investment is naturally attributable to the increase in the private investments, which are expected to increase from 4.4% in 1995, to 31% in 2020. This will lead to the achievement of the policies aiming at developing the private sector role in the national economy. Private investments will then be the primary engine of the sustainable economic growth, as targeted in the dimensions of the Vision for Oman's Economy.

6. Economic Diversification (Growth and Structure of GDP):

Positive development will occur in the structure and growth rates of the GDP as a result of the above mentioned changes that will result from the application of approved programme policies. These approved policies will lead to an increase in the GDP growth rates throughout the next twenty-five years. The GDP growth rate is expected to increase from 5.8% in 1995, to more than 7.4% in 2020.

In addition, this acceleration of growth in the national economy base will result primarily from the upgrading and growth of the non-oil sectors. The diversification of this base represents the main guarantee of the national economy's sustained growth for the period after 2020.

The approved new fiscal policies will lead to positive changes in the relative prices of non-oil goods and tradeables, against those of the non-tradeables. They will also strengthen the external balances, due to the changes in relative prices and the development of the real exchange.

Table 2-1

The Aforementioned Features of Oman's Economy - Oman : 2020
% to GDP (1988 = 100)

S.No	ITEM	1995	2000	2020
1	Total Revenue	38.8 %	34.6 %	16 %
2	Total Expenditure	48.8 %	34.6 %	14 %
3	Deficit / Surplus	10.0 %	0.0 %	2 %
4	Total Final Consumption	78.8 %	72.4 %	68 %
5	Domestic Saving	21.2 %	27.6 %	32 %
6	Total Investment	14.5 %	16.9 %	34 %
7	Public Investment	10.1 %	8.3 %	3 %
8	Private Investment	4.4 %	8.6 %	31 %
9	Total Imports	31.5 %	29.9 %	20 %
10	Total Exports	41.1 %	40.5 %	23 %
11	Non Oil Exports	9.4 %	14.4 %	13 %
12	Oil Exports	31.7 %	26.1 %	10 %
13	Current Account (Deficit / Surplus)	-7.2 %	-8.0 %	4 %
14	Public External Debt	20.9 %	16.3 %	9 %
15	SGRF Balance	17.4 %	2.9 %	24 %
ANNUAL AVERAGE GROWTH RATE (%)				
S.No	ITEM	91 - 1995	96 - 2000	2020
16	Gross Domestic Product	5.8 %	5.1 %	7.4 %
17	Non Oil GDP	6.8 %	5.7 %	8.8 %
18	GDP Per Capital	0.02 %	1.0 %	3.8 %

3-1 Preamble:

Since the onset of the Renaissance era, the Government of His Majesty Sultan Qaboos bin Said, Sultan of Oman, has adopted a wider definition of human resources development. The concept adopted considers this as the aim and ultimate goal of the development process. On the basis of this broad perception, all previous development plans have therefore attached significant importance to human resources development. The focus on human resources has been concentrated further and now it has become one of the main dimensions of the Vision for Oman's Economy: Oman 2020.

On the basis of the approved strategy for human resources development, the Sultanate strives to create quantitative and qualitative improvement in all fields of general and technical education, vocational training, higher education, health services, the labour market and in the different demographic indicators.

The achievement of all the dimensions of the Vision for Oman's economy relies on accomplishing economic equilibrium and sustainable growth, the diversification of income sources and private sector development. This cannot be realized without formulating a realistic and flexible strategy for human resources development.

Through the adoption of practical, integrated policies and mechanisms for human resources development, the Sultanate can prepare the Omani society to enter the 21st century. Competition in the next century will be based upon the industries that depend on science and knowledge. The success of nations in the coming century will be closely linked to the potentialities and skills of their people to cope with technological and scientific advances. This calls for creativity, intellectual understanding and scientific invention.

It is important to emphasize that caring for mothers results in the creation of a model nation. As women represent half of Omani society, the government has accorded special care to them since the commencement of the development process. As one of the fundamental bases of the development effort, equal employment opportunities in all fields have been provided for women by the state. Social indicators in the fields of education, health and labour market reflect the significant gains made by women in this respect. Girls now represent 48% of total students at primary stage, 46% at the preparatory stage, and more than half the students in the academic year 1995-96 at Sultan Qaboos University.

For historical and traditional reasons, the participation of women in the formal economic and social sectors, is still modest. However, women's participation in informal sectors, such as handicrafts and traditional industries, is relatively significant. Through this strategy, the government will strive to develop the role of Omani women and their contribution to the national economy within the next phase.

The first issue discussed in this chapter will be the vision for human resources. The challenges facing human resources development which hamper the achievement of the vision will then be reviewed. Such challenges are based upon the evaluation reports mentioned earlier in Chapter One. Finally, this chapter provides a review of the policies and mechanisms that will be adopted in order to achieve the approved strategy.

It must be noted here that all sub-sectors of the human resources sector are inter-connected. Thus, the programme is viewed as an integrated one, although each sub-sector is presented separately.

It is essential to emphasize that the implementation of the approved policies and mechanisms, however meticulous their preparation, need continuous upgrading and improvement, particularly as their implementation will continue over twenty five years. Therefore, the policies and mechanisms approved for implementing the human resources development strategy will be subjected to periodic review so as to ensure their viability, efficiency and conformity with new developments at domestic and international levels.

3-2 The Vision for Human Resources Development: ⁽¹⁾

Human Resource Development is one of the basic dimensions of the Vision for Oman's economy (which is based on sustainability of development, achievement of economic balance and diversified sources of growth) and at the same time it represents one of the basic pre-requisites for the achievement of the vision. In view of the current situation, and the challenges at local and international levels, the broad focus of the vision for Human Resource Development is as follows:

‘To develop human resources and the capabilities of the Omani people to generate and manage technological changes efficiently, in addition to facing the continuously changing local and international conditions, in a way that ensures maintaining the Omani traditions and customs’.

(1) Human Resources Development Sector consists of the following subsectors: Health, General Education, Higher Education, Technical Education, Vocational Training, Social Affairs and Employment in Public and Private Sector.

3-3 Challenges Facing Human Resources Development:

The significant improvement during the past two decades in the indicators relating to human resources development, has led to the Sultanate occupying a distinguished position among the developing countries. In some indicators, the Sultanate has exceeded several countries with a high human development record. However, there are still some challenges facing human resources development and the achievement of the envisaged future. These challenges, which have been discussed in the reports and evaluation studies, are summarized below:

1. The low level of productivity of labour resources. The reluctance of Omanis to join certain professions and occupations has led to reduction of their capacity to face future challenges, affected their integration with the world economy, and at the same time has hindered the substitution of expatriate labour.
2. The weakness and inadequacy of basic education to cope with the rapidly changing scientific and technological development.
3. The provision of a mechanism for creating suitable employment opportunities for about a quarter million Omanis, who are expected to join the labour market within the next century.
4. The existence of variations in employment conditions between private and public sectors (in terms of working hours, official holidays and pensions). These have led to a reluctance of Omanis to join private sector.
5. Challenges resulting from the need for reducing the size of the expatriate labour force (estimated in December, 1993 to be around 370,000 in the private sector working in different jobs and activities), especially those engaged in professions with low value added, and whose productivity is less than their real economic cost.
6. The increasing demands for basic services, such as health, education, housing, water and sewerage systems, resulting from the fact that the rate of population growth exceeds the growth rate of national income and government revenues.

3-4 Human Resources Development Strategy (1996-2020) and its Dimensions:

The most important dimensions of the human resources development strategy which will form the basis for the achievement visualized for this sector and the Vision for Oman's Economy: Oman 2020, are as follows:

- a. **First Dimension:** To achieve a balance between population and economic growth by reducing the current population growth rate to less than 3% by 2020, through reasoning and enlightenment.
- b. **Second Dimension:** Provision of health services and reduction of the rates of mortality and infectious diseases by the following:
 - 1. Provision of basic health services to the entire population of the Sultanate through a system characterized by cost effectiveness and efficiency. It is planned to promote general safety awareness and protection from diseases.
 - 2. Provision of preventive health and emergency services.
 - 3. Reducing the death and infection rates to levels equivalent to those of the advanced countries.
- c. **Third Dimension:** Dissemination, encouragement, and patronage of knowledge and the development of education by:
 - 1. Creating a climate that encourages the spread and promotion of knowledge and eradication of illiteracy.
 - 2. According priority to the spreading of basic education, upgrading, and the provision of access to education for all people, so as to ensure equal opportunities for all people. This will be done in an efficient and cost effective manner.
- d. **Fourth Dimension:** Establishing a post-secondary and technical educational system based on the provision of the main specializations required by the national economy, together with the provision of the necessary facilities for carrying out applied research in the social or economic fields.
- e. **Fifth Dimension:** Providing a system for technical education and vocational training that is capable of preparing labour to adapt to the needs of various specializations and skills in the labour market, and the achievement of an income that conforms with performance and productivity.

f. Sixth Dimension: Creating employment opportunities for Omanis in public and private sectors, in addition to equipping them with training and qualifications that conform to labour market requirements. This may be achieved by the following:

1. Creating employment opportunities for interested Omanis, and providing them with necessary training and qualifications, according to the labour market needs. This is needed to avoid unemployment among Omanis.
2. Substituting expatriate labour with highly qualified Omani labour, in order to shift the economy from a low value added to a high value added economy. Furthermore, to increase the participation of Omanis in the labour market in general, with particular focus on the participation of women.
3. Increasing the efficiency of the Omani labour market by narrowing differentials between public and private sectors.

3-5 Policies and Mechanisms Approved for Achieving the Vision for Human Resources Development, and Strategy and Dimensions Thereof:

The following are the most important policies and mechanisms necessary for each sub-sector of human resources that would enable achievement of the overall strategy of human resources development. As previously stated, these policies and mechanisms will be implemented over a period of twenty five years. The development plans therefore, are the determinants of the policies and mechanisms that shall be implemented in each stage. Accordingly, the necessary programs and allocations will be determined within the framework of each plan.

A. Policies related to the First Dimension of Population:

It is intended that the authorities concerned establish a population policy as soon as possible. Table 3-2 shows the age composition of the Omani population in 1993, while Figure 3-2 shows the increase in the size of the Omani population up to the year 2020, according to the current annual rate of growth which is estimated to be about 3.7%.

B. Policies related to the Second Dimension concerning the Health Sector:

1. To increase in the number of beds to about 3 per thousand populations, in addition to the improvement of health facilities and upgrading referral services.
2. To upgrade efficiency and limit the misuse of health services.
3. To increase the output of the various professions and specializations together with the adoption of self reliance in order to meet the needs for certain new specializations.
4. To upgrade and further the means of community participation in planning, implementation and follow up, including realizing some health services costs.
5. To launch a study by the Ministry of Health in order to understand the approaches adopted by other countries for the import of medicines through the private sector. However, the following should be considered:
 - a. The quality of imported medicines and their fulfillment of the specifications indicated.
 - b. The availability of medicines at reasonable prices.
6. In order to achieve equilibrium between government revenue and expenditure starting from the Fifth Five Year Plan, and to provide additional funds necessary to meet the inevitable population growth and upgrading health, the following have been approved:
 - a. Maintaining the Ministry of Health's budget at its current level and the provision of the required additional funds from the contributions by the public for part of the service costs. This will be accomplished by:

Charging fees on some health services. These fees should cover 2% of the Ministry's allocations in the first year of the Fifth Five Year Plan. This percentage should be annually increased to reach 10% by the end of the Fifth Five Year Plan, and continue increasing up to 50% by 2020.

- b. The Ministry of Health shall conduct the necessary studies in order to determine the appropriate approach for applying a health insurance system. As a tentative measure pending the approval of this system, a fee of O.R.5 should be charged annually for each health card (for Omanis or expatriates working in public sector) as of 1.1.96. This fee shall be raised to O.R.10 by 1998 if the health insurance system is not implemented by then. ⁽²⁾
- c. To stress the necessity of collecting the total treatment cost from expatriates in the private sector, whether directly or through provision of a health insurance system for those who wish to use government hospitals. At present, expatriates pay only part of their actual treatment cost.
- d. The Ministry of Civil Services, in co-ordination with the Ministry of Health, shall set necessary regulations for the rationalization of certain medical facilities currently being provided free to expatriates and their families in the public sector.
- e. The Ministry of Health shall provide basic health services to all people, while the other services shall be provided according to the facilities available to the ministries.
- f. The departments concerned shall undertake the necessary steps to charge fees on private rooms in government hospitals without any exception.
- g. Furthering the role of the private sector in the field of health services through:
 - Provision of easy term loans for establishing hospitals, specialized clinics and laboratories.
 - Procurement of health services from the private sector.

C. The Policies Related to the Third Dimension of General Education (Ministry of Education):

In order to identify the policies and mechanisms related to the education sector in general, the educational stages are given the following names:

I General Education:

Basic education is taken to be General Education. This takes 10 years to complete. Upon completion, the successful candidate will be awarded 'General Education Completion Certificate'.

(2) In view of the study submitted to the Honourable Council of Ministers some amendments were introduced on this policy. It has been decided that as of 1.1.96 O.R.. 1 will be charged on the health card for Omanis and expatriates in public sector, and 500 baizas on each visit to the physician.

II Secondary Education:

This lasts for a period of two years. Upon completion the 'General Secondary Certificate' will be awarded.

III University Education:

The policies and mechanisms related to general education were formulated within the framework of these stages. These policies and mechanisms are as follows:

1. Upgrading the level of basic education until it compares favourably with the levels in advanced countries by the following:
 - a. Reviewing the curricula, giving more emphasis to scientific specialisations such as mathematics, science, computers and the principles of economics by increasing the number of periods allocated for these subjects and consequently reducing the periods allocated to the arts, taking into consideration the students' interests and capacities.
 - b. Teaching English language at the first stage of the basic education.
 - c. Cancelling the evening classes, which will result in increasing the length of the class period, thus giving more time for studying the basics.
 - d. Establishing the foundations of the basic education and its requirements. These include facilities, equipment, buildings, curricula, books, qualified teachers, educational guides, social workers, laboratory technicians and librarians. All these requirements should be met in order to enable the graduation of qualified students to join the labour market through technical education and vocational training or through pursuing education at higher stages.
 - e. Aiming at renewing school books every year.
 - f. Concentrating on modernizing and upgrading the educational curricula in order to cope with scientific and technological progress by focusing on the practical aspects of education and learning.
 - g. Upgrading educational practices in line with modern educational techniques.
2. To determine an appropriate form of secondary education that suits the requirements of the next stage, and ensures the graduation of students who are well prepared to join the labour market after training.
3. To improve the employment conditions of teachers so that the Ministry will be able to attract teachers of the highest caliber.

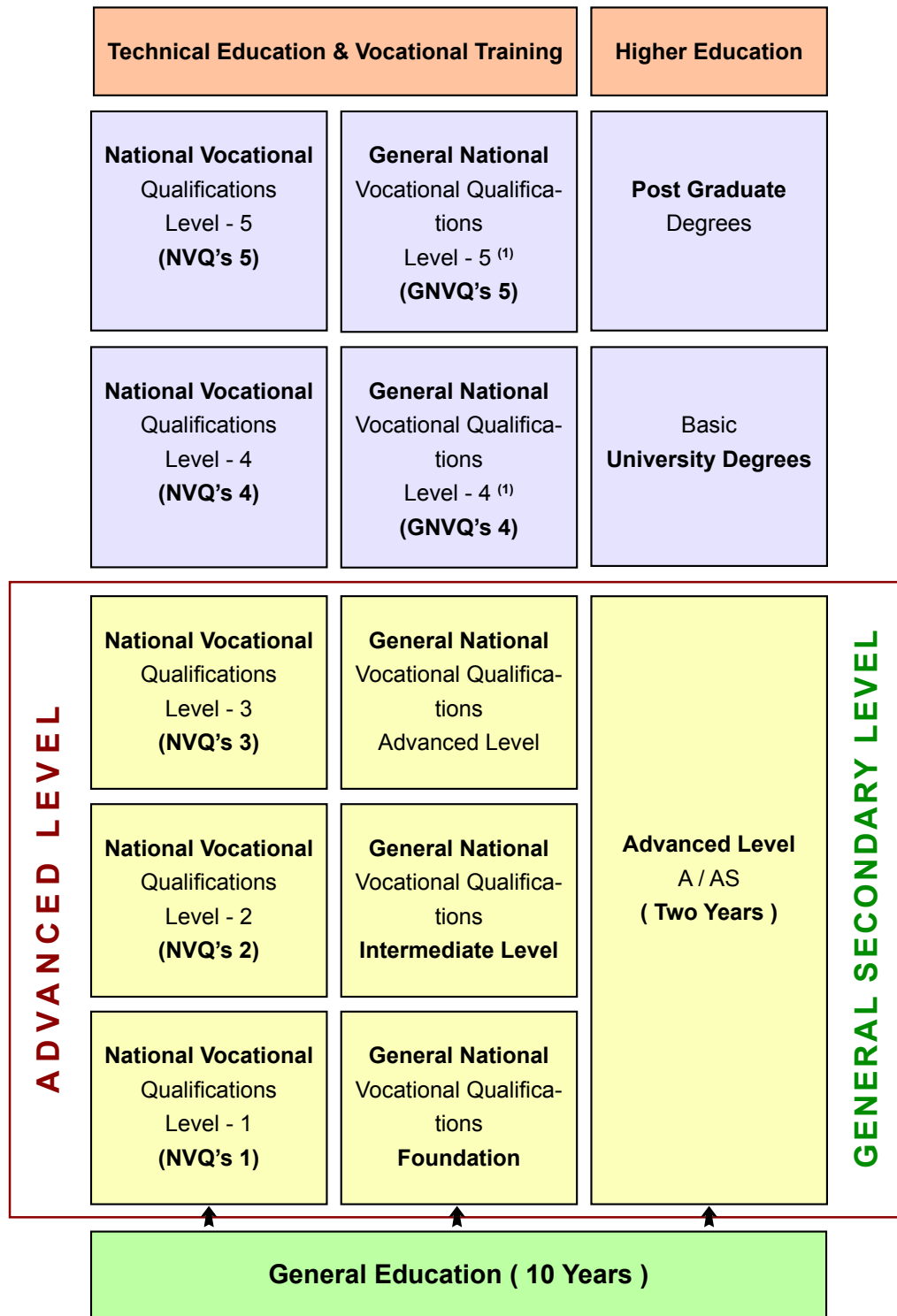
4. To strive to provide in-service training for educational staff. This will enable the upgrading of the level of educational performance, and professional efficiency through various courses, workshops and seminars.
5. The difficulty of obtaining all the additional funds required by Ministry of Education for the continuity of education on the one hand, and upgrading its level on the other, may require additional means. In order to encourage the citizens to contribute gradually to educational expenses after the basic educational stage, the following policies and mechanisms have been agreed upon:
 - a. Provision of free modern basic education for ten years for all citizens.
 - b. Advanced secondary education for two years. The government shall bear 70% of its cost, whether provided through the government schools or private ones. ⁽³⁾
 - c. Advanced technical education for two to three years, characterized by being flexible, gradual and equivalent to the secondary stage. The government shall provide an annual grant that covers 70% of its cost. ⁽⁴⁾
 - d. Vocational training that is available to all those interested in joining the labour market, regardless of their educational level. The government shall provide an annual grant that covers 70% of its cost. ⁽⁴⁾
 - e. University education for the graduates of the high secondary stage and technical education.

Figure 3-1 shows the educational systems approved for the next stage.

(3) The implementation of this policy depends on upgrading the basic education according to the most modern standards, as stated in (a). The implementation of such process may take 10 years.

(4) The Honourable Council of Ministers has decided that the government shall bear (100%) of the fees of technical education and vocational training during the first stage.

Figure 3-1
Educational Systems approved in the
Vision for Oman's Economy - OMAN : 2020



(1) These two levels have not yet implemented.

6. To approach specialized international organisations in order to ensure achievement of desired levels. These organisations will undertake periodic evaluation of educational standards in the Sultanate relative to the countries with higher educational standards. This practice is common in many of the industrial countries, where this system is used to measure student standards in mathematics and science, against students in other countries at same level.
7. To encourage the private sector to assume a role in the education sector through:
 - a. Provision of easy term loans for the private sector for the construction of schools, institutes and intermediate colleges.
 - b. Encouragement of parents and guardians to register their sons and daughters in private schools, so as to reduce the pressure on government schools. This can be done by providing an annual government grant equivalent to 70% of the cost borne for provision of education through these schools. The annual grant should not exceed O.R.400. It is important to note here that this amount covers 25% of the actual fees paid by the parents in some private schools. This shall be restricted to the general education category students, that is, for ten years, while kindergarten students shall be excluded.
 - c. The Ministry of Housing shall provide developed lands to the Ministry of Education. The latter shall allocate these lands to the private sector for the construction of schools and institutes, according to the law governing the right to utilise government lands. It has also been agreed that there is no need to increase the technical and administrative support for the schools constructed by private sector, as they enjoy other facilities, such as loans.
 - d. Development of a mechanism for private school supervision by the Ministry and provision of the Ministry's requirements to carry out this task.
 - e. Upon approval of government grants, the Ministry of Education should coordinate, with the concerned authorities, the process of setting appropriate regulations to determine a ceiling for the fees charged by private schools and to prohibit any increase without permission.

**D. Policies related to the Fourth Dimension of Higher Education
(Ministry of Higher Education):**

1. Sultan Qaboos University:

- a. To continue the provision of free education at Sultan Qaboos University. However, the authorities concerned shall carry out a study and present their ideas regarding

reconsideration of additional non-educational services, such as housing, meals and transport, currently provided by the University. The objective of this review is to alleviate the burden on the public budget, so as to achieve equality for all in this respect.

- b. To review the specializations available at the university, including the Faculty of Agriculture, in order that priority shall be given to the specializations required by the national economy. The Ministry of Higher Education should prepare the necessary study by the end of 1996.
- c. Since some of the university specializations are temporary and limited, a study is needed to determine the appropriate approach of instituting these specializations. The study should examine the feasibility of establishing new faculties or the utilization of scholarships and secondment for study abroad.
- d. The opening of complementary specializations in the scientific and humanities faculties shall be according to the requirements and needs of the country for qualified graduates of these specializations.
- e. The proposed new institutions, such as the Higher Institute of Jurisprudence at Nizwa; the Higher Institute of Arts at Sohar and the Fisheries College at Salalah, shall be programmed for implementation over more than one Five Year Plan.
- f. The allocation of land for the Higher Institute of Jurisprudence at Nizwa. The necessary studies should be carried out in order to implement it within the Fifth Five Year Plan.
- g. As regards Faculty of Sharia and Law, the following has been proposed:
 - 1. To transform the Islamic Secondary Institute into a building for the Faculty of Sharia and Law.
 - 2. The Institute of Jurisprudence, Oratory and Guidance, an affiliate of Ministry of Justice, Awqaf and Islamic Affairs, should be merged with Faculty of Sharia and Law, according to a time schedule to be agreed upon by the departments concerned.
 - 3. Starting from the academic year 1996/97, the Islamic institutes in Sohar, Jaa'lan Bani by Hassan, and Salalah, with the exception of the Islamic Institute in Khasab, should be merged with the Faculty of Sharia and Law.
 - 4. All the financial allocations of the Islamic institutes should be used for the provision of the financial requirements necessary for the Faculty of Sharia and Law.

5. While preparing for this faculty, the authorities concerned should determine the number of entrants according to the job opportunities available for its graduates.
- h. Sultan Qaboos University may consider providing opportunities for a number of technical education graduates to pursue their university studies, subject to certain conditions to be set by the university.
- i. The number of years required for obtaining the degree in the various specializations of Sultan Qaboos University should be reviewed. This is due to the fact that the secondary and technical education will be advanced, and the period of study in most reputable universities is three to four years.
- j. Allow affiliation to Sultan Qaboos University. This will have a positive impact in reducing pressures on educational institutions and the labour market.
- k. Encouragement and motivation of the University Staff to conduct research and studies, and provide consultation services in all academic fields to all developmental sectors of the country.
- l. Continuance of scholarships for the Omani staff and researchers of Sultan Qaboos University in order to meet the University requirements of qualified scientific cadres of faculty members.
- m. To complete operating the University Teaching Hospital.
- n. To provide technical and administrative training opportunities for the employees and technicians of the University.
- o. To continue the development of the university curricula in order to cope with the development process of the local and international community.

2. Scholarships for Study Abroad:

- a. Upgrading the scholarships policy and complementing the public role through bearing part of the costs of scholarship in order to enable the maximum number of students to complete their university study. This should be on condition that the proposed specialization meets the requirements of the national economy, and according to the following basis:
 1. Provision of an annual grant for the secondary stage graduates, to enable them to continue their studies. The grant should cover 50% of the cost of their study abroad. The maximum amount shall be O.R. 4,200 for a maximum number of 800 graduates of general secondary or technical education each year. Selection should be according to competitive examination and specified criteria. The candidates should be linked to their prospective job, as the benefiting authority might be able to contribute to part of the remaining cost of study. Scholarships

should be undertaken in countries known to have educational systems of distinction. The numbers of scholarships should be reviewed in accordance with the developments in the Omani labour market. ⁽⁵⁾

2. To cancel the annual scholarships of government employees (20 scholarships) and to transfer the same to scholarships for students.
 3. To prioritize the obtaining of annual government scholarships (100 scholarships after cancelling the 20 scholarships of government employees) for outstanding students from social security and limited income families, according to the specified conditions. Consideration should be given towards directing scholarships to the countries known to have proven educational systems. ⁽⁶⁾
 4. To increase the opportunities available for government employees to study abroad to 40. However, each employee should pay tuition fees, while the government will pay his complete salary and allowances during his study period.
 5. To continue the current policy for post graduate scholarships (full scholarships). The minimum condition should be obtaining class 'very good', instead of the current requirement of 'good', and the maximum number should be 60 scholarships.
 6. To provide a maximum of 60 places for employees who obtained the class 'good' , for the continuance of their postgraduate studies, provided that they bear their tuition fees while the government pays the full salary and allowances.
- b. To facilitate affiliation and distance learning at accredited universities in order to obtain basic university degrees or to enroll in postgraduate studies.
 - c. To allow the private sector to establish private colleges that award diplomas and higher diplomas, according to regulations and criteria currently being set by the Ministry of Higher Education.
 - d. To reconsider the membership of the Scholarships Committee, so that it should include qualified members from the private sector. This will enrich the deliberations of the Committee and achieve greater benefits.

(5) In its session No. 20/96 held on 2.2.1417 AH corresponding to 18.6.1996, and after reviewing the memorandum presented on financing the additional programme for human resources development, the honourable Council of Ministers decided to award scholarships to 200 students during the first year of the Fifth Five Year Plan. The number of candidates for these scholarships shall be increased by 100 each year. The objective is to reach 600 the scholarships in the academic year 2000/2001. According to this programme the total number of students on scholarships, during the Plan period, shall be 2000 students.

(6) The implementation of this policy depends on the commencement of implementing the first policy stated under (a) above.

3. Teacher Training Colleges:

- a. Meeting the national requirements for preparatory and secondary school male and female teachers through transforming the nine teachers' training colleges into six university colleges. The objective is to meet the private and public sector demand for preparatory and secondary school teachers. The new colleges should provide admission opportunities for about 2,000 to 2,500 students each year. Admission however, shall not be linked with the demand of the region hosting the college, and employment after graduation shall not be guaranteed.
- b. Students enrolled in these colleges shall bear part of the cost of study. Exemptions shall be made for social security groups and their equivalent. However, a maximum limit shall be specified for the places available in this category. ⁽⁷⁾

E. Policies related to the Fifth Dimension of Technical Education and Vocational Training Systems (Vocational Training Authority and the other authorities) :

1. Adoption of an open training and educational system characterized by flexibility which helps in the continuous upgrading of the skills of Omani labour.
2. Adoption of advanced technical education and vocational training systems. Such systems shall be capable of coping with the market requirements and the on-going technological developments.
3. To increase the participation of women and to encourage their enrollment in suitable technical education and vocational training programmes.
4. To adopt the following systems for technical education and vocational training, which will provide the students with different skills, according to the needs of labour market. (Technicians, skilled labour, and semi-skilled labour)

(i) General National Vocational Qualifications (GNVQ):

This will help provide technicians and skilled labour for the market.

(ii) National Vocational Qualifications:

- Omani National Vocational Qualifications (ONVQs)
 - British National Vocational Qualifications (NVQs)
- for the provision of skilled and semi-skilled labour.

(7) The esteemed Council of Ministers resolved that the government shall continue to bear the cost of study in such colleges during the next stage and shall continue providing living allowance for the studentst.

5. To carry out follow-up and periodic evaluation of these programmes, in order to establish their conformity with the labour market needs, to make necessary amendments, and to benefit from international experience in this field.
6. These systems shall be provided through the following:
 - a. Technical education (GNVQ), through the government technical industrial colleges, without expanding these colleges.
 - b. Technical and vocational programmes provided by private institutes and establishments. However, these programmes should be approved by the government authority concerned.
7. To provide an annual grant equal to 70% of the cost of study for students enrolling in one of technical and vocational programmes provided by private institutes and establishments. The maximum amount per student shall be O.R.1,200 for technical specialisations and O.R.1,000 for the administrative specialisations.⁽⁸⁾
8. Due to the high cost of study in government technical colleges, the cost to be born by the citizen (amounting to 30% of the total cost) must be based on the cost of the corresponding private colleges.⁽⁷⁾
9. The technical education and vocational training authorities should conduct an annual evaluation in order to understand the extent of public interest in enrollment in this type of education.
10. Attention should be given to teacher training in order to raise efficiency and skills, through the educational institutions affiliated to the Council and concerned with implementation of NVQs and GNVQs.
11. Preparation and implementation of a national system of professional tests.
12. Designing of media programmes to enlighten people and reduce negative viewpoints in regard of the importance of specialisation and opportunities provided by the technical education and vocational training systems.
13. To reconsider the structure of the Supreme Committee for Vocational Training and Labour in order to include additional qualified and experienced members from the private sector, and to benefit from their experience.

(7) The esteemed Council of Ministers resolved that the government shall continue to bear the cost of study in such colleges during the next stage and shall continue providing living allowance for the studentst.

(8) The Honourable Council of Ministers decided that during the first stage the government shall bear (100%) of the cost of Technical Education and Vocational Training which will be provided by private institutes. The Council also decided to raise the maximum limit of the fees to be borne by the government to R.O. 1400 on the average.

F. Policies Concerning Employment in Public and Private Sectors:

One of the basic development objectives is the provision of increased opportunities of suitable employment for people, according to their qualifications and capabilities. In addition to this, the aim is to provide sufficient income for the family unit. The consensus is that development cannot be achieved without the availability of an educated and well trained labour force.

1. Employment in the Civil Service :

- a. The role of the Ministry of Civil Service during the next phase should be focused on.
 1. Assisting in the revision and updating of organisational structures of the government units, so as to be in line with the vision for development administration.
 2. Reviewing current civil service legislation in line with the requirements of the Vision for Oman's Economy: Oman 2020.
 3. Considering the reduction in the number of government employees to reach a maximum of 30 employees for each 1,000 population.
 4. Encouraging early retirement of employees with long service, and providing a package in line with this aim.
 5. Setting up the basis and criteria for national tests for interested candidates in order to evaluate their competence. Candidates wishing to be appointed to the Civil Service must pass the test. Passing the test does not place any obligation on the government to provide employment.
 6. Establishing an integrated modern database that includes all occupational data of the employees in the Civil Service.
 7. Determining the training priorities and alternatives according to modern and integrated scientific methodology.
 8. Continuing the Omanisation policy in the government sector in order to achieve the targeted percentage of 95% by the year 2020.
 9. Preparing studies and research in order to improve and upgrade the administrative performance.
 10. Periodically upgrading civil service systems so as to accentuate the modern administrative concepts of a governmental post.

11. Preparing work procedure manuals pertaining to the application of the civil service laws.
- b. The completion of the job classification project being carried out by the Ministry of Civil Service and its implementation before the end of 1996.
 - c. To relate the salaries in the civil service to the post rather than the grade as a step towards abolishing the linking between the grade and the qualification.
 - d. To simplify the procedures and to amend regulations to enable the Ministries and other government authorities to directly manage personnel affairs, such as, appointments, promotions and termination of service in accordance with the Civil Service and Pension Laws.
 - e. To upgrade the Institute of Public Administration so that it may function properly, and to study the feasibility of transferring it into a private institution in the future.
 - f. To standardize service rules to be applied by the various civil service units.

2. Employment in the Private Sector:

- a. To provide adequate technical education and vocational training for Omani labour in coordination with the authorities concerned so as to enable competition with the expatriate labour.
- b. To raise the current direct cost of expatriate labour to the real cost level incurred by the national economy according to the following principles:
 - 1. Fees imposed on expatriate labour should be increased from O.R. 60 to O.R 120 or 7% of the total salary of the expatriate, whichever is higher.
 - 2. This increase should be implemented as of 1st January 1996, coinciding with the commencement the new directives in the fields of general, secondary and technical education, vocational training and higher education. ⁽⁸⁾
 - 3. These fees should be fixed for five years.
 - 4. The total proceeds of these fees should be directed towards implementing the new policies for human resources development.
- c. Extending the social security umbrella to include national labour involved in various activities and sectors, particularly the unorganised sector, and businessmen in small establishments and handicrafts.

(8) The Honourable Council of Ministers decided that during the first stage the government shall bear (100%) of the cost of Technical Education and Vocational Training which will be provided by private institutes. The Council also decided to raise the maximum limit of the fees to be borne by the government to R.O. 1400 on the average.

- d. Regulating expatriate employment in certain professions and businesses that can be filled by the local citizens. However this should be based on a study that confirms the availability of national labour for these occupations.
- e. Protecting the labour force through promotion of labour legislation.
- f. Raising the awareness of private employers regarding the importance of health care, nutrition and housing for the workforce, since these factors contribute to productivity and the maintenance of stability.
- g. Stressing the need to observe the Omanisation policies and percentages imposed on private sector establishments. These percentages should be reviewed and upgraded in line with labour market developments, taking into consideration educational and training outputs.
- h. A substantial change in the structure of national labour will occur within the next few years, due to the graduation of thousands of Omanis available for employment in the private labour market, as shown in table No. 3-1. This is based on the estimates of national labour in both sectors.

Table No. 3-1

Distribution of National Labour in the Public and Private Sectors

Item	1993		2020	
	No. (Thousands)	%	No. (Thousands)	%
National labour :				
- In the Public Sector	175	73%	270	30%
- In the Private Sector	65	27%	662	70%
Total	240	100%	892	100%

- i. In the light of the above, it is necessary to reduce disparities in employment benefits and allowances between the public and private sectors, to encourage Omanis to join the private sector. Proposals for this include the following:
 1. Rescheduling the working hours in the public sector, for example, from 9.00 a.m. to 4.00 p.m. This is on condition that working hours for municipal workers, schools and hospitals remain the same. ⁽⁹⁾
 2. Official holidays shall be maintained at their current level in the private sector, and efforts may be made towards unifying holidays in both sectors. Unless the first day of the 'Eid' coincides with a Friday, public sector employees should not be compensated for Thursdays and Fridays. However, the current weekend holidays should be maintained as at present.

(9) On 1.8.1995 this system was applied on experimental basis. However, the results were not satisfactory, and accordingly the system was reversed to its previous timing as of 14th October, 1995.

3. Unifying pension administration systems in the public and private sectors, provided that unification should not lead to the reduction of pension benefits of civil service employees.
- j. Developing handicrafts and traditional industries along with the agriculture and fisheries sector in order to ensure the employment of large numbers of the national labour force.
- k. Increasing the participation of women in the labour market, especially in occupations that suit their capabilities, together with the provision of appropriate support for establishing their economic projects.
- l. Upgrading the employment units in order to provide occupations for Omanis in accordance with studied plans and programmes.
- m. Introducing a unified job classification for the Sultanate to assist in designing labour force development plans in line with labour market requirements.
- n. Encouraging the establishment of private local employment offices to assist in providing employment opportunities for Omanis in the private sector.
- o. Recommending to the Ministry of Social Affairs and Labour and other concerned authorities to control private sector employment by studying the appropriate working hours for business establishments and small restaurants.
- p. Providing an adequate climate, in terms of health and safety for the Omani labour force.
- q. Linking the occupation of the Omani employee with an increased sense of responsibility and duty.

3-6 Quantitative and Qualitative Indicators of the Vision for Human Resources Development:

The Vision for human resources development, as mentioned earlier, involves the development of the capabilities of the Omani people to generate and manage technological changes efficiently, in addition to facing the continuously changing local and international conditions. All this should ensure maintaining the Omani traditions and norms.

The Vision is concerned with preparing the people to meet the challenge of some unpredictable variables which may occur during the envisaged time span. Therefore, the practical implementation stage of policies and mechanisms approved for the achievement of the Vision shall be subjected to continuous evaluation. The objective of this evaluation is to update these policies and mechanisms so as to conform with the recent developments and the actual implementation results.

The basic objective of the policies and mechanisms proposed (regarding population, health, general education, technical education, vocational training, higher education and the labour market) is to prepare the Omani people to explore the horizons of the twenty first century. This can be achieved by reaching objectives, upgrading indicators and subjecting them to more verification. The indicators related to these objectives, however, may be summarized as follows:

3-6-1 Population:

The formulation of a clear population policy for the Sultanate. This policy should assist in reducing the population growth rate to less than 3% by the year 2020, and avoid the negative impact of a substantial population increase on natural and financial resources of the country.

3-6-2 Health Sector:

The provision of free primary health care to all Omanis through a cost system characterized by cost effectiveness and efficiency and the provision of preventative health and emergency services. The framework of the approved policies is expected to facilitate the achievement of the following indicators:

- a. To raise the life expectancy at birth from 67.4 years in 1995 to at least 70 years in 2020.
- b. To reduce the infant mortality rate from 20 deaths per thousand live birth in 1995, to 10 deaths per thousand live births in 2020 ⁽¹⁾.

(1) Human Resources Development Sector consists of the following subsectors: Health, General Education, Higher Education, Technical Education, Vocational Training, Social Affairs and Employment in Public and Private Sector.

- c. To immunize 100% of the children against the six childhood diseases by the year 2020.
- d. To increase the number of beds available in hospitals by reducing the patient/bed ratio from 485 persons per bed in 1995 to 335 persons per bed by 2020.
- e. To increase the number of physicians per head of the population to one physician for every 715 persons in 2020 from one physician for every 844 persons in 1995.
- f. To increase the number of nurses from one nurse for every 346 people in 1995 to one to 325 people in 2020.

3-6-3 General Education Sector:

The provision of an integrated environment of scientific and general knowledge for human resources development is essential. Such an environment should enable the citizen to meet all challenges and changes that might face the national economy in future. Therefore, the development of national cadres and the upgrading of the skills of these warrant the initiation of the following measures:

1. The government commitment to provide free modern basic education for 10 years. The minimum level of basic education shall be increased to 10 years instead of 9 years, in the primary and preparatory stages.
2. The graduates of basic education should be of an age that enables them to join the labour market after attending short term courses (training programmes).
3. A two year secondary education that enables its graduates to enroll in university studies, according to the terms of admission and competition for the available places.
4. The provision of equal educational opportunities for the maximum number of citizens, as well as meeting labour market requirements.
5. The provision of more opportunities for citizens to enroll in post-basic educational stages and to benefit from the opportunities generated by the following fields:
 - Education at the various government colleges.
 - Private institutes and colleges
 - Distant learning
 - Short term courses available through the vocational qualifications system.

3-6-4 Higher Education Sector:

An educational system at post secondary education and technical education stage. This system aims at improving the indicators of higher education as follows:

1. Creation of a high level educational system characterized by being flexible and upgradeable.
2. To increase the enrollment in higher education from 9% in 1995 to 40% in 2020.
3. To increase the enrollment of women from the age group 20-40 to 40% in order to provide equal opportunities for males and females in higher education.
4. To achieve the participation of the citizens in sharing the cost of education for the post-basic education stage. Special consideration should, however, be given to the situation of students from families receiving social welfare, and those from limited income categories. This should entail the provision of the full cost of study, according to the approved systems.

3-6-5 Technical Education and Vocational Training Sector:

New systems for technical education and vocational training will be instituted. These will be in accordance with the accredited systems adopted by most countries. Such systems shall work towards achieving the following:

1. Meeting the renewable demand for professional jobs and high technical skills for the current and future labour market of Oman. This may be achieved through increasing the percentage of technical education and vocational training students from 4.5% in 1995 to 50% in 2020.
2. Developing technical education and vocational training systems that are flexible and open, allowing the Omani individual to continue education to higher levels if desired. These systems should also enable the citizen to change and upgrade his skills and specialization. Such changes would enable him to meet the required standards for technical, skilled and semi -skilled jobs available in the market. This in turn will help improve his living standard.
3. Encouraging the private sector to play a major role in the field of technical education and vocational training according to the approved systems, in terms of efficiency, effectiveness, flexibility and rapid adaptability. This will meet the renewable demand for technical, skilled and semi-skilled labour.

4. Seeking private sector participation in the formulation of policies related to the upgrading of technical education and vocational training, so as to ensure a continuous flow of well trained labour that meets private sector requirements.

3-6-6 Employment in the Private and Public Sectors:

In view of the assumptions and projections made regarding estimates of the population growth rates, and age groups by the year 2020, as indicated in Table 3-1, the structure of national employment in private and public sectors shall achieve the following results:

1. Offer rewarding employment opportunities for the large numbers of national labour that are expected to join the labour market within the next quarter of a century.
2. Implement all the policies related to the Omani labour market, in addition to upgrading basic and technical education and vocational training. The most important policies are concerned with Omanisation ratios in private sector establishments, the unification of allowances and benefits in the public and private sector, and to ensure that the Omanis will not face unemployment in the future.
3. Improve the indicators concerned with measuring the development of the labour market in the following ways:
 - a. To increase the Omani labour force from 17% of the total population in 1995, to about 50% in 2020.
 - b. To increase the participation of women in the total labour force from about 6% in 1995, to about 12% in 2020.
 - c. To increase the Omanisation ratio in the public sector from 68% in 1995 to 95% in 2020.
 - d. To increase the Omanisation ratio in the private sector from 15% in 1995, to about 75% by 2020.

Table 3-2**Distribution of Omani Population by Age Group and Sex****As on December 1993**

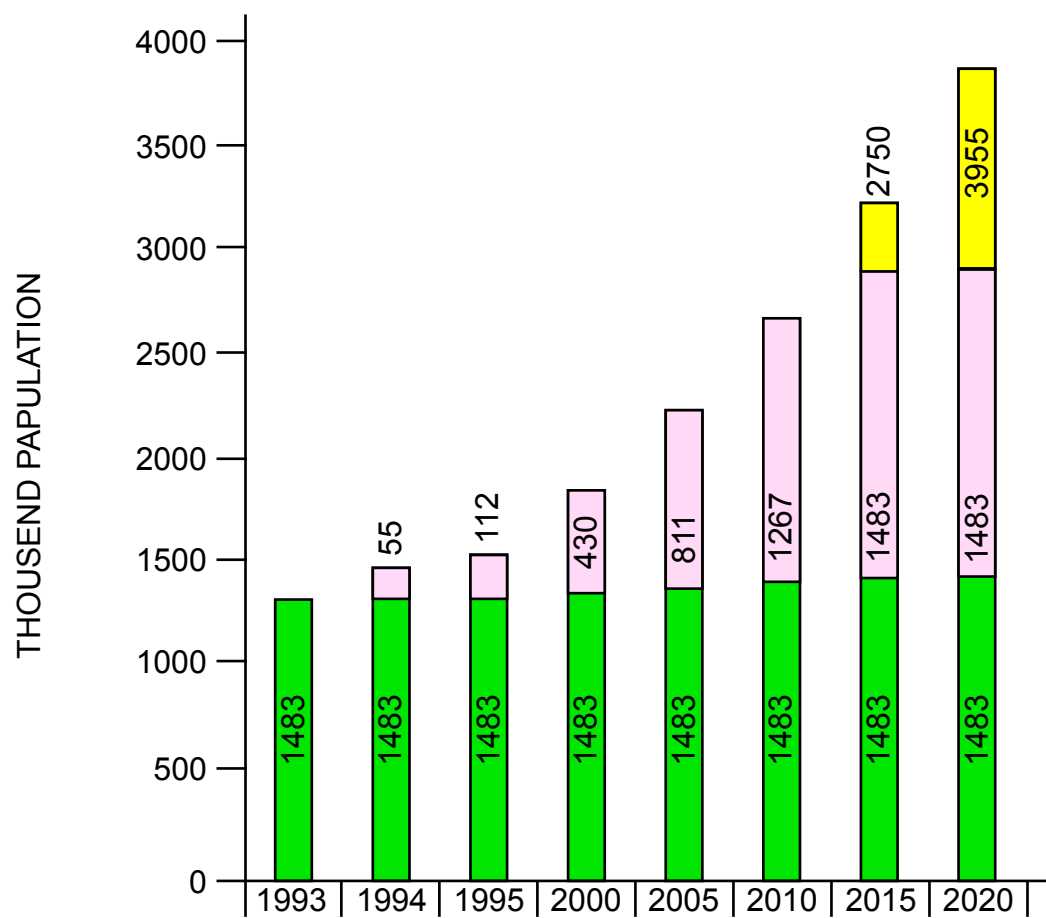
Age Group	Total Omani Population			
	Total	Male	Female	% Male/Female
0-4	255615	130207	125408	103.8
5-9	268658	136263	132395	102.9
10-14	240848	122959	117889	104.3
Total (0-14) Year	765121	389429	375692	109.7
% of Total	51,6%	51,6%	51,6%	
15-19	175309	90319	84990	106.3
20-24	110410	57920	52490	110.3
25-29	80781	40642	40139	101.3
30-34	65097	31989	33108	96.6
35-39	60703	28297	32406	87.3
40-44	46900	23324	23576	98.9
45-49	42295	21330	20965	101.7
50-54	40656	21107	19549	108.0
55-59	24442	13439	11003	122.1
60-64	27073	14949	12124	123.3
65-69	12778	6857	5921	115.8
70-74	14163	6952	7211	96.4
75-79	5416	2718	2698	100.7
80-84	6227	2970	3257	91.2
+85	5615	2715	2900	93.6
N.A.	240	153	87	
Grand Total	1483226	755110	728116	103.7
Percentage	100.0%	100.0%	100.0%	

Source: 1993 General Census for Population, Housing and Establishments

Figure 3-2

Size of the Omani population up to the year 2020

(At current annual rate of growth 3.7%)



4-1 Preamble:

The Vision for Oman's Economy - Oman: 2020 aims at carrying out a substantial transformation in the structure of the national economy by developing a multiplicity of income sources, instead of depending mainly on a depletable source like oil, in order to achieve economic balance and sustainable growth. Accordingly, it is expected that there will be a gradual decrease in the contribution of the oil sector to the GDP, while the contribution of the non-oil sectors to GDP will increase gradually. It is expected that by 2020, the oil sector contribution to GDP will be 9%, while the contribution of the gas sector will increase to 10%. The increase of other production and service sectors will rise to 81%. This significant transformation in the structural mix of the production base of Oman's economy is what we meant by economic diversification.

The creation of such substantial change in the production base of Oman's economy will face challenges commonly associated with this type of structural transformation. It is necessary to formulate a clear strategy that is based on set dimensions and a package of flexible and realistic policies and mechanisms, if these challenges are to be overcome and the envisaged economic diversification is to become reality.

Economic diversification is seen as one of the main strategies for the achievement of the Vision for Oman's Economy. The plan for diversification aims at addressing existing challenges indicated in the reports and evaluation studies discussed in Chapter Two and the challenges that may arise during the process of strategy implementation. Such implementation will be through an integrated set of approved policies and mechanisms, in addition to the programmes that shall be adopted within the framework of the five year plans, beginning with the Fifth Five-Year Plan.

This Chapter will discuss in detail all the challenges that will face the economic diversification process, the features of the strategy and its main dimensions. In addition, the policies and mechanisms essential for the achievement of the successful diversification of the production base by the year 2020 will also be discussed.

The approved policies and mechanisms for the achievement of the diversification strategy will be subjected to periodic reviews in order to ensure their efficiency, competency and conformity with the changes that may develop in the domestic and international arenas.

4-2 The Vision for Economic Diversification:

The vision for economic diversification focuses on creating a diversified national economy, mainly based on renewable resources, which is highly efficient and integrated with the world economy. The vision also includes the following:

- a. Raising the relative share of non-oil sectors, including natural gas, to 91% of GDP by 2020.
- b. Increasing the value added of exported natural resources.
- c. Replacing oil exports with non-oil exports in such a way that their share will increase from 9.4% of GDP in 1995, to about 13% in 2020.

4-3 Challenges Facing the Economic Diversification:

Oman's economy is currently at a crossroads. Most utilities, infrastructure, and legal and administrative frameworks, which are considered to be the basic foundation of the take-off stage, are now in place. However, the economy is still facing several challenges that need to be addressed in a rational and objective way in order to achieve the desired take-off stage.

The most important current and future challenges that face the economy in general and economic diversification in particular, may be summarized as follows:

1. The expected gradual decline of oil reserves during the next twenty-five years.
2. The weak interconnection between the oil sector and the other production and services sectors.
3. The low levels of efficiency and quality in all production and services sectors and, accordingly, the lack of capacity to compete at international levels.
4. The increase in the size of the General Budget deficit and the depletion of general reserves.
5. The presence of price imbalances between good production and service production sectors and the emergence of monopolies and rentier mentality.
6. The weak private sector and its limited role in the national economy.
7. The scale of the government role in the fields of goods and services production.
8. The decline in the rate of private savings, and their direction towards non-tradeable service production.
9. The lack of conformity between educational and training output in relation to the need to cope with the rapid developments in the area of technology.

4-4 Economic Diversification Strategy and its Dimensions:

The economic diversification strategy “which is a specific approach for the achievement of the vision that includes a comprehensive set of basic dimensions, policies and mechanisms”. These are primarily based on the efficient utilization of available natural resources and Oman’s distinct geographical location. The basic dimensions of this strategy are as follows:

1. **First dimension:** Pursuing a high value-added strategy, characterized by adopting capital intensive production methods, and depending on highly advanced technology, scientific research and development.
2. **Second dimension:** Adopting an export-led diversification strategy.
3. **Third dimension:** Developing small and medium scale establishments.
4. **Fourth dimension:** Furthering the integration of Oman’s economy with the world economy through the free flow of goods, services and factors of production.
5. **Fifth dimension:** Adopting the strategy of the transfer of technology.
6. **Sixth dimension:** Creating a suitable macroeconomic climate for the development of tradable production sectors.
7. **Seventh dimension:** Developing a dynamic, efficient and competitive private sector in addition to pursuing privatization policies, upgrading laws and systems, simplifying procedures and promoting investments.
8. **Eighth dimension:** Developing and qualifying human resources in a proper and efficient manner which will enable them to accommodate rapid technological changes.
9. **Ninth dimension:** Developing and conserving water resources through efficient utilization, since water is considered to be an essential element for the continuance and progress of economic development.

4-5 Policies and Mechanisms Adopted in order to Achieve the Vision for Economic Diversification, its Strategies and Dimensions:

The move from an economy based on mono source continuously affected by external economic and political factors, to an economy with varied and renewable sources, is essential if economic diversification is to be achieved. This necessitates adopting an appropriate set of policies and mechanisms that are consistent with the dimensions of the diversification strategy. The most important of these policies are as follows:

1. First Dimension: High Value Added Strategy

This strategy is characterized by concentrating on capital intensive industries that depend on highly advanced technology and scientific research and development which is based on trained national human resources in the engineering, technical and administrative field and who have the capability of implementing this strategy efficiently.

A set of policies have been adopted in order to ensure the success of this strategy, the most important of which are as follows:

- a. Developing the private sector and enhancing its role in the national economy.⁽¹⁾
- b. Enhancing the strategic, control and supervisory roles of the government.
- c. Developing human resources and improving market mechanisms in a manner that ensures the increased participation of the national labour force and the raising of the efficiency of the labour market.⁽²⁾
- d. Developing industries which depend on domestic resources, with special priority to be given to gas, and focussing on the following industries.
 - Industries that aim at the manufacture and export of natural resources.
 - Industries that depend on the products of other industries from local resources, such as agriculture, fisheries and mining.
 - Import substitution industries (whenever feasible).
 - Industries that depend on the utilisation of traditional techniques.
 - Export industries that benefit from the Sultanate's strategic location.
 - Establishment of mineral industries, building materials industries and the encouragement of assembly line production.

(1) Chapter Five provides a detailed account on these policies.

(2) Chapter Three Provides a detailed account on these policies.

2. Second Dimension: Export Led Diversification Strategy

This strategy focuses on industries that are oriented toward external markets. The most important policies adopted in relation to this strategy can be summarized as follows:

- a. Increasing integration into the world economy so as to benefit from economies of scale, technology flow and technical expertise, and the outlets and markets created by multi national corporations.
- b. Paying special attention to exportable services and working towards making Oman a regional and international services centre.
- c. Developing industry financing and promotion programmes. These policies and mechanisms shall include the following:
 - Reviewing and enhancing financing policies and financial incentives.
 - Strengthening the private sector especially the small and intermediate scale industries.
 - Developing a system for export guarantee and financing.
- d. Preparing periodic evaluation of the national economy in the form of competitiveness studies.

3. Third Dimension: Strategy for Small and Medium Scale Enterprises

Lessons have been learnt from the experience of countries that are ahead of the Sultanate in terms of private sector driven economic development. The study of the sectoral papers prepared for the Vision conference, highlighting the current situations and challenges that confront each sector, clearly show that putting more emphasis on small and medium scale establishments in the forthcoming stage will bring great benefits to the Omani economy.

The following policies have been approved to enable the government to direct the economy towards this goal:

- a. Utilizing financial instruments, such as taxes and subsidies directed towards certain sectors or specific entities.
- b. Facilitating procedures and upgrading information systems particularly those related to foreign markets.
- c. Facilitating the access to necessary finance, both capital and soft loans, through the establishment of a special fund for this purpose, 'The Venture Capital Fund'.
- d. Establishing a business centre that extends its services to small and medium scale enterprises.

4. Fourth Dimension: Intensification of National Economy's Integration with the World Economy

The high value added strategy and the export orientations warrants working towards integrating the national economy with the world economy. (Globalization) The objective here is to benefit from the market's economies of scale, technology and coordination processes, known as 'The Growth Triangle', so as to achieve the maximum benefit of the comparative advantages.

Several policies have been adopted in order to enhance integration with the world economy, the most important of which are as follows:

- a. Strengthening and enhancing economic relations with the GCC states.
- b. Promoting bilateral and multilateral economic and commercial relations between the Sultanate and the various countries of the world.
- c. Utilizing the comparative advantages that can be derived from the Indian Ocean Rim (as an economic and trade block), in terms of exporting goods and financial services to this block.
- d. Making the Sultanate a transport and transit station by establishing a new port.
- e. Joining the World Trade Organization (WTO) as soon as possible.
- f. Increasing trade flow, participating in joint investment projects, and exchanging expertise with companies that export modern technologies.

5. Fifth Dimension: Adopting a Strategy for the Transfer of Technology

A clear strategy for the telecommunications and information technology sector has to be formulated since this is a major cornerstone of development. This strategy should emphasize the development of the software industry, the intensification of efforts aiming at increasing scientific research and development, and the allocation of increased funding from the national budget. The following policies have been adopted in order to achieve these goals:

- a. Allowing private sector participation in the provision of telecommunication services. This will aid in expanding the scope and efficiency of these services.⁽³⁾
- b. Establishing a ministerial committee for formulating an information technology policy at the national level and promoting technological awareness in the society with the objective of raising the level of knowledge and understanding of modern technologies.
- c. Introducing computer and information technology courses in the curriculum.
- d. Developing an information network and connecting it to the international networks.⁽⁴⁾

(3) Details of the policy are discussed in Chapter Five.

(4) Details of the policy are discussed in Chapter Five.

6. Sixth Dimension: Creating a suitable Macroeconomic Climate for the Development of Tradeable Production Sectors

The creation of a macroeconomic climate suitable for the development of tradeable production requires the implementation of a number of policies. The most important of these are as follows:

- a. Rationalizing government expenditure, increasing the rates of saving, the building of government reserves and reducing the government role in providing public services.
- b. Achieving macroeconomic stabilization through the reduction of the budget deficit and the balance of payments.
- c. Encouraging private saving through the creation of new savings mechanisms and instruments. Attracting foreign investment so as to further the manufacturing process in cooperation with foreign capital, thus providing a place for Omani industry in the international markets. This may be achieved by implementing the following:
 - (i) The encouragement of foreign investment through the creation of a favourable climate, through the formulation of appropriate legislative, institutional and administrative procedures and the development of the infrastructure necessary for industry and trade. Intensive promotional activities to attract foreign investment will also be undertaken.
 - (ii) The establishment of a central unit to undertake various tasks relating to foreign investment promotion and export development. This unit will be semi-governmental with the private sector participating in management and funding. This unit will work towards enabling the foreign investor to deal with one authority during the different investment stages, starting with licensing and up to project implementation by adopting a system of a one-stop-shop.⁽⁵⁾
 - (iii) To ensure an export market for the products of Omani industry through the encouragement of the establishment of export and marketing companies.
 - (iv) The promulgation of comprehensive legislation to facilitate formulation of policies that attract foreign investment in the industrial sector. The legislation will help limit complicated procedures, thus enabling the investor to establish the project in a shorter period.

(5) Omani Center for Investment Promotion and Exports Development has been established as per Royal Decree 59/96 issued on 26 of June, 1996.

7. Seventh Dimension: Development of an Efficient and Competitive Private Sector ⁽⁶⁾

The qualitative transformation of Oman's economy during the next quarter of a century, warrants assigning a leading role to the private sector in the next stage of development process. This qualitative shift is attributable to the change in the role of the government from that of the implementation of projects to a position of strategic guidance. In order to achieve this objective the following policies have been approved:

- a. Macroeconomic Stabilization
- b. Developing and maintaining the legislative and regulatory framework.
- c. Upgrading the quality of the incentives system.
- d. Improving and upgrading of the financial sector.
- e. Completing the infrastructure.
- f. Human resources development.

8. Eighth Dimension: Developing and Qualifying Human Resources ⁽⁷⁾

The achievement of the Vision for Oman's Economy depends to a large extent on human resources development, training and appropriate qualifications. The most important policies concerning human resources development are the following:

- a. Upgrading the level of educational systems, particularly at the basic educational stage.
- b. On-going training and qualification the of national labour force, and enhancing the role of women in the labour market.
- c. Preparing and qualifying Omani capable of using modern technologies.
- d. Expanding the institutions and specializations in higher education in accordance with labour market requirements.
- e. Developing labour market mechanisms in order to increase the national labour force participation and to link wages with productivity.
- f. Increasing the cost of expatriate labour through the imposition of additional tariffs so that the expatriate labour cost will gradually become equivalent to its real economic cost.

(6) Chapter Five provides detailed account on the policies and mechanisms related to this dimension.

(7) Chapter Three provides detailed account on the policies and mechanisms related to this dimension.

9. Ninth Dimension: Development and Conservation of Water Resources:

The optimal balance between the agricultural development strategy and the water resources development and rationalization strategy, necessitates the approval and implementation of a set of policies. The most important of these policies are as follows:

1 - Managing demand for water

- a. Reducing planting of grasses and cereals that require high water use through the following:
 1. Allowing duty free import of forage and fodder, together with banning the export thereof, so as to discourage local cultivation.
 2. Transferring the farms of more than 20 feddans in an area from Al Batinah region and Salalah plain, to the desert areas where water with high salinity is available, which are suitable for growing grasses, as in Najd and Al Masarrat basin.
 3. Growing seasonal crops in the areas where grasses are currently cultivated when these are transferred to the desert areas according to point 2 above.
- b. To consider forming a working party from the Ministry of Agriculture and Fisheries, the Ministry of Housing, and the Ministry of Water Resources, to discuss the issue of virgin lands. The working party should also review the procedures currently adopted for distribution of agricultural lands, so as to determine the minimum economically feasible areas. It would also consider provision of these lands through leasing without transferring their ownership.
- c. To reduce the cultivation of perennial crops. More attention should be given to seasonal crops through:
 - selecting a crop mix suitable for the available water.
 - determining priorities for subsidizing the farming of seasonal crops in areas of high salinity and low water tables.
- d. To give government support to modern irrigation systems according to:
 - The priorities that reflect the hydrological situation in various regions of the Sultanate.
 - Farm expansion and hydrological extension programmes, especially those proposing modern irrigation systems and operation mechanisms. These will achieve the maximum possible economic and hydrological returns.

- e. To specify water quotas for agricultural use (m³/ha) in the various regions of the Sultanate, commensurate with hydrological situation and climatic and soil conditions in these regions. Meters should be installed on wells according to considered technical and social criteria, together with the specification of fines for exceeding water quotas.
- f. To reduce water loss in the water supply networks through a regular maintenance and replacement programme. The continuance of the maintenance system for the Aflaj and supporting wells should be in accordance with approved standards.

The programme for development of the Aflaj system and protection of its sources should be continued, as these are the main water source for agricultural uses. They are also important since they encourage the settlement of people in their current localities.

This means that the Ministry of Water Resources has to formulate appropriate proposals for the approach to maintenance and development of the Aflaj and well systems. The said approach should enable the people to maintain directly their Aflaj and wells, while the government role shall be confined to the provision of support and technical supervision. The proposed approach is contrary to the contracts system currently adopted by the Ministry. The new proposal should be presented before the Development Council as per resolution No. 7/94, issued in its fourth meeting on 10.1.1415 AH. (19.6.94.) ⁽⁸⁾

- g. To expand the establishment of protection areas for water basins and reservoirs in order to protect them against depletion or pollution. The protection plans should however be practical, capable of being implemented and commensurate with the prevailing environmental conditions.

2. Management and Development of Water Resources:

- a. To continue the programmes of evaluation and exploration of water resources, wells inventories, the formulation of development and investment plans for the discovered reservoirs, and the development of the information centre and hydrological information systems.
- b. To pursue the policy for replenishing water reservoirs through the construction of dams and hydrological structures, with priority given to areas experiencing water shortages.
- c. To exert further efforts to reduce overgrazing of the Jabel area in Dhofar Governorate. The objective is to gain benefit from vegetation cover in replenishing ground reservoirs and to support the present hydrological position in the Salalah plain.

(8) Royal Decree No. (7/96) was issued on 19 Shaaban 1416 AH corresponding to 10th January, 1996 stating the cancellation of the Development Council and transferring its responsibilities to the honourable Council of Ministers.

- d. To enhance the completion of water supply networks by giving priority to the utilization of water for drinking purposes from renewable and non- renewable fresh water basins.
- e. To enhance the completion of sewerage treatment and to utilize treated water where appropriate.
- f. To move towards utilizing high salinity water for agricultural purposes in desert areas.
- g. To expand ground water quality monitoring programmes and to adopt appropriate legislative and executive measures for the reduction of ground water pollution resulting from sewage treatment, industrial, commercial and agricultural wastes.
- h. To further the private sector drive towards the establishment and operation of hydrological projects, such as desalination plants, water transmission and distribution networks, sewerage treatment plants, and distribution networks for the use of treated water.

4-6 Quantitative and Qualitative Indicators of the GDP Structure in 2020 according to the Approved Policies of Economic Diversification:

Some quantitative indicators of the GDP in 2020, shown in Table 4-1, were extracted based on the strategy of the Vision for Oman's Economy and the sectoral plans of production and service sectors, which were prepared by ministries concerned. The structure of the national economy's major sectors has also been depicted in view of the approved policies and mechanisms. These will be discussed in this chapter.

Table No. 4-1
The Sectoral Relative Shares to GDP (%) 1993=100

Activity	1995	2000	2020
Oil	33.5	25.9	9.0
Gas	1.5	5.0	10.0
Agriculture	3.0	3.5	3.1
Fishing	1.1	1.0	2.0
Mining & Quarrying	0.6	0.6	2.0
Manufacturing	5.4	6.8	15.0
Electricity & Water	1.7	4.3	2.0
Building, Construction & Real Estate	3.2	6.9	10.0
Trade & Tourism	14.1	17.8	18.0
Transportation & Communication	7.0	8.6	8.0
Banks, Insurance & Financial Services	7.9	4.3	8.0
Other Private Services*	8.3	3.2	5.0
Public Services	13.9	12.6	10.0
Other Services**	-1.2	-5.0	-2.1
Gross Domestic Product	100.0	100.0	100.0

* Educational Services, Medical, Distribution and presentation of films, repair of vehicles, washing and cleaning services, hairdressing and beautification.

** Custom duties and imputed business services.

A comparison of the conception of the 2020 GDP Structure to the current situation, as indicated by the above table, points to the expected emergence of radical changes in the structure of Oman's economy in respect to the service and production sectors share of the GDP. The most important structural changes can be summarized as follows:

1 . The Oil Sector :

Crude oil extraction rates will be reduced from 850,000 barrels per day (bpd) to 426,000 bpd in 2020. The value added of this sector is expected to decrease at an annual rate of 2.2% on average. The crude oil contribution to GDP will also decrease from 33.5%, the level in 1995, to about 9.0% in 2020. This decrease in the contribution of the oil sector is attributable to the following two factors:

- a. The gradual depletion of the oil reserve, despite the expectation that this reserve will increase by 5 billion barrels in the coming years.
- b. The expected major increase in the contribution of non-oil sectors during the next stage as a result of implementing the economic diversification strategy.

2 . The Gas Sector :

The gas sector contribution to GDP is expected to reach about 10.0% in the year 2020, compared with 1.5% in 1995. This significant increase in both gas sector volume and contribution to GDP, which means achieving high annual growth rates in the value added of this sector amounting to about 11.1% on average, is attributable to the following:

- a. The substantial size of the currently confirmed natural gas reserves, estimated to be about 16 trillion cubic feet, in addition to the expectations of discovering additional reserves.
- b. Government policies aiming at encouraging and motivating both national and foreign private sectors to participate in the utilization of this vital resource.
- c. The establishment of industries that depend on natural gas as a basic input, such as the LNG project, and several major industrial projects that use inputs derived from natural gas.

3 . The Agriculture Sector:

The contribution of the agriculture sector to the Domestic Product will increase from 3.0% in 1995, to about 3.1% in 2020. This sector is expected to record an annual growth rate of 4.5%, which means that its value added will almost equal three times its current level. This significant increase in the activity of the sector will mainly be attributable to the following:

- a. Increasing the cultivated area at rates that are consistent with the Sultanate's available water resources.
- b. Utilizing modern techniques that will contribute to raising productivity.

- c. Rationalizing water use by expanding the introduction of modern irrigation techniques, and concentrating on mixed crops with low water requirements.
- d. Upgrading the cultivation of the crops that have high comparative advantages.
- e. Developing agriculturally based industrialization.

4 . The Fisheries Sector :

The Vision attaches great importance to the fisheries sector, which is expected to achieve high growth rates reaching an average of about 5.6% by the year 2020. The sector's GDP share is expected to increase from 1.1% in the year 1995, to about 2% in the year 2020. This increase will be due to the following factors:

- a. Availability of fish reserves and the plan envisioned for its optimum utilization.
- b. Utilizing modern and high value-added technologies in the development of traditional fishing boats and fishing methods. The infrastructure necessary for the fishing industry, such as fishing ports, and establishment of supply industries, like workshops and ice factories will also be completed.
- c. Amending the policy of issuing commercial fishing licenses with the objective of increasing the value of locally unloaded fish, improving the composition of quality of the catch, processing and the canning of fish and by furthering the sector's forward linkage.

5 . The Mining and Quarrying Sector :

The contribution of the mining and quarrying sector is expected to increase dramatically from 0.6% in the year 1995, to about 2.0% by the year 2020.

This significant increase in the contribution of the mining and quarrying sector is due to the expected high annual rates of growth, estimated to be about 10.8% on average, which are attributable to the following:

- a. Completion of the geological infrastructure. The Sultanate has taken steps to improve basic documents, such as topographical, geophysical and geochemical maps.
- b. Proven reserves of a number of minerals in high quantities, the most important of which are the following:

1. **COPPER:** The latest explorations have revealed the availability of an additional copper reserve estimated to be around 15 million tons.

2. **CHROMITE:** Preliminary studies indicate the availability of more than 100,000 tons of chromite reserves.
 3. **COAL:** Preliminary studies point to the existence of more than 100 million tons.
 4. **SILICA:** Proven reserves of this material are around 5.6 million tons.
- c. Establishment of industries based on the above mentioned minerals as their basic primary input. These include the glass industry, the production of copper alloys and other basic mineral industries.

6 . Manufacturing Sector :

The manufacturing industry sector is expected to occupy a significant position in the Omani economy during the next twenty-five years. Its GDP contribution is expected to reach about 15% in 2020, compared to 5.4% in 1995. This means that its GDP contribution will show a three-fold increase during the coming years, and its value added will therefore increase at the high annual rate of about 7.3%. This is due to following positive events that are expected to occur:

- a. A large expansion in the petrochemical industry, based on gas as a feed stock.
- b. The expansion of industries that are based on the utilization of crude oil, particularly oil refining.
- c. The expansion of the production of local raw materials, particularly products of the agricultural, fisheries and mining sectors.
- d. The establishment of assembly-line industries such as computers; and communication and information technologies.
- e. The implementation of a high-value added strategy.
- f. The adoption of an export-oriented strategy for the manufacturing industries.
- g. The increase in the participation of foreign investment in the sector as a result of policies aimed at attracting foreign capital.
- h. The creation of a favourable environment for investing in the production sectors through the policy which aims at amending the real exchange rate of the Omani Rial, thus treating the symptoms of the 'Dutch Disease'.

7 . Electricity and Water Sector :

The value-added of this sector will increase by an annual growth rate of 4.5% on average, thus raising its GDP contribution from 1.7% in 1995, to 2.0% in 2020. This will be as a result of the following factors:

- a. Expanding the productive capacities of all economic sectors.
- b. Anticipating that population increase will mean an increase in the number of housing units, and an expected improvement in the quality of life.
- c. Transferring the management, implementation and the finance of this sector to the private sector. This is expected to lead to an increase in productivity levels.
- d. Providing water to areas that are not yet supplied. This will be possible due to the expansion in water supply lines and as a result of the privatization of these services.

8 . Building, Construction and Real Estate Sector :

It is expected that the value-added of the building, construction and real estate sector will increase by a rate that is equivalent to the annual growth rate of the national economy, approximately 3.3% on average. This means that the sector will maintain its GDP contribution by the year 2020. This shows that the development of the sector will be relatively stable in the coming stage, due to the completion of the Sultanate's infrastructure.

9 . Trade and Tourism :

The share of the trade and tourism sector in the GDP contribution is expected to reach about 18% in 2020, compared to 14.1% in 1995. This high contribution means that this sector will be the leading sector of the Omani economy. It is expected that its value added will increase by an annual average growth of 3.9%. The most important factors that allow this sector to play such vital role in the Oman's economy, are as follows:

- a. Expansion of the size of the non-oil production base, which will foster an increase in the volume of trade exchange.
- b. Export orientation of the Omani economy, and the utilization of Oman's strategic location for increasing export, re-export and transit operations aimed Oman an international centre for trade and financial services. In addition, policies for encouraging tourism are also proposed.
- c. Development of legal frameworks that will eliminate the restrictions and the barriers to the elasticity of the market.

- d. Completion of the infrastructure relating to ports and telecommunications, and the enhancement and development of financial services.
- e. Development of the internal and foreign tourism sector in a balanced and organized way in order to raise its share of GDP from 0.8% in 1995, to 3% by 2020.

10 . Transport and Telecommunications Sectors :

The GDP contribution of this sector will be doubled by the year 2020. Its GDP contribution will reach about 8.0% , compared to about 7% in 1995. The major increase in the activity of this sector will be concentrated in telecommunications and port services. This will lead to an increase in the value added by an annual rate of about 5.9% on average, resulting from the following factors:

- a. Aiming at making Oman an international commercial and financial centre, so as to benefit from the unique geographical location of the Sultanate.
- b. Upgrading the efficiency of the existing ports and development of a new port in order to meet future needs of the Omani economy.
- c. Developing a national infrastructure for information. This means networking the sources and centres of information, and also connecting them with the international information infrastructure.
- d. Benefiting from telecommunication technology, expanding and upgrading the existing telecommunications network in order to provide a variety of high quality services.
- e. Providing the private sector with the opportunity to participate in telecommunications activities.

11 . Banks, Insurance and Financial Services Sector :

The GDP contribution of this sector will increase from about 7.9% in 1995 to 8% in 2020. This means that the Vision for Oman's Economy places great importance on this sector. Accordingly, the value added of this sector is expected to increase on average by an annual rate of 5.9%. The great expansion expected in this sector is due to many factors. Foremost among these are the following:

- a. The increasing need of the local market for the services of this sector in order to meet mounting funding needs; the increased volume of savings resulting from the high growth rates of the national economy; and the central role of the private sector in the development process.

- b. The need to develop the export orientation of these services through the utilization of the Sultanate's strategic location and the increased connection of Oman's economy with the world economy.
- c. The need to upgrade the capabilities of the sector through continued modernization and the adoption of advanced technologies.
- d. The innovation of new financial, saving and investment means.

12 . Private Services Sector (Personal) :

The value-added of the private services sector is expected to increase at high rates of growth averaging about 5.0%. Included in the following are some of the factors on which this increase will be based :

- a. A large population increase resulting from annual average growth rate of about 3.7%.
- b. An income increase, with an expected average per capita income of about O.R. 3000 by the year 2020; the anticipated great improvement in the quality of life; and the expected increase in the activity of the tourism sector.
- c. The increased participation of the private sector in providing public services previously provided by the government, either directly or indirectly .

13 . The Public Services :

The public services sector is expected to attain a low growth rate averaging about 1.1%, a rate that represents one third of the growth rate of the national economy. The GDP contribution of this sector will decrease from about 13.9% in 1995 to 10% in 2020. The expected decline of the public services will come as a result of the following:

- a. Policies aiming at achieving economic stabilization and rationalizing public expenditures.
- b. Enhancing the role of the private sector.
- c. Enhancing economic diversification.
- d. Human resources development.

5-1 Preamble:

Oman's Development Strategy ⁽¹⁾ has afforded special attention to private sector development to enable it to play a leading role in development. The strategy includes certain points pertaining to private sector development, the most important of which are as follows:

- a. Provision of a stable macroeconomic framework.
- b. Adoption of free market mechanisms and encouragement of free competition.
- c. Human Resources Development.
- d. Provision of incentives and the building of basic facilities.
- e. Increasing the efficiency of the state administrative apparatus and the enactment of laws and regulations.

In order to implement this strategy, the government of His Majesty Sultan Qaboos bin Said, Sultan of Oman, has established and upgraded the government departments during the last twenty years. It has implemented the enactment of laws, the development of infrastructure, the provision of various forms of incentives and subsidies for the private sector and provided education and health services on a wide scale. It has also achieved economic and political stability within the country.

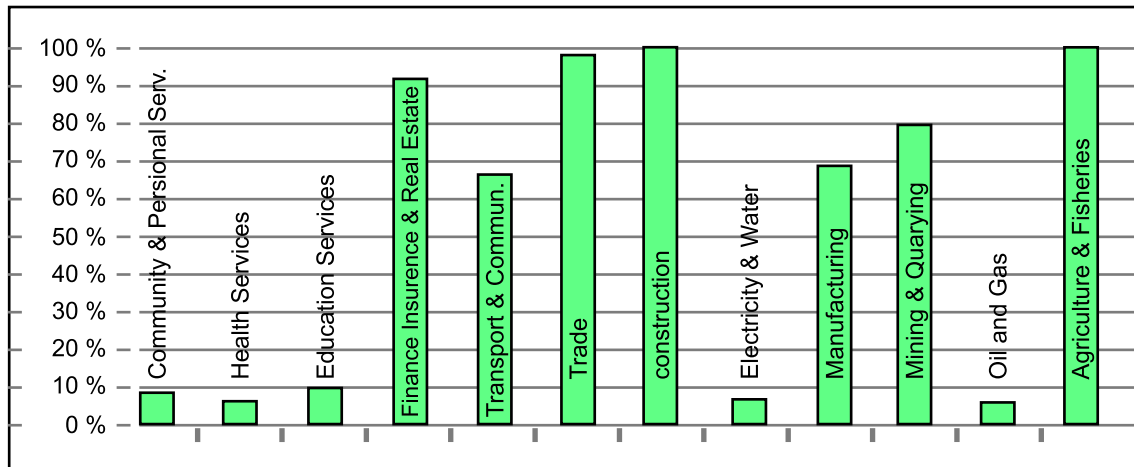
Since the down of the Blessed Renaissance, the government has been keen to observe free market mechanisms. In the distribution of resources, the encouragement of free competition and the inducement and promotion of innovations. In achieving these, the government worked towards promoting conditions for an able and efficient private sector development. Despite the common trend in some sections of the international community towards nationalization, and increased State intervention during the 1960's and 1970's, the Sultanate has adopted a completely different approach. This involved maintaining the original ownership of the national and foreign private sector in most of the economic activities. The Government has also confirmed its encouragement and support for the private sector. The insistence of the government on this approach has led to the increase of the private sector contribution to all economic activities. In 1995, as shown in Figure No. 5-1, the private sector contribution to the value added in the agriculture and fisheries sectors was 100%, in construction, 100% in commerce, 99.6% in finance, insurance and real estate 89% and in the manufacturing sector, 69%.

The maintenance of foreign private sector ownership, and the refusal to resort to nationalization in the oil sector and the financial organisations, has led to the strengthening of confidence of foreign investors in both Oman's economy and policies. This, in turn, has led to the flow of direct foreign investments, especially in the oil sector, where these investments formed about 50% of the local capital formation of the private sector.

(1) The Development Strategy approved by the Development Council on 9.2.1975.

Figure No. 5-1

**Relative Contribution of the Private Sector
to the Value Added of the Different Economic Activities in 1995**



As stated earlier, the private sector development strategy is considered to be one of the four main strategies for the achievement of the Vision for Oman's Economy: Oman 2020. This Chapter will review the private sector development strategy in terms of the following:

- The vision for private sector development.
- The main dimensions of the strategy and the challenges facing the implementation process.
- The policies and mechanisms approved for addressing these challenges so as to achieve the Vision.

5-2 The Vision for the Private Sector Development :

The achievement of sustainable development and the take off towards future horizons, as indicated by the strategies reviewed in the earlier chapters, is reliant on the existence of an efficient private sector that is capable of facing future challenges.

Based on the Vision for Oman's Economy, the achieved results and the challenges facing private sector development, the following are seen as essential for the achievement of the progress envisaged.

- a. The creation of a leading and highly competitive private sector characterised by being efficient, self-reliant and integrated into the global economy.
- b. The private sector, whether institutional or informal, shall be the main national income generator.
- c. The private sector shall be the main source of provision of fair employment opportunities for people.
- d. The provision of a private sector which is socially and environmentally responsible.

5-3 The Challenges Facing Private Sector Development:

Between 1994 and 1995 several evaluation studies were conducted into Oman's development process. These studies, which were mentioned in Chapter Three, demonstrated that, despite the good results achieved during the years (1970-1995) in all the economic and social fields, the process of private sector development faces a group of challenges. These challenges need to be addressed during the next stage, with the aim of achieving the set Vision for Oman's Economy. The most important challenges facing the economy were extracted from the above mentioned studies. These are as follows:

1. Challenges Related to the Increase of Government Role in Economic Activity:

The dependence of the national economy on oil has led to an increasing government role in economic activity and the dependence of private sector activity on government spending. Coupled with this, a local investment environment, biased towards the non tradeable services production field as a result of the high real exchange rate of the Omani Rial (Dutch disease), has been created. The results of this are the following:

- a. Disturbance in the structure of the private sector. Most of private sector activities were concentrated in the services fields and consequently hampered the economic diversification processes.
- b. Narrowing local investment opportunities available for the private sector as a result of the intensive involvement of the government in economic activities.
- c. Reducing private sector potentialities for attracting trained national cadres because of differentials in wages and advantages between the private and public sector.
- d. Increasing rentier tendencies and dependency in the private sector and its lack of initiative.

2. Challenges Related to the inability of Some Laws and Regulations to provide a Suitable Environment for Growth and Increase and Diversification of Private Sector Activities:

Despite the expanded, intensive reform of the legal and regulatory framework made during 1994 and 1995, there are several deficiencies in certain areas of the law and prevailing regulations. These hinder the provision of a suitable economic climate, thus hampering the development process. This framework, therefore, still needs more development so as to make it cope with the potential structural changes in the national economy. The most important of these deficiencies are as follows:

- a. Interference between government departments has led to the emergence of a new form of competition among the departments in relation to the authority for granting approvals and licences. The result of this competition was the lengthy procedures for obtaining such approvals. This could take between one and six months.
- b. The multiplicity of the different bodies concerned with clearing construction and building transactions, such as building permits, civil defence approval and utility connections.
- c. The Commercial Agencies Law and its limitations on freedom of contract.
- d. The commercial sponsorship system, which has no legal base, and its negative impacts. These lead to the emergence of rentier tendencies in the Omani economy.
- e. The deficiencies related to the Law of the Authority for Settlement of Commercial Disputes, the most important of which is the right of government departments to reject the jurisdiction of the Authority.
- f. The insufficiency of the laws protecting intellectual property rights.
- g. The poor performance of the Oman Chamber of Commerce and Industry.
- h. The multiplicity of types of fees imposed on private sector activities and the number of un-coordinated authorities responsible for imposing these fees.

3. Challenges Concerning the Inability of the Financial or Material Incentive to Create a Self Reliant Private Sector:

The most prominent deficiencies in the incentive system that hinder private sector development processes are as follows :

- a. The high cost of obtaining subsidies, as a result of complicated and lengthy procedures and the multiplicity of the government authorities involved.
- b. The customs exemption of raw materials and semi-manufactured ones negatively affecting the process of a two way linkage among the different sectors of the national economy.
- c. The reliance of the private sector on government spending and support.

4. Challenges Concerning the Inability of the Financial and Banking Sector Capacities to meet the Various Needs and Requirements of the Private Sector:

The most significant features of the financial and banking sector deficiencies which represent a real challenge for private sector development are as follows:

1 . Muscat Securities Market (MSM):

- a. The discrimination in tax laws against foreign capital and the constraints on foreign ownership in the Omani joint stock companies.
- b. The poor institutional investment, specially by the pension funds and the lack of real estate companies.
- c. The interconnection between authorities of the Muscat Securities Markets and the Central Bank of Oman with regard to the licensing of investment activities.
- d. The poor contribution of the banking sector to market activities.
- e. The dependence of companies on government funding. This has discouraged joint stock companies from floating borrowing instruments in the market. It has also lead to the reluctance of other establishments to become joint stock companies, since they may have to secure their financial requirements through the tendering of shares for general subscription. There is also a lack of real estate companies.
- f. The low level of participation by nationals in the ownership of securities, resulting from the low level of awareness of the market. This has led to a limited number of share holders, not exceeding 125 thousand in 1995.
- g. The interference in supervision, management, clearance, and deposition by the Muscat Securities Market. This has lead the Muscat Securities Market management to assume certain roles which are beyond its jurisdiction, such as the issuing of share certificates, and dividends cheques for shareholders.

2 . Banks:

The banking system operations are characterised by some deficiencies. The most important of which may be summarized as follows:

- a. The discrimination against foreign capital attributable to the tax law and the rules and regulations restricting the activities of foreign banks.
- b. The constraints which limit the credit capacity of the banks, the most important of which is the restriction of the percentage of loans that can be granted through real estate mortgage.

- c. The insufficient contribution of banks to the long term credit resulting from government provision of most of the production sector's needs. This has lead to the preference of these banks to provide short term loans for financing commercial and services activities and personal loans.
- d. The limited types and duration of the financial instruments currently being used.
- e. The small relative size of the national banks own resources, which leads to the concentration of their activities in the local market.

5. Challenges Related to Infrastructural Inefficiency and Non Conformity with the Rapid Changes in Modern Technology :

Despite the fact that the Sultanate of Oman has been able to realize significant achievements in the field of infrastructural development, there are still some deficiencies in the infrastructure, which hamper private sector development processes. The most significant of these are the following :

1 . Electric Power and Basic Utilities

- a. The shortages of electric power resulting from increased demand at rates higher than the increase in the installed power. In addition, the seasonality of this demand increases these shortages in certain periods.
- b. The need to complete some utilities in the industrial estates.

2 . Ports

- a. The technical factors that hamper the maximum utilization of the existing ports. In addition to this, the capacity for further expansion of Mina Sultan Qaboos is considered to be limited.
- b. The geographical concentration of the port services including fishing ports.
- c. The low level of efficiency of operational processes and the relatively high port services charges.

3 . Telecommunications

- a. The high telecommunications service charges.
- b. The current status of the telecommunication sector, with the GTO as the only supplier of telecommunications services. This may hamper the future capacity to benefit from rapid changes in the telecommunications field.

6 Challenges Pertaining to the Incapability of Education and Training Outputs to Meet the Labour Market Requirements :

Despite of the Sultanate's success in human resources development, education and training outputs are still unable to meet labour market demands. This has lead to the increase in the size of the expatriate labour force, due to the following:

- a. Lack of sufficient linking between educational and training outputs and labour market requirements.
- b. Lack of sufficient numbers of Omanis during the previous period because of the youth of the population.
- c. Concentration on academic education and art specializations instead of technical specializations and vocational training.
- d. The weakness of the basic educational level.
- e. Expatriate labour costs were estimated on the basis of the wages paid without taking into consideration the other elements of the total cost of expatriate labour. This process has lead to unequal competition between expatriate labour and national labour. It is also is considered to be one of the reasons that has hindered the Omanisation processes.

5-4 The Strategy and Dimensions of Private Sector Development:

The following points review the policies and mechanisms that will be adopted in implementing the private sector development strategy. The objective of the private sector development strategy is to address the challenges mentioned earlier in this chapter. Through the adoption of an integrated set of policies and mechanisms, the strategy aims at achieving the specified goals for the private sector within the framework of the Vision for Oman's Economy. The primary dimensions of this strategy are as follows:

First Dimension:

To provide a stable macroeconomic framework.

Second Dimension:

To gradually reduce the government role in economic activities (i.e. goods and services) At the same time the government role shall be strengthened in the fields of strategic guidance, supervision, and control. It is necessary to promote co-ordination and consultation among government bodies and the private sector in order to best serve the interest of Oman's economy. This can then lead to the formation of a partnership between the government, the private sector and the Majlis Ash'Shura in the form of an (Oman Incorporated).

Third Dimension:

To upgrade the legal and regulatory framework.

Fourth Dimension:

To provide a suitable system of incentives in order to increase private sector investments.

Fifth Dimension:

To upgrade and support the financial sector so as to provide an appropriate environment for promoting the private sector role in all economic activities.

Sixth Dimension:

To upgrade the infrastructure.

Seventh Dimension:

To develop human resources.

5-5 Policies and Mechanisms Approved in order to achieve the Vision for the Private Sector, its Strategies and Dimensions:

First Dimension: Provision of a Stable Macroeconomic Framework ⁽²⁾

- a. To promote a balance between Government revenues and expenditures starting from the Fifth Five Year Plan (1996-2000), to strive to realize a surplus in the State budget, and the specification of a maximum limit for public debt.
- b. To work towards the rationalization of expenditure and to encourage non-oil revenues.
- c. To promote government savings and to build financial reserves.
- d. To maintain current monetary policies to support the value and convertibility of the Oman Rial and avoid inflationary pressures.
- e. To develop market mechanisms, as well as support systems and institutions which are concerned with strengthening free competition, and the elimination of monopolies, so as to effect the efficient allocation of resources.

Second Dimension: Gradual Reduction of the Government Role in the (Goods and Services) Production Activities and Enhancing its Role in Strategic Guidance.

The Royal Decree No. 42/96, issued on 21 Muharam 1417 AH, (June 8th, 1996), states that privatization represents a part of the government economic policy of the Sultanate. Through the privatization policy the government will strive to reduce its role in service and goods production. The financing, implementation, and management of the services will be transferred to the private sector under the strategic guidance of the government. It is important to note here that the objective of the privatization policy is not to eliminate the financial subsidy borne by the government for the provision of these services.

Privatization policy objectives include:

- Broadening the scope of these services as soon as possible in order to reach areas that are not yet covered;
- Furthering the level and efficiency of these services;
- Creating suitable investment opportunities for the private sector;
- Developing and upgrading private sector participation in the national economy.

The current trend of the privatization policy consists of two distinct components: the selling of Government assets to the private sector, and allowing the private sector to participate in establishing, operating and financing public services that have previously been the responsibility of the government. The following are the approved policies and regulations of privatization.

(2) Chapter Three provides a detailed account on these policies.

a. Selling off Government Assets:

The principles and measures adopted for the selling of Government assets, such as company shares and the assets available in some public authorities, follow the development Council ⁽³⁾ Resolution No. 38/95, issued in the fifth meeting held on the 14th of May 1995. These principles were then approved by the Honorable Council of Ministers in the session held on June 10th, 1995. Measures which will further the privatization processes are as follows:

1. To entrust the Council of Financial Affairs ⁽⁴⁾ to set up the basis and an appropriate schedule for the process of selling-off assets in stages that will suit the financial ability of the private sector, and to allow for the impact of this on the Muscat Securities Market.
2. The following should be observed in relation to such basis:
 - a. Providing suitable means to enable the maximum number of people to hold shares, thus widening the ownership base. In order to allow the maximum number of citizens to purchase these government assets, the options of granting (privatization coupons) to every Omani family or student who completed the basic education stage will be studied. The value of these privatization coupons will be around O.R. 10,000. This will help young Omanis to establish themselves.
 - b. The system intends that priority shall be given to coupon holders in the purchase of government shares. They shall be given a 25% discount of the market price.

Coupon holders can obtain credit from banks using these shares as a guarantee. It is important to note that coupon holders can only purchase shares on condition that they hold them for two years.

3. Selling off the assets of public stock companies through the Muscat Securities Market, or in ways which ensure the highest return for the Government.
4. The outcome of sales should accrue to the State General Reserve Fund.

(3) As per Royal Decree 7/96, issued on 19 Shaaban 1417 AH corresponding to January 10, 1996 the Development Council has been abolished and all its authorities have been transferred to the Council of Ministers.

(4) As per Royal Decree 6/96 the Council of Financial Affairs, and the Natural Gas Council have been merged, and accordingly the Council of Financial Affairs and Energy Sources was established.

b. Privatization through the Participation of to the Private Sector Establishment, Operating and Financing of Service Projects:

The principles adopted by the Development Council, as per resolution No. 71/94 in its fifth meeting on 15.10.94 represent a sound base for the privatisation policies. These were approved by the Honourable Council of Ministers on June 10th, 1995. The objective of these policies is to allow the private sector the opportunity to participate in the establishment, operation and funding of services projects. The principles, reviewed and edited by the Ministerial Committee for Privatization, and approved as per Royal Decree No. 42/96, issued on 21 Muharam 1417 AH, (8.6.96) are represented in the following policies and regulations:

First: Policies:

1. Privatization shall represent a part of the government programme aimed at achieving sustainable development, increasing growth rates and distributing the benefits of development among all regions and segments of the society.
2. Priority of privatization shall be given to services that operate on a commercial basis, such as wastewater, electricity, water, telecommunications, highways and postal services. When privatizing these services, consideration shall be given to the financial and administrative capacities of the private sector.
3. In order to ensure that any changes in the economic and social order are made in a measured and gradual manner, privatization to existing governmental production and services enterprises will be applied gradually.
4. Explicit criteria shall be determined for the selection and evaluation of privatization proposals. In addition, clear identification of the responsibilities of the government authorities concerned and the system of monitoring privatization programmes will be established.
5. Where possible, more than one company shall be established to render individual services in order to increase competition and to enable the government to compare the performance and efficiency of service providers.
6. The government shall determine the unified maximum tariff to be paid by all consumers in the Sultanate, regardless whether the project is operated by the government or by the private sector. The tariff shall not be amended without government approval.
7. To benefit from foreign capital and technical and administrative expertise, foreign participation in the privatization projects shall be encouraged. This participation should be in accordance with the Foreign Investment Law.

8. After the privatisation of certain sectors, the government shall set the regulations and standards for protecting the environment from any negative impact that may arise as a result of the efforts of the privatized enterprises to reduce costs.
9. The government will utilise the power of the mass media to prepare society to accept forthcoming changes in the economic and industrial structure of the country. This will be done by elaborating the advantages of privatization to society at large, its importance to their prosperity, particularly for the fixed-income group and its contribution to the comprehensive development process.
10. The sale proceeds of government assets in the privatized production and service projects shall accrue to the State General Reserve Fund.

Second: Regulations:

1. The selection of the company best suited to finance, implement and operate the project, shall be determined through open tender. The maximum possible number of Omani companies will be invited to apply.
2. The selected company shall take the form of a joint stock company with Omani participation being not less than 51%. At least 40% of the equity shall be floated for public subscription.
3. Companies established for privatization projects shall be treated as Omani companies for tax purposes.
4. Companies established for privatization projects, where the government does not guarantee to purchase all or part of their output, shall be treated as industrial companies for the purpose of taxation and customs duties.
5. All profits exceeding on average 20% - over a period of three years - of the paid up capital of the company having a government concession⁽⁵⁾ shall be shared with the government.
6. No soft loans or interest-free loans shall generally be extended to privatization projects by the government. Any exceptions shall be kept to a minimum.
7. The government shall set the appropriate level of standards and specifications for all privatized projects; and all companies should be committed to apply such standards and specifications when implementing, managing and operating these projects.
8. Implementation, operation and management of privatized projects shall be in accordance with the performance and efficiency criteria specified by the government.

(5) That is companies established privatization projects.

9. To the greatest extent possible, employees currently working in production and services projects to be privatized shall be transferred to the project company.
10. In the case of the submission of equal bids by investment consortia, and in order to broaden the investors' base in privatized projects, preference may be given to the consortia that have not been awarded any other privatization projects.

Third Dimension: Upgrading the Legal and Regulatory Framework:

Through the adoption of the following policies and mechanisms:

- a. Facilitating commercial and investment registration procedures by adopting a 'One Stop Shop' to cover dealings in the various ministries concerned.
- b. Converting the Authority for the Settlement of Commercial Disputes to a commercial court.
- c. Reviewing the laws, procedures and policies pertaining to commercial agencies in order to eliminate various obstacles impairing contracting freedom.
- d. Cancelling the commercial sponsorship system, which has no legal basis, to avoid its many disadvantages. The foreign companies should operate under the Foreign Investment Law. Existing companies shall be given a period of grace of three years to arrange re-registration under the new law on the investment of foreign capital.
- e. Amending the Land Law to allow ownership of land and an extension of the lease period for Omani companies. The Royal Decree No. 24/95, which concerns this issue, was issued on May 28th, 1995.
- f. Reviewing the laws and regulations of the Oman Chamber of Commerce and Industry so as to activate its role and to encourage it to improve the services extended to its members. An information bank should be established since this will help small and medium scale establishments improve their competitiveness. Consideration shall be given to linking the services provided by the Chamber with the fees collected. At present, relatively high charges are required from third and fourth category establishments who receive only limited benefits from the services of the Chamber.
- g. Activating the Committee for Commercial and Industrial Coordination and establishing a centre for promoting exports, developing trade and encouraging investment.⁽⁶⁾
- h. Finalising the review of economic and financial laws and regulations to comply with the new economic policies and to enhance their internal consistency and integration.

(6) The Omani Centre for Investment Promotion and Export Development has been established as per Royal Decree No. (59/96) issued on 10 Safar 1417 AH (corresponding to June 26, 1996).

Fourth Dimension: Provision of an Appropriate Incentive System in order to Increase Private Sector Investment:

The following are policies and mechanisms that would contribute to improving the system:

- a. To operate an intensive system that does not impose a heavy burden on, or create further discrepancies in the national economy.
- b. To assign the responsibility for incentives, including loans, to one authority in each sector. For example, Agriculture and Fisheries, Industry, Health, Education and Crafts.
- c. To upgrade the efficiency of the incentives system by drawing up specified and measurable criteria.
- d. To give priority to economic activities that contribute to economic diversification objectives.
- e. To abolish all types of customs exemption on production inputs, such as raw and semi-manufactured material, except in cases where the competing imports are exempted from customs, so as to achieve necessary inter-relationships among the national economy sectors. Customs exemption should be confined to machinery and equipment.
- f. To review the Tax Laws in order to achieve a balance between the objectives of foreign investment promotion and the development of non-oil revenues. Any adjustment to the articles of the Law, particularly those connected with prescribed tax rates imposed on foreign and mixed companies, should be consistent with the future vision for the national economy. This is especially important with regard to the flow of direct foreign investments and the globalisation of the national economy. It is imperative that any change in the Law should be connected with specified objectives, leading to a positive impact on the national economy.

Fifth Dimension: Support and Upgrading the Financial and Banking Sector:

Policies and mechanisms for the development of this sector and improvement of its efficiency can be summarised as follows :

1.Increasing Participation in the Muscat Securities Market by:

- a. Requiring the pension funds to invest part of their funds in the market. A resolution of the Development Council stipulates that pension funds are obliged to invest at least 10% of their funds in the Muscat Securities Market. These funds have the freedom to select the companies in which they will subscribe.⁽⁷⁾
- b. Encouraging banks to increase their involvement in the market and allowing them to perform mediation activities in the Muscat Securities Market.
- c. Encouraging the establishment of real estate development companies through the amendment of the Land Law.
- d. Specifying the responsibilities of the Muscat Securities Market and the Central Bank regarding licensing for investment activities, through promulgating the Law of Investors. There is some interference in the roles of the Muscat Securities Market and the Central Bank of Oman. This necessitates issuing the Law for Investors, as this would provide the appropriate grounds for encouraging investment. The Ministry of Commerce and Industry, in coordination with the Central Bank of Oman, will prepare the draft of this law.
- e. Amending the Muscat Securities Market Law to eliminate overlap in roles and responsibilities connected with supervision, market management, clearance and deposit.
- f. Introducing new methods to encourage small investors to deal in the Market so as to widen the ownership base, and to increase the number of shareholders up to a minimum of 25% of the total population.
- g. Encouraging individual establishments and other companies to become joint stock companies.
- h. Encouraging the creation of closed investment funds, and allowing the opportunity for expatriates to invest in these funds.
- i. Preparing public awareness programmes to educate people throughout the Sultanate in market operations and to develop an awareness of market investment.

(7) Royal Decree No. 31/96 has been issued as regards specifying the regulations governing the investment of these funds. The Decree also stipulates that Ministry of Finance should issue the regulations and decisions necessary for the implementation of the provisions of this Decree within four months starting from 26 Zel Heja 1417 AH (corresponding to May 14, 1996.)

- j. Facilitating procedures, developing financial clarity, and encouraging financial journalism are part of the package of developing the Sultanate as a financial centre. It is therefore necessary to establish a local financial journalism to facilitate the provision of relevant information and the promotion of financial services available in the Sultanate. There is also the need for meaningful communications with international financial journalism.
- k. Furthering the Muscat Securities Market connections with international security markets.

2 . Develop the Banking Sector through:

- a. Widening the scope of mortgages to include accrual rights, reserves and real estate.
- b. Increasing the contribution of banks in long-term lending, developing inter-bank markets and facilitating the issuance of securities by banks.
- c. Unifying bodies authorised to grant and deliver governmental loans (soft and subsidised) through the following:
 - 1. Authorising ministries concerned to approve soft loan applications in accordance with regulations.
 - 2. Allowing the Ministry of Finance and Economy to enter into contracts with a number of national banks on a best offer basis , so as to complete contractual procedure with the loanee on behalf of the Ministry, as well as issuing such loans and following up repayments.
 - 3. Merging the two specialised banks, The Development and Agriculture and Fisheries Banks, to form one bank at the initial stage and continuing to provide governmental soft loans in line with the policies currently followed. The feasibility of retaining the Bank should be decided at the end of the Fifth Five Year Plan following the evaluation of the national banks' performance in the delivery and follow-up of the governmental soft loans.
- d. Encouraging the establishment of savings and lending systems in the field of real estate by establishing a specialised bank for the purpose.
- e. Encouraging banks to increase their own resources and develop operational methods by adopting modern techniques aimed at enhancing competitive potentials, and widening the scope of services both locally and abroad.

Sixth Dimension: Upgrading of Infrastructure:

Policies and mechanisms regarding upgrading of infrastructure may be as summarized follows:

- a. Encouraging the private sector to participate in infrastructure projects.
- b. Providing the electric power needed in industrial areas, along with other basic utilities.
- c. Establishing a new port to meet the growing national economy requirements relating to exports and imports, and to enable Oman to be a regional commercial center. The port should be run on a commercial basis of high efficiency so as to attract international shipping companies. The privatization of all port services necessary to support this direction should be implemented.
- d. Stressing the completion of the fishing harbours according to the plans already designed.
- e. Completing the unification of government procedures between sea ports and ground outlets (border points), including the unification of the authorities concerned with goods release.
- f. Establishing an integrated area for petrochemical industries.
- g. Developing the telecommunications sector, facilitating the contribution of the private sector in providing related services, and implementing measures which will achieve this goal by:
 1. Converting the Public Authority for Telecommunications into a Public Stock Company. About 15% of its stocks should be floated through the Muscat Securities Market, according to His Majesty's approval on the recommendation submitted by the Committee for Reviewing Government Spending.
 2. Reviewing the institutional and legal structure of the telecommunications sector with the aim of separating the Government role as an organiser and supervisor from its role as the owner of the Authority. This would enable the government to provide access to private sector company participation in providing services related to the telecommunications sector.

Seventh Dimension: Human Resources Development: ⁽⁸⁾

The envisaged private sector development attaches special importance to human resources development, especially in the following fields:

- a. Developing the capabilities and skills of the national workforce to cope with and manage technological change.
- b. Developing the administrative, technical and financial capabilities of the Omani people, so as to promote their initiative and boost their interaction with the international economy.
- c. Promoting concepts which increase awareness of development issues among the populace. This can be achieved by providing them with an understanding of the issues and encouraging interaction with development policies and programmes.
- d. Motivating and directing Omanis towards free enterprise and individual initiatives by introducing scientific subjects into the academic curricula. An understanding of these subjects will assist the achievement of this policy and prepare the new generation to gain the skills of businessmen and acquire the "Entrepreneurship Mentality" an entrepreneurial spirit.
- e. Establishing institutes for the qualification and preparation of businessmen.

(8) Chapter Three reviews the detailed policies concerning this dimension.

Annex (1)

Resolutions of the Sixth meeting of the
Development Council for the year 1994.
Held on 21.5.1415 A.H. (corresponding to 26.10.94.)

RESOLUTION NO. 79/94

The Council reviewed the submitted memorandum regarding the evaluation of the performance of production and services sectors during the past two decades, and the measures proposed for their development during the future stage up to 2020. The importance of conducting a comprehensive evaluation of constraints and difficulties that prevented the full achievement of all the determined objectives for diversification of national income source must be stressed. This will directly affect the setting of policies and mechanisms, which would contribute to achievement of sustainable development. In the light of this, the following has been decided:

1. Detailed reports should be prepared regarding the following production and services sectors:

- | | |
|-------------------------------|--|
| - Agricultural and Fisheries. | - Commerce. |
| - Water Resources. | - Oil, Gas, and Minerals. |
| - Industry and Tourism. | - Finance, Banking, Insurance and Securities sector. |

These reports should address the following points:

- Results achieved in each sector
 - Basis and potentialities available, whether local or external.
 - Constraints that limit the development of the sector.
 - Policies and mechanisms need to be adopted in order to utilize the full capacities of the sector.
2. These reports should be prepared by the ministries concerned, in coordination with the Ministry of Development and with the assistance of World Bank experts or others according to requirements.
 3. These reports should be prepared not later the end of next month.
 4. The Ministry of Development should prepare a detailed report on the main factors affecting and influenced by the macroeconomic performance. This should be done in coordination with the ministries concerned and the assistance of World Bank experts. The factors affecting the macroeconomic performance are as follows:
 - Public and Private Savings

- Future Investment in Material Assets
- Investment in Human Resources
- Consumption

5. The report should discuss the issues concerning the above mentioned main factors in terms of:
 - a. The evaluation of the size of current savings, the extent of their adequacy, and the appropriate mechanisms to raise the savings ratio relative to the domestic product.
 - b. The approach of evaluating public investments and the comparison of available alternatives, whether local or external.
 - c. The evaluation of the results of investing in human resources, and the determination of appropriate policies and mechanisms that need to be adopted for upgrading their efficiency and productivity.
 - d. The size of current consumption and the proposed mechanisms for rationalization of consumption and increasing savings.
6. The office of His Excellency the Advisor to His Majesty The Sultan for Economic Planning Affairs, in coordination with the Ministry of Development and with the help of a specialist if needed, should undertake preparation of a paper on the global changes. Such a paper should provide detailed analysis of the global changes that may affect, directly or indirectly, the competitiveness of the Sultanate, its position in the world trade system, and the policies that need to be adopted in order to deal with these changes.
7. To form ministerial committees, as shown below, in order to review and evaluate the reports stated in terms 1, 2 and 3, and the recommendation of appropriate policies and mechanisms for the development of the production and services sectors during the coming stage. These committees should complete their work not later than the end of March, 1995. The Ministerial committees are as follows:

a. Agriculture and Fisheries Sector Committee:

- His Excellency - the Minister of Agriculture and Fisheries (Chairman)
- Two members from the Majlis Ash'shura
- A member from the Ministry of Interior
- A member from the Ministry of Water Resources
- A member from the Ministry of Development.
- Two members from the Oman Chamber of Commerce and Industry (OCCI).

b. Water Resources Committee:

- His Excellency the Minister of Water Resources (Chairman)
- Two members from the Majlis Ash'shura
- A member from the Ministry of Interior
- A member from the Ministry of Electricity and Water (MEW)
- A member from the Ministry of Agriculture and Fisheries.
- A member from the Ministry of Local Municipalities and Environment.
- A member from the Ministry of Development.

c. Industry, Tourism and Commerce sector's committee:

- His Excellency the Minister of Commerce and Industry (Chairman)
- Two members from the Majlis Ash'shura
- A member from the Ministry of National Heritage & Culture.
- A member from the Ministry of Communications
- A member from the Ministry of Finance and Economy
- A member from the Ministry of Development
- A member from the Royal Oman Police (ROP)
- A member from the Oman Chamber of Commerce and Industry.

d. Oil, Gas and Minerals committee:

- His Excellency the Minister of Petroleum and Minerals (Chairman)
- A member from the Majlis Ash'shura
- A member from the Ministry of Finance and Economy.
- A member from the Ministry of Commerce and Industry.
- A member from the Ministry of Development.
- A member from the Oman Chamber of Commerce and Industry.

e. Banks, Insurance and Securities Market committee:

- His Excellency the Minister of Civil Service, Deputy Chairman of the Board of Governors for the Central Bank of Oman (Chairman)
- Two members from the Majlis Ash'shura
- A member from the Ministry of Finance and Economy
- A member from the Ministry of Commerce and Industry.
- A member from the Ministry of Development.
- The Executive President of the Central Bank of Oman.
- The Executive President of the Muscat Securities Market.
- Two members from the Oman Chamber of Commerce and Industry.

f. Human Resources & Macroeconomy Committee:

- His Excellency the Minister of State for Development Affairs (Chairman)
- His Excellency the Economic Advisor at the Diwan of Royal Court.

- A member of the Majlis Ash'shrua
- A member from the Ministry of Higher Education.
- A member from the Ministry of Commerce and Industry.
- A member from the Ministry of Health.
- A member from the Ministry of Education
- A member from the Ministry of Civil service.
- A member from the Ministry of Social Affairs and Labour.
- The Executive President of the Central Bank of Oman.
- A member from the Vocational Training Authority
- The secretary of the Supreme Committee for Vocational Training and Labour.
- A member from the Oman Chamber of Commerce and Industry.

g. The committee of Global Changes:

- His Excellency the Advisor to His Majesty the Sultan for Planning Affairs (Chairman).
- His Excellency the Economic Advisor at the Diwan of Royal Court.
- A member from the Majlis Ash'shura
- A member from the Ministry of Finance and Economy
- A member from the Ministry of Petroleum and Minerals
- A member from the Ministry of Foreign Affairs
- A member from the Ministry of Commerce and Industry.
- A member from the Ministry of Development
- A member from the Oman Chamber of Commerce and Industry.

8. The members of Majlis Ash'shura and Oman Chamber of Commerce and Industry, should be from the members of the committees concerned with the sector.

9. Representatives of the Ministries should be at under secretary level.

10. The representative of the Ministry of Development should be the Director General of the concerned sector.

11. His Excellency the Minister of State for Development Affairs shall coordinate with the ministers (chairman of sectoral committees) regarding the timings of the meetings and the administrative support that may be needed by these committees.

12. To form a main committee, which in addition to coordination between the various ministerial committees, shall undertake the task of revision and evaluation of recommendations proposed by these committees and to approve these recommendations in order to be incorporated in the Fifth Five-Year Plan and the next plans. The main committee shall be formed as follows:

- His Excellency Deputy Prime Minister for Financial and Economic Affairs - Chairman

- His Excellency the President of Majlis Ash'shura
- His Excellency the Advisor to His Majesty the Sultan for Economic Planning Affairs.
- His Excellency the Minister of Petroleum and Minerals.
- His Excellency the Minister of Agriculture and Fisheries.
- His Excellency the Minister of Civil Services and Deputy Chairman of the Board of Governors for the Central Bank of Oman.
- His Excellency the Secretary General of the Council of Ministers.
- His Excellency the Minister of Commerce and Industry
- His Excellency the Minister of State for Development Affairs.
- His Excellency the Economic Advisor at the Diwan of Royal Court.

13. The main committee shall undertake the preparation for organizing a symposium on the Vision for the Omani economy: (Oman 2020), as endorsed by His Majesty in May 1995, and supervise all its activities. In addition to the members of the already mentioned committees, the symposium will be attended by a group of international experts who will be selected from the industrial countries, and south East Asia. This is in order to evaluate the policies and mechanisms proposed with the aim of producing the draft of the economic development strategy.

14. The final proposals prepared by the aforementioned committees and those regarding the Vision symposium should be submitted to the Development Council prior to their submission to the Cabinet for approval, and then to His Majesty The Sultan for endorsement. The final proposal should therefore be an integral part of the programme of the Fifth Five Year Plan and would be endorsed within the Royal Decree endorsing the plan.

Annex (2)

Resolutions of the Fifth meeting of the
Development Council for the year 1994.
Held on 10.5.1415 A.H. (Corresponding to 15.10.94.)

RESOLUTION NO. 71/94

The Council studied the memorandum submitted regarding the procedures taken for the transfer, implementation, financing and operation of projects to the Private Sector (Privatization) and ruled the following:

1. These projects to be financed by the Private Sector without any government guarantee.
2. The operation, maintenance and administration of these projects should be according to technical specifications stipulated by the ministry concerned.
3. The Government should determine the unified maximum tariff to be paid by all consumers in the Sultanate on receipt of services or consumption.
4. The selection of a suitable company assigned for financing, implementation and operation of the project, should be determined through open tender for all qualified Omani companies.
5. The project company should take the form of a joint stock company and it should float not less than 40% of the equity for public subscription and the Development Council has the right to increase the ratio of public subscription.
6. The encouragement of foreign participation in these projects to facilitate foreign capital, technical and administrative expertise in accordance with investment laws.
7. The companies established for these purposes should be treated, regarding Government taxes, as an Omani company even if their capital is shared by foreign investors or companies.
8. These companies should be given some incentives, for example, exemption from Profit Tax and Customs Duties stipulated in the National Industries Encouragement Law.
9. The government shall not give these projects any soft loans or interest free loans.
10. More than one company should be established to render a certain service. For example, there should be two companies for waste water treatment, one in Muscat and the other in Salalah. This is in order to increase competition and to enable the government to compare the standards of performance and efficiency.

Annex (3)

Resolutions of the Sixth Meeting of the
Development Council for the Year 1994.
Held on 21.5.1415 A.H. (corresponding to 26.10.94.)

RESOLUTION NO. 80/94

The Development Council has reviewed the memorandum submitted regarding the approach of preparing the investment plan (The Civil Development Budget), for the Fifth Five Year Plan (1996-2000), and decreed as follows:

1. Adoption of the bases of preparing the investment plan, according to the following:
 - a. Each ministry shall submit, together with its proposals, an economic and social evaluation for all projects proposed for implementation. This should be according to the form currently being designed by the Ministry of Development.
 - b. The proposals submitted by the ministries should include detailed discussion for each ministry's objectives for the coming years and the policies that will be adopted to achieve these objectives. This should correspond with what has been prepared during the Fourth Five Year Plan.
 - c. In order to cope with the limited allocations available for civil development expenditure, which amount to O.R.500 million, concentration, should be on transferring the implementation, funding, and management of production and services projects to the private sector. This should be in accordance with the basic principles approved by the Council in its fifth meeting for the year 1994.
 - d. To contract with the private sector, wherever possible, for the provision of administrative and residential buildings to the government. These should be under long-term contracts instead of allocating investment funds from ministries' plans for the construction of such buildings.
 - e. Proposals submitted by ministries should include new projects and commitments on continuous projects, as well as postponed projects, in case there is an outstanding need for such projects.
 - f. The sectoral distribution of available allocations should not be adopted. Instead priority should be given to projects that generate maximum economic or social return.
 - g. Upon submitting their proposals, which will include continuous and postponed projects besides the new projects, the ministries should observe their amounts of funds allocated in the Fourth Five Year Plan for the new projects. (Shown in attached table)

- h. The Development Council shall determine the final amounts for each ministry, according to the following.
- The amounts which shall be allocated to civil development expenditure, after the council's perusal of the comprehensive report regarding proposed measures for achieving the balance between government resources and uses through the years of the Fifth Five Year Plan.
 - Economic and social feasibility of the projects
 - Other bases adopted in this term.
- i. In order to achieve a balanced development between regions, through the projects implemented by municipalities in governorates and planning areas, investment amounts shall be allocated for the services provided by municipalities. These include the lighting of roads, internal roads, sewerage systems, public parks and the enhancement of cities, according to the following bases:
- O.R. 30 per individual in all Wilayats, to be calculated in light of results of General Census for Population, Housing and Establishments, exclusive of Governorate of Musandam and Wosta region. This is equivalent to O.R. 60 million.
 - O.R. 300 per individual in Governorate of Musandam because of the low population density and the ruggedness of its terrain. This is equivalent to O.R. 8 million.
 - O.R. 800 per individual in Wosta region as it has not received a sizable share of investment projects in the previous Five Year Plans. This approximates to O.R. 12 million.

The final agreement on these amounts should be achieved according to revision of the said report and the proposals of the ministry concerned.

2. The Ministry of Development should circulate the various ministries to start preparing their investment plans, according to the above stated bases, provided that these plans are prepared according to the following steps:

- a. The ministries should forward their proposals to the Ministry of Development not later than the end of June, 1995. These proposals should be consistent with the recommendations of the sectoral committees, which were formed in accordance with the Council's Resolution No. 79/94.

- b. The Ministry of Development should co-ordinate with the other ministries and assist them in preparing the plan proposals.
- c. According to the Council's Resolution No. 79/94, and after receipt of plans, the Ministry of Development should discuss the same with the ministries concerned. It will then submit its recommendations to the main committee, which is chaired by His Excellency Qais bin Abdul Munim al-Zawawi, Deputy Prime Minister for Financial and Economic Affairs, Deputy Chairman of the Development Council.
- d. A sum of O.R. 1 million should be allocated for the Ministry of Development development budget. This, in turn, will be allocated to the ministries that require preparation of preliminary studies to determine the economic and social feasibility of their projects.