

9<sup>TH</sup>  
**FIVE YEAR  
PLAN** 2016-2020

**Special Issue on Economic Diversification Sectors  
In the 9th Five-Year Development Plan  
(2016 – 2020)**



Manufacturing



Tourism



Transport & Logistics



Mining



Fish Wealth



### **His Majesty Sultan Qaboos Bin Said**

“Development is not a goal in itself. Rather, it exists for building man, who is its means and maker. Therefore, development must not stop at the achievement of material wealth and a diversified economy. It must go beyond that to contribute to the formation of the citizen who is capable of taking part in the process of progress and comprehensive development. Such goals can be achieved through the improvement of the citizen’s technical and professional ability, the stimulation of their creative and scientific capabilities, and the improvement of their diversified skills. All this must be directed towards serving the country and achieving the happiness of all citizens.”

**From the Royal Speech of His Majesty Sultan Qaboos Bin Said, Sultan of Oman, on the occasion of the “Conference on Oman’s Economy-Vision 2020” June 1995.**

## Preamble

### Strategic Direction of the 9th Five-Year Development Plan (2020-2016)

THE definition of five promising sectors for economic diversification as a strategic direction of the 9th Five-Year Development Plan (hereafter referred to as 9th Plan) represents a natural progression of the nation's development achievements accomplished since the dawn of the blessed Renaissance in the previous decades. Diversification as a goal has continually been a mainstay in the successive development plans. The dominance of the oil and gas sector within the national economy- particularly in light of the rise in oil prices- led the diversification objective to be linked, directly and indirectly, to this sector and also with government expenditures, which are effectively dependent on oil revenues.

The formulation of the 9th Plan coincided with a new downturn in global oil prices. The bottomed out rate at the beginning of the Plan in January 2016 reached about (%70) compared to the prices prevailing before the mid of 2014. In spite of a rise in oil prices since the end of November 2016, though, the diversification objective has remained a strategic direction as a precaution against fluctuations in future global oil prices.

As fluctuation in oil prices is a feature of global markets, the Plan adopted a paradigm shift in approach that is based on diversification of revenues sources so that the public revenues do not depend solely on one source, which is the oil. Accordingly, five promising sectors were selected to contribute as drivers for national economic growth, which are: Manufacturing, Transport and Logistic Services, Tourism, Fisheries and Mining. The selection was based on sectors' potential capabilities, and in which sectors the Sultanate has a competitive advantage. This has not meant neglecting other productive sectors – particularly Agriculture, Construction and Trade, etc. – but the target has been to increase the value added to the potential wealth of the Sultanate in the most efficient manner. In addition, there are other enabling sectors featured in the 9th Plan – Education, Health, Information & Communication Technology – which contribute

indispensable support to the sustainable development process.

From this standpoint, Royal Decree No. (2016/1) promulgating the 9th Plan stipulated maintaining an annual real GDP growth rate not less than (%3), which will have positive impact on citizens' living standards, requires "diversification of growth sources to contribute in lessening the dependence of the national economy on a single source, which is the oil, through developing the other promising sectors by optimal exploitation of natural resources, and utilizing the distinguished geographic location of the Sultanate and existing infrastructure". Of the most important directions of the 9th Plan is the acknowledgement that the success of the proposed plans, policies and programmes is subject to the design and implementation of a solid strategy to be executed in reality. This idea was translated into the initiation of the national programme for enhancing economic diversification "Tanfeedh" ("Implementation" in Arabic). The programme achieved a Royal blessing to give strong impetus for the shift from planning to implementation. In support of establishing the institutional frameworks for the follow-up and implementation process, Royal Decree No. (2016/50) was promulgated establishing the Implementation Support and Follow-up Unit (ISFU) reporting to the Minister of the Diwan of the Royal Court.

This booklet represents one of a series regarding the 9th Plan. It concentrates on one of its important aspects, which is economic diversification in a summarized format. A detailed book shall be issued regarding the national programme for enhancing economic diversification "Tanfeedh" so as to present a thorough record of this new improvement to the planning and implementation process. As we present this brief booklet we pray for Almighty it shall contribute in translating His Majesty Sultan Qaboos bin Said's directives.

The General Secretariat  
Supreme Council for Planning

# Contents

Introduction	6
<b>Chapter One: Economic diversification: The strategic direction of the Plan.</b>	<b>10</b>
Inevitability of diversification	11
Concept of diversification	17
<b>Chapter Two: Macroeconomic framework of diversification</b>	<b>22</b>
Diversification and structural change: Non-oil sectors contribution	24
The strategical sectors as sources for GDP growth	29
Diversification and stimulation of local and foreign investment	31
Diversification and provision of work opportunities	36
Diversification and exports development	40
<b>Chapter Three: The promising sectors: Challenges and opportunities</b>	<b>44</b>
Manufacturing: Growth engine	48
Transportation and Logistic Services: The Sultanate distinguished strategic location (The eastern gateway for the growth centers in Asia).	48
Tourism: Environment diversity and political stability.	50
Fisheries: 3126 km of Omani coasts.	50
Mining: The potential wealth as a basis for the local value added maximization	51
<b>Chapter Four: Big and fast results</b>	<b>52</b>
From planning to implementation	53
The national programme for enhancing economic diversification "Tanfeedh".	54
<b>Epilogue: Diversification: A path for shifting to a better future</b>	<b>62</b>
Inevitability of diversification	63
Towards a national strategy for economic diversification	66

## Table of Figures

<b>Figure (1)</b> Fluctuations in oil price (main driver of Omani economy)	11
<b>Figure (2)</b> Oman: Population projections according to the different scenarios (2040-2015)	14
<b>Figure (3)</b> Oman: Youth Bulge phenomenon	15
<b>Figure (4)</b> Comparing public expenditures with public revenues of State during (2015-2000).	16
<b>Figure (5)</b> Necessity of diversification of growth sources (Economic diversification and broadening the production base)	26
<b>Figure (6)</b> Development of GDP and its constituents during (2040-2015) in current prices	27
<b>Figure (7)</b> Relative share of economic sectors in the annual growth rates	31
<b>Figure (8)</b> The national strategy for employment: Targeting the middle groups of the employment pyramid Distribution of the expatriate workforce by professional groups in 2015	39
<b>Figure (9)</b> Oman: exports diversification index	41
<b>Figure (10)</b> Oman: economic complexity index	43
<b>Figure (11)</b> Targets of the promising sectors in the 9th Plan	46
<b>Figure (12)</b> Challenges of the promising sectors in the 9th Plan	47
<b>Figure (13)</b> Progress of the Sultanate in the six indices comprising the general index of logistic performance during (2016-2014)	49
<b>Figure (14)</b> Sectors targeted in Tanfeedh: (3) Economic sectors and (2) enablers	55
<b>Figure (15)</b> Description of the Labs	56
<b>Figure (16)</b> Stages of implementing the labs	57
<b>Figure (17)</b> Tanfeedh Investments by sector (R.O million)	60
<b>Figure (18)</b> Tanfeedh Eight (8) Step Methodology	61

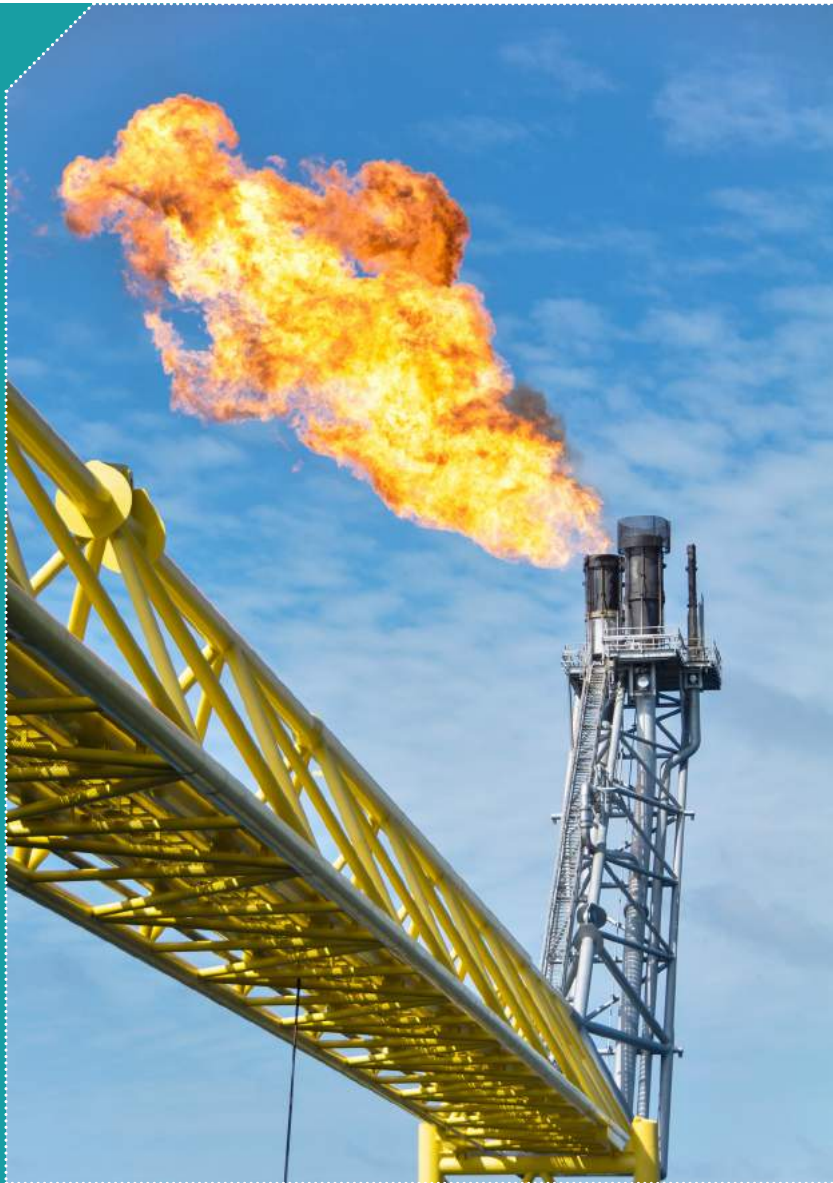
## List of Tables

<b>Table (1)</b> Dependency on oil revenues in GCC States	25
<b>Table (2)</b> Development of GDP and its constituents during (2040-2015) (in current prices).	28
<b>Table (3)</b> Estimates of GDP balance through the 9th Plan years (in constant prices 2010)	30
<b>Table (4)</b> Estimates of anticipated investments in the strategic sectors from public and private sectors	32
<b>Table (5)</b> Workforce requirements during the 9th Plan Sectoral distribution of workforce 2015 and 2020 (%)	38



## Introduction

In response to the challenges imposed by the continuous slump in global oil prices, the 9th Plan (2020-2016) was based on strategic direction aimed at establishing diverse economic pillars in the medium-term. This direction included four integrated dimensions:



In response to the challenges imposed by the continuous slump in global oil prices, the 9th Plan (2020-2016) was based on strategic direction aimed at establishing diverse economic pillars in the medium-term. This direction included four integrated dimensions:

- Achieving a GDP growth rate that maintains the improvement in citizens' living standards.
- Achieving the shift to a diversified economy.
- Achieving financial soundness through continual support of investment and rationalizing expenditures.
- Improving the investment climate and overcoming obstacles that confront the private sector in doing business.

The IMF report (Regional Economic Outlook Update – April 2016) emphasized that there is an urgent need to decrease dependence on oil. “With increasing weakness in growth prospects in the medium-term as result of the decline in oil prices, the need becomes more pressing for decreasing the dependence on oil. It is not possible to continue using the current growth model in redistributing resources by the government, due to the deflation of public finances and the rapid expansion of the labour force, and in light of the pressures on the budget, the public sector will not be able to absorb all new entrants to the labour market. Thus, the deepening of structural reforms is necessary to support the diversification of activity and growth of non-oil sectors so as to create work opportunities for the growing workforce”.

“Also, the creation of work opportunities and achieving growth in oil exporting countries in the region shall result in important positive repercussions for their commercial partner countries, which will benefit from trade growth and worker remittances. This will require the introduction of more improvements in the



business environment, decreasing the gap in wages between the private and public sectors, and increasing compatibility between education curricula and skills needed by the markets. The privatization of the government-owned establishments can increase productivity and efficiency. The Sultanate and Kingdom of Saudi Arabia, as an example, announced their intention to privatize a selected group of State assets”.

The report documented the deep reforms carried out by the GCC States, including the Sultanate, “to improve the medium-term prospects and facilitate economic diversification. The policy makers’ determination in most countries is increasingly to take a proactive approach to solve these challenges imposed by the oil price recession”. This was reflected in the acts of reducing expenditures and increasing revenues in the GCC States, which reached (%7) of the GDP in 2015 and increased to (%13) in 2016”.

In this context, and in response to these challenges, the 9th Plan was based on strategic directions aiming to establish medium-term diverse economic pillars that pave the road for achieving sustainable development in the framework of a Vision extending till 2040. These directions included three integrated dimensions:

- Launching the 9th Plan that achieves the shift to a diverse economy. Work was commenced for implementation of the Plan by promulgation of Royal Decree (2016/1).
- Completion of the investment map of Sultanate of Oman.
- Improvement of the investment climate and overcoming the obstacles facing to doing business, so as to:

- Improve the non-oil sectors' share in GDP.
- Creation of work opportunities for the national workforce.
- Attraction of local and foreign investments.

The IMF report, regarding the economic diversification which was submitted to the Arab finance ministers in April 2016, indicated "Achieving more economic diversification shall ensure the ability to provide work opportunities and empower the economies to confront fluctuations in oil prices, which will contribute to the improvement of future generation's conditions. Also, diversification will lead to the broadening of the production base, and hence the government resources, which shall lessen the dependence on oil revenues and enable the economy to absorb and deal with external shocks".

This booklet presents a summary of the economic diversification dimension in the framework of the 9th Plan. The first chapter explains the main reasons that make the diversification objective an inevitable direction for the Plan. It also gives a definition of the diversification concept in its broad meaning, which is not restricted to the change of the sectoral structures, but includes the required production, financial, and employment structural shifts. The second chapter tackles the participation of the diversification sectors in achieving macroeconomic growth. The third chapter gives a brief summary about the five promising sectors and the challenges they confront currently and their objectives in the 9th Plan. The fourth chapter focuses on the national programme for enhancing economic diversification "Tanfeedh" as it is considered the new mechanism for assuring the implementation of the Plan's objectives in reality. The booklet concludes by indicating that economic diversification as a strategic direction of the 9th Plan is to pave the way for a shift to a better future for the Sultanate.

# Economic Diversification: The Strategic Direction of the Plan

## Chapter One

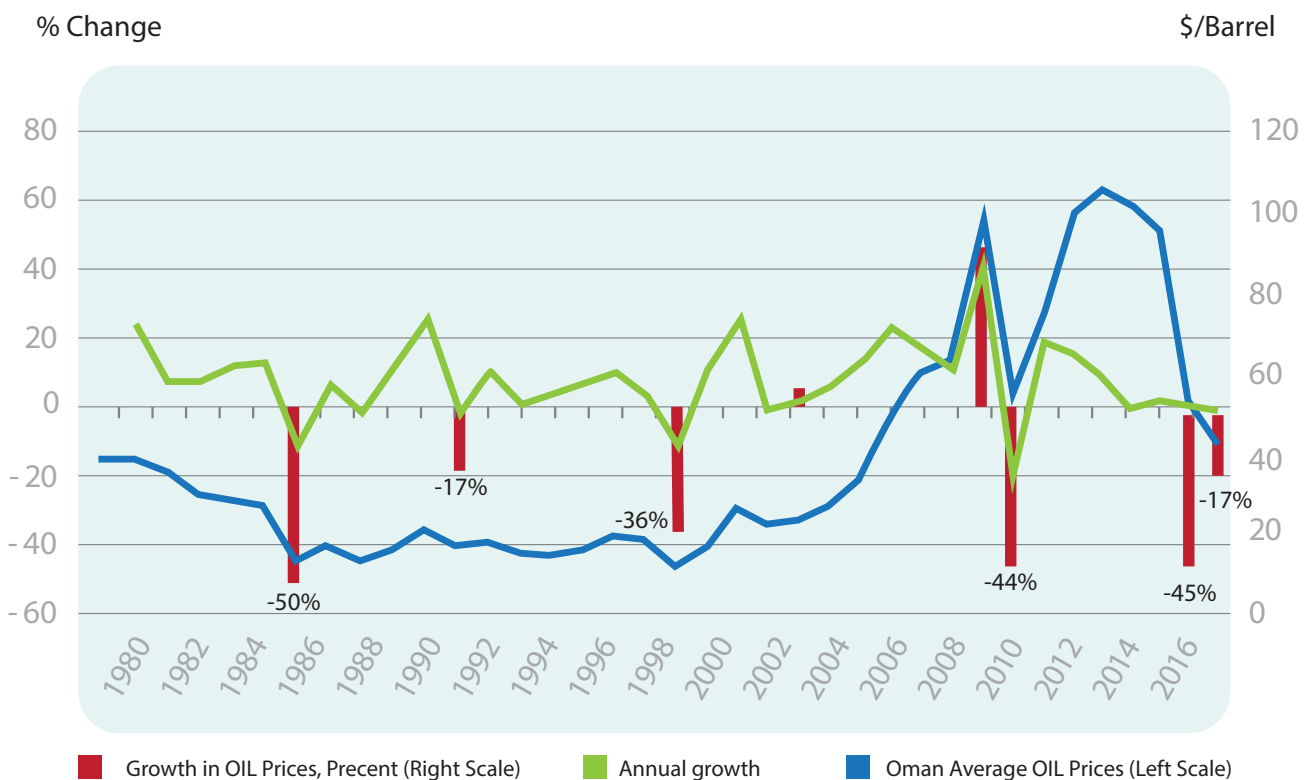
The global oil prices witnessed a new wave of downturn which started in mid of 2014 and still continuing. The decrease reached about (%70) during the period. This change, which exceeded the fluctuations witnesses by the oil producing countries since the eighties of the last century ...



**First: Inevitability of diversification: Response to the challenges imposed by the fluctuations in oil price.**

The global oil prices witnessed a new wave of downturn which started in mid of 2014 and still continuing. The decrease reached about (%70) during the period. This change, which exceeded the fluctuations witnesses by the oil producing countries since the eighties of the last century, had a wide impact on the economic growth and the public finance statuses in these countries (Figure 1). Regardless of the increase or decrease in the global oil prices, the Sultanate’s strategic direction (as the other GCC States) should be based on reducing the dependence on oil as a prime source for growth through activating the economic diversification policies aiming to develop revenues’ sources provided by the promising sectors.

**Figure (1)  
Fluctuations in oil price (Main driver of Omani economy)**



The objective of economic diversification has been and continues to be a major pillar in all the economic development plans since the dawn of the Renaissance. This objective acquired a greater importance in recent years especially with the fluctuations in global oil prices, which led to a reduction in the available resources for economic and social development. Accordingly, one of the main dimensions of the 9th Plan is the necessity to diversify government income sources through development of the promising sectors so that the Omani economy does not rely solely on one source, which is the oil.

In this context, Royal Decree No (2016/1) for the promulgation of the 9th Plan stipulated maintaining an annual real growth rate in GDP of not less than (3%), which will reflect positively on the living standards of citizens. This requires "diversification of growth sources that will contribute to reducing the dependence of the national economy on a single source, which is oil, by developing the other promising sectors through the optimal exploitation of natural resources, and utilizing the distinguished geographic location of the Sultanate and existing infrastructure".

The inevitability of diversification is needed not only because of the fluctuation in oil prices, though important, but also due to the necessity to upgrade the existing growth model in the Sultanate, as in the rest of the GCC States, which are known as rentier economies where exports and national revenues are concentrated on one natural resource commodity, which is oil and gas and the activities related to it, and there is a shortage of growth of other income sources. This growth pattern leads to focusing on sectors that produce non-tradable products internationally such as construction, building and internal trade, which is known as Dutch-disease. This production pattern in the GCC States is associated with an operational structure that encourages the concentration of the national workforce in government employment, relying in the private sector on low-skilled, low productivity expatriate workforce. The evaluation of the successive Five-Year Plans revealed that the change of

this production pattern represents the primary challenge for continued growth over the long and medium term. International expertise indicates that comparable world studies emphasized “there is strong link between economic diversification and sustainability of growth” (IMF report on economic diversification in GCC States: past, present and future, December 2014).

Accordingly, the 9th Plan targeted responses to these challenges through four main shifts which are:

- **Shift in the structure of the Omani economy** from one depending primarily on one source, which is oil, to a diversified economy by broadening the production base to strengthen the promising sectors in which the Sultanate has a clear comparative advantage.
- **Shift in growth drivers** through empowering local and foreign investment to take a leading role and promoting partnership between the public and private sectors, along with government working to create a supportive climate for growth of an economy capable of competition.
- **Shift in the management of public finances** to be more effective and disciplined by rationalizing expenditures and increasing non-oil revenues.
- **Shift in the labour market structure** by creation of a paradigm shift in qualifying the unemployed, particularly youth, to undertake a key role in shifting from government work to productive self-employed entrepreneurship and private sector work.

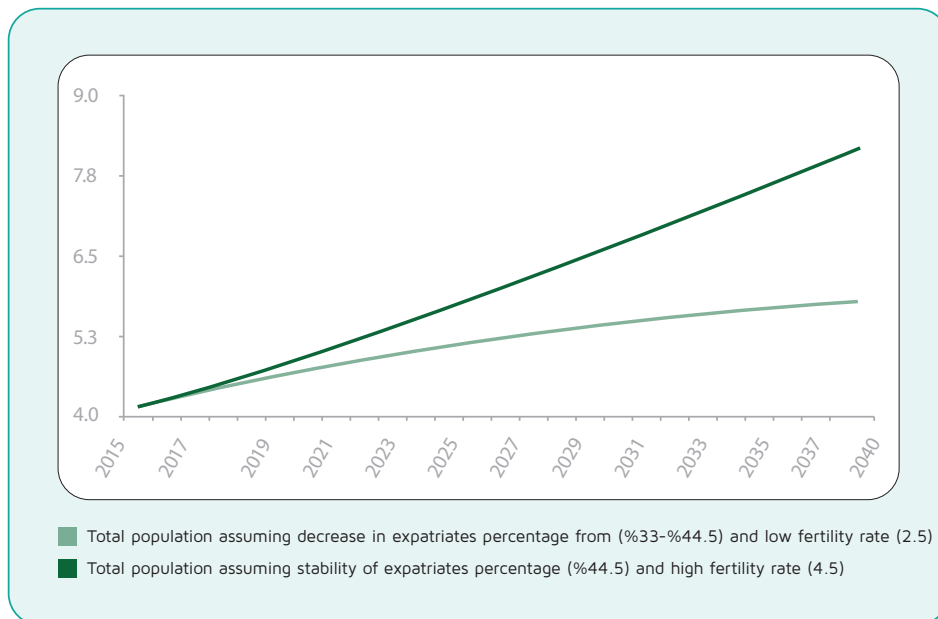
**In this framework, the inevitability of the strategic direction for diversification is also imposed by other factors beyond the fluctuations in oil prices, the most important of which are:**

- 1 The demographic challenge:** The objectives for the continuity of economic growth and sustainability of fiscal stability become more urgent due to the dynamic demographic changes expected in the Sultanate in the coming



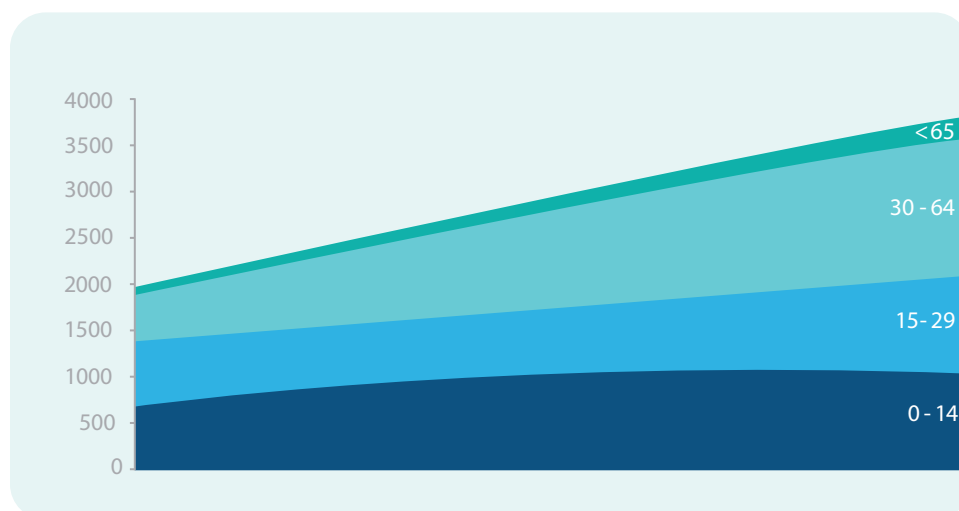
three decades. These are characterized by two important phenomena: **The first phenomena is population growth.** The population in the Sultanate will increase from (4.4) million in 2016 to (5.7) million in 2040 as per the estimates of the National Centre for Statistics and Information (NCSI) assuming a continued decline in total fertility rate to (2.5) and reduction of the expatriate population to %33 as a percentage of the total. A second scenario assumes a total fertility rate increase to (4.5) and stability of the expatriate population at its current proportion (%44.5) of the total population; in this scenario it is anticipated that the Sultanate population will reach (8.1) million in 2040, an increase of (4) million compared to 2015.

**Figure (2)**  
**Oman: Population projections according to the different scenarios (2040-2015)**



**The second phenomena is the development of the Youth Bulge**, whereby an increase in birth rate (including reduction in child mortality rate) resulted in an influx of young people into the population structure. These youth are now entering the labour market in the form of large consecutive batches that may exceed the capacity of the national economy to provide sufficient work opportunities. This phenomenon will continue till the demographic shift occurs where the percentage of children of less than (15) years in age is less than (%30) of the population. Also, the percentage of the population age (65) years and above is less than (%15). This will create what is known as the “demographic gift” manifested in a young workforce and decrease in the the dependency ratio. This will liberate economic resources for investment and growth (Figure 3). The benefit from this gift does not happen automatically but requires a package of economic and social policies to achieve the benefit from this demographic shift.

**Figure (3)**  
**Oman: Youth Bulge phenomenon**



Source: Data from the National Centre for Statistics and Information (NCSI).

**2 The steady increase in current expenditure:** In analyzing the relationship between public expenditures and revenues during the period (2014-2000), the State public expenditure increased steadily with the increase in oil revenues which forms more than (%80) of total revenues during the period. This shows how the decline in the oil prices since mid of 2014 led to the increase in public expenditures over the revenues (Figure No 4), which confirms that the government relied totally on oil revenues. This direction continued despite the danger of dependence on non-renewable oil resources and considering the sharp fluctuations in global oil prices.

**Figure (4)**  
**Comparing public expenditures with public revenues of State during (2015-2000)**



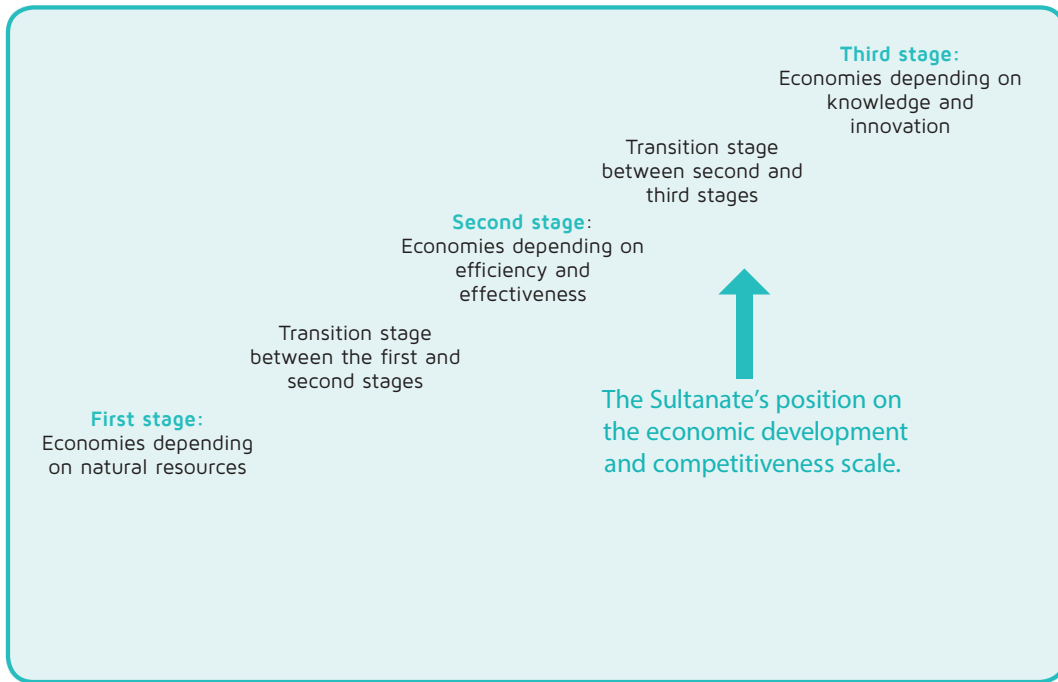
Source: Data from the National Centre for Statistics and Information (NCSI).

The government also expanded current expenditures relying on a steady increase in oil revenues in response to meeting employment needs of the unemployed job-seekers, which led to current expenditures increasing at rates that exceeded revenue growth without precaution for fluctuations in oil prices, which is the primary source for the State General Budget. The continuous increase in current expenditures without a similar growth in non-oil revenues led to a gap, which demonstrates the increased dependence on oil revenues to cover current expenditures, and increased the sharpness of pressures on public finances. This strengthened the importance of the strategic directions for diversification of national income sources.

### **Second: Concept of diversification:**

The concept of diversification in the 9th Plan exceeds simply a change to the sectoral structure for production, by focusing on sectors in which the Sultanate enjoys a competitive advantage, and including in addition to this, a group of shifts that target the change in the production structure and that required to develop an employment pattern balanced between national and expatriate workforce. All this requires focusing on the elements of financial soundness to ensure the rationalization of expenditures that characterize the rentier economy, in order to focus on investment in production sectors and human resources.

Therefore, the diversification process will lead to a paradigm shift in the development of the Omani economy moving along the path from an economy depending primarily on extraction of raw materials to an economy based on efficiency and effectiveness, and passing the transitional phase that leads to an economy that relies on knowledge and innovation. According to the Global Competitiveness Report issued by the World Economic forum (Davos) in 2017, the Sultanate occupies the transition phase between the second level (efficiency and effectiveness economy) and the third level (knowledge and innovation economy). The last stage is the highest level in economy development based on competitiveness. The following figure illustrates the development stage on the scale of economic development and competitiveness.



### The vertical and horizontal deepening

Accordingly, economic diversification and broadening of the production base were defined as strategic directions for economic growth in the Sultanate considering the varying conditions of global oil markets, and necessity for shifting from an economy depending on a single commodity, which is oil, to developing other sectors as sources for growth. The policy of economic diversification in the Sultanate is linked – as in other countries depending on non-renewable resources such as oil – to creation of wide positive changes in the national economy structure through development of non-oil activities. This is enhanced by the Omani economy’s particularities characterized by diverse natural resources and its distinguished strategic location. The diversification policy aims, observing its traditional sources of income, at focusing on promising sectors

in which the Sultanate has a clear comparative advantage. The diversification plan starts with removing the obstacles that limit exploitation of the diversification and growth potentialities of the promising sectors. This requires:

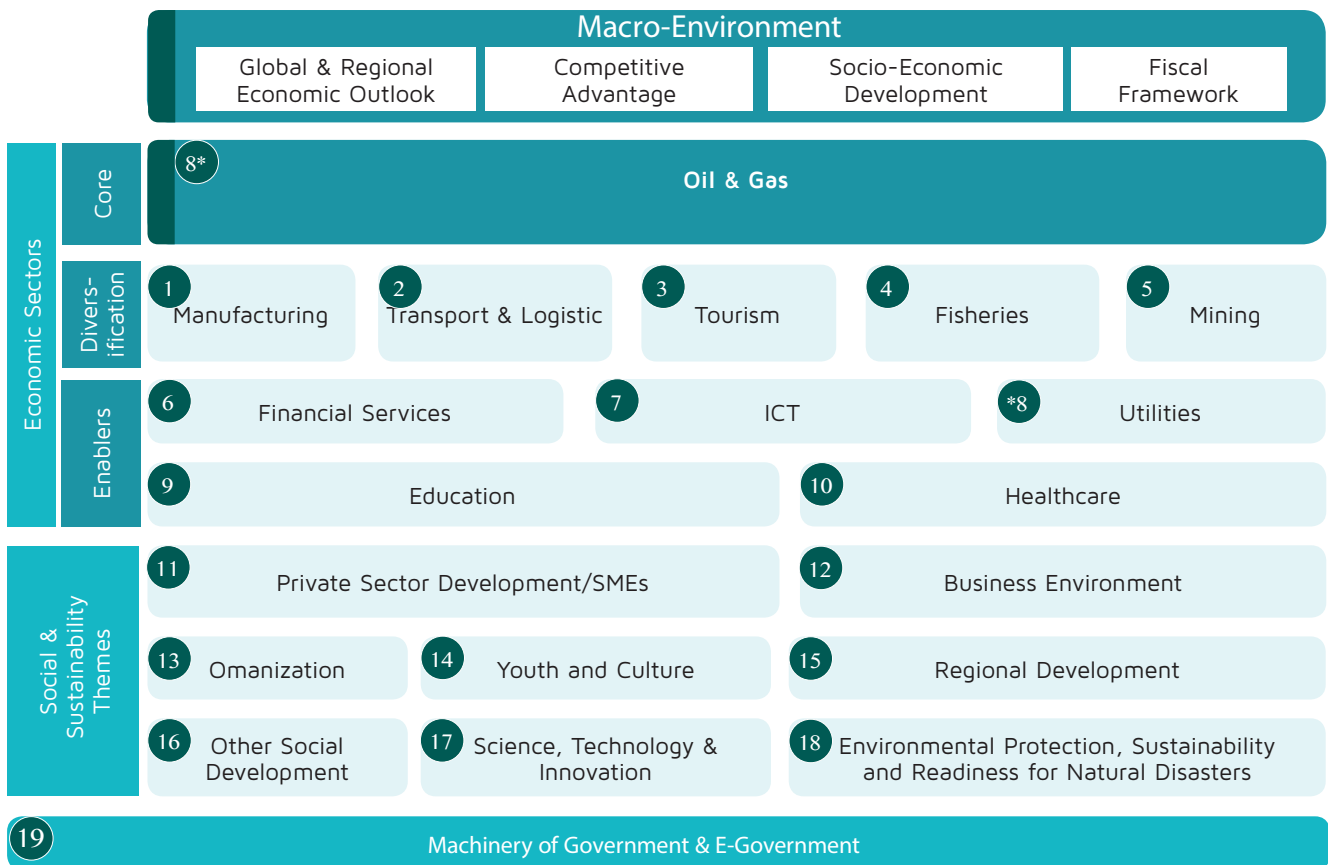
- Optimal exploitation of disposable natural resources, utilization of the distinguished strategic location of the Sultanate close to global economic growth centres, and working to recycle financial surpluses from the oil sector to finance infrastructure projects such as ports, airports and highways that promote the logistical position of the Sultanate.
- Enhancing a sustained and diverse economy: **Vertically** through maximizing local value add of oil and gas commodities to produce more higher value products, and **Horizontally** by awarding priority for promising sectors which are:
  - Manufacturing.
  - Transport and Logistic Services.
  - Tourism.
  - Fisheries.
  - Mining.
- Increasing the share of non-oil exports in total exports.
- Building on progress achieved by the Sultanate to strengthen the links between the Omani and other global economies.

### **The promising sectors: Selection criteria**

During the formulation of the 9th Plan, study and analysis of (19) sectors, including supporting social and economic enablers, was carried out. Through these sectors, the value added of oil and gas is maximized. From these sectors, (5) promising ones were focused on to be developed as shown in the following figure:



The Plan’s formulation depended on analyzing (19) sectors and their supporting economic and social enablers:



\*Oil & Gas and Energy sectors have been combined

The five economic diversification sectors were selected in accordance with the following criteria:



## Chapter Two

The Sultanate's economic diversification strategy is based on lessening the dependence of the national economy on oil, in revenues and in terms of exports, i.e. production of alternate locally developed products ...



## Macroeconomic framework for diversification

The Sultanate's economic diversification strategy is based on lessening the dependence of the national economy on oil, in revenues and in terms of exports, i.e. production of alternate locally developed products to broaden the production base in order to create sustainable economic development and a diverse economy that will reduce repercussions of external shocks resulting from global oil price fluctuations. This requires reviewing economic diversification policies and amending them, taking into account accomplishments from the previous development plans in the areas of infrastructure and logistic services, particularly ports, airports and transport services. This is in addition to the unexploited available natural resources, and benefiting from the distinguished geographic location of the Sultanate as a gateway to the emerging economies in East Asia and Africa and as an entrance to the Gulf region countries. Vertically, the economic diversification strategy focuses on increasing the value added from oil and gas locally, and horizontally, by giving priority to the promising economic sectors where the Sultanate has a competitive advantage in order to benefit from these factors. It is possible to rely on these sectors to contribute to increasing exports, non-oil revenues and providing suitable work opportunities for citizens.

The other dimension of the economic diversification strategy included in the 9th Plan lies in engendering a private sector distinguished by effectiveness, competitiveness, and the optimal use of human and natural resources of the Sultanate so as to contribute to the economic diversification process through investment in the promising and productive economic sectors.

#### **Diversification and structural change: Non-oil sectors contribution**

The Sultanate has achieved great strides in the development of the non-oil sectors and increasing their share in total revenues and exports. Table No (1) indicates the progress in the efforts of diversification in the Sultanate compared to other GCC States. The oil exports ratio to total exports has declined from about (%77) in the 6th Five-Year Plan (2005-2000) to (%47) in 2015. Also, the revenues from oil to total fiscal revenues decreased from (%83) to (%78) during the same period.

**Table (1)**  
**Dependency on oil revenues in GCC States**

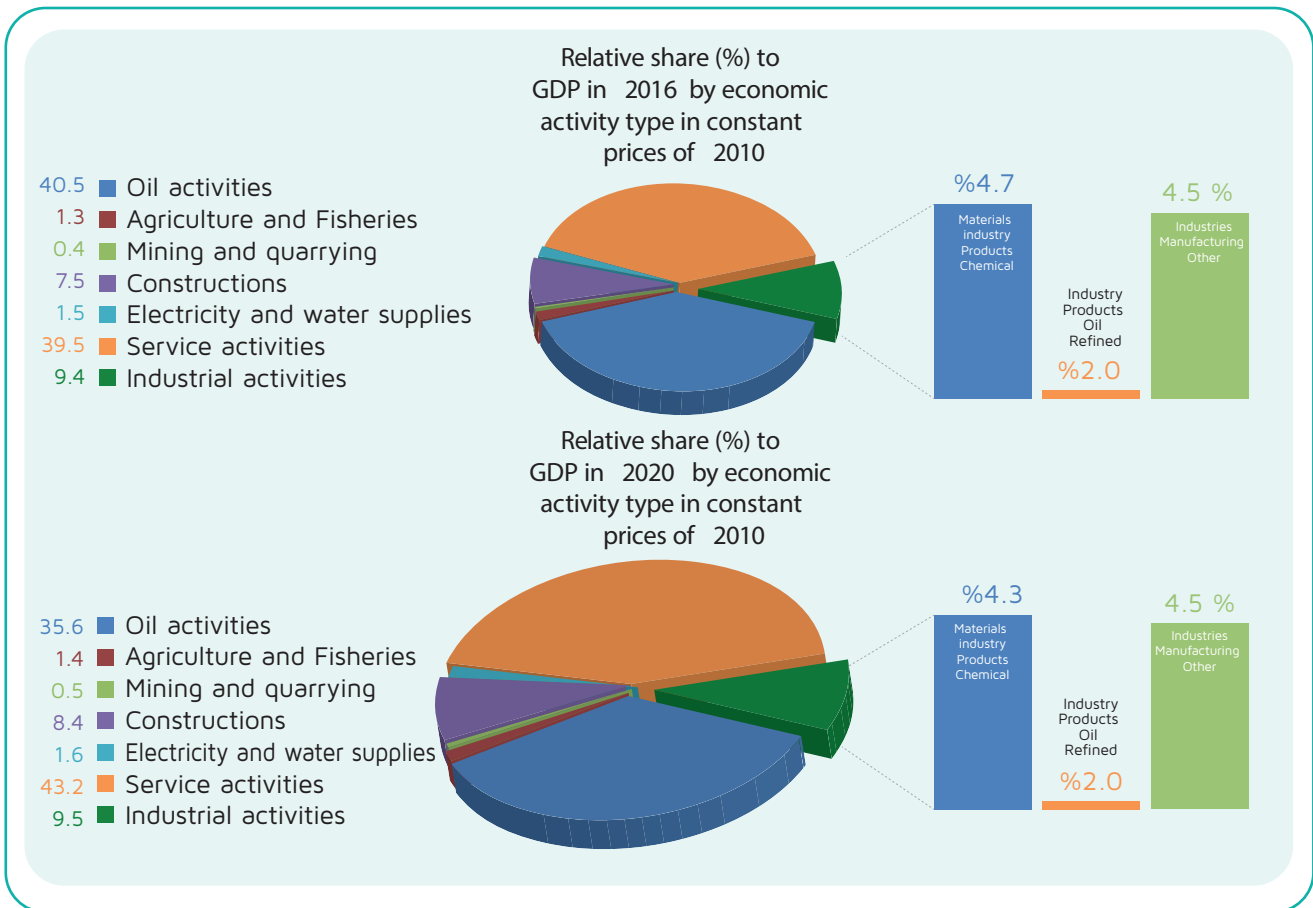
	2005-2000	2010-2006	2014-2011	2015
<b>Oil exports ratio to total exports</b>				
Emirates	45.0	38.7	32.6	17.7
Bahrain	58.5	60.5	65.1	44.4
<b>Oman</b>	<b>76.9</b>	<b>69.4</b>	<b>64.3</b>	<b>46.8</b>
Saudi Arabia	83.4	83.1	83.0	73.1
Qatar	88.5	85.9	88.9	77.9
Kuwait	82.7	80.5	87.6	80.1
<b>Oil revenues to total fiscal revenues</b>				
Emirates	60.2	65.1	69.9	48.7
Kuwait	72.7	79.2	83.8	70.1
Bahrain	71.7	82.2	87.2	72.2
<b>Oman</b>	<b>83.4</b>	<b>83.4</b>	<b>88.7</b>	<b>78.1</b>
Saudi Arabia	82.8	88.3	90.3	80.1
Qatar	90.5	88.3	90.5	84.0

Source: IMF



Accordingly, it is expected that oil’s share in total GDP in current prices will decrease from (%44) during the 8th Plan period (2015-2011) to reach (%30) during the 9th Plan. Also, it is anticipated that the average share of natural gas activities will decrease to (%2.4) during the 9th Plan period against (%3.6) as an average of its share during the 8th Plan. These estimates are in line with the main economic objective of the Sultanate, which is to diversify economic activities away from the oil sector. These assumptions reflect the application of targeted sectoral policies that are reflected in the sectoral changes in constant prices as shown in the Figure No. (5):

**Figure (5)**  
**Necessity of diversification of growth sources**  
**(Economic diversification and broadening the production base)**



It is expected that this trend will continue, especially with continued global fluctuations in oil prices during the 9th Plan period. Assuming the continuance of this trend including the deepening of economic diversification through development of the five promising sectors and their achieving the targeted growth rates in the Plan, some long-term outlooks indicate the possibility that the non-oil activities share in GDP will reach (%89), whereas the oil activities shall represent (%11) by 2040 (Table 2) and Figure (6)

**Figure (6)**  
**Development of GDP and its constituents during (2015-2040)**  
**(In current prices)**



**Table (2)**  
**Development of GDP and its constituents during (2014-2015)**  
**(In current prices)**

	Estimates of the 9th Plan											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
GDP in current prices	26.850	25.038	27.685	29.000	31.239	32.792	34.311	35.923	37.543	39.310	41.265	
Growth rate of GDP in current prices (%)	13.8-	4.5-	10.5	4.7	7.7	4.9	4.6	4.7	4.5	4.7	5.0	
Real GDP	27.652	26.968	27.684	28.510	29.403	30.330	31.089	31.870	32.625	33.474	34.428	
GDP of non-oil activities in current prices	19.171	19.890	21.009	22.314	23.778	25.321	26.732	28.206	29.689	31.320	33.139	
GDP of oil activities in current prices	9.157	6.833	8.369	8.369	9.168	9.187	9.302	9.445	9.589	9.733	9.876	

Source: Estimates from the Oman macroeconomic model

- Figures of 2020-2016 are the estimates in the 9th Plan. As for 2021 to 2040 represent preliminary estimates based on assumptions of probable prices of oil and non-oil sectors growth chances.
- Base annual growth rate (2015) computed based on actual figures of 2014

Preliminary estimates

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
43.431	45.732	48.216	50.977	53.928	57.083	60.459	64.071	67.939	72.081	76.521	81.280	86.384	91.861	97.739
5.2	5.3	5.4	5.7	5.8	5.9	5.9	6.0	6.0	6.1	6.2	6.2	6.3	6.3	6.4
35.498	36.623	37.833	39.188	40.621	42.137	43.739	45.435	47.230	49.129	51.140	53.269	55.523	57.912	60.443
35.169	37.334	39.682	42.309	45.125	48.146	51.386	54.864	58.597	62.605	66.910	71.535	76.505	81.847	87.591
10.020	10.164	10.307	10.451	10.595	10.738	10.882	11.026	11.169	11.313	11.457	11.601	11.744	11.888	12.032

**The strategic sectors as sources for GDP growth**

Launching from observance of deepening the economic diversification process in the Sultanate, the development of the promising sectors is targeted while at the same time the role of the private sector in the economy will also be substantially expanded, to contribute to increasing non-oil exports, to achieve an increase in rates of employment of the national workforce, and to maximize the local value added for the potential wealth in the Sultanate. The sectoral estimates indicate that the non-oil activities shall grow, in constant prices, during the Plan years, by increased and sustained rates that will exceed oil activities growth rates. It is expected that the non-oil activities will grow from 2020-2016 by about (%4.3) while it is estimated that the oil activities (in real prices) shall witness a limited increase of (%0.2) in average. These estimates reflect a stability in the value of crude oil production while it is expected that the growth of natural gas production will continue during the Plan period. As for the non-oil activities, it is expected that there shall be a disparity in sectoral activities rates during the Plan due to the Plan’s focus on development and improvement of certain promising sectors (Table 3).

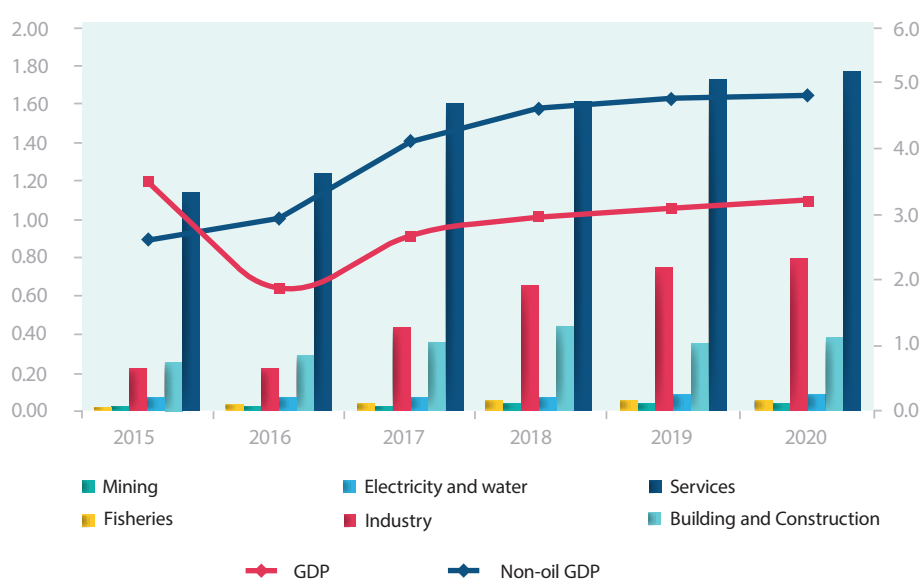
**Table (3)**  
**Estimates of GDP balance through the 9th Plan years**  
**(Constant prices 2010-)**

	2016	2017	2018	2019	2020
Total oil activities	11660	11684	11708	11732	11756
Crude oil, of which:	10744	10744	10744	10744	10744
Crude oil extraction.	10192	10192	10192	10192	10192
Services associated with extraction of oil and gas	552	552	552	552	552
Natural gas.	917	940	964	988	1012
<b>Total non-oil activities</b>	<b>16627</b>	<b>17324</b>	<b>18132</b>	<b>19007</b>	<b>19917</b>
Agriculture	212	217	223	229	235
Fisheries	149	156	168	182	196
Mining and quarrying	113	120	128	136	145
<b>Manufacturing</b>	<b>2586</b>	<b>2670</b>	<b>2751</b>	<b>2821</b>	<b>2904</b>
Hydrocarbon industries:	1347	1386	1416	1431	1459
Manufacturing of chemical materials and products.	1268	1295	1309	1323	1350
Refined oil products.	79	90	107	108	109
Other manufacturing industries:	1239	1284	1335	1390	1445
Electricity and water supplies.	437	457	479	503	528
Construction	2229	2336	2459	2595	2732
<b>Service activities</b>	<b>10901</b>	<b>11368</b>	<b>11924</b>	<b>12541</b>	<b>13176</b>
Wholesale and retail trade.	2238	2342	2464	2598	2732
Hotels and restaurants.	244	254	270	288	306
Transport, storage and communication.	1678	1749	1841	1951	2071
Financial intermediation.	1408	1464	1529	1599	1669
Real estate, rental and trade projects activities.	1156	1179	1205	1232	1260
Public administration and defense	2610	2730	2869	3021	3180
<b>Other services</b>	<b>1566</b>	<b>1650</b>	<b>1746</b>	<b>1852</b>	<b>1957</b>
Education	1257	1307	1365	1427	1490
Health	505	525	548	573	598
Community, social and other personal service activities.	304	316	330	345	360
Households that appoint persons for management and household works.	97	101	105	110	115
Minus: Financial intermediation services indirectly estimated.	597	599	602	604	607
Plus: Taxes minus subsidies on product	1319-	1324-	1330-	1336-	1342-
<b>Domestic product by base price</b>	<b>28287</b>	<b>29008</b>	<b>29840</b>	<b>30739</b>	<b>31672</b>
<b>Domestic product by market price</b>	<b>26968</b>	<b>27684</b>	<b>28510</b>	<b>29403</b>	<b>30330</b>

Figure No (7) indicates that the non-oil sectors will be the primary movers of growth. Also, the share of manufacturing, building and construction represent the first rank in contribution to the growth. The service sector remains the dominating sector of the growth process of GDP.

**Figure (7)**

**Relative share of economic sectors in the annual growth rates**



**Diversification and stimulation of local and foreign investment**

The Plan targets supporting the local and foreign private sector to be the leading investor in the process of growth with its share of investment planned to reach about (%52) of total investments. This is through a package of policies that includes:

- **Removal of obstacles that affect the ease of doing business**, provision of an attractive climate for local and foreign investment through expediting the issuance of the investment law, and enhancing the role of the Public Authority for Investment Promotion and Development of Exports (“Ithraa”) in such a manner that leads to its participation in development of the private sector and improving the business environment. The mentioned authority (“Ithraa”) should undertake the formulation of the national strategy for private sector development and attraction of foreign investments.



- **Implementing the proposed privatization programme** and depositing its returns in a special fund to finance public private partnership projects.
- **Reviewing the main laws of trade** to simplify the procedures related to trade, and enact necessary laws needed (currently not available), such as a bankruptcy law that will contribute in providing protection and flexibility to investors.
- **Execution and promotion of “Invest Easy” programme** to make the process of business establishment more efficient, transparent and easy, with cancellation of the lower limit requirements of capital to establish businesses.
- **Overcoming the obstacles confronting the competitiveness of the Omani economy**, improving the business environment and enhancing the private sector role by providing a suitable climate for support of private and foreign investments.

The 9th Plan addressed these challenges by awarding the private sector a major role in the investment till its share reaches about (%52) of total investments and intensifying the investments directed towards the promising sectors (Table 4).

**Table (4)**

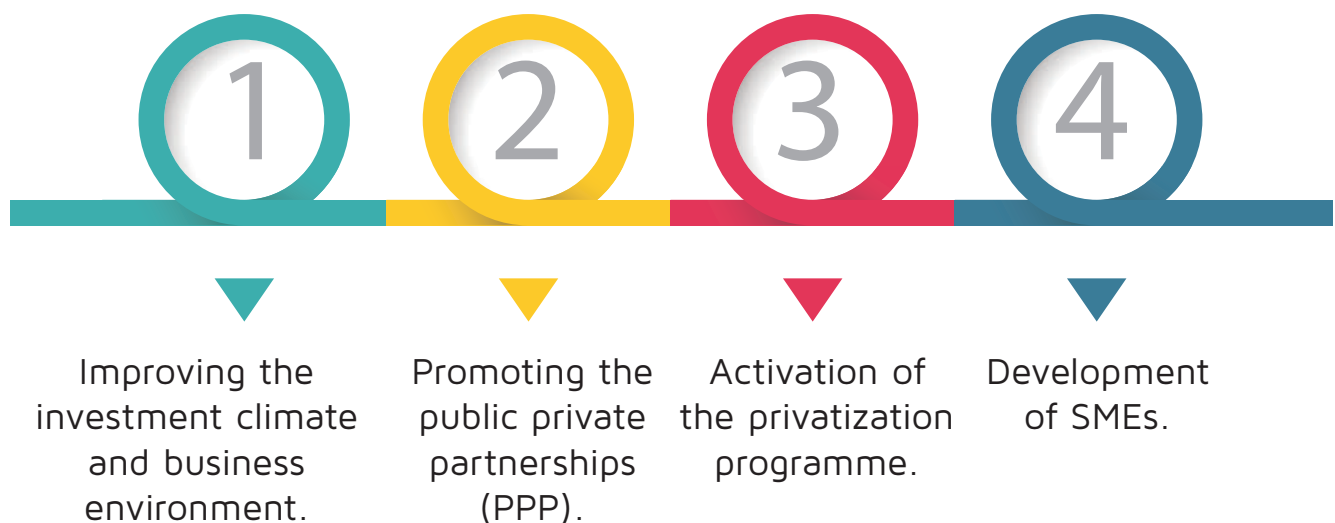
### Estimates of anticipated investments in the strategic sectors from public and private sectors

R.O million

Sector	Private	Public	Total	Ratio from total investment
Total investment in strategic sectors	9.171	2.277	11.448	28.0
Fisheries	704	410	1.114	2.7
Mining and quarrying	720	19	739	1.8
Tourism	1.247	357	1.604	3.9
Manufacturing	2.000	597	2.597	6.4
Logistic services	4.500	893	5.393	13.2
Total investment for the 9th Plan R.O	21.063	19.749	40.812	
%	52	48	100	

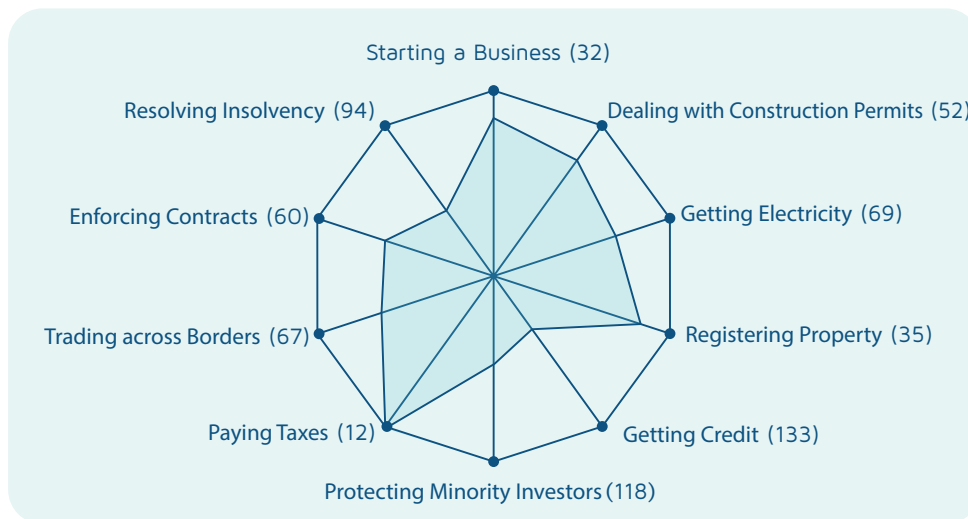
In addition to the above indicated estimates, a group of projects and initiatives were reviewed in the workshops (Labs) related to the programme for enhancing economic diversification (Tanfeedh). They identified (121) initiatives and projects in which the preliminary estimate of investments is about R.O. (17.4) billion. Of these, R.O. (15) billion are investments by the private sector, which are currently in the executive and legal procedures completion stage. For promotion of the private sector's role as a primary driver of growth, the Plan comprises a group of directions including:

### Requirements of implementing the economic diversification strategy Promotion of the private sector role as a primary driver of growth:



When analyzing the factors affecting the business environment, additional aspects that limit the Sultanate’s competitiveness, in the forefront, are investors’ protection, commencement of activity processes (licenses and permits), obtaining banking credit, and settlement of insolvency cases as shown in the following Figure:

### Factors limiting improvement of business environment

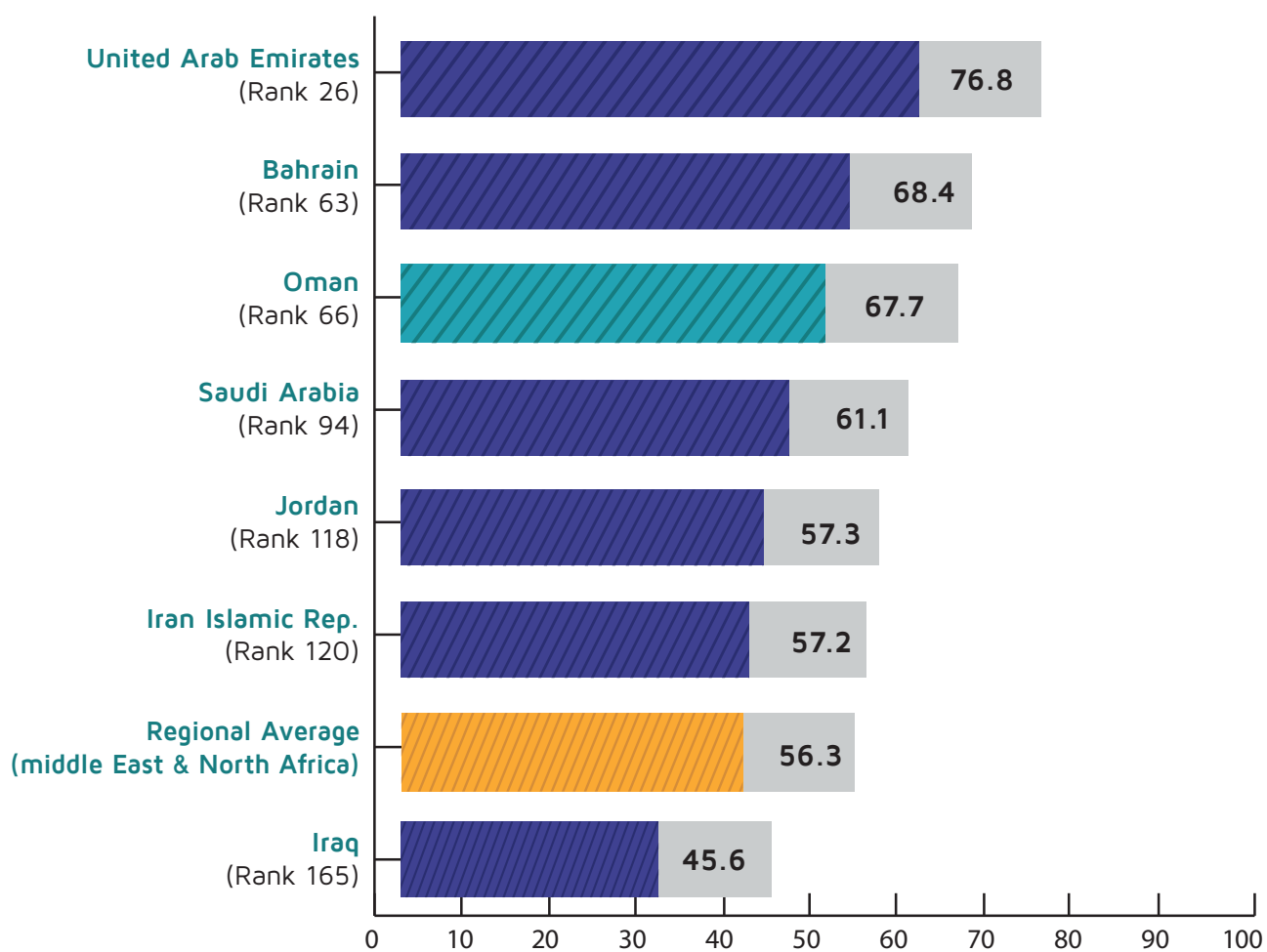


- Performance gets better depending on closeness to the external circumference.
- Source: -2017World Bank report on Ease of Doing Business.

Performance gets better depending on closeness to the external circumference.

Source: -2017World Bank report on Ease of Doing Business.

The Sultanate's rank as per the -2017 index of the Ease of Doing Business.



Source: -2017 World Bank report on Ease of Doing Business

### **Diversification and provision of work opportunities**

There unanimous agreement that the problem of citizens' employment, particularly youth, represents the foremost challenge for policymakers. The 9th Plan targets the provision of productive and rewarding work opportunities for citizens as the first priority. This required a thorough study of the dynamic nature of the labour market and its mechanisms, and the effects of changes to the employment structure and utilization of the workforce. The most important results of this study were as follows:

- The problem of employment in the Sultanate is not due to shortage in demand for workforce (as is the case in economies of high population intensity). The growth pattern in the Omani economy creates work opportunities that largely exceed the total capacity of the available national workforce. However, the participation ratio of the workforce did not exceed (%21) of total employed in 2014. The majority of nationals employed were in the government and public sector where they represent about (%85) of those employed in this sector, as compared to only (%12) in the private sector.
- The employment structure in the labour market requires focusing on the supply side, particularly with the national workforce, categorized with different needs and objectives in terms of age group, gender, education status, skill and geographic distribution.
- It is anticipated that the annual growth rate of the Omani workforce will reach (%3.5) during the 9th Plan compared to the estimated growth rate of the Omani population during the same period of about (%2.6). The projec-

tions of Omani workforce growth during the Plan period were prepared considering the outputs of the education and training system in the Sultanate (graduates and drop-outs) and also the outputs of Omanis studying abroad. According to these estimates, the expected graduates (males and females) during the 9th Plan was estimated at (185989) of which (%49.3) are females. This number increases if the drop-outs are added to reach (232714). Using these estimates, and taking into account the expected actual economic participation rates of graduates groups, it is expected that total entrants to the labour market will reach (220) thousand with an annual average of (44) thousand entrants per year over the Plan period – (%53) males and (%47) females.

The expected investments during the Plan shall lead to large growth rates in sectors characterized by the use of intensive skilled, limited skill and unskilled workforce such as construction, wholesale and retail trade, manufacturing, transport, storage, communication, hotels and restaurants in a manner that exceeds the additional supply of Omanis in these groups. Of note, the traditional sectors (construction and trade) will still acquire more than half of the new work opportunities that are created by the Plan, which is considered one of the important challenges of labour market in the future (Table 5).

**Table (5)**  
**Workforce requirements during the 9th Plan**  
**Sectoral distribution of workforce 2015 and 2020 (%)**

Economic activity	Employment size 2015		Expected employment size in 2020		Increase in employment size (2020-2015)	
	Number	Ratio	Number	Ratio	Number	Ratio
Agriculture and hunting*	92478	5.2	102134	4.9	9656	2.9
Fishing*	11405	0.6	15659	0.7	4254	1.3
Mining and quarrying*	33682	1.9	43909	2.1	10227	3.1
Manufacturing*	208432	11.8	240600	11.5	32168	9.7
Electricity and water	4116	0.2	4902	0.2	786	0.2
Construction	690923	39.1	816596	38.9	125673	37.9
Wholesale and retail trade	241682	13.7	288771	13.8	47089	14.2
Hotels and restaurants*	106163	6.0	133625	6.4	27462	8.3
Transport, storage and communication*	63034	3.6	77936	3.7	14902	4.5
Financial intermediation	21518	1.2	25140	1.2	3622	1.1
Real estate and trade activities	101720	5.8	112505	5.4	10785	3.3
Education	104159	5.9	128840	6.1	24681	7.4
Health	45593	2.6	55916	2.7	10323	3.1
Community, social and other personal services	43278	2.4	53128	2.5	9850	3.0
<b>Total</b>	<b>1768183</b>	<b>100.0</b>	<b>2099660</b>	<b>100.0</b>	<b>331478</b>	<b>100.0</b>

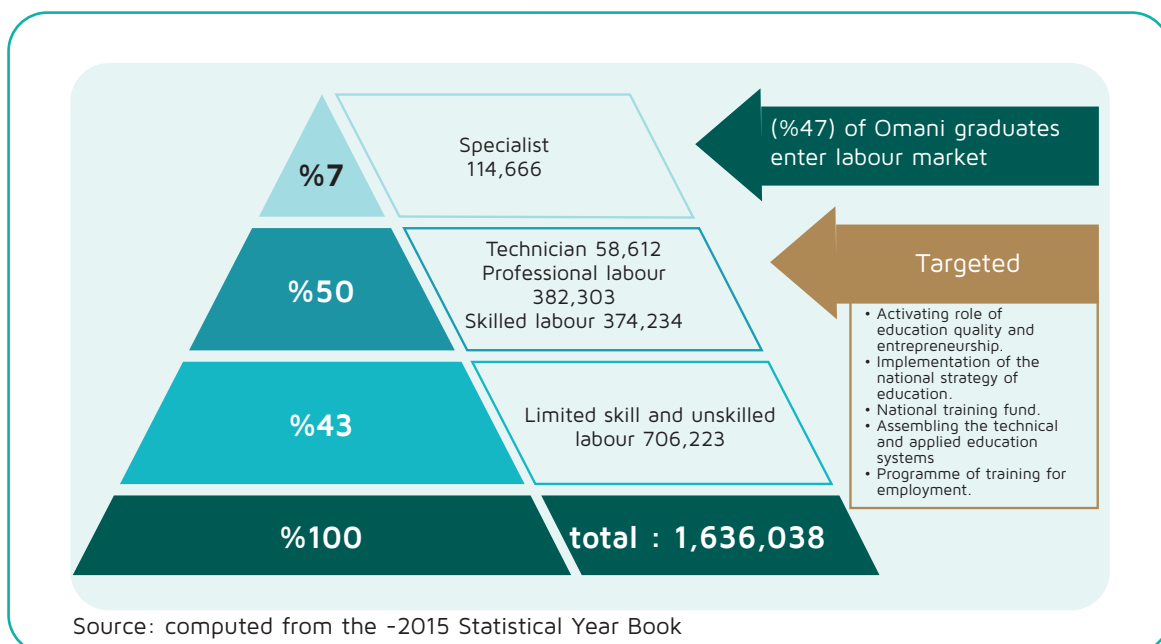
**%52.1**

(\*) Promising sectors

The real challenge in the labour market is manifested in qualifying Omani graduates to work in the private sector or self-employment and entrepreneurship, particularly in SMEs. This requires a national strategy for employment that includes two main paths:

- Targeting the replacement of citizens in place of expatriate workforce in the middle group of the employment pyramid in the Sultanate (Figure 8), where (%43) of the expatriates are of limited skill and unskilled workforce which are works that citizens abstain from. Further, (%50) of expatriate workforce are in the groups: technician, professional labour and skilled labour, and this what the strategy should target in the short and medium terms, while in the long-term it is possible to target the specialists group (%7).

**Figure (8)**  
**The national strategy for employment: Targeting the middle groups of the employment pyramid**  
**Distribution of the expatriate workforce by professional groups in 2015**





\* Amending the education and training path in the Sultanate aiming to achieve compatibility between education and training outputs and labour market needs (this in the framework of the national strategy for education with activation of the role of the national training fund). This requires a harmonized package of labour market policies that take into consideration the close relation between education and training, employment, growth and revenues. This sequence represents a system of connected rings, as the education and training outputs promote the ability of citizens to compete in labour market, then their employability shall increase which will define the growth capability of the economy and provision of the suitable income for the workforce.

### **Diversification and exports development**

Of the main challenges confronting economic diversification is the reorientation in the production structure to be reflected in a heightened focus on exports formation. The Sultanate, like the other GCC States, is characterized by an emphasis on the exports basket. The Figure No (9) shows that the IMF index for diversification/concentration of exports indicates stability of this rate at the same level for the years (2010-2000). This is attributed to the dominance of the oil and gas exports on the exports structure. The remaining exports are represented by commodities that are dependent on oil and gas, or re-exports.

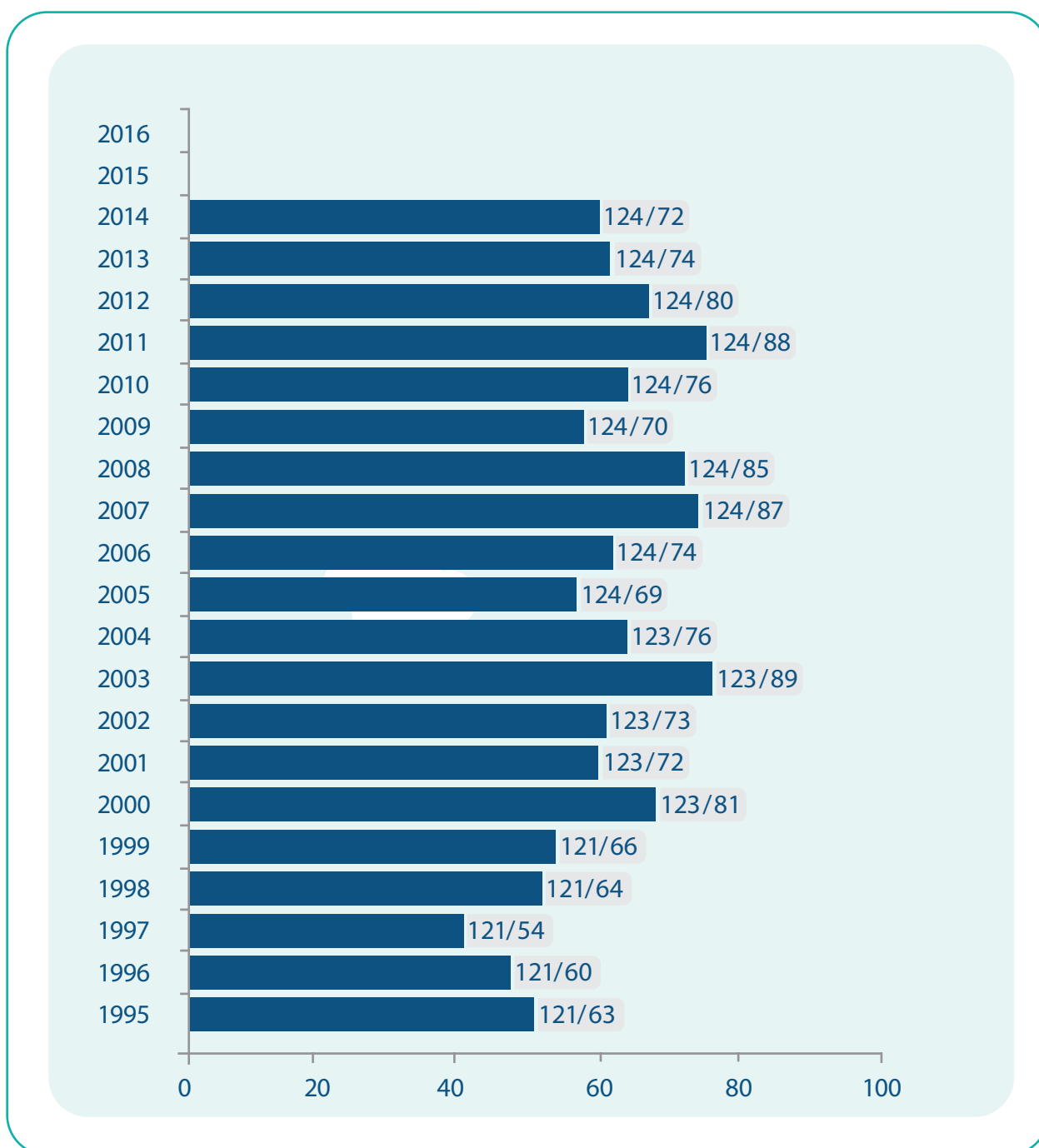
**Figure (9)**  
**Oman: Exports diversification index**



Source: IMF, exports diversification/concentration index.

Facing this high focus on exports is a similar degree of concentration on production structure, which is confined to a limited number of commodities without the growth of other production sectors. This is reflected by the economic complexity index, which measures the degree of diversification in the production structure in the country. This index shows that despite the dependence of the Sultanate on oil and gas, this reliance is decreasing. In spite of this, the said index, Figure No (10), did not indicate any noticeable change in the last two decades. The study of the index and Oman's current position from Harvard university noted that the Sultanate has the best chance for economic diversification through the promising products that are known as (CLASS 1), which are comprised of chemical and plastic materials, minerals, electrical and electronic appliances, machines and transport means. The Sultanate enjoys a competitive advantage in developing these materials compared to other GCC States except the Emirates. The report also indicated that the main obstacle facing the economic diversification process is the lack of skills, which is considered a critical obstacle in the development path (as previously analyzed in the section titled: "diversification and provision of work opportunities").

**Figure (10)**  
**Oman: Economic Complexity Index**



## Chapter Three

This chapter provides a brief summary about the five promising sectors. The book regarding the national programme for enhancing economic diversification “Tanfeedh” (2017) ...

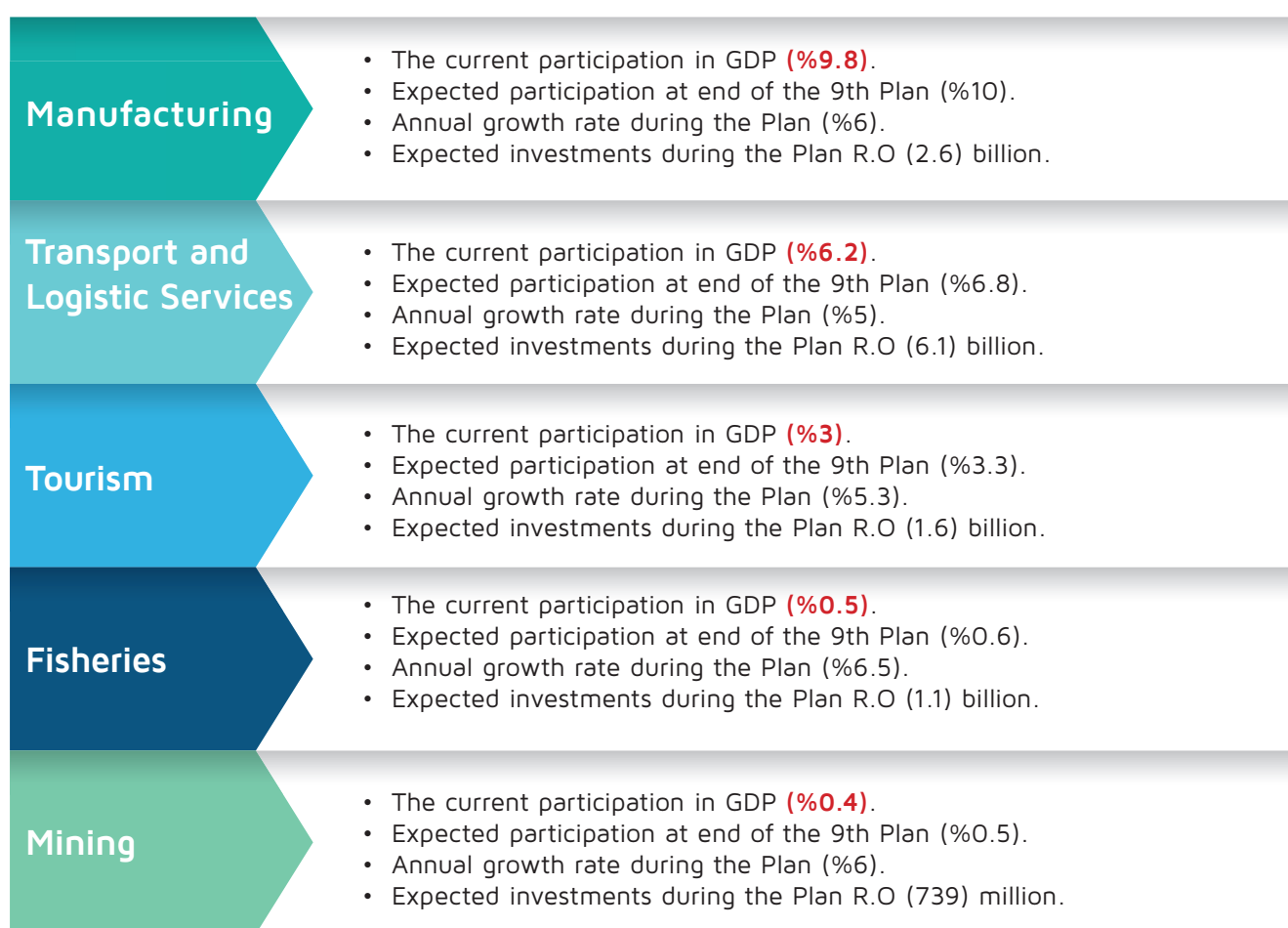


## Promising Sectors: Challenges and Opportunities

This chapter provides a brief summary about the five promising sectors. The book regarding the national programme for enhancing economic diversification “Tanfeedh” (2017) shall provide additional details related to the challenges and opportunities facing the first three of the promising sectors.

The 9th Plan targeted concentration on five promising sectors. The selection of these sectors was based on their potential capabilities that enable them to contribute to economic growth, employment and increasing export. This does not mean neglecting the other sectors as they still are emphasized in various government programmes, including in the investment budget for development, with stimulation of the private sector to direct further investments towards them. The (Figure 11) summarizes the targets of the promising sectors in the 9th Plan:

**Figure (11)**  
**Targets of the promising sectors in the 9th Plan**



For promotion of the growth in the above mentioned sectors, the national programme for enhancing economic diversification (Tanfeedh) targeted three of the promising sectors, which were Manufacturing, Tourism, and Transport and Logistic Services. The preliminary investments estimated for initiatives and projects therein reached about R.O (2.0) ,(10.5) and (4.2) billion respectively, of which (%86) are expected from the private sector.

The challenges facing these sectors were identified in order to design policies and programmes that serve as solutions to existing problems. The following Figure summarizes the important challenges confronting the various diversification sectors.

**Figure (12)**  
**Challenges of the promising sectors in the 9th Plan**

**Joint challenges for most of the sectors**

- Provision of an attractive business environment that enables local and foreign private sector investments.
- Provision of qualified Omani workers, and facilitating the recruitment of required expatriate workforce.
- Difficulty in entering external markets due to some procedures pertaining to customs
- Weakness in marketing and defining the Omani identity for promoting Omani products and enhancing tourism.
- Sectors' governance and their regulation: Completion of the statistical database, formulation of a clear integrated strategy, coordination between the sectoral policies.

**Challenges for each sector**

Manufacturing	Transport & Logistic Services	Tourism	Fisheries	Mining
<ul style="list-style-type: none"> <li>• Shortage in gas supply for industry.</li> <li>• Decreasing competitiveness in operational costs due to high gas prices.</li> <li>• Low availability of programmes to provide local content.</li> </ul>	<ul style="list-style-type: none"> <li>• Deficiency in use of technology to facilitate commodities movement across borders, including customs efficiency.</li> <li>• Modest ranking of the Sultanate in international classification in transport and logistic services, in addition to strong competition at regional level, which has negative impact on attraction of investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Shortage in air connections, weak absorption ability, which are considered the main factors for attracting visitors.</li> <li>• Challenges in internal connections, which limit ease of movement to tourism locations or travelling between regions and governorates</li> <li>• Tourism attraction locations are limited and difficult to reach.</li> </ul>	<ul style="list-style-type: none"> <li>• Inability of the Sultanate to completely exploit its production potential in fisheries due to reliance on small fishing boats and focusing primarily on artisan fishing.</li> <li>• Preserving the fisheries wealth without its depletion.</li> </ul>	<ul style="list-style-type: none"> <li>• Necessity of available geological maps for mineral assets in the Sultanate.</li> <li>• Unavailability of necessary infrastructure for developing some promising mines.</li> <li>• Limited number of mega companies operating in metals mining, which is one of the important points of weakness of this sector in Oman.</li> </ul>



Accordingly, the Royal blessing, for the national programme for enhancing economic diversification (Tanfeedh) gave a strong push to achieving community collaboration needed for defining the challenges and designing detailed plans to overcome them, including identifying the authorities to carry out the implementation and the finance mechanisms, using a proven framework based on international experience.

For achieving an institutional mechanism to carry out the tasks of follow-up and implementation, Royal Decree No. (2016/50) was promulgated to establish a "Implementation Support and Follow-up Unit" under the direct supervision of the Minister of the Diwan of the Royal Court.

Following is a review of the general features of the five promising sectors:

### **Manufacturing: Growth engine**

It is expected that the manufacturing sector shall achieve high growth rates of (%10), on average, during the 9th Plan. Its contribution to gross domestic product, in current prices, will reach about (%14) against (%10.5) during the 8th Plan period. The sector is considered one of the important economic sectors whereas it represents the growth engine for non-oil activities. It can provide a large number of work opportunities for new entrants to the labour market and increase the exports value of non-oil activities.

### **Transportation and Logistic Services:**

The Sultanate's distinguished strategic location (the gateway facing the growth centers of Africa and East Asia)

Transportation and logistics services is one of the promising sectors that will be focused on in the framework of the economic diversification plan. The 9th Plan aims to develop this sector so that Oman regains its historical position as an important hub for navigation and an eastern gateway to the emerging Asian economies. This necessitates making the Sultanate an important logistic center, pivotal in the region. These objectives, if achieved, will support the external trade system of the Sultanate, particularly the re-export activities and assembling of industries and products locally. Concentration will also be placed on air transport services and development of the infrastructure for avi-

ation in a manner that serves the tourism sector. In light of these ambitions, it is expected that the transport, storage and communication sector will achieve a high annual growth rate in constant prices of (%7.8), on average, during the 9th Plan compared to an average real growth rate (in constant prices) of (%7) during the 8th Plan.

The Sultanate ranked fourth among Arab countries and (48) internationally in the logistic performance index, advancing (11) ranks between 2014 and 2016, as per the report issued by the World Bank in June 2016. The advancement of the Sultanate is a reflection of its progress in most of the indicators comprising the six main indices which are customs, infrastructure, sea cargo, logistic efficiency, follow-up and pursuit, and timing. The report illustrated that the most outstanding progress in ranking for the Sultanate is in the logistic efficiency index where it advanced (35) ranks from (73) internationally in 2014 to (38) in 2016, and the follow-up and pursuit index where it advanced (23) ranks from (80) internationally in 2014 to (57) in 2016. The approved Logistics Strategy2040- aims to improve the Sultanate's rank in the logistic services index to be among the top (30) countries worldwide by 2020.

**Figure (13)**  
**Progress of the Sultanate in the six indices comprising the general index of logistic performance during (2016-2014)**

Index	2014	2016
Customs	74	61
Infrastructure	57	34
Sea cargo	31	40
Logistic efficiency	73	38
Follow-up and pursuit	80	57
Timing	67	57
General index	59	48

Source: World Bank, logistic efficiency index, June 2016.

### **Tourism: Environment diversity and political stability**

It is expected that the tourism sector will grow by an average rate of (%7.5) during the 9th Plan period, which shall lead to an increase of the sector's share in the GDP in current prices from (%0.7) during the 8th Plan to an estimated (%1) during the 9th Plan taking into account that this rate does not represent the real GDP participation rate of the tourism sector. This is due to the fact that the national accounts figures are limited to only the restaurants and hotels activities without regard to other activities complementary to the sector. It is worth mentioning that the real share of the tourism sector in GDP includes what tourists spend on other important items, which are listed under miscellaneous economic activities such as spending on tourism companies' services, food and drinking, transports and car renting, cultural service and entertainment means, etc. The economic diversification plan aims for making the Sultanate an important tourism destination on the global tourism map with focus on entertainment tourism activities (such as tourism promotion, especially by benefiting from the new Oman Convention and Exhibition Centre). Also, the related business and conferences tourism, and benefiting from the increased number of tourists to the region. In this context, the national sector share in tourism activities shall be increased to reach about (45%) at the end of the 9th Plan against (38%) in 2013.

### **Fisheries: 3126 km of Omani coasts**

The fisheries sector represents one of the promising sectors due to its potentialities which are not optimally exploited till now. In spite of the unique location of the Sultanate with coasts of 3126 km length in diverse ecological environments, the share of this sector in the GDP is still very modest. Its share at the beginning of the 9th Plan (2016) did not exceed (%0.5). Despite this, the fisheries sector has a number of aspects that enable the county to achieve larger growth rates, although this requires confronting a number of challenges to enhance the production. These challenges were defined in the plan formulated by the Ministry of Agriculture and Fisheries for development of the sector for the period (2020-2013). The said defined challenges include the weak efficiency of the current fishing fleet, especially the small size of the fishing boats and their unsuitability for unstable sea conditions, which are currently responsible for more than (%96) of the country's fish production. Further, the challenges include incomplete infrastructure, such as fishing ports and unloading facilities. Also, the current fisheries marketing system lacks primary facilities, such as wholesale and retail markets in the Sultanate gov-

ernorates, in addition to the observance of the low quality of the marketed fish, high loss rate, and weak fisheries industries. Adding to all of this is the importance to establish investment projects in aquaculture and necessity for initiation of pioneering projects to lead the growth of the sector and stimulate private sector investment.

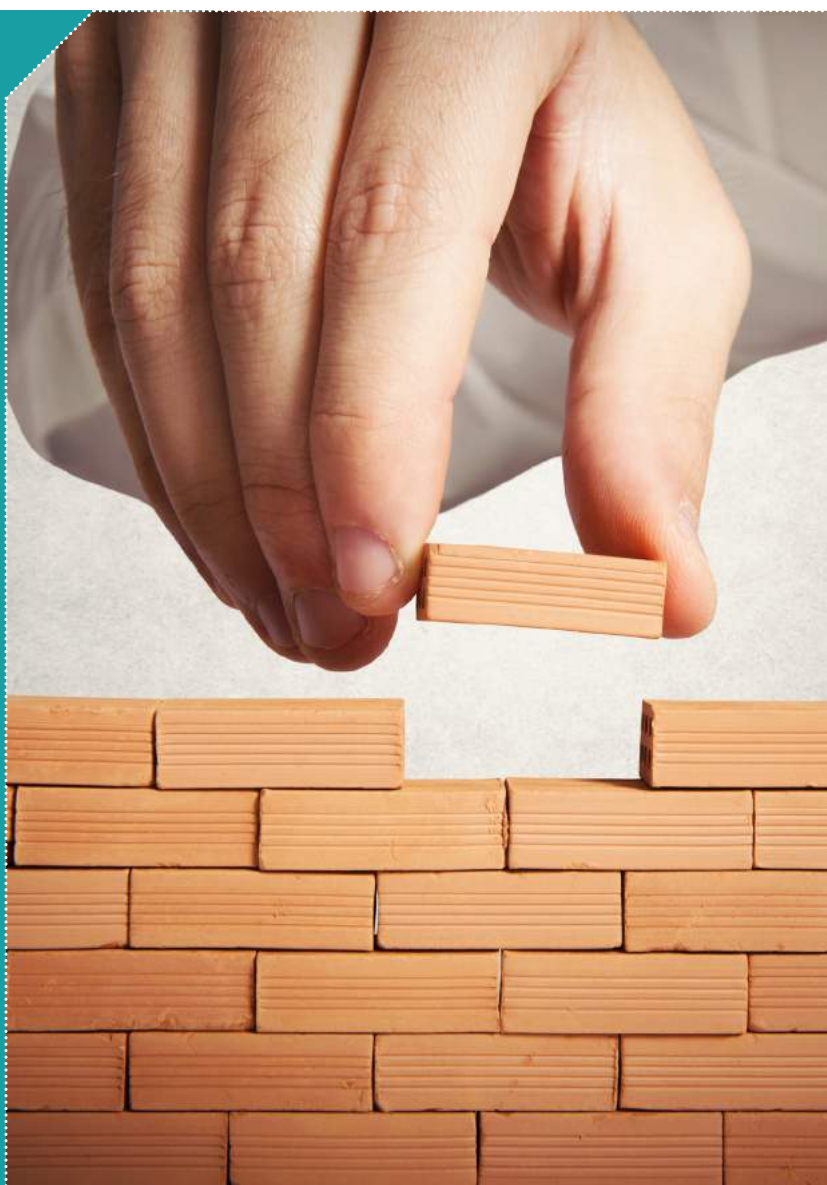
In light of these challenges and the ambitious objectives, the Ministry formulated a plan for development of the fisheries sector for the period (2020-2013) through implementation of (21) projects with investments reaching about R.O (509.4) million. This to achieve production reaching about (462) thousand ton of fish, an annual increase of (%27) compared to the current increase of (%2.8). It is expected to achieve direct revenues of R.O (369.6) million in constant prices (and indirect financial revenues of R.O 739.2 million), and provide more than (8600) direct work opportunities by the start of 2020. According to global indicators, each employed person aboard a fishing vessel provides (3) jobs at fisheries establishments on shore. Therefore, It is expected that the number of those working in the supporting activities will reach about (20400) and that the total work opportunities to be provided by the development plan projects is anticipated to reach (29) thousand, and the growth rate of the sector will reach an annual average of (6.5%) during the 9th Plan period.

### **Mining: The potential wealth as a basis for the local value added maximization**

In light of the proposed procedures and policies for economic diversification, it is expected that the mining and quarrying sector shall record the highest real growth rate in constant prices during the 9th Plan, whereas it shall reach (%9.8) on average. Despite this, its share in GDP in current prices shall reach only (%0.5) due to the reduced production value of this activity currently, which does not reflect the importance of this sector and the promising potentials in the Sultanate in this sphere. The 9th Plan aims to enable the Sultanate to benefit from its disposable mining wealth in an efficient manner and through encouraging the private sector to develop and upgrade it. Also, increasing the participation of the sector and national companies operating in this economic activity to reach (%35) by the end of the Plan period against about (%20) currently. In light of these ambitious goals, it is expected that the production value and sector's share in GDP will double to achieve about R.O (164) million in constant prices in 2020 against R.O (108) million in constant prices in 2015. The mining and quarrying sector is distinguished by the possibility for exporting, including value add activities to refine crude product into industrial products of higher value for export.

## Chapter four

The success of the proposed policies, programmes and plans is subject to the design and implementation of a solid strategy to be implemented in reality ...



## Implementation: Big and fast results

### **From planning to implementation**

The success of the proposed policies, programmes and plans is subject to the design and implementation of a solid strategy to be implemented in reality. Accordingly, the target is to present a detailed plan that provides a practical framework to implement the proposed policies and programmes in the 9th Plan. The detailed plan will comprise the policies, objectives, needed institutional development, definition of units entrusted with implementation, quantitative and qualitative key performance indicators (KPIs) and defining the time-frame required for implementing these policies, programmes and financing mechanisms.

To achieve this, the General Secretariat of the Supreme Council for Planning commenced development of a mechanism for the Plan implementation with guidance from successful international expertise. This included design and implementation of a system for follow-up and evaluation of the plans, procedures, and related economic and social programmes. Along with follow-up of implementation with the concerned ministries and institutions, defining the needed resources and support for these units to achieve their objectives is an important component of the Plan implementation framework. Furthermore, assisting the private sector to overcome obstacles preventing investment, and giving directives to the government units to work towards removing these obstacles. Taking into consideration the conditions of the Sultanate, the following steps were taken:



- Creation of the national programme for enhancing economic diversification (Tanfeedh) for the detailed program design and follow-up of the Plan implementation with the competent units in the government, private sector and civil society. The Royal blessing for the programme gave a strong push for the shift from planning to implementation. Thus, work was launched carrying out consultations related to the implementation by focusing on three of the promising sectors for economic diversification in the Plan (Manufacturing, Tourism, Transport and Logistic Services). These three sectors, in addition to two enabling sectors (Finance and Innovative Funding, Labour Market and Employment) were focused on in laboratories (Labs) that gathered the competent individuals and organisations in each sector aiming to collaboratively develop practical and executable plans for each sector, with specific identification of the objectives, implementation requirements, time periods, units responsible and finance mechanisms, in addition to formulating a plan for follow-up of the implementation through periodic reports outlining implementation obstacles and means to overcome them.
- Issuance of Royal Decree No (2016/50) stipulating the establishment of the Implementation Support and Follow-up Unit supervised directly by the Minister of the Diwan of the Royal Court. The concerned ministries, including the private sector, shall implement each project/ initiative with support from this unit.

Following is a summary of the (Tanfeedh) programme, details of which are published in the “Tanfeedh Programme Handbook” issued already in 2017.

### **The national programme for enhancing economic diversification (“Tanfeedh”)**

#### **Why “Tanfeedh”?**

- Due to the accelerating rate of the economic, fiscal and social challenges facing the Sultanate, and considering the need to diversify national income sources and achieve the 9th Plan objectives, a paradigm shift making initiative is required to keep pace with changes in the Sultanate’s environment.
- Accordingly, the national programme for enhancing economic diversification (“Tanfeedh”) emerged. The programme studied the challenges and difficulties confronted by the government, private sector, and civil society so as to achieve the 9th Plan objectives and formulate a detailed road-map, with participation of society groups, to implement the solutions and follow-up on their accomplishments.



### “Tanfeedh” objectives

- Expediting the rate of plans implementation in areas of economic diversification.
- Benefitting from best practices in social and economic planning and invest the national budget in projects of high economic revenues and value add, which ensure provision of permanent work opportunities for citizens.
- Implementing the objectives, programmes and policies defined for the economic diversification in the 9th Plan.
- Formulating a clear and detailed plan for increasing local and foreign investments in the Sultanate.
- Empowering the Sultanate to raise its competitiveness in the various social and economic indicators.
- Assisting the competent authorities in executing their projects and plans as per prevailing best practices.
- Improving the efficiency of achievement and creating links of cooperation and participation with all concerned authorities.
- Formulating key performance indicators (KPI), defined objectives, and an accurate follow-up and implementation mechanism.
- Defining a ratio of the non-government (private sector) capital investments to finance the promising sectors’ initiatives for the programme.
- Increasing the national income of the Sultanate.

**Figure (14)**

### Sectors targeted in Tanfeedh: (3) Economic sectors and (2) enablers



The work in the other promising sectors (Fisheries and Mining) shall be commenced in the upcoming stage of the programme.

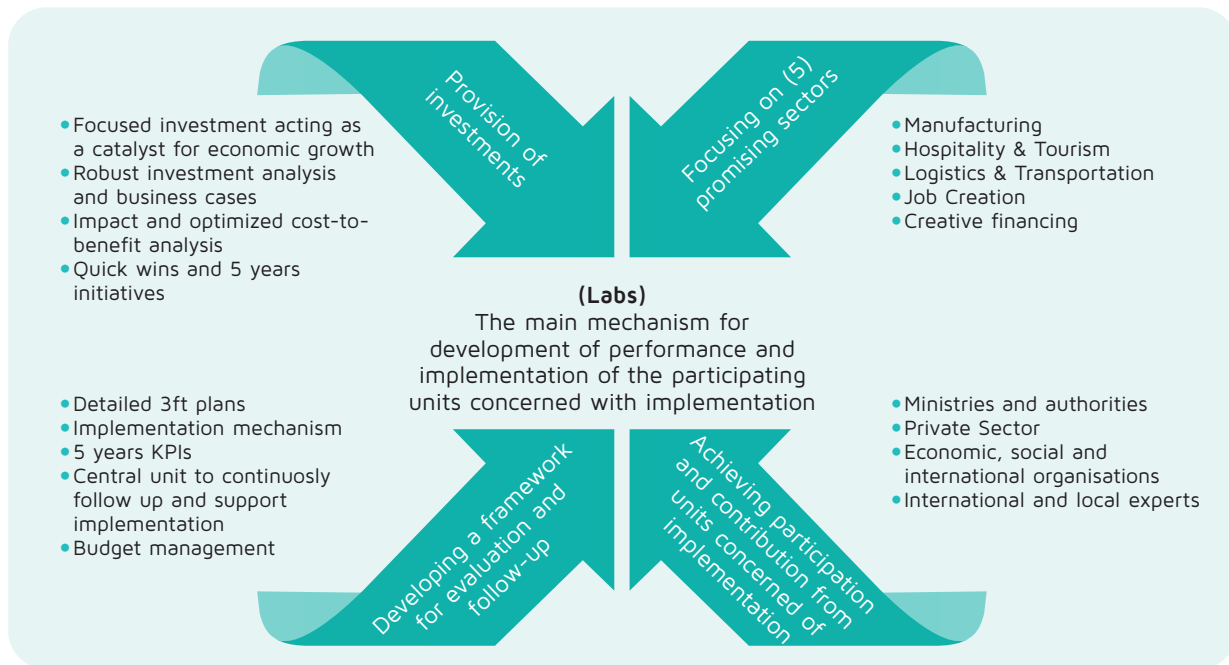
**Steps to implement the programme:**

- First step: (Strategic Direction).
- Second step: (Labs).
- Third step: (Open Days for public participation and feedback).
- Fourth step: (Tanfeedh Programme Handbook).
- Fifth step: (Key Performance Indicators).
- Sixth step: (Implementation).
- Seventh step: (Audit to ascertain soundness of the achieved results).
- Eighth step: (Annual Report to publish the results).

**Labs**

In the context of raising the performance and implementation efficiency, the “Tanfeedh” programme organized a number of Labs with participation of a number of organizations from government, the private sector, civil society institutes and specialized experts from inside the Sultanate and abroad. The objective was to develop detailed implementation plans so as to achieve the Plan objectives through focusing on (5) sectors that contribute to the diversification process.

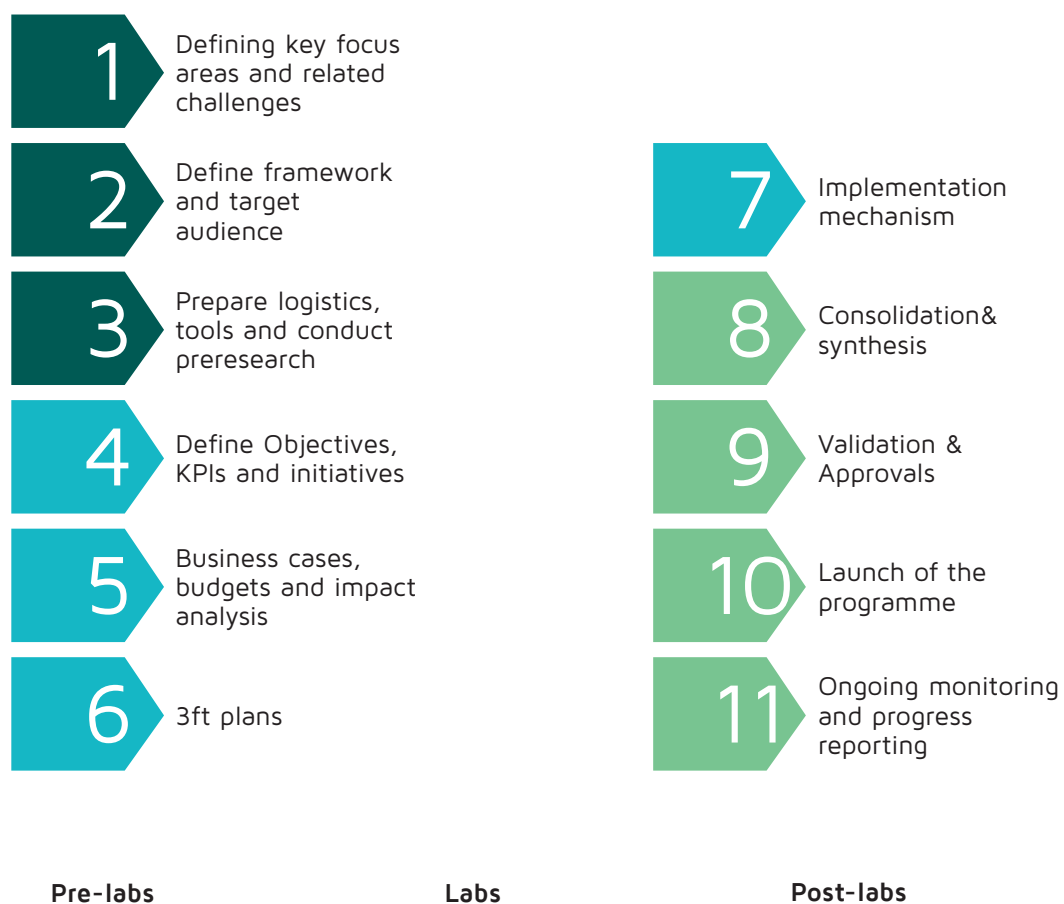
**Figure (15)  
Description of the Labs**



## Stages of implementing the Labs

The Labs work comprised a series of stages starting from identifying the objectives, to diagnosing the challenges to reach the needed initiatives for implementation.

**Figure (16)**  
**Stages of implementing the labs**



### Authorities participating in “Tānfeedh” programme

More than (250) individuals participated in this stage of the programme from the following authorities: Representatives of:



### “Tānfeedh” programme outputs

After the completion of the five Labs period, which had continued for six weeks, the programme rolled out (121) initiatives and projects in the five sectors as shown below:

## Manufacturing

- The aluminum factory.
- Manufacturing of polyethylene terephthalate pipes factory.
- Increasing capacity of Octal factory for production of polyethylene terephthalate chips
- Bitumen manufacturing
- Second stage of Sohar aluminum project.
- Manufacturing of scaffolds and their parts.
- Manufacturing of aluminum and steel products:
- Manufacturing of wheels- designing of valves- solid carbon rims manufacturing.
- Design and manufacturing metal cutters tools and moulds.
- Enhancing local cement production:
- Two new factories- white cement factory- two facilities for cement grinding.
- Dates products.
- Mazoon dairy- an integrated project for dairy production
- Development of poultry production projects.
- Vegetables and fruits processing.
- Fishes canning.
- Formulation of national environment policy for energy sector.
- Diverse energy sources.
- An advanced research centre for manufacturing.
- Support of the existing industrial innovation centre.

31

## Tourism

- Encouraging private investment in natural locations and protectorates.
- Developing the natural, challenge and adventure activities.
- Encouraging private investment in heritage sites.
- Setting activities agenda for a year.
- Establishing local areas for restaurants and cafes.
- Projects of unique tourism sights.
- Facilitating establishment of integrated tourism complexes, hotels and distinguished attraction sites.
- Setting the comprehensive tourism plans for Musandum, Nizwa, Muscat and Sur.
- Establishing one-stop-shop as a centre for servicing investors and customers at Ministry of Tourism.
- Extending land usufruct and rent contracts.
- Facilitating granting tourism visas for new markets exporting tourists.
- Setting a central mechanism to address issues related to tourism sector.
- Establishing Oman office for tourism and conferences.
- Tourism development fund.
- Package of solutions for employment and workforce.

45

## Logistics Services

- Project of linking railway with mining fields.
- Promoting land linking with GCC States.
- One-stop-shop for customs clearance (Bian).
- Warehouses for cross-borders goods.
- Improving network of logistic cooling series.
- Empowering logistic e-trade for all link stages (the preliminary and the final)
- Project of the cargo village.
- Promoting the operation efficiency of the air cargo clearance process.
- Developing air cargo operations.
- Salalah port development.
- Improving quality of ports services.
- Expanding and enhancing rationing link in the region.
- Increasing competitiveness and quality of services provided by local logistic services providers.
- Expediting the imports and exports movement cross borders: Application of ports community system in all outlets.
- Provision of equal-chances work environment for all free zones.

15

## Finance and Innovative Funding

- Establishing real estate investment funds.
- Building and development of capabilities for promotion of partnership projects between government and private sectors.
- Creation of two institutions for managing the implementation of infrastructure and other government projects.
- Avoidance of interests conflicts between work in government and private work.
- Promotion of governance system in all government units and setting a mechanism for checking degree of abidance therein.
- Linking all government units by e-tender system.
- Establishing a credit office through private sector.
- Privatization of some government companies.
- Expedite the issuance of external investment law and its internal regulation.
- Unifying the efforts of promoting external investment.
- Linking all government units by « Invest easy» system for continuity of simplifying procedures to acquire licenses.

16

## Labour Market and Employment

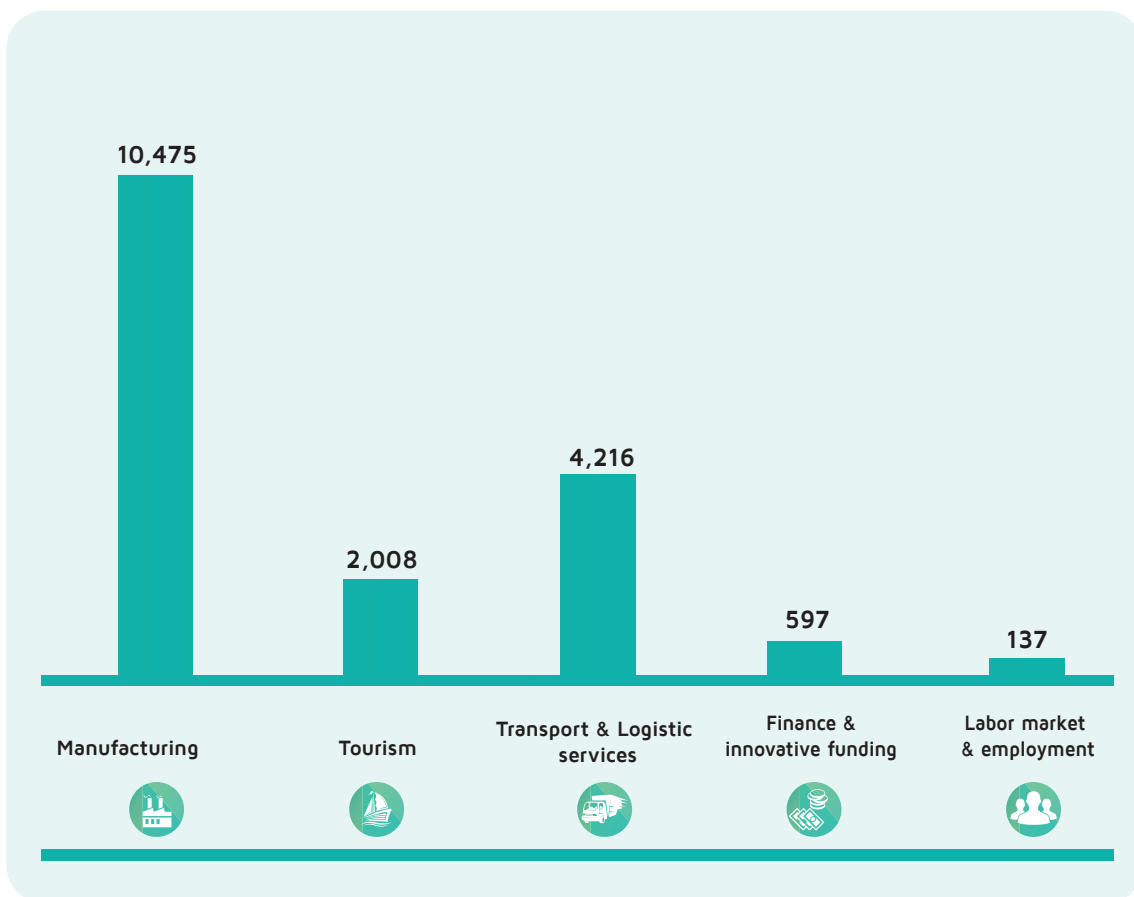
- Employment policies linked to part time and temporarily work and enhancing the flexibility of movement of workforce.
- Gradual Omanization policies according to nature of the work.
- Development and upgrading the professional standards.
- Setting up a national system for qualifications.
- Leadership training programmes for middle and senior officials.
- Promoting the governance of vocational training institutes.
- Provision of work opportunities through support of SMEs.
- Strengthen representation of economic sectors to link between supply and demand in labour market.
- Harmonizing the definition of "work-seeker (unemployed)" with the definition of ILO.
- Unifying efforts related to employing of unemployed.
- Making the private sector more attractive for national workforce by creation of stimulating packages.
- Creation of new mechanisms to settle labour disputes.

14

### Requirements of implementation

If the initiatives and projects developed by the labs are implemented as specified in the Labs (noting that continued refinement of specifications is a natural part of implementation) they shall be able to provide investment of R.O (17.4) billion, most of which is from the private sector (R.O 15 billion), whereas the government share is expected to be R.O (2.5) billion.

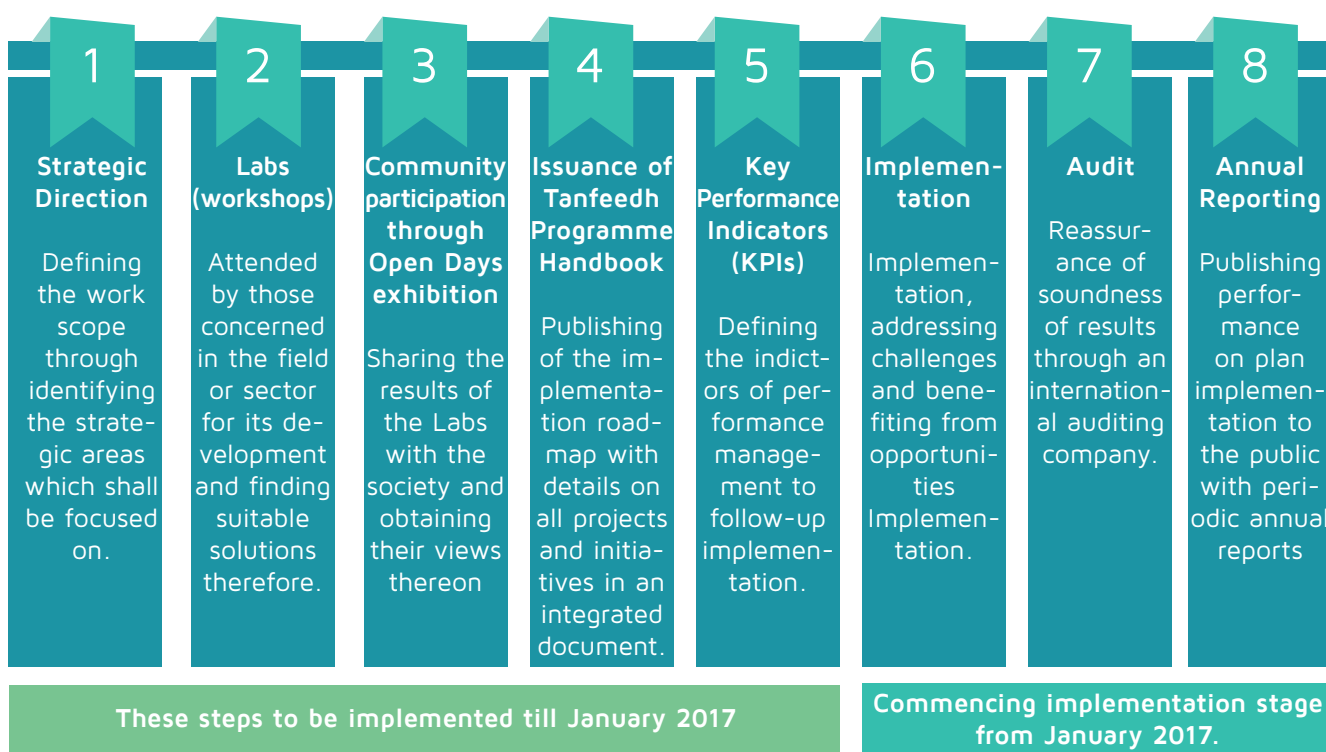
**Figure (17)**  
**Tanfeedh Investments by sector (R.O million)**



### After Labs

According to the methodology of the Tanfeedh Programme’s eight steps, the programme completed the third and fourth steps related to the setting-up of an Open Days exhibition so as to realize the community participation in the programme outputs, and issuance of a Tanfeedh Programme Handbook. The other steps, which comprise development of KPIs for the follow-up, implementation, audit and verification of the soundness of the achieved results, and publication of an annual report, shall be completed. The following Figure illustrates the various steps of the programme:

**Figure (18)**  
**Tanfeedh Eight (8) Step Methodology**



## Epilogue

The economic diversification objective remained a prime goal and a constant feature in the successive economic development plans in the Sultanate since the dawn of the Renaissance ...





## Diversification: A path for shifting to a better future

### **Inevitability of diversification**

The economic diversification objective remained a prime goal and a constant feature in the successive economic development plans in the Sultanate since the dawn of the Renaissance. Great strides have been made by the Sultanate in achieving this objective, which is reflected in the significantly decreasing dependence on oil compared to other GCC States. The steady increase in oil prices since mid of the ninetieth of the previous century led to creation of a development approach in which the direction for diversification was reduced. Even so, the achieved rise in the share of non-oil sectors in GDP was due to the growth of sectors in industry and trade directly related to oil and gas, or depending primarily on government expenditure.

Near the end of the 8th Plan period, an economic performance evaluation of the progress towards Oman's Vision 2020-1995) 2020) and the 8th Plan illustrated that the Sultanate's economy achieved significant economic growth, established an infrastructure at international standards, and intensified investment in human development comprising education and health services. This development paved the way for increased social development, and was the foundation for a paradigm shift in the Omani economy towards deepening the economic diversification and pushing for increased employment of citizens in the private sector. This coincided with the global shock and sharp decline in global oil prices exceeding (%70) since mid of 2014, creating an urgent need for expediting the economic diversification process. All this was reflected in the formulation of the 9th Plan where economic diversification was defined as a strategic objective for growth. This coincided with the results of Article 4 negotiations between the IMF and Sultanate of Oman for 2016 where the report stipulated "the decrease in oil price promoted the need to accelerate the economic diversification rate and growth of the private sector's role. Also, that the improving of the business environment, efficiency of the government ap-

paratus and issuance of the investment law shall participate in increasing the share of the private sector in investment. Further, the upgrading of education quality will empower the national workforce to acquire work opportunities in the private sector. Finally, the support of SMEs shall participate in creation of work opportunities and increase the non-oil exports”.

In light of this, the 9th Plan targeted, besides achieving an annual growth rate that maintains the welfare of the Omani citizen, diversification of the growth sources through development of five promising sectors that have potential capabilities that enable them to contribute in increasing the growth rates, broadening the production base, and growing income sources for the public finances of the State. This is along with emphasizing that the diversification concept in the Plan is not limited to only changing the sectoral structure for production; rather it represents a process of structural change that also comprises the fi-

financial aspects and the implementation requirements for development of a national trained workforce. The General Secretariat of the Supreme Council for Planning commenced the formulation of a manual for implementation of the Plan and its projects under the current economic conditions.

### **Towards a national strategy for economic diversification**

As the success of the proposed policies and programmes in the Plan is subject to the design and implementation of an integrated strategy to be implemented in reality, and guided by successful international expertise, this strategy constitutes the following four mainstays:

**First:** Deepening of the concept of economic diversification so as to not only be limited to structural sectoral shifts, despite their importance, but also include the enablers that lead to a real shift in the production structure, export structure, investment incentives, and employment structure. This in order to

create a paradigm shift in the national economic structure, its growth sources, and means of distributing the returns from this growth. In other words, this concept of diversification means achieving the economic and social shift and not just a shift in the sectoral structure and composition.

**Second:** Completion of the institutional structure for the implementation mechanism through promoting the role of the “Implementation Support and Follow-up Unit” by building on the outputs of the national programme for enhancing economic diversification “Tanfeedh” to ensure the implementation of the projects and plans of the ministries and the private sector. Successful international experiences indicate that the performance efficiency of such a unit requires the formulation of clearly defined programmes, and identifying clear objectives for each stage with provision of the necessary resources and support so as to be the effectively follow-up on implementation and performance.

**Third:** Achieving financial soundness through encouraging and stimulating the local and foreign investments to finance the projects that target the achieving of economic diversification and provision of work opportunities, with removal of obstacles confronting the growth of the private sector and working to improve the business environment.

**Fourth:** Activating efforts to upgrade the national workforce skills so as to enable Omani jobseekers to compete in the local and regional labour markets. This is through activation of the national training fund, enhancing efforts related to education as per the national strategy for education 2040-, and setting up a national plan for workforce development to bridge the gap between educational outputs and the needs of the labour market with a focus on the sectors supporting the economic diversification process.

The success of the strategic direction towards economic diversification is the ultimate guarantee for continuing in along the path toward a better future in the Sultanate.