

Chapter No.6
The Vision for Oman's Economy: Oman 2020.

Chapter No:6 The Vision for Oman's Economy : Oman2020	Page No:
6.1: Introduction	127
6.2: The Major challenges Facing Oman's Economy in the Effort to Achieve Economic Balance and Sustainable Growth.	128-129
6.3: The Most Important Factor on which the Vision for the Oman's Economy (Oman:2020) Based on.	129
6.4: The Strategy of Achieving Economic Balance and Sustainable Growth and Approved Policies and Mechanism for Achieving Their.	130-141
6.5: Quantitative of the Vision for Oman's Economy in2020 at the Macro Level.	141-145
6.6: The Vision for Human Resources Development	146
6.6.1: Introduction	146
6.6.2: Challenges Facing Human Resources Development	146-147
6.6.3: Human Resources Development Strategy (1990-2020) and Its Dimensions	147-148
6.6.4: Policies and Mechanisms Approved for Achieving the Vision for Human Resources Development and Its Strategies and Dimensions There of.	148-156
6.7: The Vision for Economic Diversification	156
6.7.1: Introduction	156
6.7.2: Policies and Mechanisms Adopted in order to Achieve the Vision for Economic Diversification and Its Strategies and Dimensions.	156-162
6.8: The Vision for the Private Sector Development	162
6.8.1: Introduction	162
6.8.2: The Strategies and Dimensions of Private Sector Development	162-164

Chapter No.6

The Vision for Oman's Economy: Oman 2020

6.1: Introduction:

The vision for Oman's economy, its primary dimensions, the strategy of economic balance and sustainable growth and covers the challenges facing their achievement, in addition to the most important basis of the vision. However, we discuss the dimension, policies and mechanisms associated with the aforementioned main strategies

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 term 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 expenditures 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 training for Omani citizens, in addition to adopting policies which promote their standard of living. In this regard we shall discuss the challenges that face the Omani economy to achieve the economic balance and sustainable growth and its related dimensions – policies – and mechanisms – represented 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 .**

6.2: The major challenges facing Oman's economy in the effort to achieve economic balance and sustainable growth:

In light of the above evaluation, and in spite of the major achievements made, during the past period. Therefore, 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 1980s, and the emergent of a new international order. The latter is centered around economic, commercial and technological competition as 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:-

- A. The increasing deficit with the general budget; a decline in financial reserves; levels of public debt that must not be exceeded; and instituting the mechanism for achieving equilibrium in the public finance.**
- B. The dependence of the national economy on single depletable source (oil), which is affected mainly by external economic and political factors.**
- C. The expected gradual decline in the oil reserve in the coming twenty-five years.**
- D. 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.**
- E. The lack of certain laws and systems for the provision of a suitable environment for the growth and diversity of private sectors activities.**
- F. The weak integration between the oil sector and other production and service sectors.**

All production and services sectors are characterized by low efficiency and poor quality, which reduces their ability to compete at international level.

G. The poor production efficiency in government system and inefficient utilization of available resources.

H. The low levels of private saving and investment rates and the increasing consumption tendencies.

I. The existing disequilibrium in the labour market, including the low level of national labour participation and the expansion in the employment of expatriate labour.

J. The poor productivity of human resources, the low status of some professions and handicrafts, in addition to their insignificant participation in the national economy.

K. The incapability of national labour to cope with the rapid developments in the technological fields.

6.3: The most important factor on which the vision for the 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 Sultanate. The utilization of these will qualify it to enter the twenty-first century as one of the modern countries in the advance world. The most important potentials are the following:-

The presence of wise leadership's 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.

The Sultanate enjoys political stability, social harmony and security all over its lands. It follows a free market policy and respects individual property rights. The natural resources available and the strategic geographical location of the Sultanate of Oman is considered one of the countries that provide a suitable and encouraging climate for foreign investment; this is particularly true after the reformulation of laws and regulations relating to this during 1994.

6.4: The strategy of achieving economic balance and sustainable growth, and approved policies and mechanism for achieving their:-

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, on seven primary dimensions:

First dimension : Of a stable macro economy frame work through:

>>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 confirm with 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 plan, 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 the 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 should not come from the reserves individual ministries.

3- Upgrading of current laws and regulations such as 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 to conducting revisions and auditing before disbursement. It will also relate to the administrative procedures pertaining to personnel affairs, such as recruiting, promotion, and training. 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 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 role 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.

C)Developing non-oil revenues through adoption of 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 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.**
- 3- The objective of imposing charges on basic public services provided by government should primarily be the nationalization 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- At the time of 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.**
 - C) Studying the different impacts of those 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 that amendment of procedures and systems to achieve this end.**
- 7- Investigating the possibility of collecting all fees and taxes through commercial banks. Appropriate mechanism 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 these committed to official working hours.**

>> 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 sector.**
- 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, s de determined at 1,500 M.n.O.R.**
- 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 revenue by 205 (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.**
- 7. To observe the currently specified maximum limit of the domestic and external public debt of 1,500 M.n.O.R. and not to exceed this limit.**
- 8. To prepare monthly reports regarding the transactions of the reserve fund, 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.**

>>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 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.**

Second dimension: Strengthening the government role in the field of basic services and reducing its role in the production of commodity 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 (defense, security, justice and judiciary, public administration, other basic services like education, health, infrastructure, and 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, working towards upgrading the efficiency of public utilities through introducing costing systems and performance control methods, and imposing some charges on the beneficiaries (taking into consideration the groups on social security and field 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 programme, the conducting of economic analysis 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 labor 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.

6- Conducting a comprehensive review of the mechanism and adopted for the promotion and motivation of private sector activities. This is in order to ensure their efficiency and also to adopt more efficient mechanism 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-dept 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.

Third dimension: Human resources development and upgrading the skills of Oman's to cope with technological advance with high efficiency:

Human resources development will be one of the most important dimensions of the sultanate's development strategy. Achievements of the future vision will depend, to a large extent, on the success in implementing the human resources development policies. The human resource development report includes detailed policies and mechanism 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 balances 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 labor market demands for different technical specializations.**
- 5. Adopting advanced systems fro technical education and vocational training that enable institution 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 Oman's. It is also necessary to train and qualify them according to the needs of the labor market.**
- 8. Increasing the share of the participation of woman in the labor market.**
- 9. Working gradually towards the elimination disparity between the public and private sector.**
- 10. Working towards increasing the cost of expatriate labor in line with the real cost to the national economy. This can be done by imposing additional charges on the recruitment of expatriate labor. This is expected to help in nationalizing and increasing the opportunities available to national labor.**
- 11. Creating an integrated information system concerning the labor market. Such a system should allow the designing, monitoring and evaluation of policies, and should provide the necessary informations for the 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 alternative for society to choose from.**

Forth dimension: Preparing conditions for the mobilization of economic diversification of the available national 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 the 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.**
- 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 16tcf), 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 sources.**
- 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 advances 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 infrastructure, particularly those contributing to the development of small-and-medium-scale enterprises, such as communications and information technology.**

There are also the requirements fro linking the Omani economy with the regional and international markets through international telecommunications and sea ports.

Fifth dimension: Development of private sector.

Most of the policies previously mentioned in this report, including the policies of diversifying the economic base, will certainly assist in strengthening to 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.

Those assets are represented by shares in companies and the assets of certain establishments. Considerations 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 council of ministers.

2. The observation of the basic principles 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 sectors activity, in particular those connected with the facilitation of investments 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 mechanism currently being adopted to encourage foreign investments, particularly in new activities and those involving technology transfers.

8. The development of the administrative and technical skills of Oman's in order to enable them to play leading roles in the private sector.

Sixth dimension: Raising the standard of the living of the Omani citizen and ensuring that all citizen benefits from he fruits of the development process. The government of His Majesty 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.

Seventh Dimension: Intensifying the linkage between the Omani economy and global economy:

Recent development 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 benefits 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, this enabling it to compete internationally, and upgrading the skills of the national labor 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.**

6.5: Quantitative and Qualitative 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. The following table 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 macro economic 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:

- 1.The approved policies and mechanisms for achieving the vision for Oman's Economic**
- 2.The analysis of available social and economic data, indicators and variables concerning previous years.**

Table No:(6.1)
The aforementioned features of Oman's Economy – Oman: 2020
% to GDP (1988 = 100)

Sr.NO	Detail	1995 %	2000 %	2020 %
1	Total Revenue	38.8	34.6	16
2	Total Expenditure	48.8	34.6	14
3	Deficit / Surplus	10.00	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	34.5	39.9	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 (%)				
	Item	1995-91	2000-96	2020
16	Gross Domestic Product	508	5.1	7.4
17	Non-Oil GDP	6.8	5.7	8.8
18	GDP per capita	0.02	1.0	3.8

Source: Long-term Development Strategy(1996-2000).

The aforementioned features of Oman's Economy, shown in the table No:(6.1) 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 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 30% 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 their 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 program 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 tradable, against those of the non-tradable. They will also strengthen the external balances, due to the changes in relative prices and the development of the real exchange.

6.6: The Vision for Human Resources Development :

6.6.1: Introduction:-

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 process. 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. Therefore; The first issue discussed the vision for human resources. The challenges facing human resources development provides a review of the policies and mechanisms that will be adopted in order achieve the approved strategy. 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”.

6.6.2: Challenges Facing Human Resources Development :

The significant improvement in the indicators relating to human resources development, . However , there are still some challenges facing human resources development and the achievement of the envisaged future are summarized below :

1. The low level of productivity of labour resources. The reluctance of Oman's to join certain professions and occupation 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 Oman's, 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 Oman's to join private sector.**
- 5. The 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 sectors working in different jobs and activities), especially those engaged in profession 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 rate of national income and government revenues.**

6.6.3: Human Resources Development Strategy (1990-2020) 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:

- 1. 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.**
- 2. Provision of health services and reduction of the rates of mortality and infectious diseases.**
- 3. Dissemination, encouragement, and patronage of knowledge and the development of education.**
- 4. Establishing a post-secondary and technical education 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 on economic fields.

5. 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.

6. Creating employment opportunities for Oman in public and private sectors, in addition to equipping them with training and qualifications that conform to labour market requirements.

6.6.4: Policies and Mechanisms Approved for Achieving the Vision for Human Resources Development, its Strategies and Dimensions

Thereof :

The following are the most important policies and mechanism necessary for each sub- sector of human resources that would enable achievement of the overall strategy of human resources development.

A. Policies related to Population :

It is intended that the authorities concerned establish a population policy as soon as possible , according to the current annual rate of growth which is estimated to be about 3.7%.

B. Policies related to Health Sector :

The future vision of the Omani Economy depends on many policies connected to health sector represented in the following:

1. Approaches adopted by other countries for the import of medicines through the private sector.

2. To increase in the number of beds to about 3 per thousand population, in addition to the improvement of health facilities.

3. To upgrade efficiency and limit the misuse of health services.

4. To increase the output of the various professions , specializations and the

adoption of self reliance in order to meet the needs for certain new specializations.

5. To upgrade and further the means of community participation in planning , implementation and follow up, including realizing some health services costs.

6. 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.

C. The policies Related to the 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.

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 favorably with the levels in advanced countries.

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. To approach specialized international organizations in order to ensure

achievement of desired levels. These organizations will undertake periodic evaluation of educational standards in the Sultanate relative to the countries with higher educational standards.

6. To encourage the private sector to assume a role in the education sector through Provision of easy term loans for the private sector for the construction of schools, institutes and intermediate colleges.

7. Encouragement of parents and guardians their sons and daughters in private schools, so as to reduce the pressure on government schools.

8. 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.

9. Development of a mechanism for private school.

D. Policies related to the Higher Education (Ministry of Higher Education):
Sultan Qaboos University:-

1. To continue the provision of free education at Sultan Qaboos University and review the specializations available at the university in order that priority shall be given to the specializations required by the national economy.

2. Since some of the university specializations are temporary and limited, a study is needed to determine the 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.

3. 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.

4. 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.

5. As regards Faculty of Sharia and Law.

- 6. 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.**
- 7. Allow affiliation to Sultan Qaboos University . This will have a positive impact in reducing pressures on educational institutions and the labour market.**
- 8. 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.**
- 9. 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.**
- 10. To complete operating the University Teaching Hospital.**
- 11. To provide technical and administrative training opportunities for the employees and technicians of the University.**
- 12. To continue the development of the university curricula in order to cope with the development process of the local and international community.**

Scholarships for Study Abroad :-

- 1. 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 no condition that the proposed specialization meets the requirements of the national economy.**
- 2. To facilitate affiliation and distance learning at accredited universities in order to obtain basic university degrees or to enroll in postgraduate studies.**
- 3. To allow the private sector to establish private colleges that award diplomas and higher diplomas, according to regulations and criteria set by the Ministry of Higher Education.**

Teacher Training Colleges :-

1. Meeting the national requirement for preparatory and secondary school male and female teachers through transforming the nine teacher's training colleges education 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.

2. Students enrolled in these colleges shall bear part of the cost of study. Exemptions shall be made for social security groups and their equivalent.

E. Policies related to the 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.

A. General National Vocational Qualifications (GNVQs):

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

National Vocational Qualifications :

-Omani National Vocational Qualification (ONVQs)

-British National Vocational Qualifications (NVQs)

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.

F. Policies of Employment in Public and Private Sectors :

One of the basic development object 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 Public sector.

A) The role of the Civil Service should concentrate on revising modernizing organizational skeletons for the Governmental organizations, and revising the valid rules and to develop according to the future vision for the Omani Economy (Oman 2020). This can be done through reducing the numbers of employees by encouraging long-time employees to request early –pension to establish regulatory rules for tests of new employment stating the priorities of Training and follow – up of executing the Omanization plan in public sector to achieve the target of 90% in year 2020.

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.

C) Extending the social security umbrella to include national labour involved in various activities and sectors.

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 healthcare, nutrition and housing for the workforce, since these factors contribute the productivity and the maintenance of stability.

G) Stressing the need to observe the Omanization 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 within the next few years , due to the graduation of thousands of Oman's available for employment in the private labour market, as shown in the table No:(6.2) . This is based on the estimates of national labour in both sectors.

**Table No.(6.2)
Distribution of National Labour in the Public and private Sectors**

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

Source: Long-term Development Strategy(1996-2000).

- I) Endeavoring to bring nearer the differences between the public and the private sectors to encourage Oman's to join private sector, through good salaries, leaves work hours, and pension systems.**
- 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 Oman is 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 Oman's 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) 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.

6.7: The Vision for Economic Diversification:

6.7.1: Introduction:-

The vision 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 export 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.

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

The move from an economy based on a mono depletable 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 :

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 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 follows :

a. Developing the private sector and enhancing its role in the national economy.

- 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.**
- d. Developing industries which depend on domestic resources, with special priority to be given to gas, and focusing on the following industries**

Second Dimension : Export Led Diversification Strategy .

This strategy focuses on industries that are oriented towards 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.**

Third Dimension : Strategy for Small and Medium Scale Enterprises.

The Sultanate of Oman has concentrated on developing the small and medium size establishments according to its economic vision to enable the private sector to play its role in this context , the Government adopted the following policies.

- 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.**

Fourth Dimension : Intensification of National Economy's Integration with

scale 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 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.**

Fifth Dimension : Adopting a Strategy of the Transfer 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 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 those services.**

- 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.**

Sixth Dimension : Creating a suitable Macroeconomic Climate for the Development of Tradable Production Sectors:-

The creation of a macroeconomic climate suitable for the development of tradable 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.**

Seventh Dimension : Development of an Efficient and Competitive Private Sector:-

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.

Eight Dimension : Developing and Qualifying of Human Resources .

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 cadres 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.

Ninth Dimension : Development and Conservation of Water Resources :

The optimal balance between the agriculture 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.

The Government has adopted many policies to manage demand on water according to the Sultanate water position some of these policies are to limit the overs cultivated with grass, and other plants that need great quantities of water , also limitation of long life plants, and concentrating on seasonal agriculture, and using of modern irrigation system, and at last, the expansion in water fields protected overs for spare these overs from pollution and exhaustion .

2. Management and Development of Water Resources :

A. To continue the programmers 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.

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 group water quality monitoring programmes and to appropriate legislative and executive measures for the reduction ground water pollution resulting from sewage treatment, industries commercial and agricultural wastes.

H. To further the private sector drive towards the establishment and operation of hydrological projects, such as desalination plants, and distribution networks for the use of treated water.

6.8: The Vision for the Private Sector Development :

6.8.1: Introduction:-

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:-

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

6.8.2: 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.

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 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 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 appropriate environment for promoting the private sector role in all economic activities.

Sixth Dimension : To upgrade the infrastructure.

Seventh Dimension : To develop human resources.

Since the dawn 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 this, 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 maintenance of foreign private sector ownership, and the refusal to resort to nationalization in the oil sector and the financial organization, 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 formed about 50% of the local capital formation sector.